Monthly Economic Wrap

April 2023

Summary

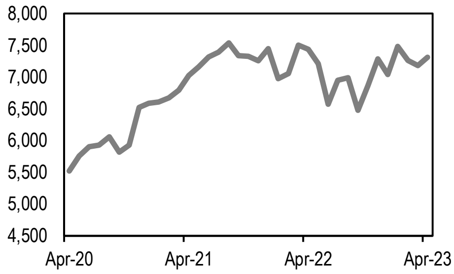
Economic

- According to the Conference Board, global real GDP is forecasted to grow by 2.2% in 2023, down from 3.3% in 2022. Most of the weakness will be concentrated in Europe, Latin America, and the U.S.
- Asian economies are expected to drive most of global growth in 2023, as they continue to benefit from reopening dynamics and less intense inflationary pressures compared to other regions.
- Despite rapid monetary tightening, inflation is proving persistent in many major economies, particularly on the back of strength in labour markets amid significant labour shortages. Therefore, monetary policy is likely to remain restrictive throughout most of 2023, despite some financial stability concerns. Tight monetary policy will act as a break on economic activity and will likely lead to increases in unemployment rates in various economies, particularly in Europe and the U.S.

Markets

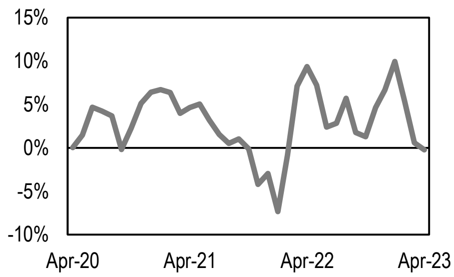
- Share market performance in both the U.S. and Australia was positive for April. The S&P 500 rose by 1.46% for April, while the Australian S&P 200 rose by 1.83%.
- In Australia, Growth and Equal Weight were the best performing styles for the month. Globally, Momentum and Low Volatility were the best performing styles. For both Australia and globally, all equity investment styles were positive during April.
- Within Fixed income markets, both Australian government bonds and credit gained ground this month. The main Australian fixed interest index, the Bloomberg AusBond Composite 0+ Years Index gained 0.5%, while the Bloomberg AusBond Credit 0+ Years Index gained 0.6%.
- Global High Yield bonds, as measured by the Bloomberg Barclays Global High Yield Total Return Index Hedged into AUD gained 0.8% for the month of April.

1. S&P/ASX 200 Price Index



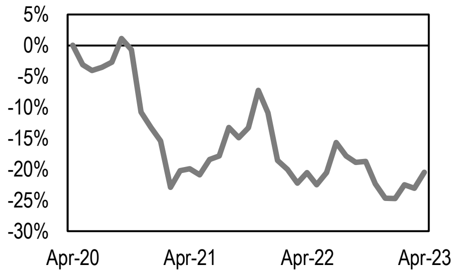
Source: FactSet, Insignia Financial

2. ASX200 vs All-World, US$ terms



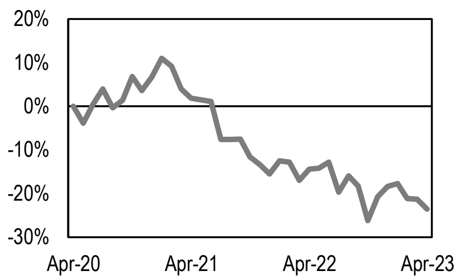
Source: FactSet, Insignia Financial

3. Australia – Growth vs Value stocks



Source: FactSet, Insignia Financial

4. Emerging markets vs Developed Markets, (In USD)



Sector and stock returns – April 2023

ASX/S&P 200 Sectors (GICS)				
	Monthly	**% ∆**	**Quarterly**	**% ∆**
▲	Consumer Discretionary	2.75	Consumer Discretionary	2.80
▲	Consumer Staples	1.77	Consumer Staples	1.96
▲	Energy	1.49	Energy	-5.07
▲	Financials ex Property	1.63	Financials ex Property	-2.21
▲	Financials	3.32	Financials	-5.68
▲	Health Care	3.65	Health Care	2.76
▲	Industrials	4.42	Industrials	5.45
▲	IT	4.82	IT	6.71
▼	Materials	-2.62	Materials	-5.64
▲	Property Trusts	5.30	Property Trusts	-2.77
▲	Telecommunications	3.63	Telecommunications	5.71
▲	Utilities	1.37	Utilities	5.21

Source: FactSet, Insignia Financial

Best and Worst S&P/ASX 200 Performers			
Top five stocks		**Bottom five stocks**	
Monthly			
Telix Pharmaceuticals Ltd.	+47.1	Syrah Resources Limited	-37.1
Megaport Ltd.	+36.7	BrainChip Holdings Ltd.	-14.7
Blackmores Limited	+35.0	Star Entertainment Group Limited	-11.2
Boral Limited	+17.0	Block, Inc. Shs CDI	-11.1
Mirvac Group	+15.9	Bank of Queensland Limited	-10.6
Quarterly			
Liontown Resources Limited	+74.5	Lake Resources N.L.	-48.5
Telix Pharmaceuticals Ltd.	+43.2	Syrah Resources Limited	-47.5
Newcrest Mining Limited	+29.6	BrainChip Holdings Ltd.	-35.7
Flight Centre Travel Group Limited	+24.3	Polynovo Limited	-35.1
Eagers Automotive Limited	+23.9	Domino's Pizza Enterprises Limited	-33.4

Source: FactSet, Insignia Financial

Share Markets, Returns

Australian Indices		30 Apr 2023 Price	1M return (%)	31 Jan 2023 Price	3M return (%)
▲	S&P/ASX 200	7309	1.83	7477	-2.24
▲	All Ordinaries	7501	1.73	7686	-2.41
▲	Small Ordinaries	2898	2.65	2981	-2.78
US Indices					
▲	S&P 500	4169	1.46	4077	2.28
▲	Dow Jones	34098	2.48	34086	0.04
▲	Nasdaq	12227	0.04	11585	5.54
Asia Pacific Indices					
▼	Hang Seng	19895	-2.48	21842	-8.92
▲	Nikkei 225	28856	2.91	27327	5.60
UK & Europe Indices					
▲	FTSE 100	7871	3.13	7772	1.27
▼	CAC40	1289	-0.08	1294	-0.42
▲	DAX Index	15922	1.88	15128	5.25

Sources: FactSet, MSCI, FTSE, S&P, Insignia Financial
Note: return is reported on a price basis and in local currency terms e.g., S&P500 performance is in US dollars and excluding dividends

Global equity markets

Australian Equity Markets did well during a mixed global market in local currencies. April also saw the AUD decline against the US Dollar (-1.1%), the Euro (-2.8%) and the UK Pound GBP (-2.9%), which helped support foreign assets for Australian investors.

The Nasdaq Composite Index includes both growth and quality growth companies and has been the driver of very strong US equity returns in 2023 so far. Interestingly, the recent rally has taken the index out of arguably oversold valuations late last year, to a level where confirmation of earnings resilience is needed to support higher valuations. Despite the regional banking failures, the Nasdaq has ended April back near February's recent highs.

Nasdaq Composite. 30 Sept 2022 –30 April 2023

Source: Tradingeconomics.com, accessed 16/05/2023

	1-mth	3-mth	6-mth	1-yr
MSCI World Index	2.9%	3.6%	9.4%	3.7%
Value	2.8%	-0.5%	5.3%	2.8%
Value-Weighted	3.2%	1.0%	9.0%	5.6%
Momentum	3.7%	1.8%	1.7%	1.1%
Growth	3.0%	7.9%	13.6%	4.1%
Quality	3.3%	7.6%	13.8%	5.3%
Low volatility	3.5%	4.0%	6.0%	2.9%
Equal weight	2.4%	0.7%	9.5%	2.9%
Small caps	1.6%	-2.1%	5.4%	-0.5%

Source: FactSet, Insignia Financial, MSCI

Aside from the small caps lagging in the global equity space, the range of return outcomes of varying styles was narrow. The market-cap-weighted Value factor lagged the MSCI World slightly in April.

The similarity of the performance of Global Growth and Global Quality continued in April and stands out across the last three and six months. Research notes the top ten holdings of the MSCI World Quality Index and the MSCI World Growth Index have seven companies in common.

Australian equity markets

The Australian market, as measured by the S&P/ASX 200 Index was up 1.8% for April. The MSCI Australia Index (+2.4%) delivered better performance despite the MSCI Index having a larger market capitalisation and missing out on the good performance of the small ordinaries. The MSCI Australia Index lagged its global counterpart the MSCI World Index in local currencies slightly (0.5%) due to our larger sectors experiencing some headwinds. Resources with a pullback in commodity prices and banks with margins expected to come under pressure.

	1-mth	3-mth	6-mth	1-yr
MSCI Australia Index	2.4%	-0.6%	10.7%	4.1%
Value	1.1%	-2.9%	11.9%	5.9%
Value-Weighted	2.2%	-1.4%	10.5%	3.9%
Momentum	1.4%	-3.7%	8.5%	-0.9%
Growth	3.8%	1.8%	9.5%	2.0%
Quality	1.9%	2.3%	20.0%	6.1%
Low volatility	3.5%	3.7%	14.4%	2.8%
Equal weight	3.7%	3.0%	14.4%	4.8%
Small caps	3.6%	-3.8%	5.1%	-5.8%

Source: FactSet, Insignia Financial, MSCI

The small companies' section of the market lagged in the MSCI World data, but was strong in the Australian data. The Regional Banking challenges in the U.S. and Credit Suisse failure in Europe have weighed on risk tolerance and global small cap valuations. Australia has a strong banking system and has avoided these headwinds.

Fixed Income

	Fixed Income	30 Apr 2023 Yield	1M mvt (bps)	31 Jan 2023 Yield	3M mvt (bps)
	Australian Cash rate	3.60	--	3.10	0.50
▲	10-year Bond Yield	3.34	0.04	3.55	-0.21
▲	3-year Bond Yield	3.01	0.10	3.15	-0.15
▲	90 Day Bank Accepted Bills SFE-Day	3.82	0.06	3.71	0.11
▼	US 10-year Bond Yield	3.45	-0.05	3.53	-0.08
▼	US 3-year Bond Yield	3.78	-0.05	3.92	-0.14
▼	US Investment Grade spread	1.67	-0.07	1.49	0.18
▼	US High Yield spread	4.52	-0.03	4.20	0.32

Source: FactSet, Insignia Financial

Australian bond market

April was generally positive for bonds. The main Australian Fixed Interest index, the Bloomberg AusBond Composite 0+ Years Index rose by 0.5% for the month. Australian yields rose slightly over the month, with the short end (3-year) of the curve rising by 10 basis points. At the long end of the curve, the 10-year yield rose by relatively small 4 basis points.

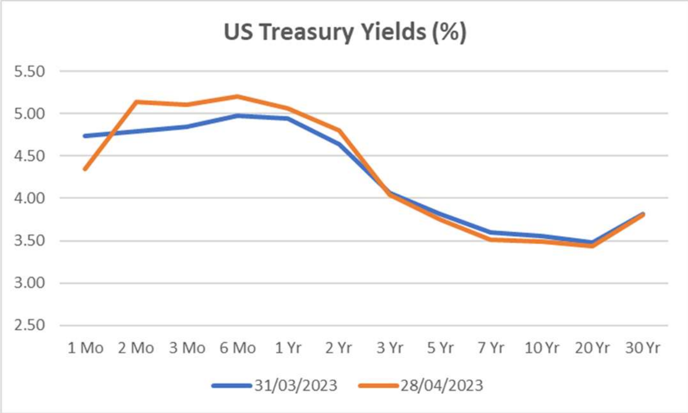
Australian corporate bonds also gained ground over the month, with the Bloomberg AusBond Credit 0+ Years Index returning 0.6%.

The yield to maturity at the end of April was around 3.6% for Australian Bonds, with the index having around 5.4 years duration. This makes most mainstream Australian Fixed Interest funds less attractive than at the start of this year, when the yield to maturity was around 4%, but significantly more attractive than they were at the start of 2022 when the yield to maturity of the Index was around 1.7%.

US bond market

Over the month of April, U.S. Government bond yields rose on the short end of the curve, but fell slightly on the long end of the curve.

As can be seen in the chart below, the U.S. yield curve rose for maturities between 2 months and 2 years, but fell very marginally for maturities of greater than or equal to 3 years. Note the 2-year / 10-year part of the curve remains significantly inverted at -131 basis points as at the end of the April. This is clearly indicating that a recession is expected.



Source: U.S. Department of the Treasury, accessed 09/05/2023

The drop in bond yields seen in March as markets reacted to banking sector stresses did not continue into April, with yields globally beginning to creep up once more. Overall, markets were calmer compared to the previous month.

In the U.S., credit spreads tightened slightly during April, with Investment Grade credit spreads tightening by 7 basis points, while High Yield spreads tightened by 3 basis points. Overall, global High Yield bonds as measured by the Bloomberg Barclays Global High Yield Total Return Index Hedged into AUD gained 0.8% for the month. Note the U.S. makes up the large majority of the high yield market globally.

Overall, all main credit markets generated positive returns in April, as markets rebounded following a volatile March. Spreads tightened as markets recovered from an indiscriminate sell-off following the events surrounding Silicon Valley Bank and Credit Suisse, resulting in positive total returns across investment grade and high yield.

Currencies

	Currency	30 Apr 2023 Price	1M return (%)	31 Jan 2023 Price	3M return (%)
▼	$A vs $US	0.66	-1.12	0.71	-6.26
▼	$A vs GBP	0.53	-2.93	0.57	-8.08
▲	$A vs YEN	90.17	1.51	91.80	-1.78
▼	$A vs EUR	0.60	-2.78	0.65	-7.61
▲	$A vs $NZ	1.07	0.13	1.10	-2.27
▼	$US vs EUR	0.91	-1.65	0.92	-1.46
▲	$US vs CNY	6.91	0.63	6.75	2.33
▼	$US vs GBP	0.80	-1.84	0.81	-2.00
▲	$US vs JPY	136.31	2.66	130.10	4.77
▼	$US vs CHF	0.89	-2.27	0.92	-2.33
▼	US Dollar Index	101.66	-0.83	102.10	-0.43

Source: Bloomberg, Insignia Financial

The Euro (EUR) and Great British Pound (GBP) have regained ground in 2023.

The following chart shows the AUD/EUR movements over 2022 and 2023. As can be seen, the AUD benefits in early 2022 as an exporter of oil and gas. Australia's RBA provides relative support for the AUD by raising cash rates. The ECB begins to play catch up and starts to narrow the interest rate differential with rate increases of 0.75% in September.

We begin 2023 with Australian cash rates at 3.1% and European Official Rates at 2.5%, however, by March the ECB raises by 0.5% twice for a rate of 3.5%, while the RBA only 0.25% twice, bringing their official cash to 3.6%. Now that the rates are closely matched with a minimal interest rate differential, the question becomes one of economic strength and inflation stickiness in each region. Commodity demand may also influence where the currencies go from here.

AUD / EUR 30 Sept 2022 – 28 April 2023

Source: Tradingview.com, accessed 16/05/2023

Commodities

	Commodity	30 Apr 2023 Price	1M return (%)	31 Jan 2023 Price	3M return (%)
▲	Aluminium	2342	0.24	2534	-7.56
▼	Copper	8571	-4.07	9075	-5.55
▲	Nickel	23770	2.90	29400	-19.15
▼	Zinc	2680	-7.79	3409	-21.38
▲	Crude Oil - Brent	81.32	2.69	83.42	-2.52
▲	Natural Gas	2.41	8.75	2.68	-10.21
▲	Metallurgical Coal	185	4.46	252	-26.45
▼	Thermal Coal	187	-9.76	379	-50.63
▼	Iron Ore	116.14	-8.59	123.37	-5.86
▲	Gold	1990	1.01	1928	3.20

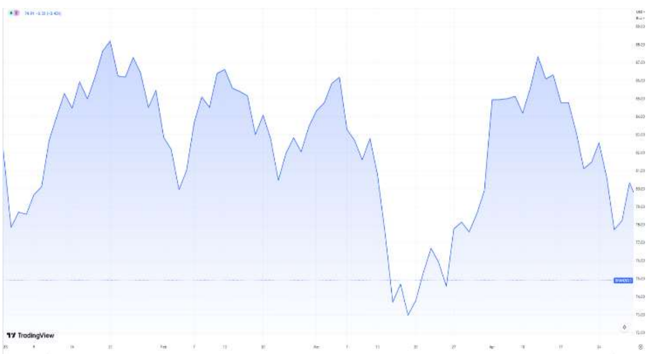
Source: Bloomberg, Insignia Financial

Commodities were mixed as China's re-opening is not proving to be as strong many had hoped.

The price of Brent crude oil rose to a high of US$87.25 a barrel in mid-April, before falling to US$81 a barrel at month-end. The surprise decision in early April by several OPEC+ producers to voluntarily curb output by 1.6 million barrels per day until the end of the year pushed prices higher and led to bullish forecasts for oil in 2023. However, by month-end concerns over the broader growth outlook and uncertainty over the strength of the Chinese recovery in industry and property undermined prices.

The price of iron ore has also been a casualty of the underwhelming Chinese industrial recovery. Prices declined in April partly attributed to weaker than expected growth in construction in China, after an initial burst post the COVID-zero lockdowns.

Brent Oil Prices December 2022 – April 2023



Source: Tradingeconomics.com, accessed 12/04/2023

Australia

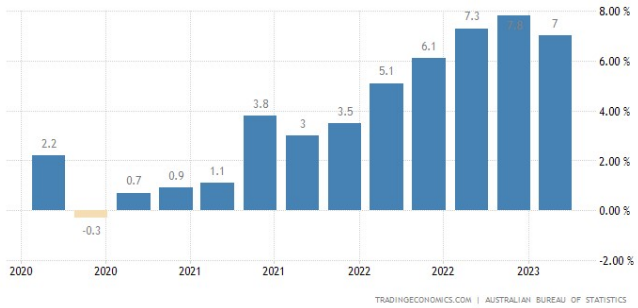
The RBA raised interest rates by 0.25% to 3.85% bucking consensus expectations of remaining on hold again. The RBA remains uncomfortable with the current momentum in the economy; inflation remains high at 7% p.a (trimmed CPI was a little lower at 6.6%) and the continued tightness of the labour market with unemployment at 3.5%.

Monetary Policy

The Reserve Bank of Australia unexpectedly raised the cash rate by 0.25% to 3.85% in May after maintaining it at 3.60% in April. This marks the 11th time the bank has raised rates in the past year, defying market predictions for a pause and pushing borrowing costs to their highest level since April 2012. The move was motivated by the bank's concern that the current inflation rate in Australia, is still too high. Also, the labour market remains tight, with the unemployment rate at its lowest point in nearly half a century. The RBA stated that further tightening may be necessary to ensure inflation returns to the target range in a reasonable timeframe.

Inflation

Australia Annual CPI: Mar 2020 to Mar 2023



Source: Tradingeconomics.com, ABS. Accessed 16/05/2023

The annual inflation rate in Australia dropped to 7.0% in Q1 of 2023 from an over-30-year high of 7.8% Q4 2022, however, the metric still came in above market forecasts of 6.9%. Cost slowed for transport (4.3% vs 8.0% in Q4 2022), housing (9.8% vs 10.7%), and recreation (8.6% vs 9.0%). Inflation was stable for alcohol & tobacco (at 4.4%), while prices accelerated for health (5.3% vs 3.8%) and insurance & financial services (6.5% vs 5.0%). On a quarterly basis, consumer prices went up 1.4%, lower than Q4 2022 (1.9%), but above consensus forecasts of 1.2%.

The RBA Trimmed Mean CPI added 6.6% YoY, slightly below consensus of 6.7%, and easing from a record 6.9% increase in Q4. The index rose by 1.2% QoQ.

Labour Market

Australia's seasonally adjusted unemployment rate stood at 3.5% in March 2023, unchanged from February's near 50-year low and below market estimates of 3.6%. Employment increased by 53,000 to 13.88 million, easily beating market forecasts of a 20,000 gain. Full-time employment rose by 72,200 to 9,748,900, while part-time fell by 19,200 to 4,135,600. The participation rate was unchanged at 66.7%, above the consensus of 66.6%.

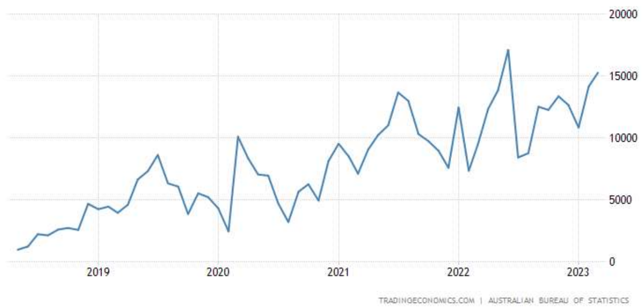
Purchasing Managers Index

The Judo Bank Australia Composite PMI increased to 53 in April from 48.5 the prior month (a reading above 50 indicates expansion in business activity). It marked the second read above 50 in seven months and signalled the fastest expansion in a year. Higher output was recorded for service providers, while manufacturing output continued to decline. Services new business grew, while Manufacturing new orders contracted declined at a faster pace. Stronger demand and rising business requirements led employment to grow at the fastest pace in six months. Input price inflation slowed to a 19-month low, while output prices increased at the second-slowest rate in over two years.

Balance of Trade

Australia's trade surplus increased to $15.27B in March from $14.15B in February and beat market forecasts of a $12.65B gain. It was also the 2nd largest trade surplus in history. Shipments grew by 3.8% from the previous month to a six-month high of $59.30B driven by a rise in sales of metal ores and minerals, with total exports to China, the country's largest trade partner surging by 28.5%. Meanwhile, imports only rose by 2.5% to $44.03B.

Australia Trade Surplus: 5 years to March 2023



Source: Tradingeconomics.com, ABS. Accessed 16/05/2023.

United States

The annual inflation rate in the U.S. slowed for a ninth consecutive period to 5% in March of 2023, the lowest since May of 2021. The number of job openings in the U.S. dropped by 384,000 to 9.6 million in March 2023, the lowest level since April 2021, indicating that the labour market may be cooling off.

Growth

The Conference Board forecasts that economic weakness will intensify and spread more widely throughout the U.S. economy over the coming months, leading to a recession starting in mid-2023. This outlook is associated with persistent inflation and Federal Reserve hawkishness. They forecast that real GDP growth will slow to 0.7% in 2023, and then rise to 0.8% in 2024.

While consumer spending activity has cooled following a large spike in January, it has not fallen off as much as previously forecasted. Because of this, the Conference Board has raised their Q1 2023 real GDP forecast from 1.0% to 2.0%. However, they have simultaneously downgraded their forecast for Q2 2023 from -0.9% to -1.8%. This is partially due to base effects from the stronger Q1 data, but also the result of reverberations associated with the March banking crisis.

Labour Market

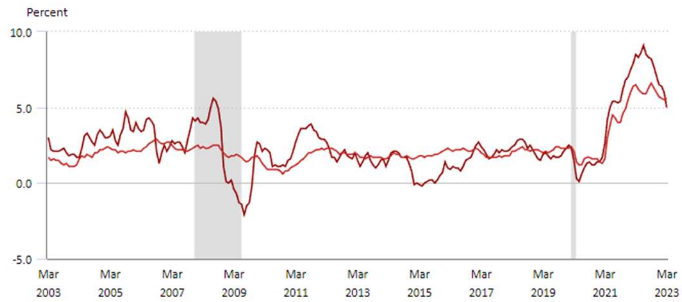
The number of job openings in the United States dropped by 384,000 to 9.6 million in March 2023, the lowest level since April 2021 and below the market's expectation of 9.775 million, indicating that the labour market may be cooling off. Over the month, job openings decreased in transportation, warehousing, and utilities (-144,000), but increased in educational services (+28,000). Meanwhile, the number of hires and total separations remained relatively stable at 6.1 million and 5.9 million, respectively. Within separations, the number of quits (3.9 million) did not show significant changes, while layoffs and discharges (1.8 million) increased.

The unemployment rate in the United States edged down to 3.4% in April 2023, matching a 50-year low of 3.4% seen in January and below market expectations of 3.6%. The number of unemployed people decreased by 182,000 to 5.657 million and employment levels rose by 139,000 to 161.031 million.

Inflation

According to Trading Economics, the annual inflation rate in the U.S. slowed for a ninth consecutive period to 5% in March of 2023, the lowest since May of 2021 down from 6% in February, and below market forecasts of 5.2%. Food prices grew at a slower rate (8.5% vs 9.5% in February) and energy cost fell (-6.4% vs +5.2%), namely gasoline (-17.4%) and fuel oil (-14.2%). At the same time, prices for used cars and trucks declined once again (-11.6% vs -13.6%). On the other hand, inflation for shelter that accounts for over 30% of the total CPI basket, continued to march higher (8.2% vs 8.1%). Compared to the previous month, the CPI edged 0.1% higher, also below expectations of 0.2%, with higher shelter prices (0.6%) offsetting a 3.5% fall in energy cost. Core CPI which excludes food and energy, increased 5.6% on the year and 0.4% on the month as expected.

Headline and Core Inflation



Source: U.S. Bureau of Labor Statistics, accessed 08/05/2023

Policy

According to the Fed, economic activity expanded at a modest pace in Q1 2023. Job gains have been robust in recent months, and the unemployment rate has remained low. Inflation remains elevated. Tighter credit conditions for households and businesses are likely to weigh on economic activity, hiring, and inflation. The extent of these effects remains uncertain. The Committee remains highly attentive to inflation risks.

The Committee seeks to achieve maximum employment and inflation at the rate of 2% over the longer run. In determining the extent to which additional policy firming may be appropriate to return inflation to 2% over time, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments.

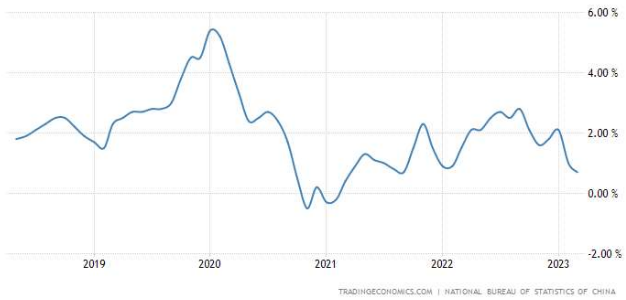
China

China's GDP, Balance of Trade and Services PMIs came in stronger than expectations over the month, however, the National Bureau of Statistics of China also stated that the global environment and insufficient domestic demand meant the foundation for the country's recovery is "not yet solid." Inflation remains subdued creating an environment conducive for economic stimulus, however, the government is not keen on re-inflating the property debt.

Inflation

China's annual inflation rate continues to be benign, coming in at 0.7% in March, down relative to February's print and market consensus of 1.0%. This was the lowest figure since September 2021, as the economic recovery remains uneven post the removal of the zero-COVID policy. Food inflation fell to a 10-month low (2.4% vs 2.6% in Feb), due to a steep drop in cost of fresh vegetables. Non-food prices continued to ease (0.3% vs 0.6%), linked to further declines in transport costs (-1.9% vs 0.1%) and housing (-0.3% vs -0.1%). Inflation cost quickened for education (1.4% vs 1.2%). Core consumer prices went up 0.7% YoY, after a 0.6% gain in February. On a monthly basis, consumer prices came in at -0.3%, the second straight month of declines.

China's Annual Inflation Rate



Source: Tradingeconomics.com, National Bureau of Statistics of China, 15/05/2023

Growth

The Chinese economy advanced 4.5% YoY in Q1 2023, accelerating from a 2.9% growth in Q4 2022 and topping market estimates of 4%. It was the strongest pace of expansion since Q1 2022, amid efforts from Beijing to spur the post-pandemic recovery. Retail sales growth was at a near 2-year high in March, industrial output rose the most in 5 months, and the surveyed jobless rate fell to its lowest in 7 months. Exports from China unexpectedly rebounded in March, and the trade surplus came larger due to efforts to deepen trade with developed countries and explore new possibilities with emerging economies. However, the National Bureau of Statistics of China's data announcement also stated that a complex global environment and insufficient domestic demand meant the foundation for the country's recovery is "not yet solid." China set a modest GDP target of around 5% for 2023.

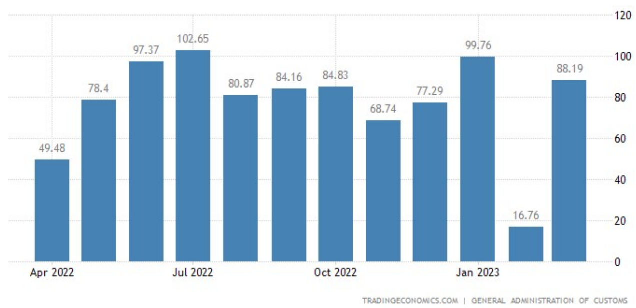
Employment

China's surveyed urban unemployment rate declined to a seven-month low of 5.3% in March from February's 5.6%. The unemployment rate of the population aged 25-59 declined to 4.3% in March from 4.8% in February, while those aged 16-24 increased to 19.6% from 18.1%. The jobless rate in 31 large cities and towns decreased to 5.5% from 5.7%. For 2023, the government has targeted a jobless rate of around 5.5%, with the creation of about 12 million new urban jobs.

Trade

China's trade surplus widened to US$88.19B in March from US$44.35B in the same period a year earlier, easily beating market forecasts of US$39.2B. Exports jumped by 14.8% YoY, rebounding from a decline in of -6.8% in January/February and significantly above the consensus forecast of -7%. Imports dropped by 1.4%, less than the anticipated -5% and was significantly better than the January/February period of -10.2%. The politically sensitive trade surplus with the United States narrowed to US$27.6B in March from US$41.3 billion in February.

China's Balance of Trade Surplus



Source: Tradingeconomics.com, General Administration of Customs, China, 15/05/2023

Europe

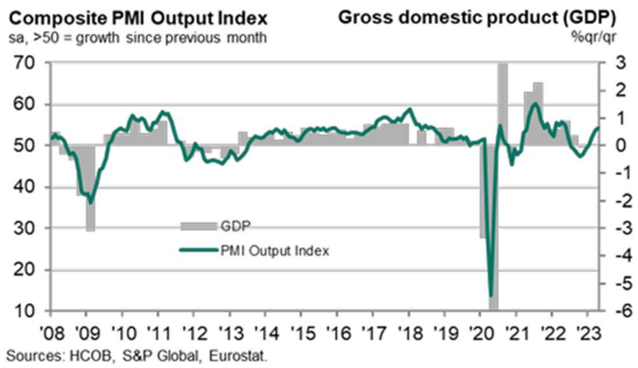
Unemployment hits a new record low of 6.5%. Inflation still sits at an uncomfortably high 7.0% across the Euro Area. The EU is now predicting that the Eurozone will narrowly avoid a recession.

Growth

The eurozone economy will fare better this year than previously feared as a mild winter and high levels of gas storage help to ease the energy crisis, and the labour market holds up, according to the European Commission.

European Union officials in Brussels raised their forecast for growth this year, predicting a 0.9% expansion in the currency bloc, and said it would narrowly avoid a recession. They also cut their projection for consumer price growth, though it remains high at 5.6%.

The forecasts show that all EU member states will achieve growth this year, with the exception of Sweden, which is expected to contract by 0.8%.



Accessed: 08/05/2023

Inflation

The consumer price inflation rate in the Euro Area slightly increased to 7.0% in April 2023, from March's 13-month low of 6.9%, a preliminary estimate showed. Energy prices rebounded 2.5% (vs -0.9% in March) and the cost of services rose at a faster 5.2% (vs 5.1% in March). On the other hand, inflation slowed for food, alcohol & tobacco (13.6% vs 15.5%) and non-energy industrial goods (6.2% vs 6.6%). On a monthly basis, consumer prices rose 0.7%, a third straight month of increase. Meanwhile, the core index eased to 5.6%, but it remained close to the all-time high of 5.7% hit in March. This suggests that the bloc's central bank is likely to continue its efforts to combat inflation.

Labour Market

According to Eurostat, the seasonally adjusted unemployment rate in the Euro Area decreased slightly to 6.5% in March 2023, marking the lowest rate on record and coming in just below market expectations of 6.6%. This latest figure represented a drop from last year's rate of 6.8% and reflected a tight labour market. Coupled with high inflation, this trend gives the European Central Bank more leeway for policy tightening. The number of unemployed declined by 121,000 from a month earlier to 11.010 million, the lowest level since comparable records began in 1995. The youth unemployment rate, measuring jobseekers under 25 years old, edged down to 14.3% in March from 14.4% in February. Amongst the largest Euro Area economies, the highest jobless rates were recorded in Spain (12.8%), Italy (7.8%) and France (6.9%), while the lowest rates were recorded in the Netherlands (3.5%) and Germany (2.8%).

Policy

The inflation outlook continues to be too high for too long. In light of the ongoing high inflation pressures, the Governing Council decided to raise the three key ECB interest rates by 25 basis points on the 4th May. Overall, the incoming information broadly supports the assessment of the medium-term inflation outlook that the Governing Council formed at its previous meeting. Headline inflation has declined over recent months, but underlying price pressures remain strong. At the same time, the past rate increases are being transmitted forcefully to euro area financing and monetary conditions, while the lags and strength of transmission to the real economy remain uncertain.

The interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will be increased to 3.75%, 4.00% and 3.25% respectively, and will take effect from 10 May 2023.

According to the ECB, future interest rate decisions will ensure that the policy rates will be brought to levels sufficiently restrictive to achieve a timely return of inflation to their 2% medium-term target and will be kept at those levels for as long as necessary. Given these comments, it is unlikely that the ECB has finished raising rates for this cycle.

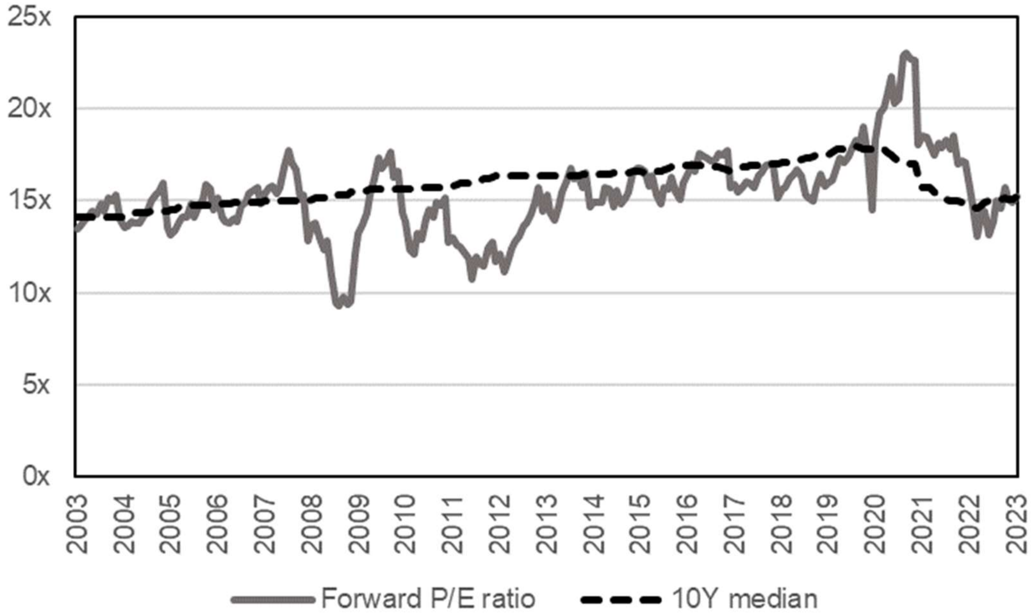
Economic Scorecard – As of 16 May 2023

The below summarises the current position of major markets across Growth, Inflation, Interest Rates and Currencies. It also provides Insignia Research's view on the likely direction of these economic indicators over the next 12 months. **Please note that these views are not guarantees, and a range of factors could impact their direction such that the end outcomes are different to our predictions.**

	USA			Australia			EuroZone			China		
	Current	**Direction**	**1 year forward**	**Current**	**Direction**	**1 year forward**	**Current**	**Direction**	**1 year forward**	**Current**	**Direction**	**1 year forward**
Growth (Latest Qtr Nominal GDP)	0.3% (Below trend)	Flat / Moderating	Recession / Below trend	0.5% (About trend)	Moderating	Recession / Below trend	0.1% (Below trend)	Weakening	Recession / Below trend	2.2% (Above trend)	Rebounding (Zero COVID)	At trend
Inflation (Headline CPI)	4.9% (Above target)	Moderating	Lower, but still above target	7.0% (Significantly Above target)	Moderating	Lower, but still above target	7.0% (Significantly above target)	Moderating	Lower, but still above target	0.1% (Below target)	Returning to trend	At target / possibly still below target
Interest Rates (official cash rate or equivalent)	5.00%-5.25%	Flat	5.25% (Stable / decreasing)	3.85%	Possibly at peak	3.85% (Stable / declining)	3.75%	Increasing	4.25% (Stable)	3.65%	Marginal increase	3.85% (Stable)
		AUD/USD										
	Current	**Direction**	**1 year forward**									
Currencies (relative PPP basis)	0.670 (PPP 0.692) less than 1 Stdev	Risk off	Fair value range									

Market valuations (Forward P/E vs 10Y median Forward P/E)

Australian Shares Forward P/E – spot vs trailing 10Y median (April-13 to April-23)



Sources: FactSet, MSCI, S&P (April 2023)

Australian Shares based on the S&P/ASX 200 Index.

Performance as of 30 April 2023

					Annualised						
		1-mth	3-mth	6-mth	1-yr	3-yr	5-yr	7-yr	10-yr	15-yr	20-yr
Shares	Australia	2.6%	-0.9%	10.0%	2.8%	14.0%	8.3%	9.2%	7.9%	6.3%	9.1%
	Australia - mid cap	3.8%	-3.4%	5.1%	1.1%	17.5%	9.1%	11.3%	11.5%	7.1%	10.5%
	Australia - small cap	3.6%	-2.9%	7.6%	-9.4%	9.2%	3.9%	6.7%	6.0%	2.1%	6.7%
	Australia - micro cap	3.5%	-4.9%	3.9%	-16.0%	23.8%	9.4%	10.5%	8.7%	3.3%	-
	World ex Australia	4.5%	11.0%	8.2%	11.1%	12.7%	11.1%	12.1%	13.9%	9.0%	8.2%
	World ex Australia (Hedged)	1.6%	2.5%	8.8%	1.5%	12.1%	7.5%	9.7%	9.9%	7.9%	9.7%
	World - small cap	2.6%	3.6%	3.5%	5.6%	12.4%	7.0%	9.7%	12.4%	9.4%	9.5%
	Emerging Markets	0.8%	0.8%	13.2%	0.5%	4.0%	1.6%	6.8%	6.5%	3.5%	8.4%
Property & Infrastructure	A-REITS	5.9%	-3.2%	9.1%	-9.9%	10.7%	4.9%	4.5%	7.4%	3.8%	5.4%
	Global REITs	5.0%	1.7%	3.0%	-8.9%	4.5%	3.6%	3.6%	6.6%	-	-
	Global REITs (hedged)	3.7%	-4.7%	2.9%	-16.4%	4.3%	0.5%	1.6%	3.2%	3.4%	-
	Global infrastructure	4.1%	7.9%	4.9%	5.1%	7.9%	8.7%	8.6%	10.8%	-	-
	Global infrastructure (Hedged)	2.5%	0.9%	4.8%	-3.4%	7.0%	5.6%	6.5%	7.3%	8.0%	-
Fixed income	Australia Total Market	0.5%	2.0%	4.1%	2.1%	-2.3%	1.4%	1.7%	2.6%	4.4%	4.5%
	Australia government bonds	0.5%	2.0%	4.1%	1.9%	-2.7%	1.3%	1.6%	2.6%	4.4%	4.4%
	Australia corporate bonds	0.6%	1.8%	4.5%	3.0%	-0.2%	2.1%	2.6%	3.3%	5.1%	5.0%
	Australia floating rate bonds	0.5%	1.2%	2.4%	3.2%	1.6%	1.9%	2.2%	2.6%	3.6%	-
	Global Total Market (Hedged)	0.7%	0.9%	3.5%	-2.3%	-3.2%	0.4%	0.9%	2.3%	4.6%	5.1%
	Global government bonds (Hedged)	0.5%	1.3%	2.5%	-2.7%	-3.6%	0.3%	0.8%	2.4%	4.5%	-
	Global corporate bonds (Hedged)	1.2%	0.3%	6.4%	-1.9%	-2.4%	0.8%	1.5%	2.7%	5.2%	-
	Global high yield bonds (Hedged)	0.8%	-0.9%	6.3%	-1.7%	2.5%	0.7%	2.9%	3.7%	7.0%	8.1%
Cash	Bloomberg AusBond Bank Bill Index	0.3%	0.8%	1.6%	2.4%	0.8%	1.1%	1.3%	1.7%	2.7%	3.5%

Sources: FactSet, Lonsec

Appendix – Index sources

Asset class	Index
Australian equities (S&P/ASX 200)	S&P/ASX 200 Accumulation Index
Australian equities - Mid caps	S&P/ASX Accumulation Midcap 50 Index
Australian equities - Small caps	S&P/ASX Accumulation Small Cap Ordinaries Index
Australian equities - Micro caps	S&P/ASX Emerging Companies Total Return Index
International equities	MSCI World ex Australia Net Total Return (in AUD)
International equities (Hedged)	MSCI World ex Australia Hedged AUD Net Total Return Index
International equities - Small caps	MSCI World Small Cap Net Total Return USD Index (in AUD)
Emerging Markets equities	MSCI Emerging Markets EM Net Total Return AUD Index
Australian REITs	S&P/ASX 200 A-REIT Accumulation Index
Global REITs	FTSE EPRA/NAREIT Developed Index Net Total Return (in AUD)
Global REITs (Hedged)	FTSE EPRA/NAREIT Developed Index Net Total Return (Hedged to AUD)
Global Infrastructure	FTSE Global Core Infrastructure 50/50 Net Total Return in AUD
Global Infrastructure (Hedged)	FTSE Global Core Infrastructure 50/50 100% Hedged to AUD Net Tax Index
Australian bonds	Bloomberg AusBond Composite 0+ Yr Index
Australian bonds – government	Bloomberg AusBond Govt 0+ Yr Index
Australian bonds – corporate	Bloomberg AusBond Credit 0+ Yr Index
Australian bonds - floating rate	Bloomberg AusBond Credit FRN 0+ Yr Index
Global bonds (Hedged)	Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD
Global bonds - government (Hedged)	Bloomberg Barclays Global Aggregate Treasuries Total Return Index Hedged AUD
Global bonds - corporate (Hedged)	Bloomberg Barclays Global Aggregate Corporate Total Return Index Hedged AUD
Global bonds - High Yield (Hedged)	Bloomberg Barclays Global High Yield Total Return Index Hedged AUD
Cash (AUD)	Bloomberg AusBond Bank Bill Index