

Monthly Economic Wrap

August 2023

Summary

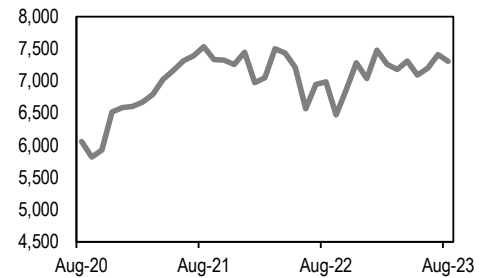
Economic

- According to the Conference Board, global real GDP is now forecasted to grow by 2.7% in 2023, down from 3.3% in 2022. They expect further slowing to 2.4% in 2024. Economic growth is moderating under the weight of continued high inflation and monetary policy tightening. Rather than a global recession, the Conference Board expects a relatively subdued economic outlook.
- Rapid monetary policy tightening over the last year or so has led to weakening in global housing, bank lending, and the industrial sector. However, this weakness has been more than offset by strength in other sectors, most notably service-sector activities, which is visible in labour markets.

Markets

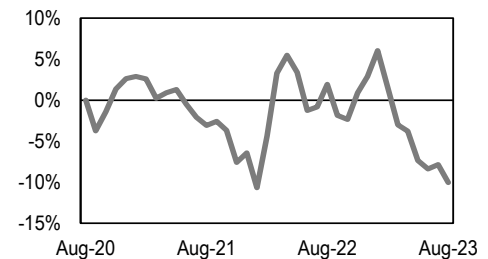
- Share market performance was poor for the month of August. The S&P 500 lost 1.8%, while the Australian S&P 200 lost around 1.4% on a price basis.
- Global shares ex-Australia produced a favourable return of 1.6% on an unhedged basis, but lost 2.2% on a hedged basis.
- In Australia, Quality and Growth were the best performing styles for the month. Globally, all sectors were negative, with Quality and Momentum being the best performers i.e. least negative. Several of the household-name tech giants experienced a pullback and weighed on the index overall. At the sector level, Consumer Staples companies were generally weaker, as were Financials and Real Estate.
- Within Fixed income markets, Australian government bonds and credit both produced solid returns this month. The main Australian fixed interest index, the Bloomberg AusBond Composite 0+ Years Index was up 0.7%, while the Bloomberg AusBond Credit 0+ Years Index gained 1.0%.
- After very good performance last month, Global High Yield bonds, as measured by the Bloomberg Barclays Global High Yield Total Return Index Hedged into AUD lost 0.3% this month.

1. S&P/ASX 200 Price Index



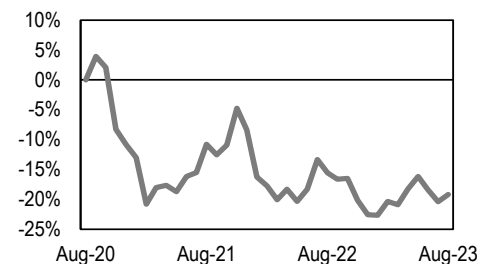
Source: FactSet, Insignia Financial

2. ASX200 vs All-World, US\$ terms



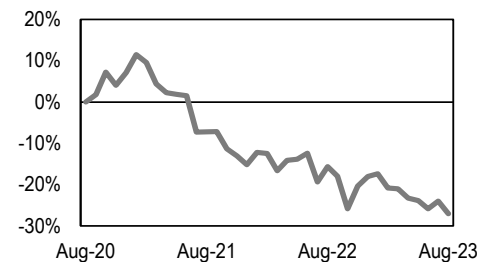
Source: FactSet, Insignia Financial

3. Australia – Growth vs Value stocks



Source: FactSet, Insignia Financial

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



Source: FactSet, Insignia Financial

Sector and stock returns – August 2023

ASX/S&P 200 Sectors (GICS)				
	Monthly	% Δ	Quarterly	% Δ
▲	Consumer Discretionary	4.64	Consumer Discretionary	10.13
▼	Consumer Staples	-4.13	Consumer Staples	-2.50
▼	Energy	-2.02	Energy	8.60
▼	Financials ex Property	-1.61	Financials ex Property	2.97
▼	Financials	-1.65	Financials	6.37
▼	Health Care	-1.05	Health Care	-9.04
▼	Industrials	-2.43	Industrials	-0.68
▼	IT	-2.07	IT	5.87
▼	Materials	-2.24	Materials	3.83
▲	Property Trusts	1.68	Property Trusts	3.84
▼	Telecommunications	-1.94	Telecommunications	-0.27
▼	Utilities	-4.25	Utilities	1.38

Source: FactSet, Insignia Financial

Best and Worst S&P/ASX 200 Performers			
Top five stocks (%)		Bottom five stocks (%)	
Monthly			
Altium	+26.7	Chalice Mining Limited	-39.6
Inghams Group Ltd.	+24.3	IRESS Limited	-38.3
G.U.D. Holdings Limited	+21.8	Core Lithium Ltd	-38.3
Johns Lyng Group Ltd	+21.4	Imugene Ltd	-32.0
Life360, Inc. Shs CDIs	+20.7	Alumina Limited	-24.5
Quarterly			
Megaport Ltd.	+76.5	Core Lithium Ltd	-62.4
Paladin Energy Ltd	+55.0	Lake Resources N.L.	-58.5
G.U.D. Holdings Limited	+38.7	Chalice Mining Limited	-49.0
Life360, Inc. Shs CDIs	+37.0	Sayona Mining Ltd.	-38.9
Bellevue Gold Limited	+31.5	Imugene Ltd	-38.2

Source: FactSet, Insignia Financial

Share Markets, Returns

	31 Aug 2023 Price	1M return (%)	31 May 2023 Price	3M return (%)
Australian Indices				
▼ S&P/ASX 200	7305	-1.42	7091	3.02
▼ All Ordinaries	7518	-1.37	7274	3.36
▼ Small Ords	2847	-1.57	2802	1.62
US Indices				
▼ S&P 500	4508	-1.77	4180	7.84
▼ Dow Jones	34722	-2.36	32908	5.51
▼ Nasdaq	14035	-2.17	12935	8.50
Asia Pacific Indices				
▼ Hang Seng	18382	-8.45	18234	0.81
▼ Nikkei 225	32619	-1.67	30888	5.61
UK & Europe Indices				
▼ FTSE 100	7439	-3.38	7446	-0.09
▼ CAC40	1342	-1.24	1290	4.01
▼ DAX Index	15947	-3.04	15664	1.81

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.

There wasn't anywhere safe in August, however, for Australian investors, the decline in the AUD helped offset the declines in most offshore locations, and even helped provide a positive return from the S&P 500.

Hong Kong's equity market continues to suffer from the negative view on the outlook for the Chinese economy and the lack of sufficient and effective stimulus to date. The People's Bank of China's announcements for support for the mortgage market was announced on the last day of August, but we have yet to see the market's full reaction.

Hang Seng: CYTD up to 31 August 2023



Source: tradingview.com. Accessed 12/09/2023.

Returns to 31 Aug 2023	1-mth	3-mth	6-mth	1-yr
MSCI World Index	-1.7%	7.0%	11.4%	15.3%
Value	-2.0%	7.1%	3.8%	10.4%
Value-Weighted	-2.1%	7.4%	6.7%	14.6%
Momentum	-0.4%	7.6%	6.7%	8.8%
Growth	-1.4%	6.9%	19.1%	19.8%
Quality	-0.4%	7.7%	19.7%	23.4%
Low volatility	-0.7%	3.0%	6.0%	6.1%
Equal weight	-2.4%	6.2%	5.1%	11.3%
Small caps	-2.7%	7.2%	2.9%	8.6%

Source: FactSet, Insignia Financial, MSCI

Global equities took a step back over the month, as economists increased their forecast probability of a soft landing and with it pushing out the expectations of any U.S. interest rate cuts in the short to medium term. Without expectations of rate cuts in late 2023 or early 2024, investors trimmed equity positions. The pain was felt most in the Value and Small Cap parts of the market. Quality and Growth sectors have exposure to AI and memory capacity space, which despite lofty valuations, are generating strong profits (e.g. Nvidia).

Interestingly, the low volatility sub-category declined less than average, displaying its historical capital protection characteristic it is known for.

Australian equity markets

The Australian market, as measured by the S&P/ASX 200 Index declined -1.4% in August, while the slightly larger market cap MSCI index only declined -0.4%.

Returns to 31 Aug 2023	1-mth	3-mth	6-mth	1-yr
MSCI Australia Index	-0.4%	4.5%	3.3%	11.2%
Value	-1.4%	6.3%	3.1%	15.7%
Value-Weighted	-0.8%	6.3%	3.7%	13.4%
Momentum	0.3%	4.8%	2.3%	9.0%
Growth	0.5%	2.8%	3.7%	7.1%
Quality	1.7%	6.1%	6.8%	16.4%
Low volatility	-0.8%	2.9%	3.8%	9.9%
Equal weight	-1.1%	3.7%	5.2%	12.5%
Small caps	-0.7%	3.3%	2.7%	2.6%

Source: FactSet, Insignia Financial, MSCI

The MSCI Australia Index Value sub-category also bore the brunt of the equity market easing in Australia. While Australia lacks the technology/AI presence relative to global equity markets, the Quality and Growth subsectors performed well, delivering positive returns in a weak month.

Over the past 6 months and 1-year periods, the Quality sub-category reclaimed its leadership, as sustainable earnings provided a strong foundation through these last stages of this rate hiking cycle.

Fixed Income

Fixed Income	31 Aug 2023 Yield	1M mvt (bps)	31 May 2023 Yield	3M mvt (bps)
Australian Cash rate	4.10	--	3.85	0.25
▼ 10-year Bond Yield	4.03	-0.02	3.60	0.42
▼ 3-year Bond Yield	3.74	-0.15	3.37	0.37
▼ 90 Day Bank Accepted Bills SFE-Day	4.44	-0.10	4.23	0.21
▲ US 10-year Bond Yield	4.09	0.14	3.64	0.45
▲ US 3-year Bond Yield	4.53	0.01	4.05	0.48
▲ US Investment Grade spread	1.46	0.07	1.71	-0.25
▲ US High Yield spread	3.72	0.05	4.59	-0.87

Source: FactSet, Insignia Financial

Australian bond market

August was a good month for bonds. The main Australian Fixed Interest index, the Bloomberg AusBond Composite 0+ Years Index gained 0.7% for the month. Australian yields fell during the month of August, with the short end (3-year) of the curve falling by a relatively small 2 basis points. At the long end of the curve, the 10-year yield fell by a more significant 15 basis points.

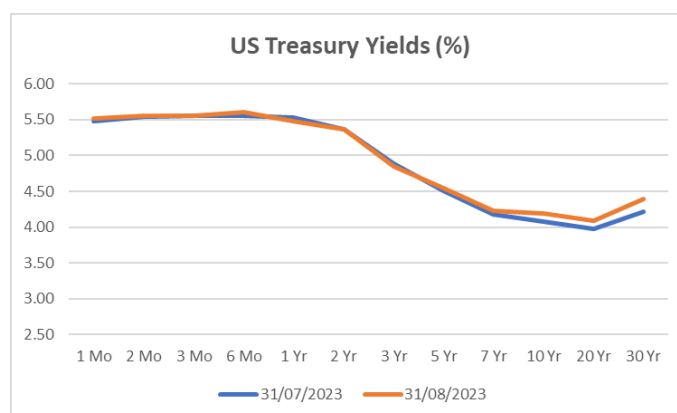
Australian corporate bonds performed very well for the month, with the Bloomberg AusBond Credit 0+ Years Index gaining 1.0%.

The yield to maturity for the Bloomberg AusBond Composite 0+ Years Index at the end of August was approximately 4.2%, with the index having around 5.1 years duration.

Global bond markets

Over the month of August, U.S. Government bond yields rose for most maturities, with the exception of the 1 to 3-year range, which was flat or very slightly lower. As can be seen in the following chart, the U.S. yield curve rose at the long end of the curve, but was close to unchanged for anything less than or equal to 7 years to maturity.

Note that the 2-year / 10-year part of the curve ended August (-118 bps) slightly less inverted than was the case at the end of July (-129bps), but is still clearly indicating that a recession is expected in the near term.



Source: U.S. Department of the Treasury, accessed 04/09/2023

August saw Fitch Ratings, one of the “Big Three” credit rating agencies, downgrade the U.S.'s top-tier AAA credit rating to AA+, citing the growing debt burden and an "erosion of governance" as reasons for its decision. The U.S. Treasury’s subsequent announcement of its higher-than-expected borrowing intentions over the coming months, led to the 10-year Treasury yield briefly rising to a nine-month high before retreating.

Credit markets had a relatively weak month, with European investment grade pricing in a weaker economic outlook, leading to negative returns and wider spreads relative to government bonds. U.S. investment grade underperformed European investment grade, but spreads were broadly unchanged versus Treasuries. High yield credit markets fared somewhat better, slightly outperforming government bonds.

In Europe, growth dynamics remained poor, with manufacturing activity continuing to contract. Germany's 10-year Bund stayed firm at 2.47%. The 2-year yield continued to drop from 3.01% at the end of last month to 2.98%.

The Bank of England raised its policy rate by 0.25% to 5.25% as expected, noting that higher interest rates were already working to slow economic activity, but retained its data dependency in terms of forward guidance. In the UK, the 10-year gilt rose from 4.31% to 4.36%, while the two-year yield rose from 4.98% to 5.16%.

Currencies

Currency	31 Aug 2023 Price	1M return (%)	31 May 2023 Price	3M return (%)
▼ \$A vs \$US	0.65	-3.57	0.65	-0.25
▼ \$A vs GBP	0.51	-2.25	0.52	-2.10
▼ \$A vs YEN	94.35	-1.26	90.56	4.19
▼ \$A vs EUR	0.60	-2.15	0.61	-1.71
▲ \$A vs \$NZ	1.09	0.43	1.08	0.62
▲ \$US vs EUR	0.92	1.40	0.94	-1.45
▲ \$US vs CNY	7.26	1.61	7.11	2.06
▲ \$US vs GBP	0.79	1.28	0.80	-1.85
▲ \$US vs JPY	145.54	2.30	139.37	4.43
▲ \$US vs CHF	0.88	1.40	0.91	-3.07
▲ US Dollar Index	103.62	1.73	104.33	-0.68

Source: Bloomberg, Insignia Financial

The AUD was weaker during August, as the RBA continues to pause its interest rate hiking cycle. The weak Chinese economic data and their reluctance to offer broad economic stimulus, especially stimulus that would fuel renewed debt driven support of its property sector has been a headwind for the AUD. Expectations of China's consumption of Australian commodities appears to be off the table for the time being.

The U.S. dollar benefited from the resilience of its economy relative to developed market peers, reinforced by the fact that U.S. interest rates would remain higher for longer and that other developed countries had a much tougher task of balancing weaker economies and higher inflation levels, which could lead to expectations of interest rate cuts in Europe and/or the U.K. before they occur in the U.S.

DXY Year to Date 31 August 2023



Source: Tradingview.com, accessed 11/09/2023

Commodities

Commodity	31 Aug 2023 Price	1M return (%)	31 May 2023 Price	3M return (%)
▼ Aluminium	2166	-1.37	2255	-3.97
▼ Copper	8360	-3.20	8017	4.27
▼ Nickel	20225	-6.47	20450	-1.10
▼ Zinc	2413	-5.39	2228	8.28
▲ Crude Oil - Brent	86.86	1.92	71.98	20.67
▲ Natural Gas	2.77	5.09	2.27	22.15
▲ Metallurgical Coal	159	9.54	143	10.61
▲ Thermal Coal	141	0.87	194	-27.61
▼ Iron Ore	109.40	-2.72	105.07	4.12
▼ Gold	1940	-1.28	1963	-1.15
▼ Silver	24	-1.21	24	4.02

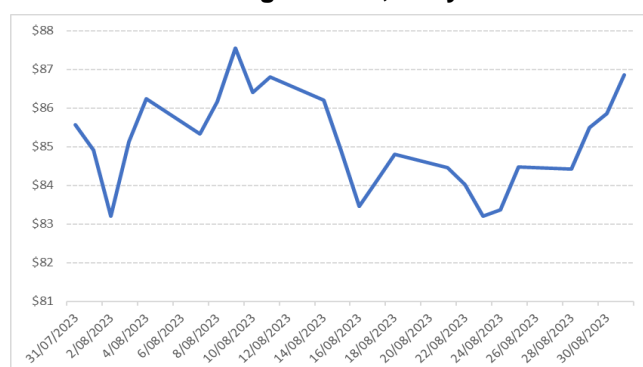
Source: Bloomberg, Insignia Financial

The performance of the commodities this month was mixed, with Metals broadly weaker, while energy commodities' prices were generally higher.

August saw a solid bounce in Metallurgical Coal, after what could be considered a bottoming out in July. The price move is more a sign of good value, rather than increasing demand, as the Chinese construction sector remains weak. Market participants appear to be comfortable to consider buying at recent and current prices.

The oil price continues to be influenced by the production cuts from OPEC+. The Brent Crude Oil price bucked the Chinese economic signals of weaker than expected demand with the production cuts helping support the price.

Brent Crude Oil: August 2023, Daily Prices



Source: au.investing.com.au, Insignia Financial Research, Accessed 11/09/2023

Australia

Interest rates were kept at 4.1% at the September meeting, while leaving the door open for if more hikes are needed. The moderating economic data also helps support the RBA's continued pause with the CPI indicator continuing to trend downwards, the Unemployment rate edging higher and the Purchasing Managers Indices remaining at slightly contractionary levels.

Monetary Policy

The Reserve Bank of Australia maintained its cash rate at 4.1% during Governor Lowe's final meeting, extending the rate pause for the third successive month, in line with market consensus. The board said inflation had passed its peak, but the readings remain too high and is expected to stay so for some time.

Inflation

The monthly Consumer Price Index (CPI) indicator in Australia increased by 4.9% for the year to July, slowing from a 5.4% gain in June and below the market consensus of a 5.2% rise. Food and non-alcoholic beverages rose at a slower pace (5.6% p.a. vs June 7.0% p.a.). Recreation & culture inflation slowed slightly (4.1% vs 6.8%), as did furnishing, household equipment & services (4.3% vs 6.3%). By contrast, transport prices rebounded (0.3% vs -0.9%). The monthly CPI indicator ex-volatile items and travel advanced by 5.8% in July, down from 6.1% in June.

Annual Change in Wages: Q2 2008 to Q2 2023



Source: Tradingeconomics.com, ABS. Accessed 07/09/2023

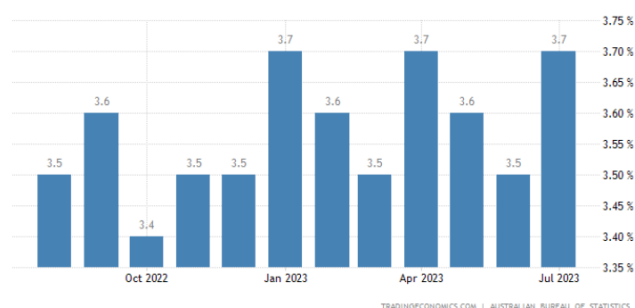
Australia's seasonally adjusted wage price index increased by 3.6% year-on-year in Q2 of 2023, slightly below market expectations and Q1's reading of 3.7%. The latest result remained at levels comparable to those last seen in 2012. Wages grew further for the public sector (3.1% vs 2.8% in Q1), while the private sector remained robust (3.7% vs 3.8% in Q1). On a

quarterly basis, wage prices rose by 0.8%, the same pace as in the prior two quarters, but below consensus of 0.9%.

Labour Market

Australia's seasonally adjusted unemployment rose to 3.7% in July, from 3.5% in June, and exceeded expectations of 3.6%. The number of unemployed rose by 35,600 to 541,000, while employment unexpectedly fell by 14,600 to 14.03 million, missing market forecasts of a 15,000 gain and partially retracing a 31,600 gain in June. The participation rate inched down to 66.7% from June's reading and July's market consensus of 66.8%.

Unemployment: August 2022 to July 2023



Source: Tradingeconomics.com, ABS. Accessed 07/09/2023

Economic Activity

The Judo Bank Australia Composite PMI edged down to 48.0 in August from 48.2 in July.

The Judo Bank Australia Services PMI eased slightly to 47.8 in August from 47.9 in July. Higher interest rates and weak economic conditions weighed on demand, leading to the first fall in new business in five months. The level of work outstanding declined for a fourteenth successive month, amid greater workforce capacity as service providers hired more staff. On the cost side, input price inflation hit its lowest level since October 2021, while firms passed on higher costs at a slower rate, however, the levels of input costs and output price inflation remained above the long-term averages.

The Judo Bank Australia Manufacturing PMI remained unchanged at 49.6 in August and is the sixth month of contraction in the manufacturing sector. A fall in overall new orders has led to the latest worsening of manufacturing sector conditions. Incoming new work declined faster than July, as rising prices and softening economic conditions dampened demand. Foreign sales also worsened, but at a slower rate in August. Firms expanded their employment numbers for a thirty-fourth month in a row.

United States

The Federal Reserve Chair Jerome Powell still hasn't ruled out further interest rate rises. The number of job openings is starting to decline, indicating that the labour market is finally slowing under the weight of the Fed's rate rises.

Growth / Economic Activity

The Conference Board Leading Economic Index (LEI) for the U.S. declined by 0.4% in July 2023 to 105.8 (2016=100), following a decline of 0.7% in June. The LEI is down 4.0% over the six-month period between January and July 2023, a slight deterioration from its 3.7% contraction over the previous six months (July 2022 to January 2023).

"The US LEI, which tracks where the economy is heading, fell for the sixteenth consecutive month in July, signalling the outlook remains highly uncertain" said Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board. "On the other hand, the coincident index (CEI), which tracks where economic activity stands right now, has continued to grow slowly, but inconsistently, with three of the past six months not changing and the rest increasing.

Labour Market

The number of job openings declined by 338,000 from the previous month to 8.827 million in July 2023, marking the lowest level since March 2021 and falling below the market consensus of 9.465 million. It also represented the third consecutive month of decline in job openings, indicating that the labour market is gradually slowing after months of unprecedented monetary policy tightening by the Fed. The level of job openings decreased in professional and business services (-198,000); health care and social assistance (-130,000); state and local government, excluding education (-67,000); state and local government education (-62,000); and federal government (-27,000). In contrast, there were increases in information (+101,000), as well as in transportation, warehousing, and utilities (+75,000).

The unemployment rate in the U.S. rose to 3.8% in August 2023 from 3.5% in July, the highest since February 2022 and above market expectations of 3.5%. The number of unemployed people increased by 514,000 to 6.355 million and employment levels rose

by 222,000 to 161.484 million. The so-called U-6 unemployment rate, which also includes people who want to work, but have given up searching and those working part-time because they cannot find full-time employment, went up to 7.1% in August, the highest since May 2022, from 6.7% in July.

Inflation / Producer Price Inflation (PPI)

Producer prices in the U.S. rose 0.3% month-over-month in July 2023, the biggest increase since January, and above market forecasts of 0.2%. It follows a downwardly revised flat reading in June. Services prices were up 0.5%, the largest rise since August 2022, rebounding from a 0.1% fall in June, and led by portfolio management (7.6%) and transportation and warehousing services (0.5%). Prices were also up for machinery and vehicle wholesaling; outpatient care (partial); chemicals and allied products wholesaling; securities brokerage, dealing, investment advice, and related services; and transportation of passengers (partial). Meanwhile, good prices edged 0.1% higher, after a flat reading in June, led by foods (0.5%), namely meats (5%). The indexes for gas fuels; hay, hayseeds, and oilseeds; utility natural gas; and motor vehicles also moved higher. Year-on-year, the PPI went up 0.8%, higher than 0.2% in June and forecasts of 0.7% amid base effects.

Interest Rates / Fed Policy

Federal Reserve Chair Jerome Powell recently said that the central bank would stamp out rapid inflation "until the job is done" despite a dropping inflation rate.

While inflation has been lowering, he said officials want to see more progress to convince them that they are truly bringing price increases under control.

"We are prepared to raise rates further if appropriate and intend to hold policy at a restrictive level until we are confident that inflation is moving sustainably down toward our objective," he said.

China

China's economy remains subdued. House prices declined over the month, unemployment rose and Producer Price Inflation for wholesalers fell more than expected. China's stimulus measures included cutting its 1-year loan prime rate by 0.10%, cutting deposit levels for mortgages and announcing existing mortgage loans can negotiate a new rate.

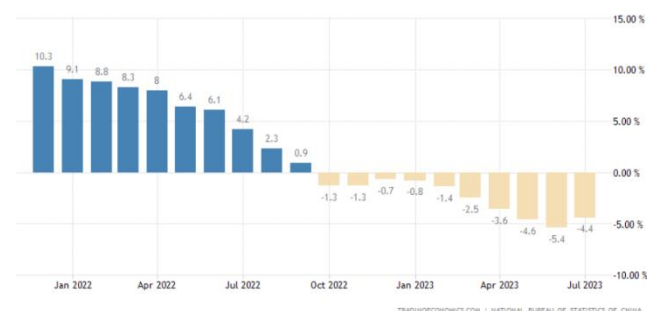
Monetary Policy

The People's Bank of China (PBoC) reduced the 1-year medium-term lending facility loan rate by -0.15% to 2.50%. This facility rate is the level the Central Bank lends to big banks. The PBoC also reduced the 1-year loan prime rate (LPR), by -0.10% to a record low of 3.45%. The 1-year LPR is the medium-term lending reference for short term corporate and household loans (< 5 years).

The PBoC and the National Administration of Financial Regulation (NAFR) also announced that homeowners with existing mortgage loans can apply for refinancing and can negotiate with the bank on the rate, with an absolute minimum rate of the 5-year Loan Prime Rate (LPR) - 0.20% for first homeowners and the 5-year LPR + 0.20% for second homebuyers. The PBoC and NAFR also reduced the deposits for first homes to 20%, and 30% for the second homes. Some cities had been significantly higher, e.g. Shanghai required 35% for new homes and 50-70% for second homes.

Inflation

Producer Price Inflation (MoM) Aug 2021 – Jul 2023



Source: Tradingeconomics.com, National Bureau of Statistics of China, Accessed 06/09/2023

China's producer prices, the average annual change in price of goods and services sold in the wholesale market fell -4.4% in July, worse than market forecasts of -4.1%, but above June's -5.4% drop, which was the steepest decrease since December 2015. On a

monthly basis, producer prices were down -0.2%.

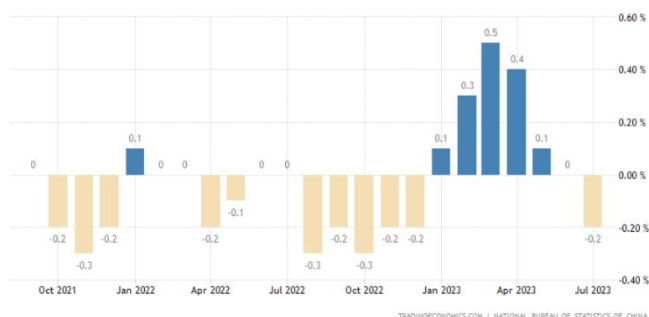
Employment

China's surveyed urban unemployment rate inched up to 5.3% in July from June's 16-month low of 5.2%. The surveyed unemployment rate of the population with local household registration was 5.3% and 5.2% for the population with non-local household registration. The jobless rate in the 31 large cities and towns ticked down to 5.4% in July from 5.5% in June. Starting from August 2023, the National Bureau of Statistics has suspended the release of urban unemployment rates for youth.

Housing

Average new home prices in China's 70 major cities fell -0.1% YoY in July, after a flat reading in June, amid a prolonged property crisis and stalling economic recovery. Among the biggest Chinese cities, prices were lower in both Shenzhen (-2.8% vs -2.4%) and Guangzhou (-1.3% vs -0.8%). Conversely, costs continued to rise in Beijing (3.5% vs 3.5%) and Shanghai (4.5% vs 4.8%). On a monthly basis, new home prices dropped -0.2%.

New House Prices (MoM) Aug 2021 – Jul 2023



Source: Tradingeconomics.com, National Bureau of Statistics of China, Accessed 06/09/2023

Trade

China's trade surplus plunged to US\$80.6 billion in July from US\$102.7 billion in the same period a year earlier, but was better than market forecasts of US\$70.6 billion, as exports fell more than imports amid persistently weak demand from home and abroad. Exports plunged -14.5% YoY, the steepest drop since February 2020 and worse than market consensus of a -12.5% drop, while Imports fell by -12.4%. The politically sensitive trade surplus with the U.S. widened to US\$30.3 billion in July from US\$28.72 billion in June. Considering the first seven months of the year, the country posted a trade surplus of US\$489.57 billion, with exports shrinking by 5%, while imports dropped by 7.6%.

Europe

Unemployment remained at its record low of 6.4% in July, while inflation remained steady at 5.3% in August. We are now starting to see indications from the ECB that a pause in their rate hiking cycle maybe very close.

Growth / Economic Activity

The Eurozone economy grew by 0.3% in the second quarter of 2023 after a flat first quarter, in line with the preliminary estimate. The recovery in demand was likely bolstered by a moderation in inflationary pressures. However, higher interest rates and waning confidence continued to weigh on the single currency's economy. Among the largest economies in the bloc, France (0.5%) and Spain (0.4%) demonstrated sustained growth rates, whereas Germany's economy stagnated, and Italy unexpectedly experienced a 0.3% contraction. On a yearly basis, the Eurozone grew by 0.6%, the weakest pace of expansion since the 2020-21 period of recession.

The HCOB Eurozone Composite PMI was revised lower to 46.7 in August 2023 from a preliminary of 47, pointing to the biggest contraction in private sector activity since November of 2020. The overall retreat in activity was broad-based across the manufacturing and services sectors, as the latter contracted for the first time in 2023 so far. New orders also dropped the most since late-2020, leading to companies completing outstanding work at the fastest rate in over three years. This resulted in one of the softest 12-month outlook in 2023 so far and a near-stalling of jobs growth, with private sector employment rising at the slowest rate in the current 31-month sequence of increases. The latest prices data were also cause for concern, as input price inflation accelerated on the month for the first time since September 2022. The average increase in prices charged for goods and services was the slowest in two-and-a-half years, but remained stronger than the long-run trend.

Inflation

The annual inflation rate in the Euro Area remained steady at 5.3% in August 2023, more than 2.5 times above the ECB goal and above the market consensus of 5.1%, a preliminary estimate showed. Energy prices decreased at a slower pace (-3.3% vs -6.1% in July). On the other hand, inflation slowed for food, alcohol, and tobacco inflation (9.8% vs 10.8%), as well as non-

energy industrial goods (4.8% vs 5.0%) and services (5.5% vs 5.6%). On a monthly basis, consumer prices rose by 0.6% in August. Meanwhile, core inflation rate, a crucial underlying measure that filters out volatile food and energy prices cooled as expected to 5.3%, down from July's 5.5%.

Labour Market

According to Eurostat, the euro area seasonally adjusted unemployment rate stayed at a record low of 6.4% in July 2023, matching market forecasts. A year earlier, the jobless rate was higher at 6.7%. Still, the number of unemployed people increased by 73,000 from a month earlier to 10.944 million. Meanwhile, the youth unemployment rate, measuring jobseekers under 25 years old, was stable at an all-time low of 13.8% in July 2023, unchanged from the prior month. Amongst the largest Euro Area economies, the lowest jobless rate was recorded in Germany (2.9%), while the highest rates were observed in Spain (11.6%), Italy (7.6%) and France (7.4%).

Policy

European Central Bank policymakers maintained the possibility of a September rate hike when they raised interest rates in July, but certain members appeared to suggest that such a move might no longer be necessary once new projections are disclosed, the minutes from the most recent ECB meeting showed. Over the course of just over a year, the ECB has increased the interest rate on the main refinancing operations, which provides the bulk of liquidity to the banking system from 0% to 4.25% in order to combat a surge in inflation. However, arguments in favour of a pause are gaining traction, driven by the belief that the cumulative tightening's impact is potent enough to reduce underlying inflation. The minutes also revealed that forthcoming decisions will be contingent on data and will follow a meeting-by-meeting approach. Policymakers are striving to find that fine balance between addressing high inflation and managing the slowdown in economic growth.

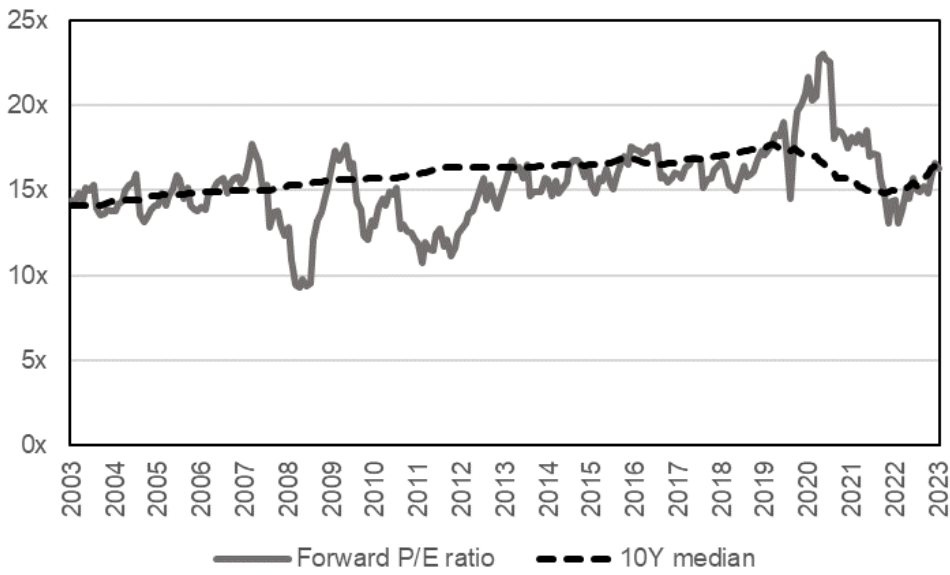
Economic Scorecard – As of 11 September 2023

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)	0.6% (Below trend)	Moderating	Recession / Below trend	0.4% (Below trend)	Moderating	Recession / Below trend	0.1% (Below trend)	Weakening	Recession / Below trend	0.8% (Below trend)	Moderating	Below trend / Recession
Inflation (Headline CPI)	3.2% (Above target)	Slowly falling	Very slightly above target	6.0% (Significantly Above target)	Moderating	Lower, but still above target	5.3% (Significantly above target)	Moderating	Lower, but still above target	0.1% (Below target)	Slowly returning towards trend	Likely below target
Interest Rates (official cash rate or equivalent)	5.25%-5.50%	Marginal increase	5.50%-5.75%	4.10%	Flat	4.10% (Stable)	4.25%	Flat	4.25% (Stable)	3.45%	Reducing	3.00%
		AUD/USD										
Currencies (relative PPP basis)	0.639 (PPP 0.705) less than 1 Std Dev	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 (August-13 to August-23)



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

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

Performance as of 31 August 2023

		Annualised									
		1-mth	3-mth	6-mth	1-yr	3-yr	5-yr	7-yr	10-yr	15-yr	20-yr
Shares	Australia	-0.7%	3.9%	3.0%	9.6%	10.7%	7.0%	8.6%	8.0%	6.9%	8.8%
	Australia - mid cap	-1.3%	4.2%	5.1%	6.9%	11.6%	8.5%	10.1%	12.1%	7.9%	10.2%
	Australia - small cap	-1.3%	2.2%	0.9%	-1.1%	3.0%	2.4%	5.2%	5.7%	2.9%	5.8%
	Australia - micro cap	-4.2%	2.2%	-3.1%	-8.0%	8.8%	9.0%	7.8%	7.8%	3.9%	-
	World ex Australia	1.6%	7.0%	16.0%	22.6%	13.3%	10.8%	12.5%	12.9%	9.7%	8.2%
	World ex Australia (Hedged)	-2.2%	6.2%	9.9%	11.4%	7.2%	6.6%	9.1%	9.6%	8.2%	9.0%
	World - small cap	0.1%	7.2%	5.7%	14.3%	12.2%	6.2%	9.7%	11.1%	9.7%	8.8%
	Emerging Markets	-2.4%	3.4%	7.9%	7.2%	3.1%	3.2%	6.0%	6.3%	4.6%	7.5%
Property & Infrastructure	A-REITS	2.3%	6.1%	2.3%	6.3%	7.3%	4.0%	3.8%	8.4%	5.2%	5.6%
	Global REITs	0.6%	3.2%	1.3%	0.4%	6.2%	1.8%	2.6%	6.6%	-	-
	Global REITs (hedged)	-2.7%	3.2%	-2.6%	-7.0%	2.1%	-0.9%	0.5%	4.4%	4.1%	-
	Global infrastructure	-1.6%	-0.8%	3.1%	-1.5%	9.0%	6.6%	7.3%	9.6%	-	-
	Global infrastructure (Hedged)	-4.7%	-1.6%	-2.0%	-9.5%	3.9%	3.6%	4.8%	7.2%	7.8%	-
Fixed income	Australia Total Market	0.7%	-0.7%	1.4%	1.8%	-3.1%	0.6%	0.8%	2.5%	4.0%	4.4%
	Australia government bonds	0.7%	-1.0%	1.1%	1.3%	-3.5%	0.4%	0.6%	2.4%	3.9%	4.3%
	Australia corporate bonds	1.0%	0.7%	2.5%	4.2%	-0.9%	1.8%	2.2%	3.3%	4.8%	4.9%
	Australia floating rate bonds	0.5%	1.3%	2.4%	4.4%	1.8%	2.0%	2.3%	2.6%	3.6%	-
	Global Total Market (Hedged)	-0.3%	-0.5%	1.5%	-1.2%	-3.8%	0.1%	0.3%	2.5%	4.4%	5.0%
	Global government bonds (Hedged)	-0.2%	-0.7%	1.5%	-1.5%	-3.9%	0.0%	0.2%	2.4%	4.2%	-
	Global corporate bonds (Hedged)	-0.5%	0.0%	1.7%	-0.2%	-4.3%	0.3%	0.7%	2.9%	5.1%	-
	Global high yield bonds (Hedged)	-0.3%	3.3%	3.3%	6.1%	-0.5%	1.4%	2.3%	4.2%	7.3%	7.9%
Cash	Bloomberg AusBond Bank Bill Index	0.4%	1.0%	1.9%	3.4%	1.2%	1.2%	1.4%	1.7%	2.6%	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

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