

Brent Crude w/w	Gold (US\$/oz) w/w	ASX 200 w/w	MSCI World w/w	AUD/USD
+2.4%	+1.3%	+0.4%	+0.6%	69.83 +0.4%

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Markets and the outlook

Financial markets remain challenged by inflation, central bank activity, higher bond yields, rising Middle East tensions, higher oil prices and the looming US mid-term elections. While most asset classes generated positive returns, wild swings across the global economy continue to challenge markets. Despite the volatility we continue to focus on our medium-term outlook, but note that market dynamics have clearly shifted. Over the week the ASX 200 rose 0.4% and unhedged global equities gained 0.6%, led locally by AREITs (+3.7%).

Oil and the Middle East

Energy prices remain elevated. Increased military activity between Saudi Arabia and Houthi rebels, and renewed Iranian attacks on tankers in the Gulf, further complicate the peace outlook. The White House has signalled a pause in further strikes against Iran until after the mid-terms. China is expected to resume oil exports and the US is working with Russia to export diesel, despite European concerns, which has reduced immediate supply worries.

The Fed and US inflation

The US Fed raised the cash rate by 0.25% to 4.00%. Markets now focus on Consumer Price Index data (forecast +0.2% m/m, 3.6% headline, 2.5% core) and Producer Price Index data. With little change expected in inflationary pressures, we expect the Fed to raise rates further. Our terminal rate for the Fed Funds Rate is 4.5% (+0.5%).

The week ahead

Domestically, NAB Business Conditions and employment data (forecast unemployment rate 4.6%, no change) are the main releases. In China, third-quarter GDP (forecast 4.3% y/y), CPI (1.0%), PPI (4.5%), retail sales, industrial production (5.4%) and trade data will signal the strength of the economy. Pressure on domestic growth remains, but activity is sound, led by the ongoing trade surplus. In Europe and the UK, CPI, trade and industrial production data are the key releases.

Asset class returns

	1 wk	1 mth	3 mths	6 mths	1 yr p.a.
Aust Eq (lge) S&P/ASX 200 (Accum)	+0.4%	-0.2%	+0.2%	-1.0%	+0.6%
Aust Eq (sml) S&P/ASX Sml Ords (Accum)	-1.3%	-2.1%	-2.1%	-4.3%	-12.2%
Aust Industrials S&P/ASX 200 Industrials (Accum)	+0.8%	+0.8%	-2.1%	-2.0%	-8.0%
Aust Resources S&P/ASX 200 Resources (Accum)	-0.6%	-2.5%	+6.1%	+1.5%	+30.0%
Global Eq (unh) MSCI AC World (unh) Accum	+0.6%	+3.2%	+1.4%	+12.6%	+10.6%
Global Eq (hdg) MSCI AC World (hdg) Accum	+0.8%	+1.3%	+2.2%	+12.6%	+20.3%
Global Eq (sml unh) MSCI World SMID Cap Index	+0.4%	-1.6%	-1.1%	+4.6%	+14.4%
Global Eq (EM unh) MSCI Emerging Markets (unh) Accum	0.0%	+2.3%	+1.2%	+13.5%	+19.7%
AREITs S&P/ASX 200 AREIT (Accum)	+3.7%	+1.6%	-7.4%	-1.6%	-15.3%
GREITs EPRA NAREIT (ex-Aust) hdg (Accum)	-0.1%	-4.2%	-7.3%	-3.4%	+6.1%
Global Infra (A\$ hdg) S&P Gbl Infrastructure A\$ (Hdg) TR	+1.7%	-0.7%	-5.6%	-5.5%	+6.2%
Global Infra (A\$ unhdg) S&P Gbl Infrastructure A\$ TR	+1.4%	+0.5%	-6.9%	-6.4%	-1.7%
Aust Fixed Income BBerg AusBond Composite (0+yrs)	+0.1%	+0.5%	-1.1%	+1.0%	-0.3%
Global Fixed Income Bar Cap Global Agg Index (AUD hdg)	+0.3%	-0.4%	-1.5%	-1.0%	-0.6%
Aust Cash BBerg Aust Bond Bank Bill Index	+0.1%	+0.3%	+1.1%	+2.2%	+4.1%

Source: Bloomberg, Infinity.

S&P/ASX sectors

	1 wk	1 mth	3 mths	6 mths	1 yr
Energy	+2.0%	-1.9%	+11.2%	-0.1%	+33.1%
Materials	-1.0%	-2.6%	+2.9%	+0.5%	+23.0%
Industrials	0.0%	-0.3%	-5.0%	-2.1%	-8.8%
Consumer Disc	+2.4%	+4.4%	-8.1%	+3.2%	-18.3%
Consumer Staples	+2.3%	+2.1%	-0.4%	+3.9%	+13.2%
Healthcare	+3.5%	+6.2%	+21.8%	+17.1%	-15.8%
Financials	-0.3%	-1.0%	-5.5%	-10.0%	-6.8%
AREITs	+3.7%	+1.4%	-8.0%	-3.3%	-18.1%
IT	-2.0%	+3.3%	-5.6%	+7.8%	-41.4%
Comm Services	-0.2%	-1.3%	-4.2%	-11.1%	-17.4%
Utilities	+3.6%	-0.7%	+8.0%	-3.0%	+1.7%
Banks	-1.4%	-2.2%	-6.9%	-16.4%	-9.9%

Bond markets — yields & weekly change

	2yr %	3yr %	5yr %	10yr %
Australia	4.91 0bp	4.90 +1bp	4.98 +1bp	5.34 0bp
United States	4.79 -4bp	4.92 -4bp	5.02 -4bp	5.24 -3bp
United Kingdom	4.89 +7bp	4.95 +8bp	5.00 +9bp	5.44 +8bp
Japan	1.92 +1bp	2.10 0bp	2.36 -1bp	3.02 -8bp
Europe	3.13 +5bp	3.17 +3bp	3.26 +2bp	3.48 +2bp

Currencies

Pair	Rate	1 wk	1 mth	3 mths
AUD/USD	69.83	+0.4%	-2.6%	+0.4%
AUD/GBP	52.78	+0.5%	-0.3%	+1.7%
AUD/EUR	62.35	+0.9%	+0.9%	+2.4%
AUD/JPY	110.5410	+0.7%	+0.4%	-1.7%
GBP/USD	1.3234	-0.1%	-2.1%	-1.3%
EUR/USD	112.00	-0.5%	-3.4%	-1.9%
USD/JPY	158.3100	+0.3%	+3.1%	-2.1%
Aust TWI	64.8000	+0.6%	-1.8%	-0.5%

Commodities

	1 wk	1 mth	3 mths
Barclays Cmdty (TR US\$)	+1.8%	-0.6%	+14.5%
Gold (US\$/oz)	+1.3%	-3.6%	+1.8%
Crude Oil (Brent)	+2.4%	+5.0%	+38.7%
Copper	+2.5%	+3.1%	+9.4%
Iron Ore (Qingdao 62%)	-0.8%	-6.3%	-8.6%

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