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2023 February Market Wrap

Friday 1 March 2024

Australia's S&P/ASX 200 inched up 0.8% in February and closed the month at a new record high, as January inflation remained steady at the lowest level since November 2021.

The Nasdaq Composite (+0.9%) closed at a fresh all-time high today. It was the last major index to reach a new record high in the uptrend that brought the S&P 500 and Dow Jones Industrial Average to new all-time closing highs earlier this year.

Markets are keenly focused on the transition towards easing rates. Wall Street also continued to keep a close eye on Fed speak. Fed Bank of San Francisco President Mary Daly said officials are ready to lower rates as needed — but emphasized no urgent need to cut given the strength of the economy. Her Atlanta counterpart Raphael Bostic reiterated it will probably be appropriate to begin easing policy this summer based on his outlook for inflation. Cleveland Fed Chief Loretta Mester said inflation data out Thursday showed that policymakers have more work to do.

Policymakers pay close attention to services inflation, which tends to be "stickier." This is best shown by the RBA Board Statement.

"While recent data indicate that inflation is easing, it remains high. The Board expects that it will be some time yet before inflation is sustainably in the target range. The path of interest rates that will best ensure that inflation returns to target in a reasonable timeframe will depend upon the data and the evolving assessment of risks, *and a further increase in interest rates cannot be ruled out*. The Board will continue to pay close attention to developments in the global economy, trends in domestic demand, and the outlook for inflation and the labor market.

Monetary policy (Cash rates) is close to a pivot point (cutting the cash rate). This is important for all risk assets as a lower cash rate provides the opportunity for higher valuations. Hence, the market is guessing timing and how big the cuts will be.

One thing is becoming clearer, economies are holding up very well to higher rates. This is pointing to the soft-landing hypothesis with smaller drops in the cash rate, unemployment a little and growth slowing but no recession. This would be a positive outcome for markets and investors alike.

The final piece of the puzzle is Government spending (fiscal policy). Due to populist Government policy, borrowing and spending have been too high for too long. This is the canary in the coal mine. Budgets need to be balanced and debt reduced. I am certain this can will be kicked down the road.

If you have any questions do not hesitate to contact me.

Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	+1.24%	+18.16%	+3.47%
Nasdaq	+4.75%	+40.38%	+7.02%
S&P 500	+3.87%	+28.00%	+6.84%
Russel 2000	+4.07%	+8.00%	+1.37%

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Europe 600 Index	+2.22%	+7.52%	+3.26%
UK FTSE 100 Index	+0.10%	-3.95%	-1.33%
Hong Kong Hang Seng	+6.07%	-19.18%	-3.14%
Japan Nikkei 225	+8.76%	+42.43%	+17.04%
China Shanghai Composite	+8.82%	-8.93%	+1.35%
India S&P BSE Sensex	+1.19%	+23.07%	+0.36%
ASX 200 (Australia)	+0.76%	+10.64%	+1.68%

Australian Dollar

	Close	52-week Range
AUD	0.6501%	0.6269-0.7159%

Government Bonds

	Close	52-week Range
US 3 Month Bill	5.398%	4.371-7.959%
US 10 Years Note	5.259%	3.261-5.022%
US 30 Years Bond	4.379%	3.513 – 5.183%
Australia 10 years	4.133%	3.160-5.002%

Source: Wall Street Journal.