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## 2023 January Market Wrap

Wednesday 1 February 2023

Australian equities started 2023 on the front foot, as the S&P/ASX 200 surged 6.2% its best month since March 2022 and best start to the year since the index's creation in 2000. The S&P 500 gain of more than 6.60%, while the Nasdaq Composite advanced 11.53% in January. US Treasuries were little changed, with 10-year yields remaining around 3.51%.

Stocks have seen a much better start to 2023 than anticipated. But can this upswing continue, or is this merely the last bear market rally before the market reaches its final lows?.

THE market is still waiting for a clear indication of how much the global economy will slow this year. Job cuts, which started in tech, have now spread to a broader cross-section of sectors.

Australia bucked the trend of moderating inflation, with the December quarter's CPI print coming in hotter than expected. Inflation rose 7.8% year-on-year, its highest rate since 1990 and ahead of 7.6% expected.

It was up 1.9% over the quarter versus 1.8% expected. The RBA's preferred measure – the trimmed mean CPI – lifted 1.7% in the quarter to 6.9% year-on-year, versus consensus expectations of +1.5% and +6.5% respectively.

This is well above the central bank's 2-3% target and ahead of its 6.5% end-of-2022 forecast. A 25bp hike in February is now baked in. Consensus still expects rates to peak at about 3.75% somewhere in the middle of the year.

Digging into the numbers, 87% of categories in the inflation basket are now exceeding 2.5% annualised growth. Services inflation is now at the highest level since 2008, at 5.5% annualised. This was driven by travel-related categories including domestic fares and accommodation (+19.8%).

Market will be watching The Fed and the RBA rates decisions. Economists forecast a 25bp Fed rate hike on Wednesday. Jerome Powell will probably continue to emphasise that the Fed is on course to raise rates above 5% - which is higher than current consensus estimates. Governor Stevens job has more difficult with inflation still increasing and less aggressive increases than offshore, pointing to a slower path to the peak in rates. Projections and wording will be key to taming the "inflation gene", which has be let out of the bottle!.

The "US Debt ceiling" negotiations will be on the market mind for the next few months. The markets will not like a technical default because opposition parties cannot agree. Republicans are framing Joe Biden and Kevin McCarthy's Wednesday meeting as the beginning of debt ceiling talks. At the same time, White House officials have remained steadfast that there will be no negotiations on the issue. Joe Biden has demanded that Kevin McCarthy commit to preventing the US from defaulting on its debt and challenged the House speaker to "show me your budget,



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and I'll show you mine". The White House said the president will release a proposed budget for the 2024 fiscal year on March 9.

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

### Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	+2.87%	-3.73%	+2.83%
Nasdaq	+11.53%	-19.25%	+10.68%
S&P 500	+6.60%	-10.34%	+6.18%
Russel 2000	+10.35%	-5.79%	+9.69%
Europe 600 Index	+4.38%	-4.56%	+6.67%
UK FTSE 100 Index	+2.88%	+3.13%	+4.29%
Hong Kong Hang Seng	+8.42%	-8.23%	+10.42%
Japan Nikkei 225	+4.72%	+0.92%	+4.72%
China Shanghai Composite	+4.47%	-3.15%	+5.39%
India S&P BSE Sensex	-2.85%	+1.17%	-2.12%
ASX 200 (Australia)	+6.23%	+6.72%	+6.23%

### Australian Dollar

	Close	52-week Range
AUD	0.7055%	0.6170-0.7662%

### Government Bonds

	Close	52-week Range
US 3 Month Bill	4.65%	0.185-4.712%
US 10 Years Note	3.511%	1.678 – 4.325%
US 30 Years Bond	3.636%	2.061 – 4.424%
Australia 10 years	3.548%	1.850-4.256%

Source: Wall Street Journal.