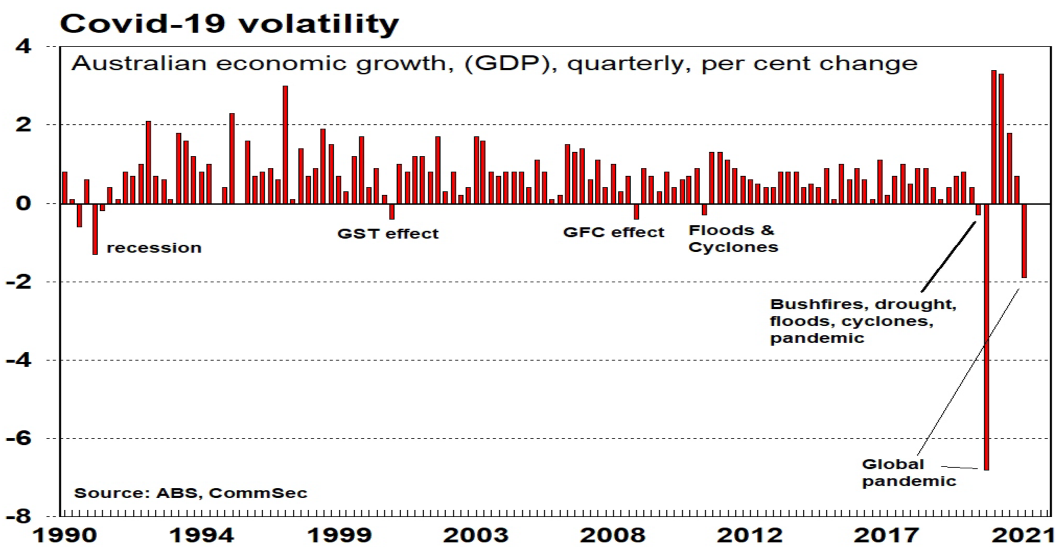
Antipodean Private Pty Ltd
100 Harris Street
Pyrmont NSW 2009
Phone: 1300 101 250
Mobile: 0438 893 571
Email: michael@antipodeanadvisory.com

2021 November Market Wrap Wednesday 1 December 2021

The National Accounts highlight economic resilience and as a publication is the most comprehensive measure of Australia's economic performance including economy-wide output and spending. But it is somewhat dated.

- The Australian economy (as measured by gross domestic product or GDP) contracted by 1.9 per cent in the September quarter, reflecting lockdowns (survey: -2.9 per cent). The economy is up 3.9 per cent on the year.
- The biggest contribution to the contraction in the economy was household spending (-2.5 percentage points), followed by inventories (-1.3pp). Net exports added 1.0pp to growth with government consumption adding 0.8pp and commercial building adding 0.2pp.
- The household saving rate jumped from 11.8 per cent to 19.8 per cent with household gross disposable income up 4.6 per cent – the strongest pace in 13 years.



- Because the September quarter was dominated by lockdowns across Australia, especially in the south-east, it is understandable that the economy contracted by 1.9 per cent in the quarter – the second biggest contraction in 47 years.

Other news for the month, another Covid mutation Nu (Alpha,Beta and Delta), Economy reopening, supply chain shocks, inflation, Reserve Banks tapering, Interest Rates, Growth and Geopolitical Risks. A lot of these issues are not new but have created uncertainty leading to a pullback in markets across the board.

The new mutation brings up the same issues Delta did. Uncertainty around growth and reopening creates fear and uncertainty and that we may not be out of the woods quite yet. Fear of another Covid-induced global slowdown brought us near November lows for yields.

Federal Reserve Chairman Jerome Powell said the central bank was prepared to quicken the pullback of its easy-money policies, opening the door to raising interest rates in the first half of

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next year as it grapples with inflation and a potential new virus wave that could exacerbate supply-chain disruptions.

His remarks suggested the Fed is pivoting from being more concerned about nurturing a faster labor-market recovery toward being more anxious about keeping prices from rising higher.

Inflation talk is “transitory it will peak and pass”. What are the risks? Supply chain issues are worse than first thought, demand for goods has & continues to be stronger than expected, Covid as slowed supply hence the imbalance. Companies have the pricing power to pass on costs this has not been the case for many years. The key risk to this inflation view is a higher wage claim loop, hence consumer inflation expectation has changed. If we see a wage price spiral, we have an inflation problem and Reserve Banks are behind the curve on tapering and rate increases. Ultimately, perhaps the most significant area of anxiety is the notion of stagflation, where we have a slowing economic environment on top of continued pressures from inflation. This pandemic has created very unique conditions in this global economy.

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

Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	-4.35%	+15.62%	+12.67%
Nasdaq	-0.72%	+25.76%	+20.56%
S&P 500	-1.37%	+24.70%	+21.59%
Russel 2000	-6.90%	+19.76%	+11.35%
Europe 600 Index	-3.46%	+38.89%	+19.17%
UK FTSE 100 Index	-2.96%	+10.57%	+9.27%
Hong Kong Hang Seng	-6.47%	-11.64%	-13.79%
Japan Nikkei 225	-5.27%	+4.28%	+1.83%
China Shanghai Composite	+1.66%	+3.24%	+2.61%
India S&P BSE Sensex	-4.94%	+27.79%	+19.50%
ASX 200 (Australia)	-0.54%	+9.70%	+14.10%

Australian Dollar

	Close	52 week Range
AUD	0.7228%	0.6992-0.8008%

Government Bonds

	Close	52 week Range
US 3 Month Bill	0.058%	0.003-0.106%
US 10 Years Note	1.472%	0.877 – 1.778%
US 30 Years Bond	1.813%	1.601 – 2.515%
Australia 10 years	1.734%	0.927-2.118%

Source: Wall Street Journal.