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2022 November Market Wrap Thursday 1 December 2022

Equities certainly seemed to be getting into the "holiday spirit." Perhaps it was the strong consumer earnings, incrementally dovish Fedspeak, light positioning, or simply a lack of meaningful "bad news" that assuaged some of our biggest near-term fears. Yet, with much left to chew on as we approach a busy year-end, it remains to be seen just how cheerful global equity markets can remain amidst a mixed backdrop… will the bright lights, catchy carols, and holiday spirit bring the Santa Claus rally to town?

All eyes turn to Black Friday shoppers as a potential barometer for underlying consumer health. While many economists are warning that inflation, not the Grinch, may steal Christmas this year, retailers are reporting relatively robust beats this earnings season.

While shoppers are poised to receive significant discounts this holiday season as stores clear out large inventory build-ups, it remains to be seen if promotions will be enough to support spending. With private consumption representing ~56% of GDP in the Australia ~68% of GDP in the US and ~52% in Europe, it will certainly be a significant determinant of economic health. Of course, many investors have been bracing or even hoping for earnings reset and impact to wages, jobs, and spending… but a slowdown without the consumer fully rolling over – the ultimate "soft landing" – is not out of the question just yet.

Along with retail alleviating some inflationary pressures on the consumer, crude oil prices have been plummeting (WTI and Brent are down over 30% since June highs. While falling prices speak to underlying recessionary fears and impacts on demand, these same trends may also signal that the impact of Fed tightening is finally starting to be felt in the real economy… ultimately a bullish outcome?

RBA creditability takes another hit, Reserve Bank governor Philip Lowe has apologised to Australians who took out home loans based on forecasts that interest rates wouldn't spike until 2024. The central bank forecast throughout 2021 that inflation wouldn't rise quickly and interest rates would stay low until 2024. However, the bank began hiking the official cash rate in May and it has now risen by almost 3 per cent.

FOI Disclosures Reveal Fascination Internal debate with housing price model having coding errors underestimated potential house price declines. Link to article.
https://www.livewiremarkets.com/wires/rba-predicted-almost-no-house-price-declines-when-it-hiked-rates-but-now-expects-the-biggest-declines-ever?time=1669852846130

The current market rally looks to have legs into yearend before the fundamental should provide a reassessment of forward earning and market prices in the new year.

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

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Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	+7.60%	+1.67%	-4.81%
Nasdaq	+8.96%	-24.82%	-26.70%
S&P 500	+8.52%	-9.59%	-14.39%
Russel 2000	+5.45%	-12.15%	-15.98%
Europe 600 Index	+6.45%	-9.79%	-6.55%
UK FTSE 100 Index	+6.00%	+5.64%	+2.55%
Hong Kong Hang Seng	+17.50%	-21.39%	-20.52%
Japan Nikkei 225	+1.10%	+0.12%	-2.86%
China Shanghai Composite	+4.93%	-11.90%	-13.42%
India S&P BSE Sensex	+3.60%	+9.39%	+8.32%
ASX 200 (Australia)	+6.58%	+0.67%	+2.20

Australian Dollar

	Close	52-week Range
AUD	0.6784%	0.6170-0.7662%

Government Bonds

	Close	52-week Range
US 3 Month Bill	4.368%	0.035-4.402%
US 10 Years Note	3.747%	1.341 – 4.325%
US 30 Years Bond	3.739%	1.665 – 4.424%
Australia 10 years	3.486%	1.543-4.256%

Source: Wall Street Journal.