
W | A | M Leaders

How macro indicators drive domestic equities

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Why do we focus on macro?



50% of ASX200 revenue is earned outside Australia

Resources companies account for 40% of the ASX200, and are sensitive to global supply & demand forces

BHP and RIO, two of the largest resources companies globally are listed on the ASX

Big 4 Banks account for 20% of the ASX200, and are sensitive to interest rates & economic conditions

The AUD is the fifth largest traded FX market, and is a proxy for risk behaviour

The economic health of our largest trading partner, China, has significant impacts on our Terms of Trade and currency

Monetary policy decisions offshore have significant impacts on the valuations of ASX companies and attractiveness of our market

Not taking the macro environment into account leaves a lot of risks to chance

What data are we watching closely?



Australia Recession Pressure Dashboard

Indicators marked with an asterisk (*) have the opposite formatting condition applied to them. Unless stated otherwise, the figures represent their z-scores across the entire historical period.

Theme	Indicators	4/2022	5/2022	6/2022	7/2022	8/2022	9/2022	10/2022	11/2022	12/2022	1/2023	2/2023	3/2023	4/2023	5/2023	6/2023	7/2023	8/2023	9/2023	10/2023	11/2023	12/2023	1/2024	2/2024	n/a/n/a
Labour Market	Unemployment*	-1.52	-1.48	-1.66	-1.74	-1.70	-1.67	-1.76	-1.74	-1.74	-1.65	-1.69	-1.69	-1.60	-1.67	-1.70	-1.58	-1.61	-1.69	-1.57	-1.51	-1.49	-1.41	-1.62	
	Jobs Leading Indicator	1.53	1.43	1.34	1.27	1.11	0.82	0.48	0.16	-0.08	-0.19	-0.25	-0.32	-0.44	-0.62	-0.83	-0.98	-0.99	-0.89	-0.78	-0.73	-0.74	-0.77	-0.82	-0.84
Economic Growth	New Orders	1.07	0.27	0.06	0.05	0.13	-0.30	0.17	0.47	-0.56	-0.56	0.66	-0.74	-1.25	-0.17	-0.54	-0.72	-0.65	-0.22	-0.61	-1.24	-2.00	-2.00	-0.57	
	OECD Leading Indicator	0.62	0.61	0.57	0.49	0.37	0.18	-0.05	-0.27	-0.48	-0.68	-0.85	-1.02	-1.18	-1.33	-1.45	-1.53	-1.56	-1.56	-1.51	-1.42	-1.30	-1.17	-1.04	
	Growth Leading Indicator (6m AR)	1.00	0.65	0.42	0.43	0.23	-0.31	-0.53	-0.54	-0.54	-0.48	-0.46	-0.42	-0.42	-0.53	-0.55	-0.40	-0.32	-0.28	-0.27	-0.08	0.08	-0.05		
	Capacity Utilization	1.12	1.89	2.07	2.68	2.66	2.57	2.54	2.31	1.87	2.61	2.26	2.18	2.10	1.85	1.28	1.91	2.08	1.52	1.46	1.35	0.89	1.38	1.21	
	Commodity Terms of Trade	2.53	2.35	2.37	2.56	2.81	2.90	2.52	2.17	2.46	2.12	1.72	1.59	1.47	1.07	1.06	1.07	1.12	1.34	1.24	1.30	1.41	1.27	1.09	
Credit Growth	Personal Finance YoY	0.77	1.29	0.46	0.01	0.93	0.38	0.59	0.03	-0.46	0.07	-0.57	-0.76	-0.64	-0.01	0.52	0.06	0.47	0.54	0.88	0.41	0.00	0.89		
	Business Credit Growth YoY	0.37	0.45	0.46	0.47	0.47	0.52	0.51	0.38	0.26	0.19	0.12	0.03	-0.02	-0.11	-0.25	-0.33	-0.36	-0.41	-0.43	-0.44	-0.43	-0.41		
Housing Market	CoreLogic Housing Price YoY	1.45	1.06	0.65	0.20	-0.26	-0.66	-1.01	-1.31	-1.53	-1.72	-1.73	-1.70	-1.62	-1.40	-1.14	-0.82	-0.50	-0.25	-0.04	0.12	0.27	0.38	0.40	
Confidence	Business Confidence	0.50	0.20	-0.36	0.14	0.37	-0.15	-0.48	-0.69	-0.51	0.09	-0.96	-0.59	-0.45	-0.92	-0.69	-0.53	-0.53	-0.53	-0.84	-1.42	-0.57	-0.43	-0.51	
	Consumer Conf: Present Situation	-1.37	-1.69	-1.91	-2.16	-2.31	-2.40	-2.47	-2.50	-2.50	-2.61	-2.77	-2.79	-2.73	-2.68	-2.83	-2.85	-2.90	-2.84	-2.81	-2.70	-2.76	-2.66	-2.66	
Financial Market	10y2y Spread (%)	0.87	0.78	0.84	0.75	0.48	0.50	0.60	0.50	0.45	0.45	0.35	0.39	0.43	0.27	-0.03	-0.04	0.23	0.27	0.44	0.32	0.29	0.32	0.37	
	S&P/ASX 200 VIX*	-0.57	0.24	0.52	0.27	-0.35	0.20	0.58	-0.27	-0.72	-0.71	-0.69	-0.49	-0.61	-0.75	-0.87	-0.88	-0.89	-0.86	-0.52	-0.94	-1.22	-1.02	-0.97	
	Recession Pressure (%)	7.14	14.29	21.43	14.29	14.29	42.86	42.86	35.71	57.14	42.86	50.00	57.14	64.29	64.29	64.29	64.29	57.14	57.14	57.14	50.00	50.00	50.00		

0~25th Percentile 25~50th Percentile 50~75th Percentile 75~100th Percentile

Sources: RBA, Melbourne Institute of Applied Economic & Social Research, ABS, Australian Department of Employment & Workplace Relations, NAB, Ai Group, CoreLogic Australia, Citi, S&P Global, Macrobond, OECD

How do we respond to what the data is telling us?

Portfolio TILT

Cycle inflection points

Change in regime that affects asset class and positioning

Focused on taking a non-consensus view ahead of an expected change in environment, with outsized potential gains

TACTICAL trade

> Intra-cycle swings

> Changes in data or cycle stage to change short term positioning

> Focused on principles of our investment process: Changes in macro, fundamentals, or positioning.

What levers can we pull when the data changes?

Stronger USD



Higher bond yields



Lower bond yields



Housing



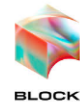
Stockland



Stronger consumer



Growth & momentum



Defensives



What is our outlook for the next 12 months?



China not as bad as feared

AI market hype vs. reality

Shift back to company fundamentals

Nuanced stock selection

Undeserving laggards catching up

US election

Industrial Production picking up

Continued easing of financial conditions

Tactical tilts around market positioning

Capital flows driving market exuberance



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Q&A