



Baharian Wealth Management

*The Financial Market's Handbook*

*2Q 2023 as at 30 June 2023*

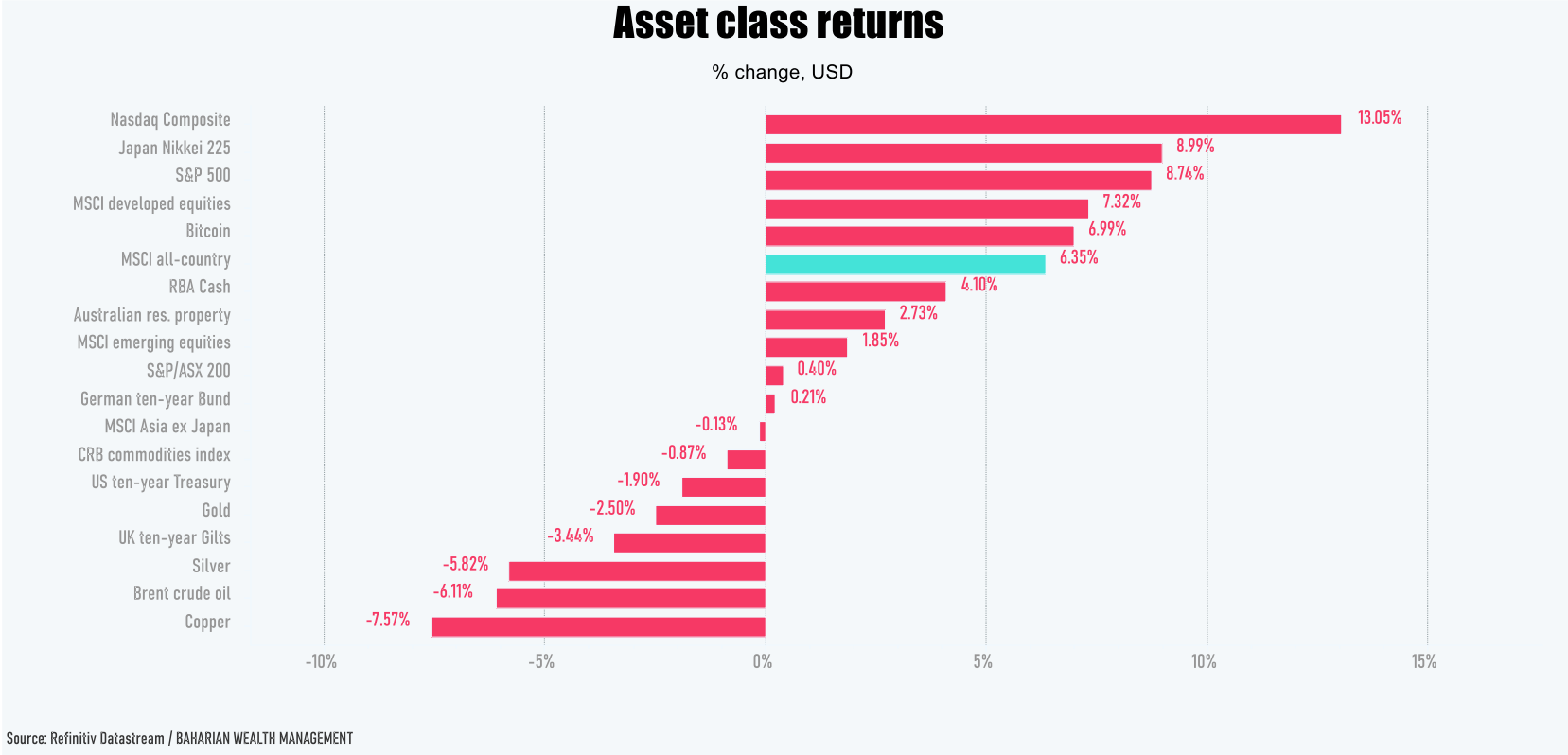
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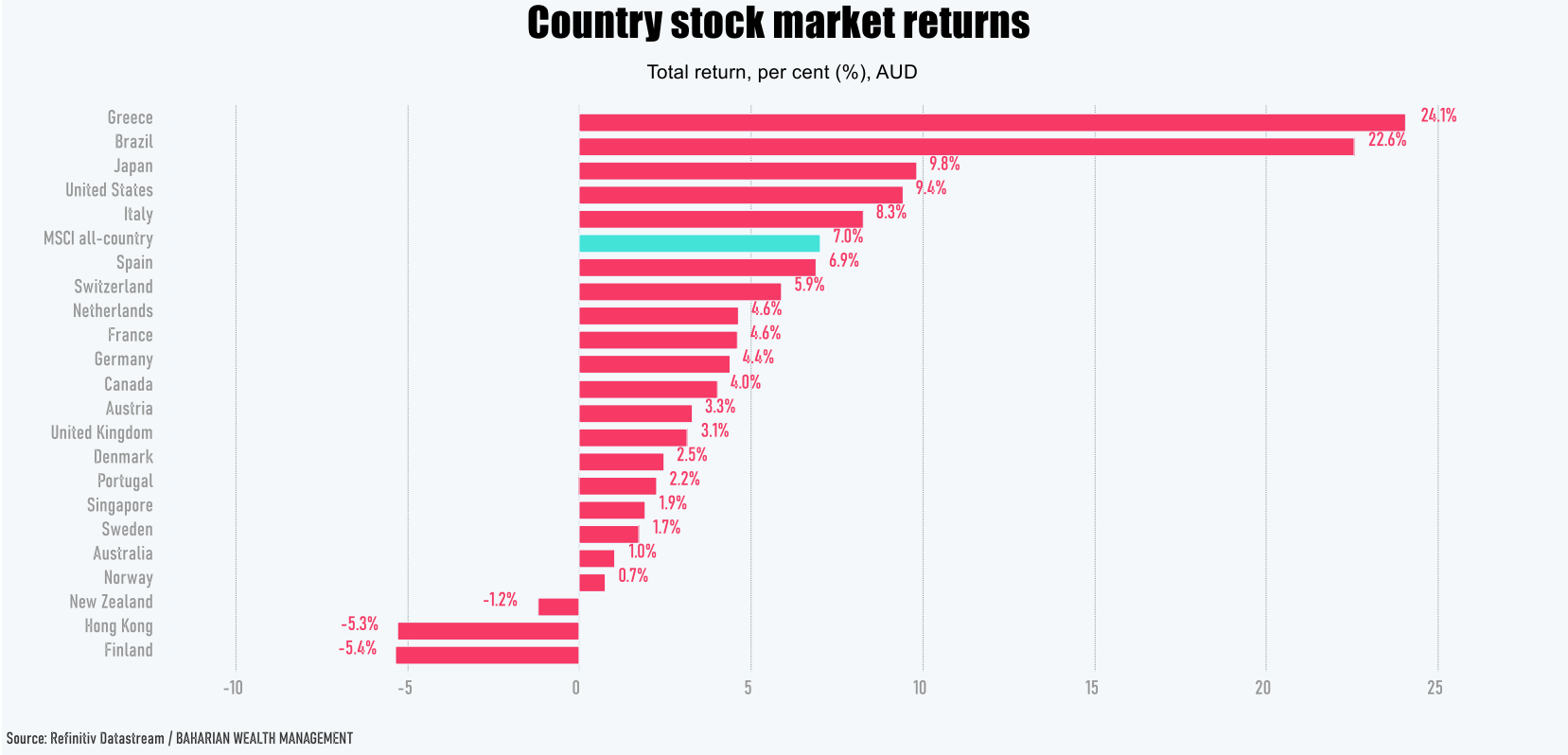
# 2Q 2023 in review.

## *Global scoreboard*

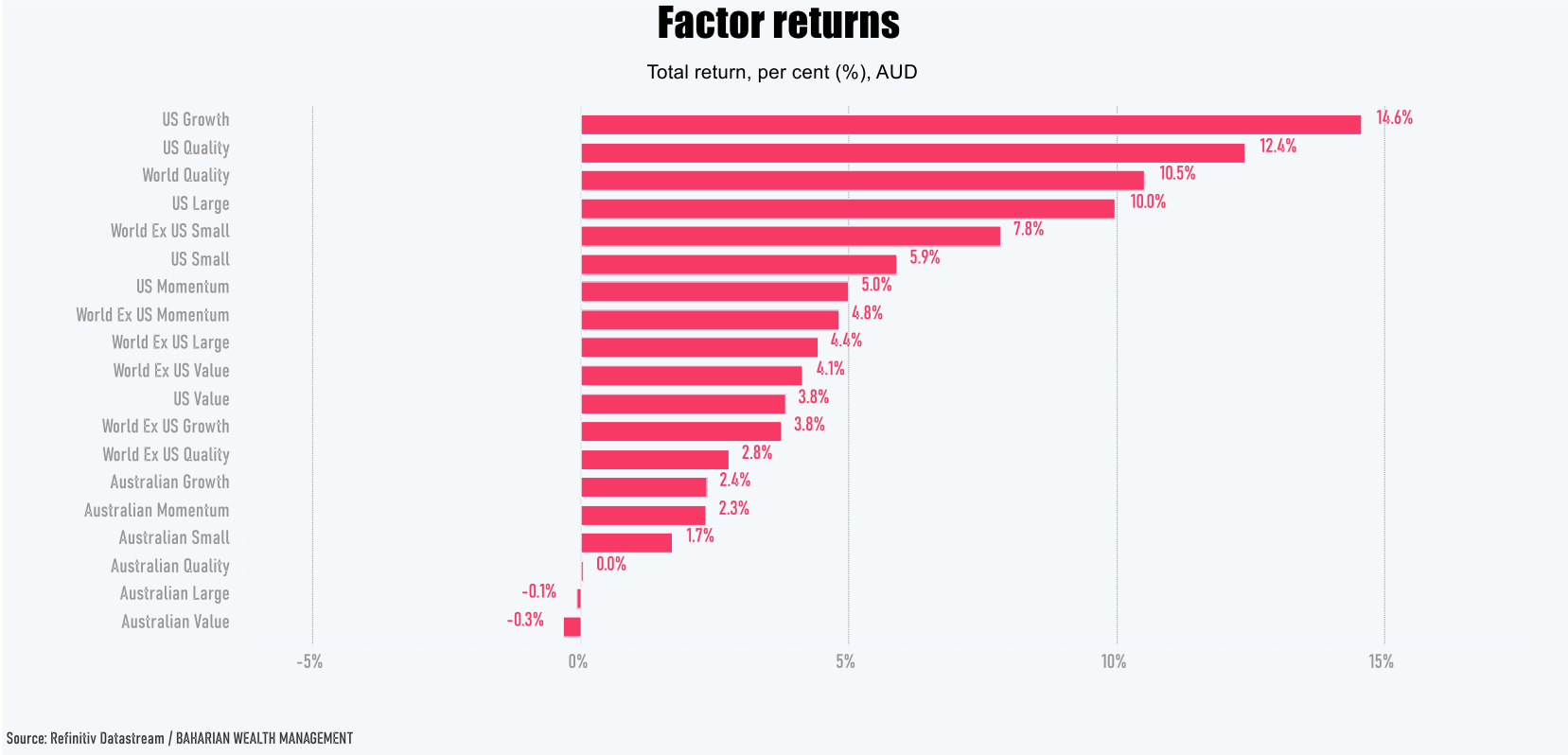
# The global scoreboard: *Asset class performance*



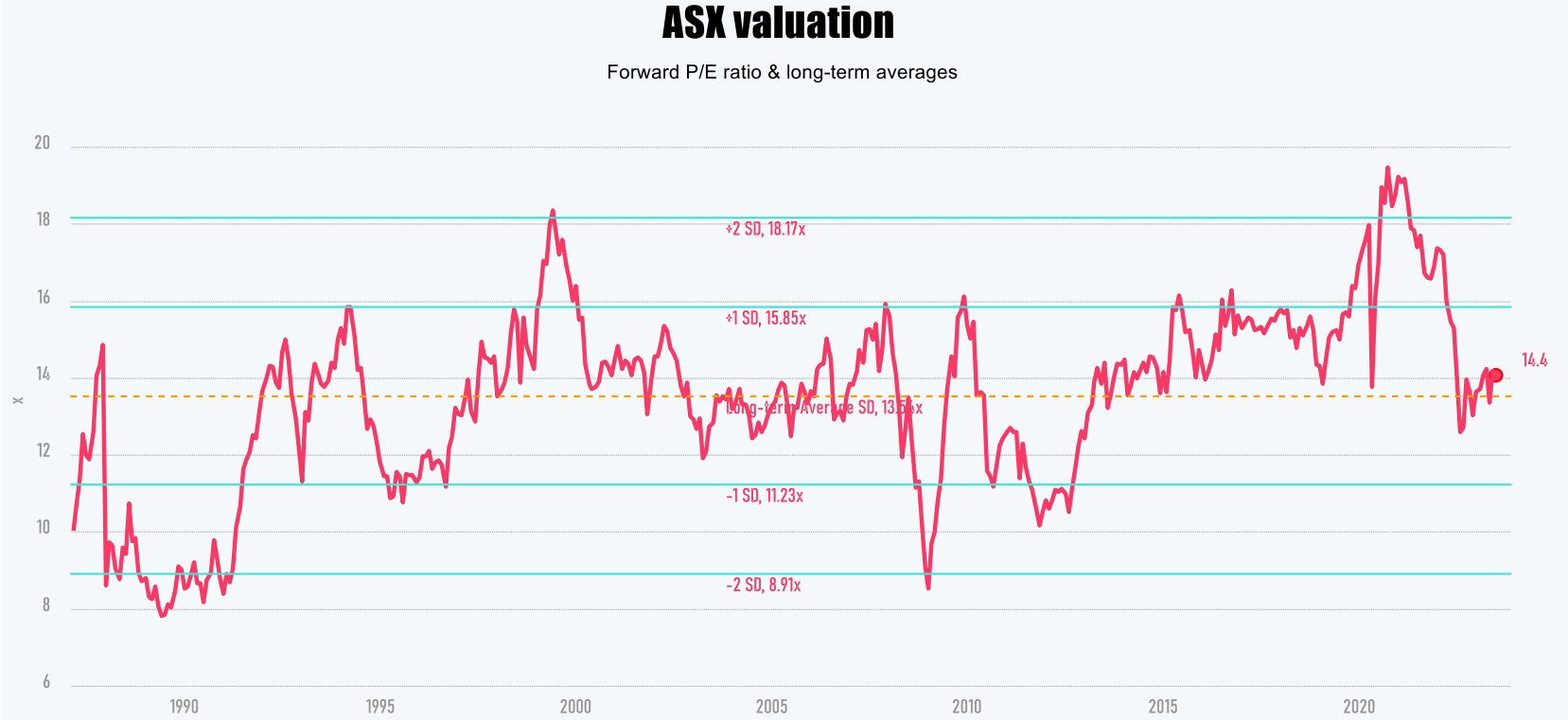
# The global scoreboard: *Select country performance*



# The global scoreboard: *Factor performance*



# The global scoreboard: *Australian stock market valuation*



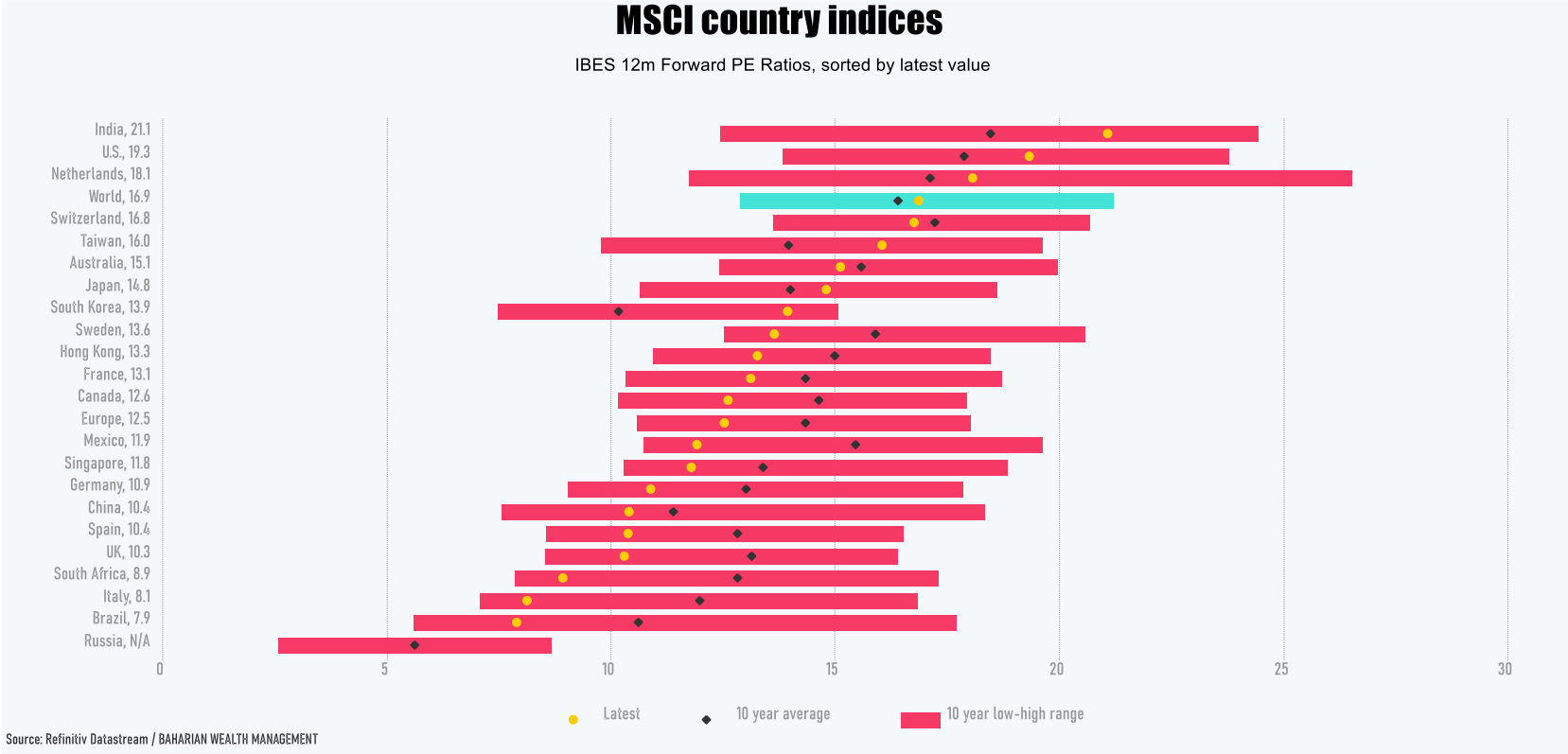
Source: Refinitiv Datastream / BAHARIAN WEALTH MANAGEMENT

# The global scoreboard: *US stock market valuation*

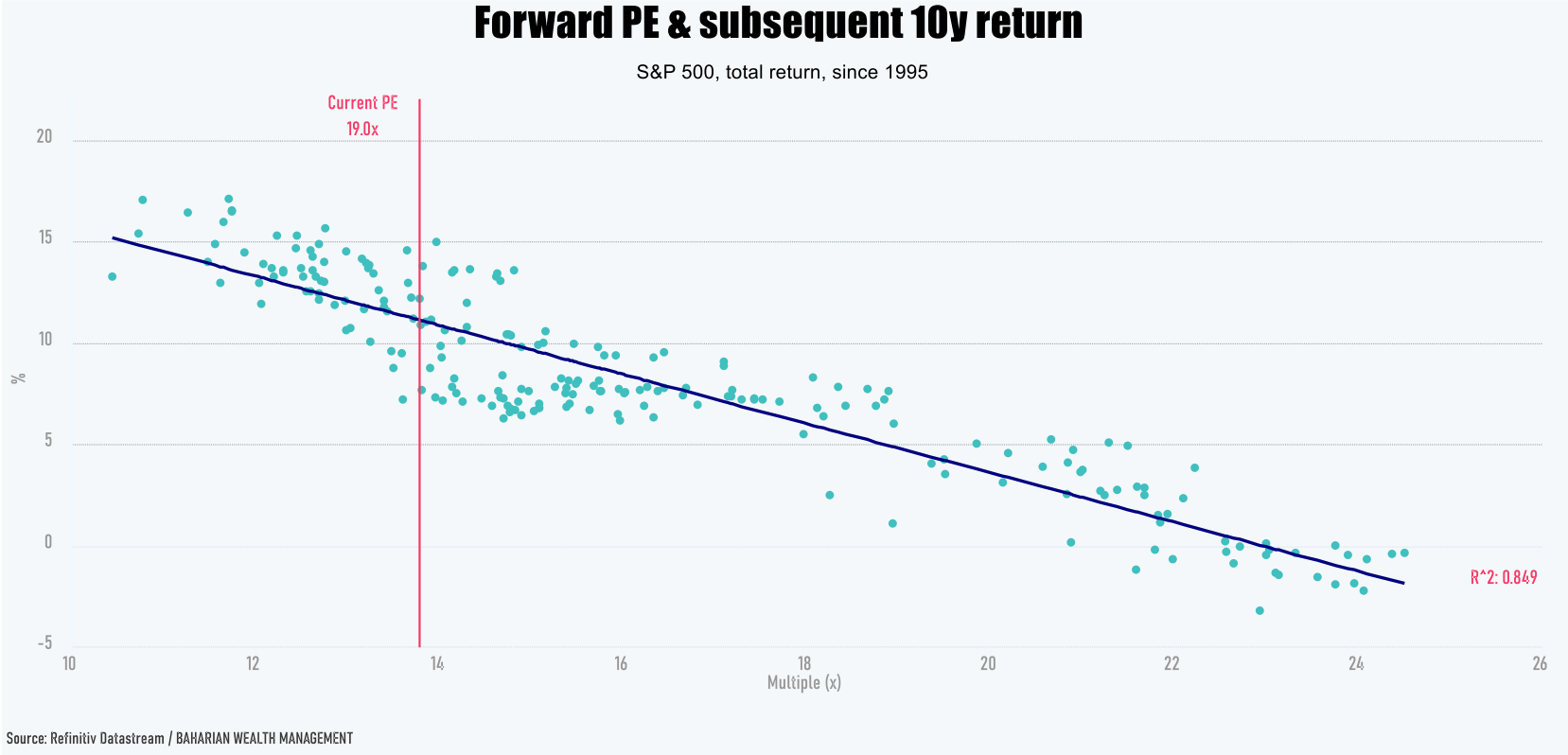




# The global scoreboard: *World stock market valuation*



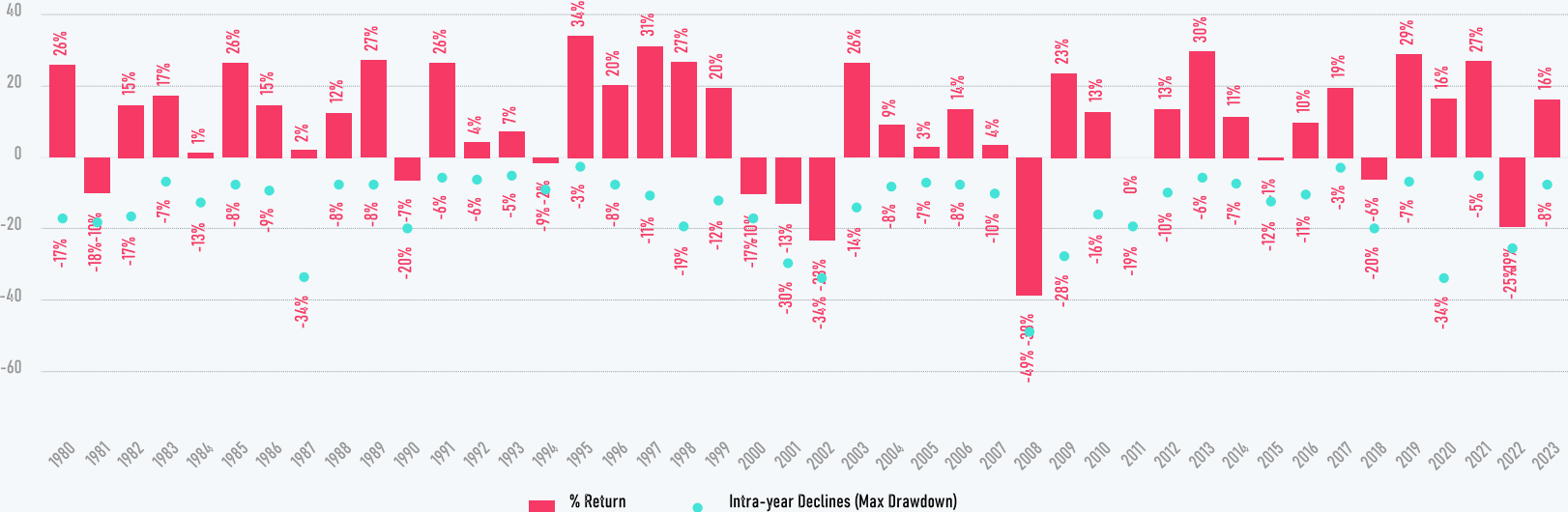
# The global scoreboard: *Valuations & subsequent returns*



# The global scoreboard: *Stock market calendar & intra-year returns*

## Intra-year declines (max drawdown) vs calendar year returns

S&P 500, price only



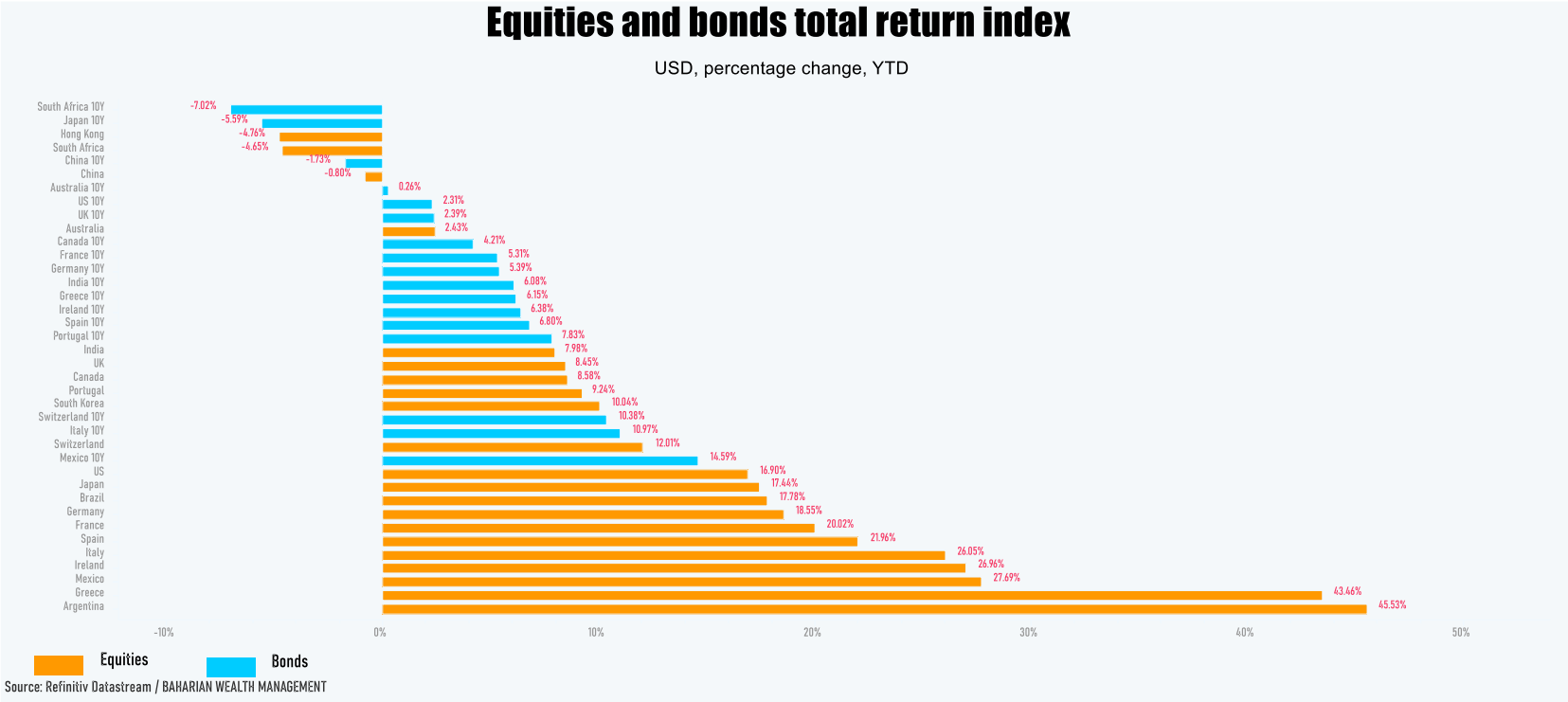
Source: Refinitiv Datastream / BAHARIAN WEALTH MANAGEMENT

# Global markets.

## *Hot topics*

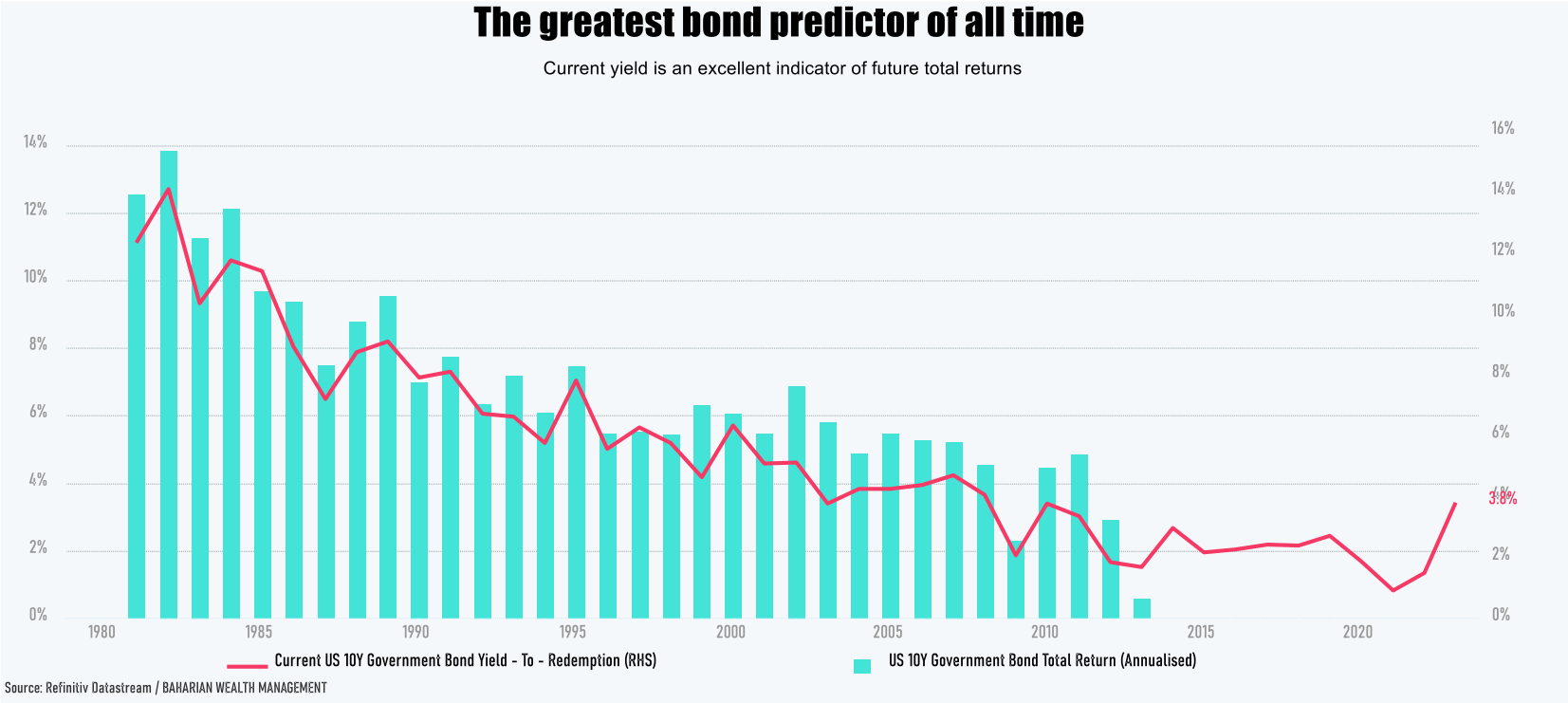
# Global markets. *Hot topics*

Majority of stock and bond markets have returned positive figures YTD.



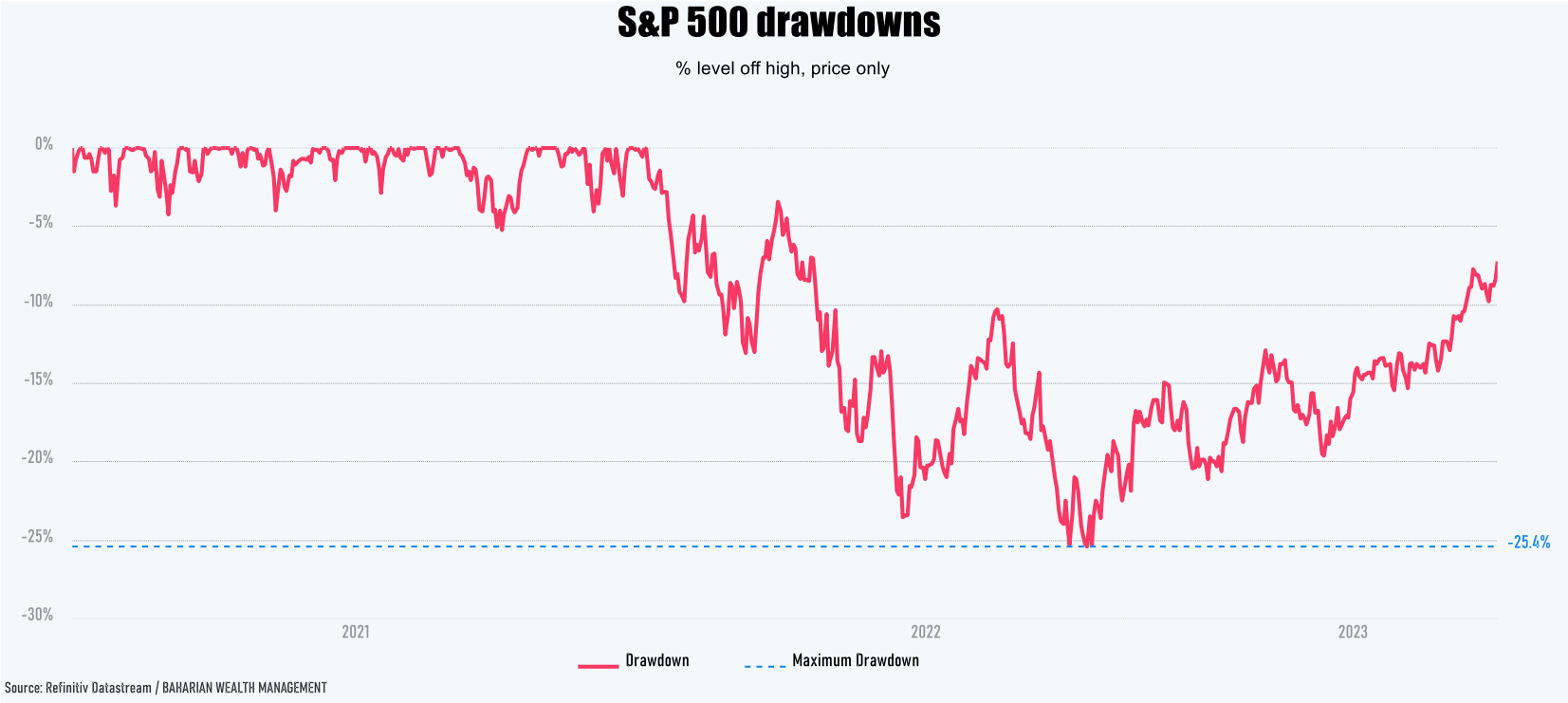
# Global markets. *Hot topics*

10-year bonds are telling us we can expect about 3.8% p.a. for the next 10 years in bonds.



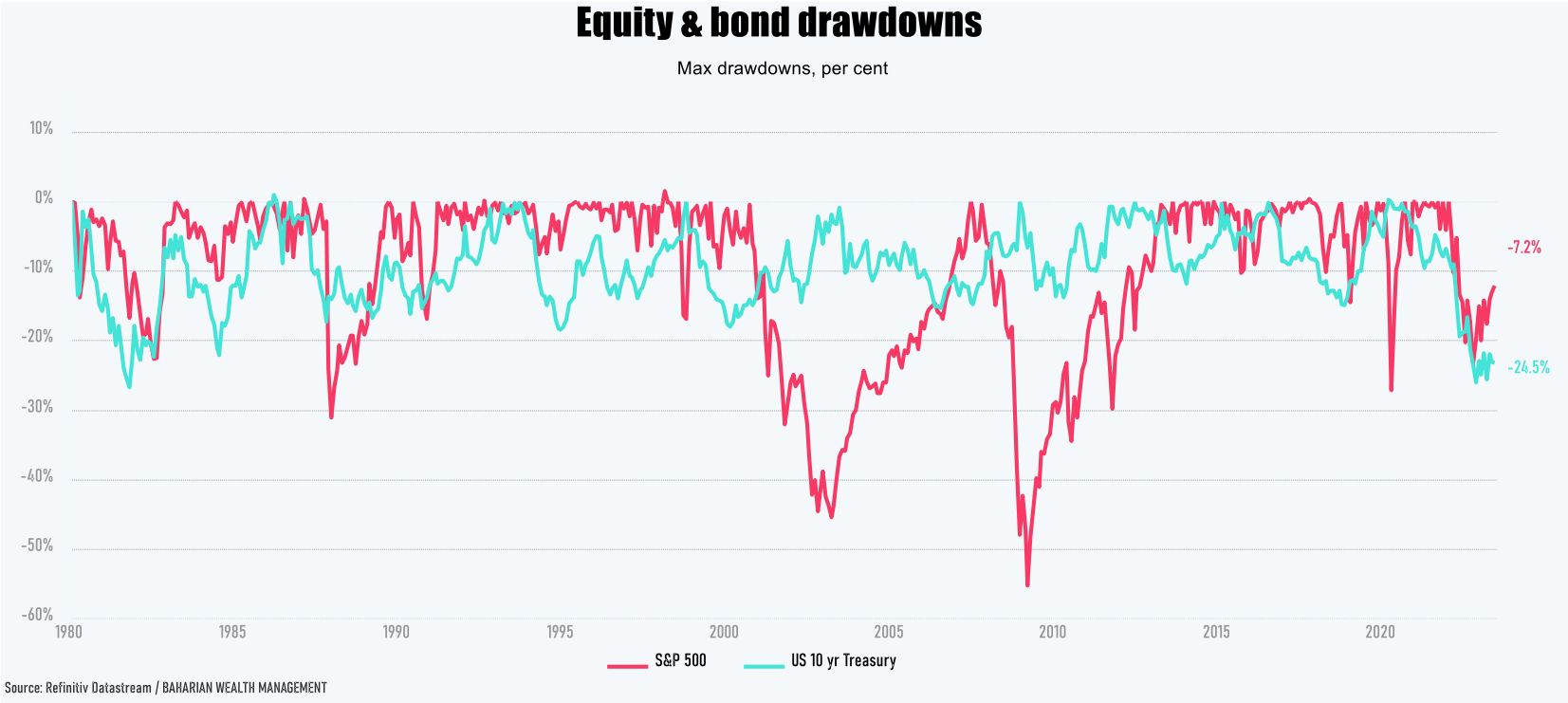
# Global markets. *Hot topics*

S&P 500 clawing its way back from its 2022 trough.



# Global markets. *Hot topics*

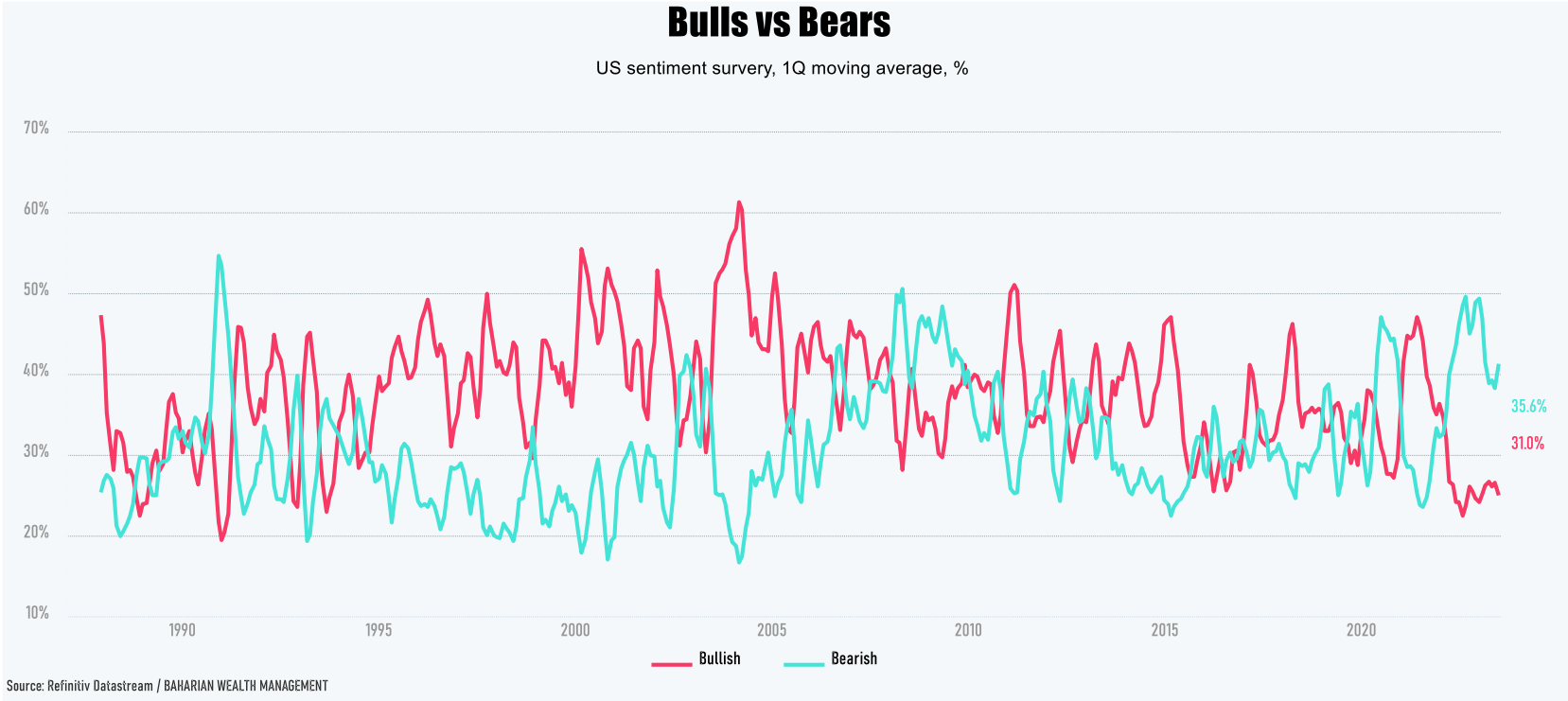
Equities making a bigger comeback than bonds. For now.





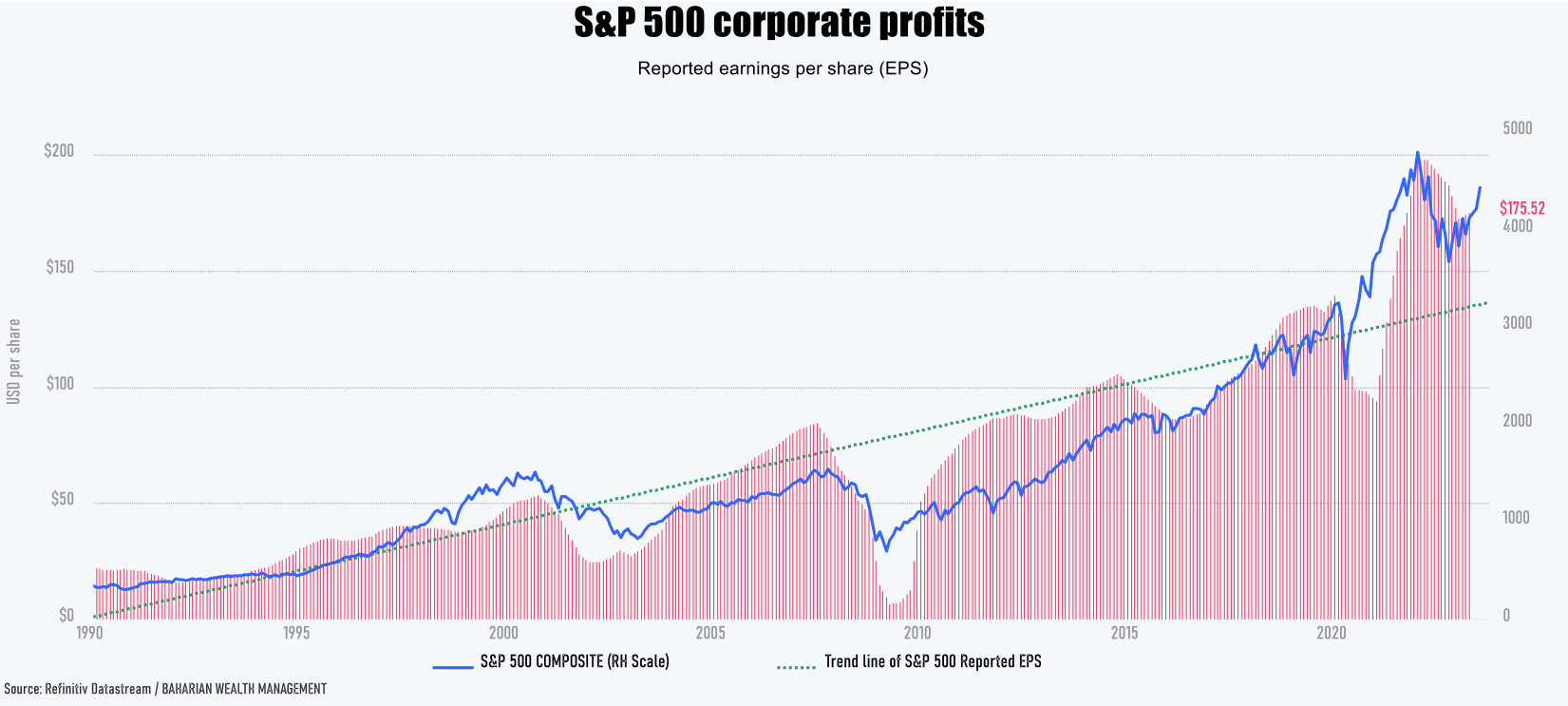
# Global markets. *Hot topics*

After a sharp decline, bearish sentiment is creeping back up a little.



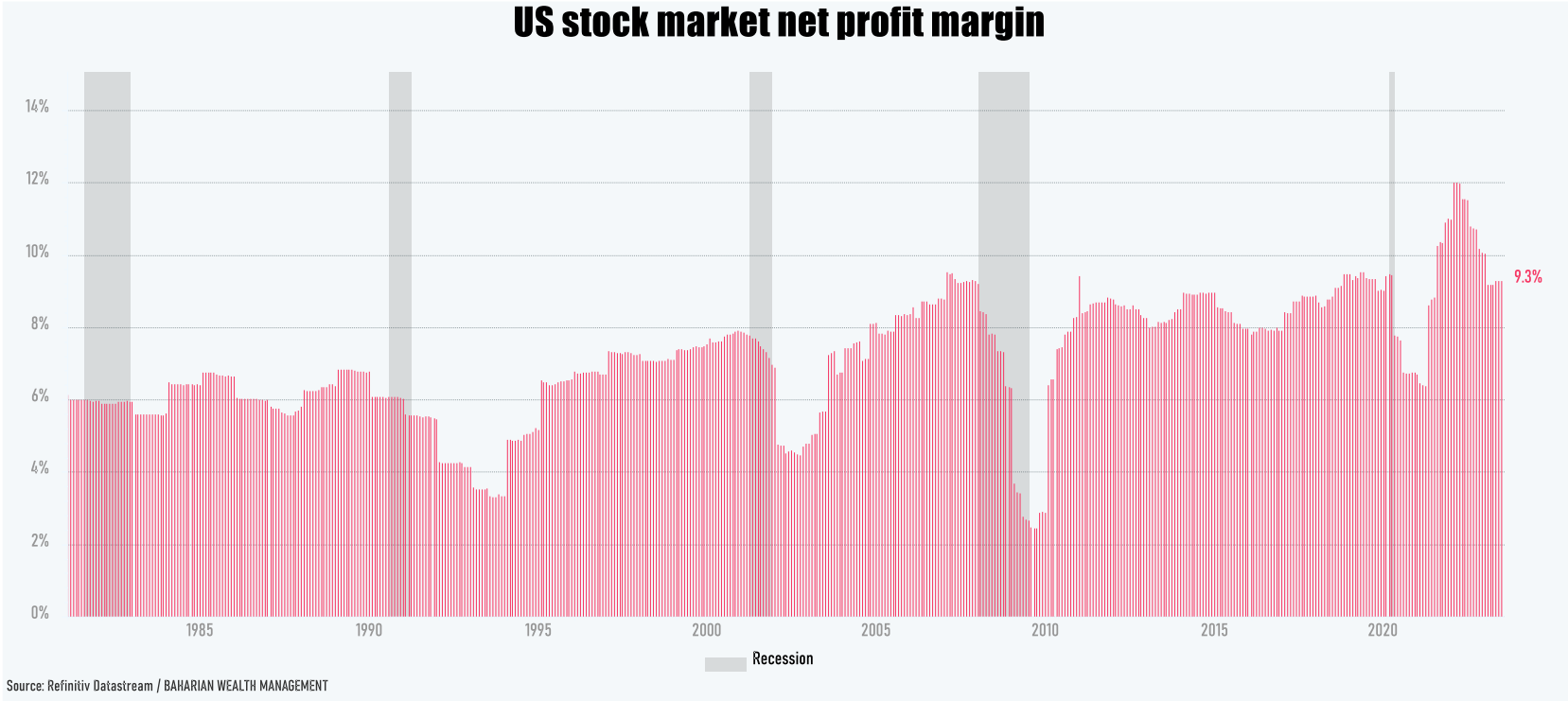
# Global markets. *Hot topics*

The stock market seems to have predicted the earnings recessions very well.



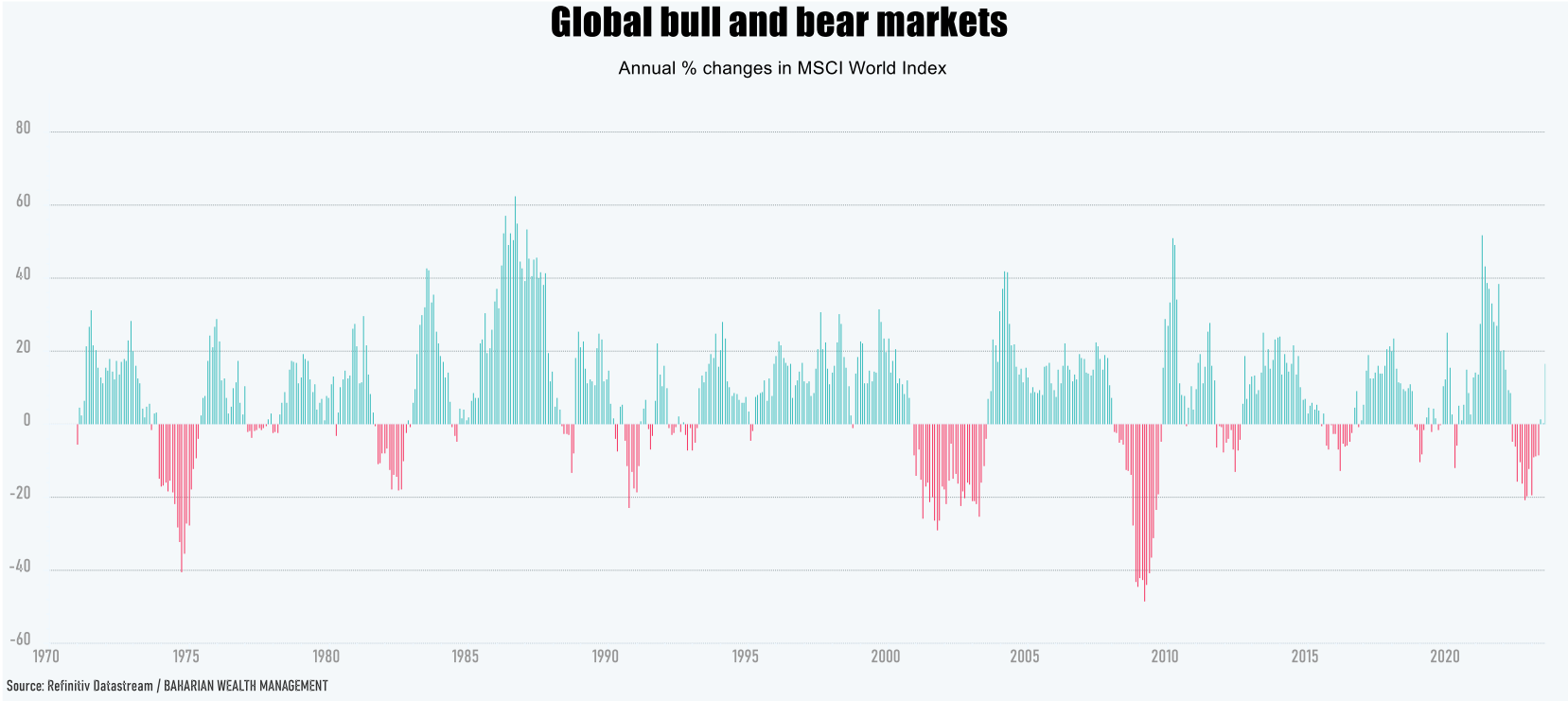
# Global markets. *Hot topics*

US corporate profit margins have peaked and seem to be coming off the top, back to long-term levels.



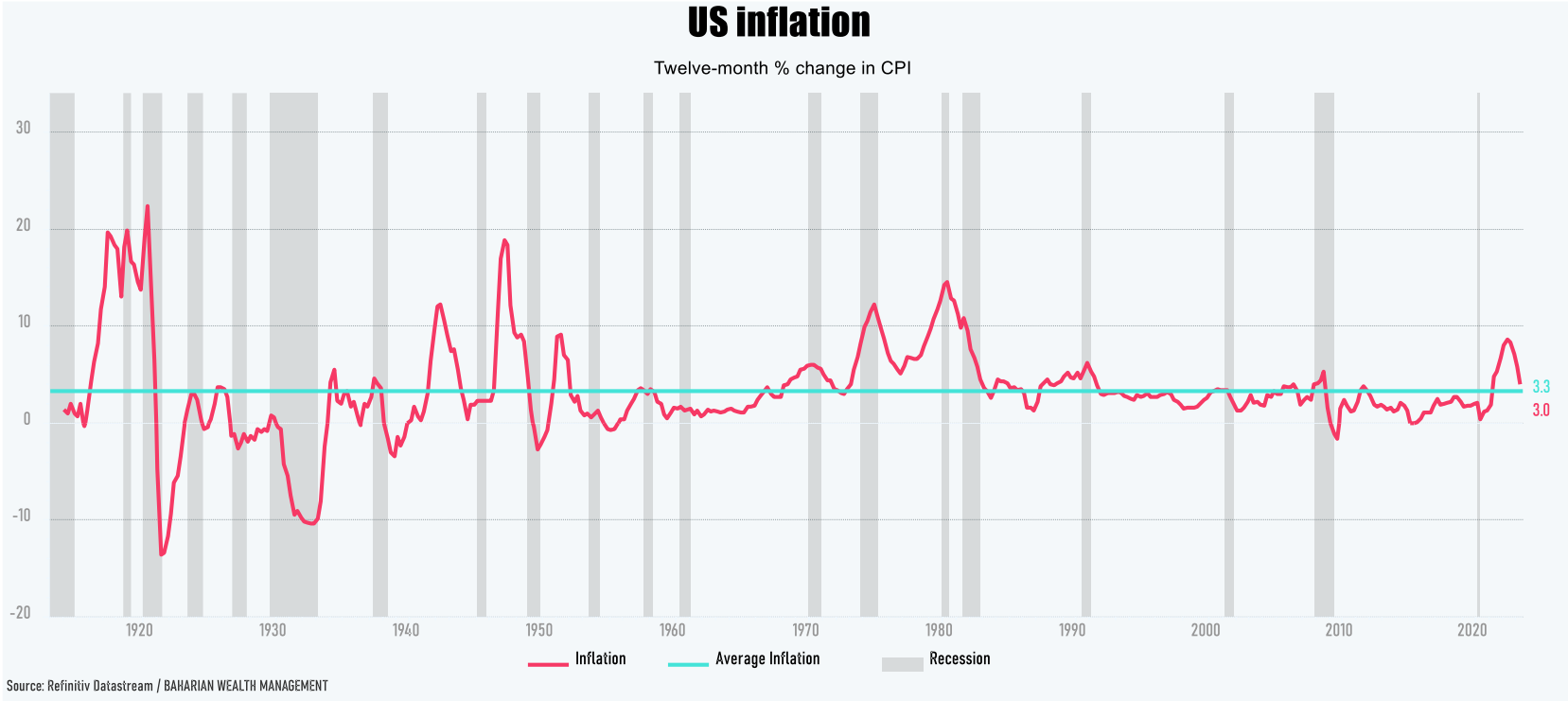
# Global markets. *Hot topics*

A long-term perspective on global bull and bear markets.



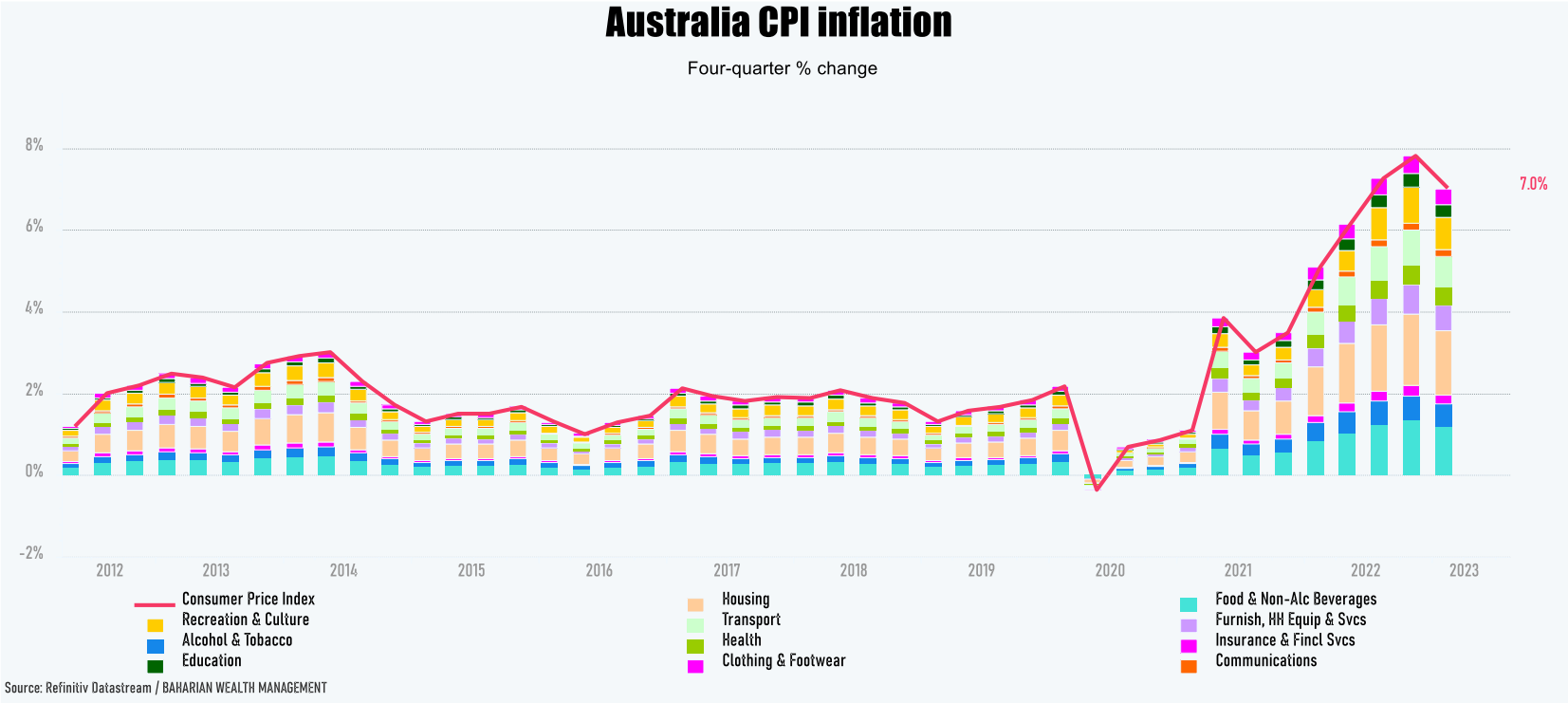
# Global markets. *Hot topics*

Inflation is now back to below average levels.



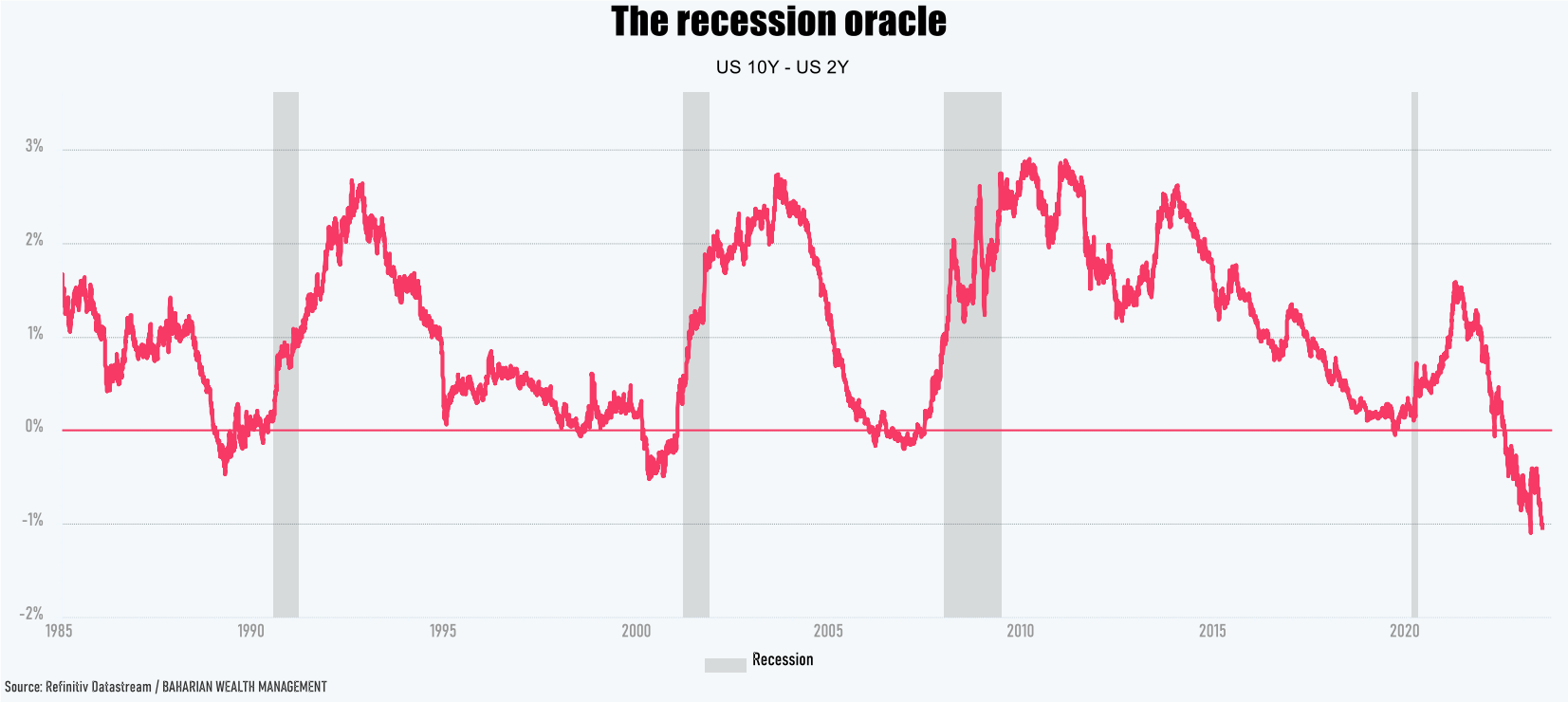
# Global markets. *Hot topics*

Contributors to Australian inflation.



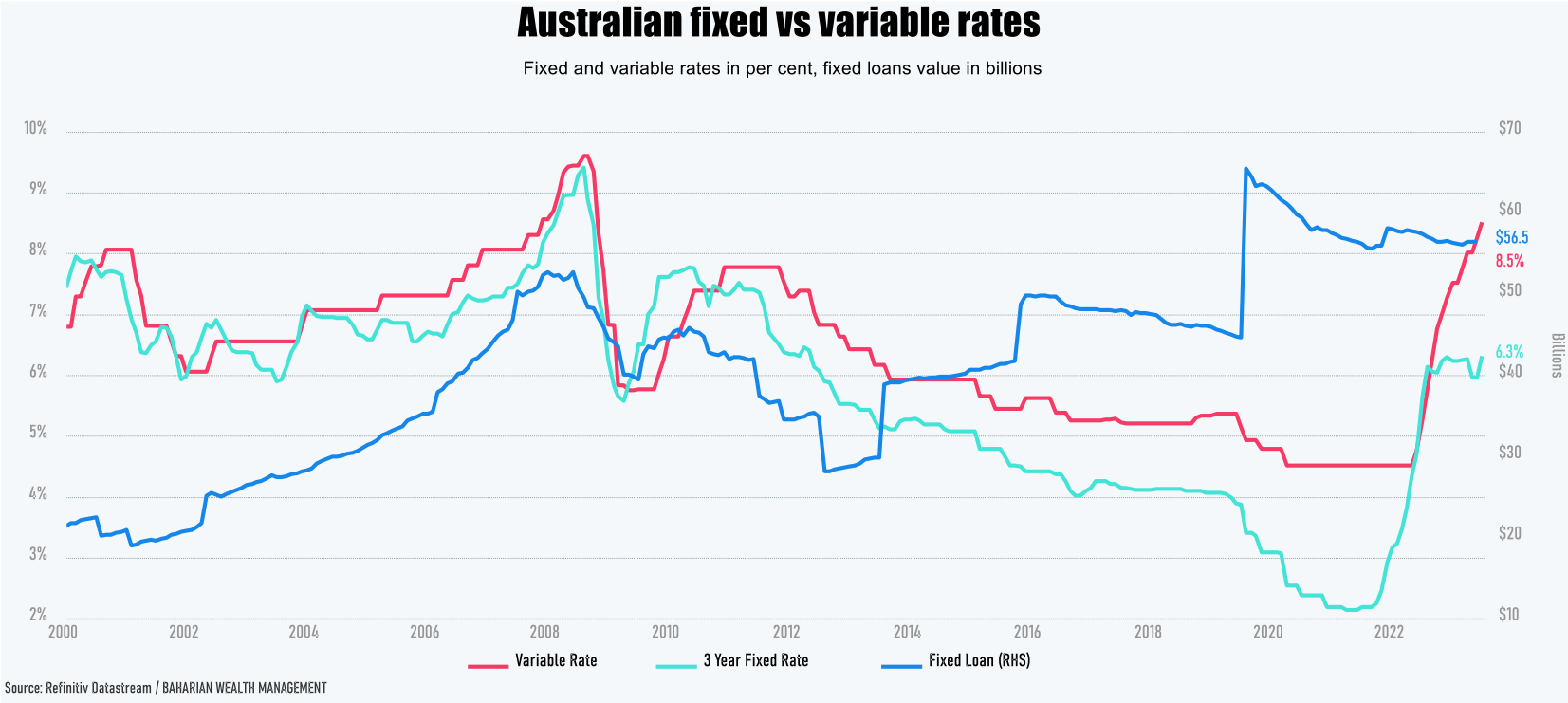
# Global markets. *Hot topics*

We will eventually have the recession.



# Global markets. *Hot topics*

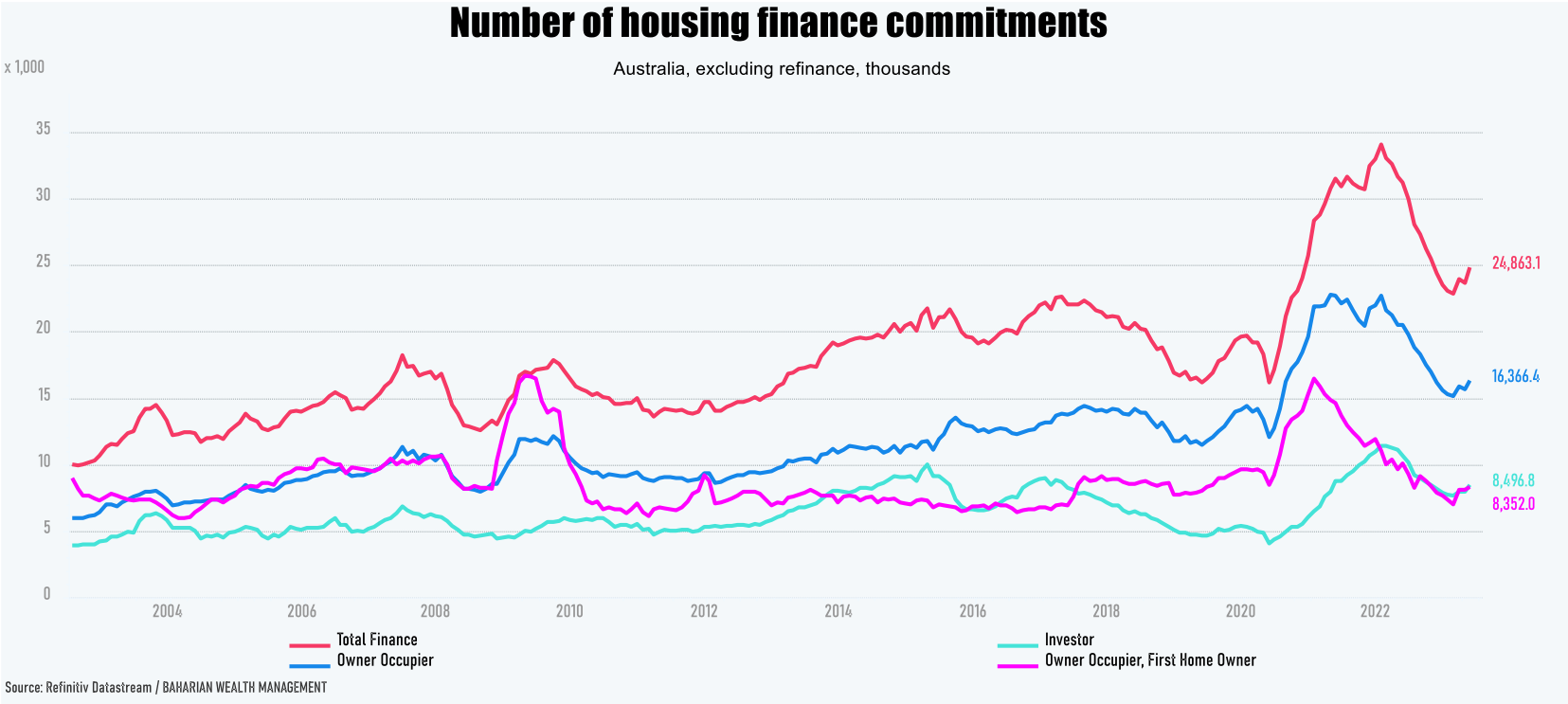
Fixed rates appear to have peaked.





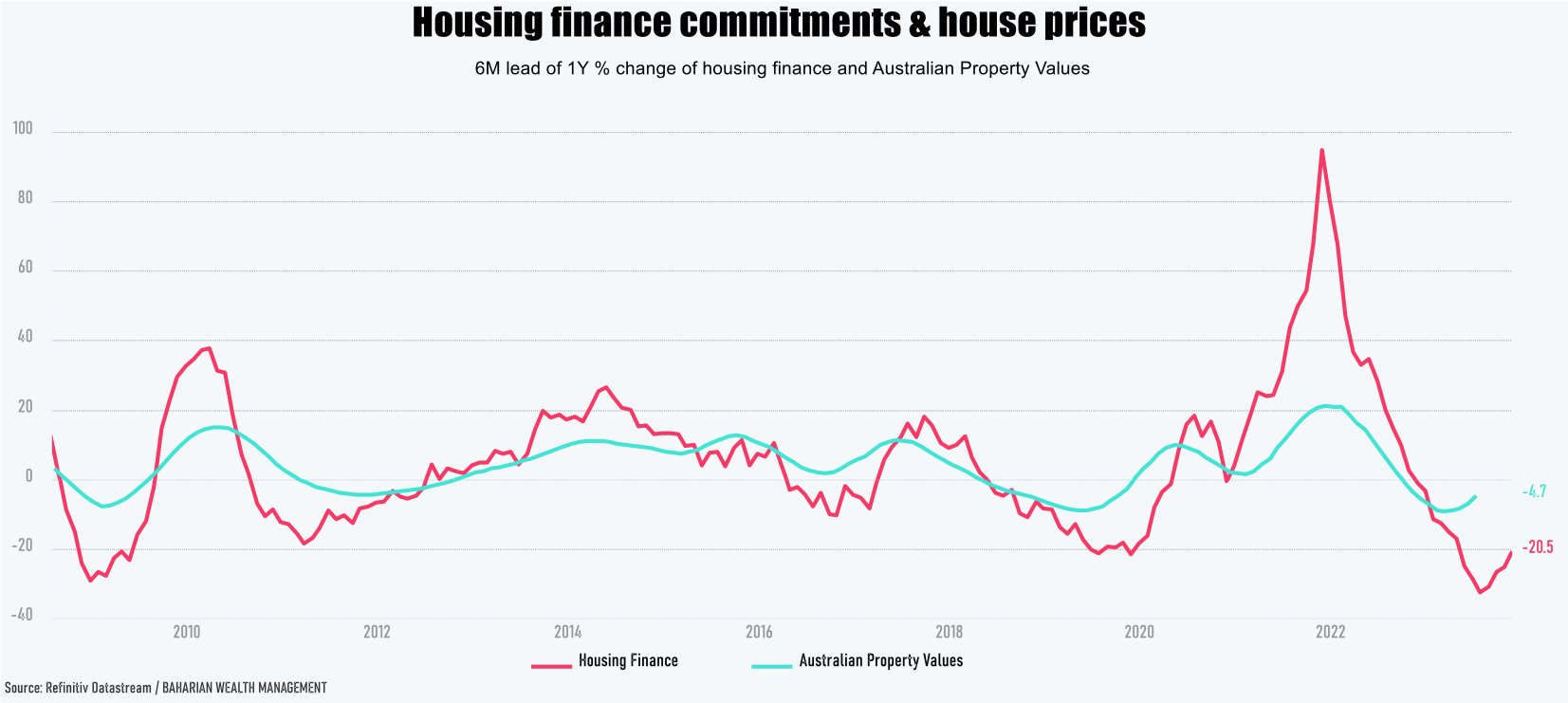
# Global markets. *Hot topics*

Borrowing appears to be making a turnaround, which is pushing dwelling prices higher.



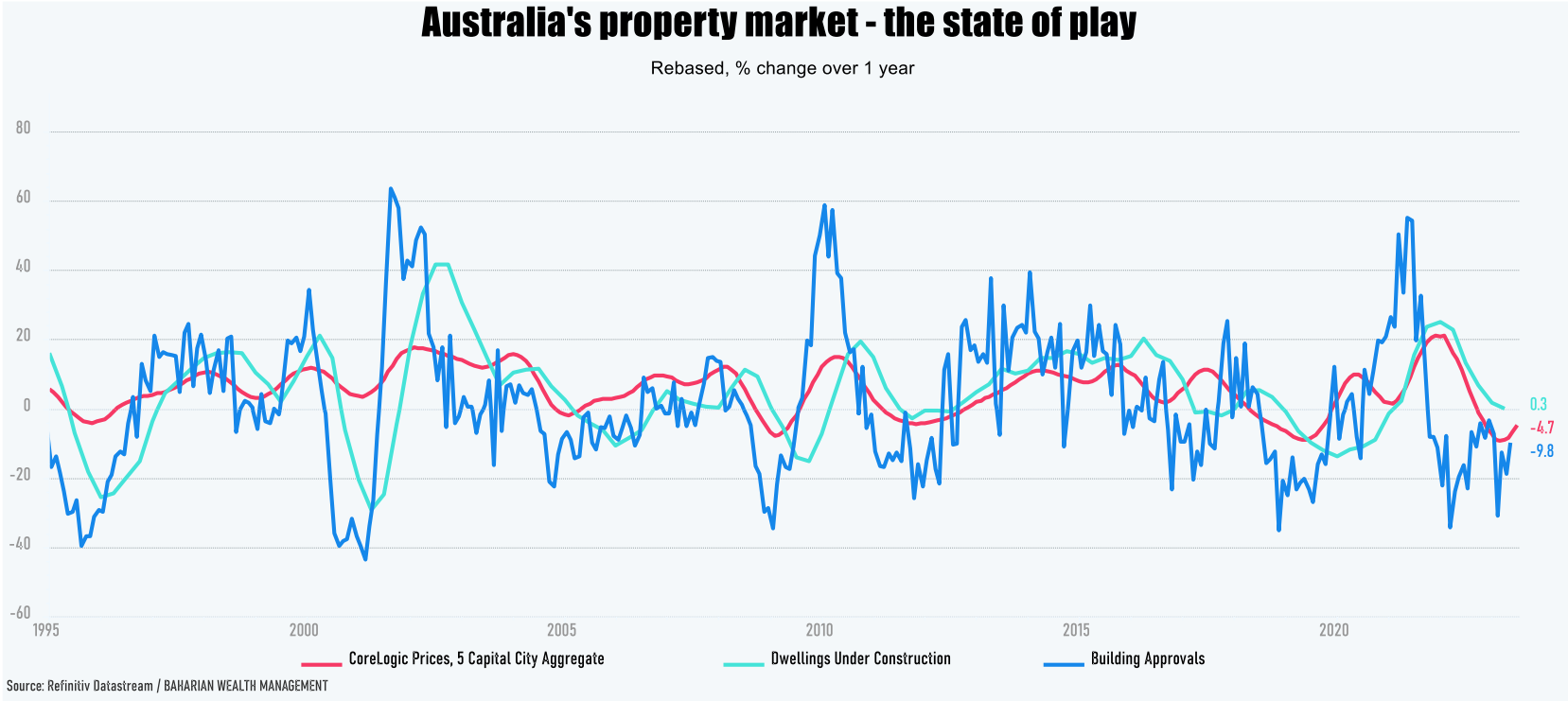
# Global markets. *Hot topics*

Lending leads house prices by about 6 months – prices seem to be securing the bottom.



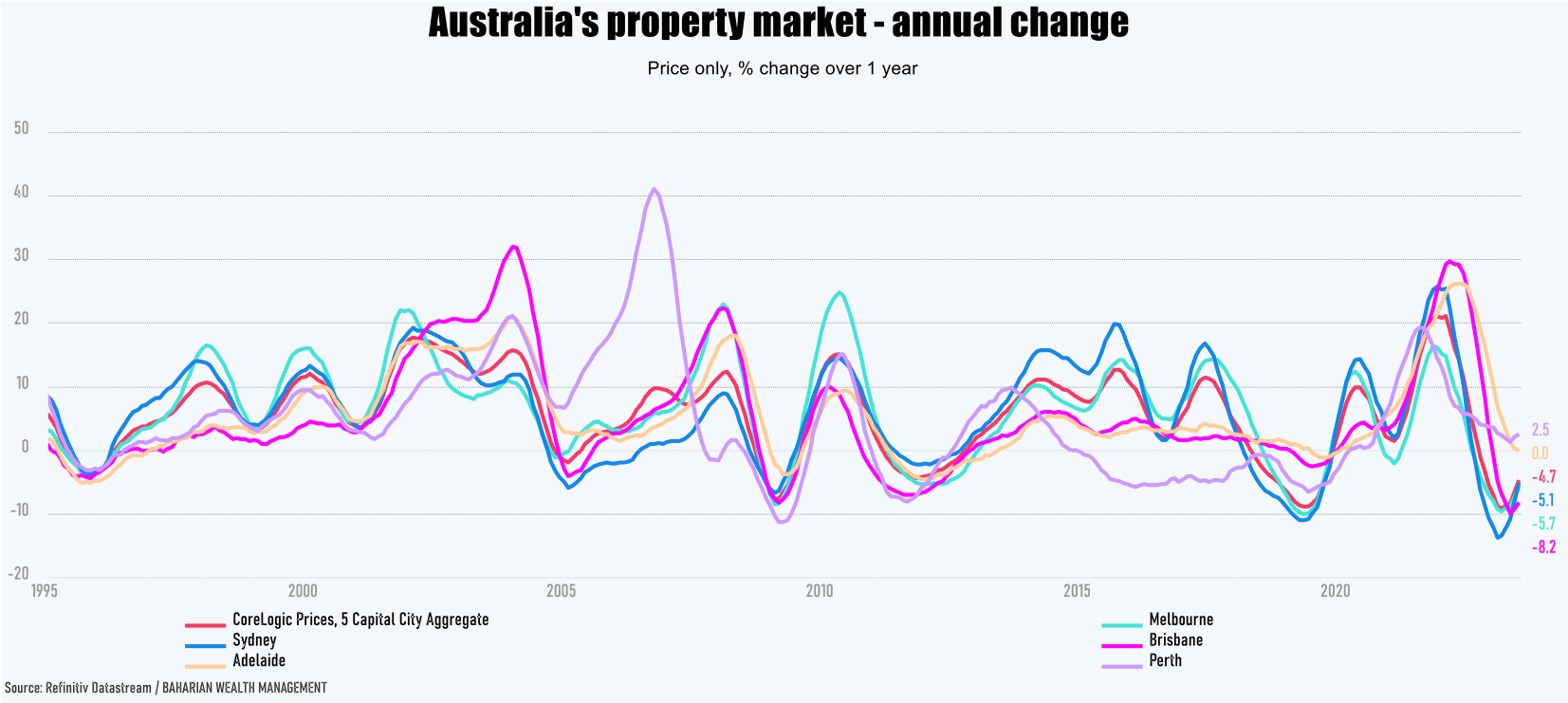
# Global markets. *Hot topics*

Building approvals appear to have double dipped, although making higher lows. Prices making a turnaround.



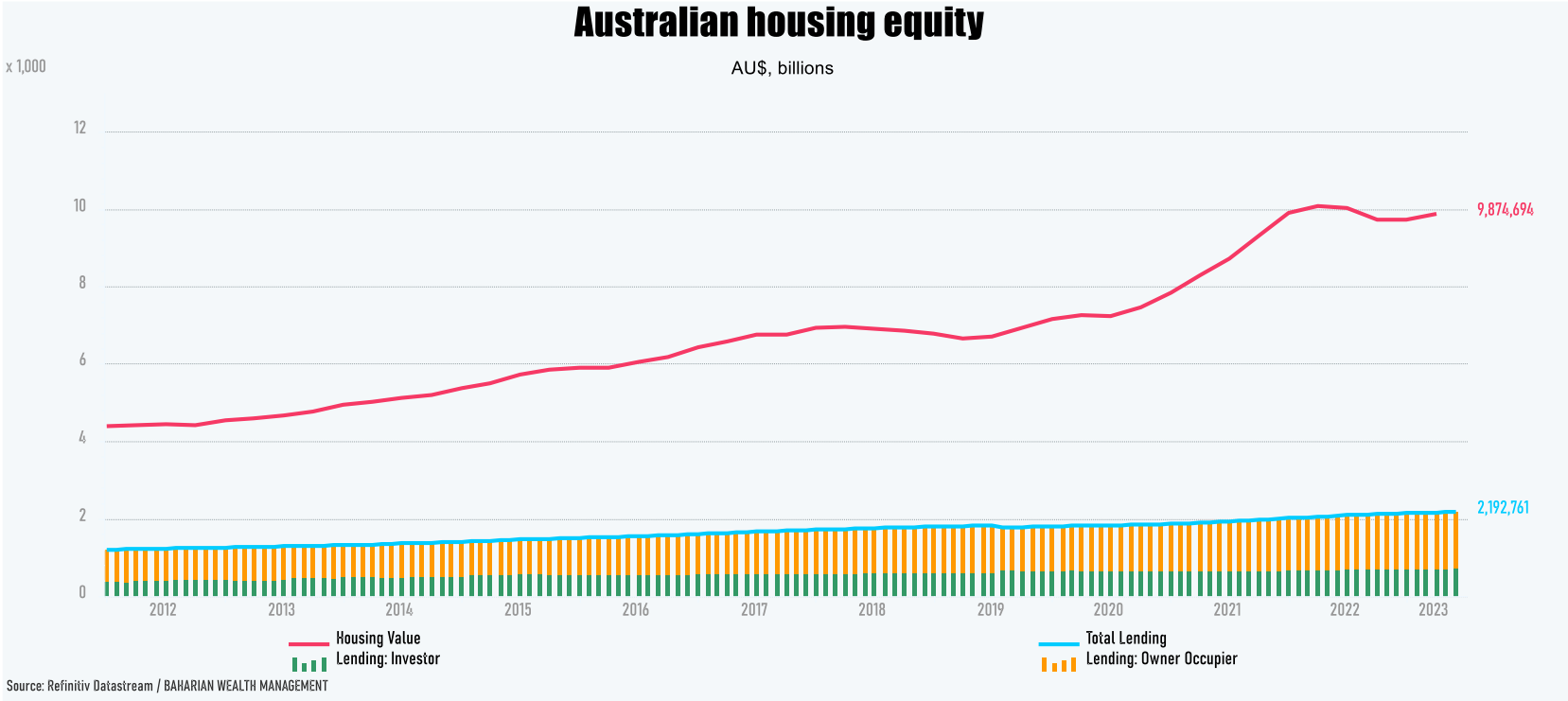
# Global markets. *Hot topics*

Almost all capital cities now turning from their bottoms.



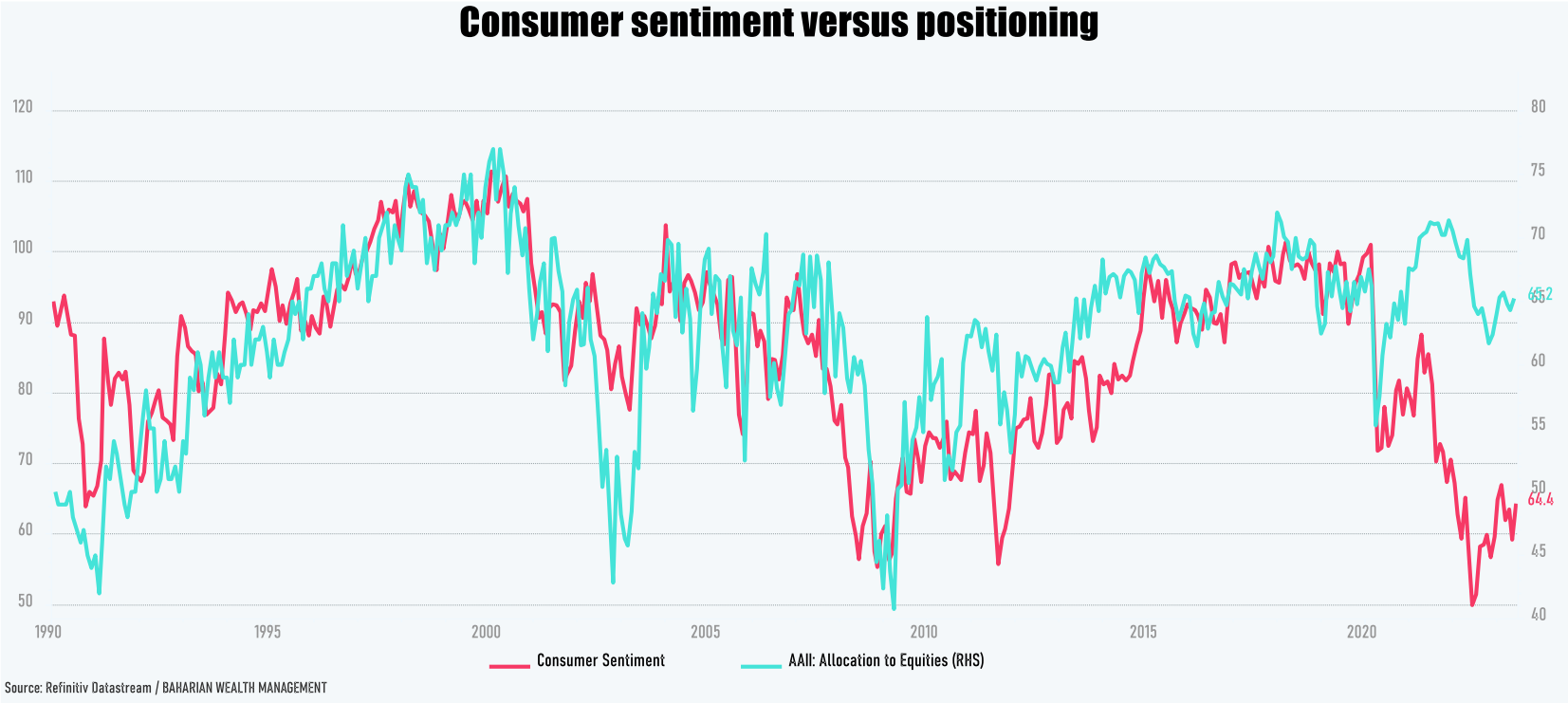
# Global markets. *Hot topics*

The other side of the balance sheet is as, if not more important than debt – equity, an enormous gain.



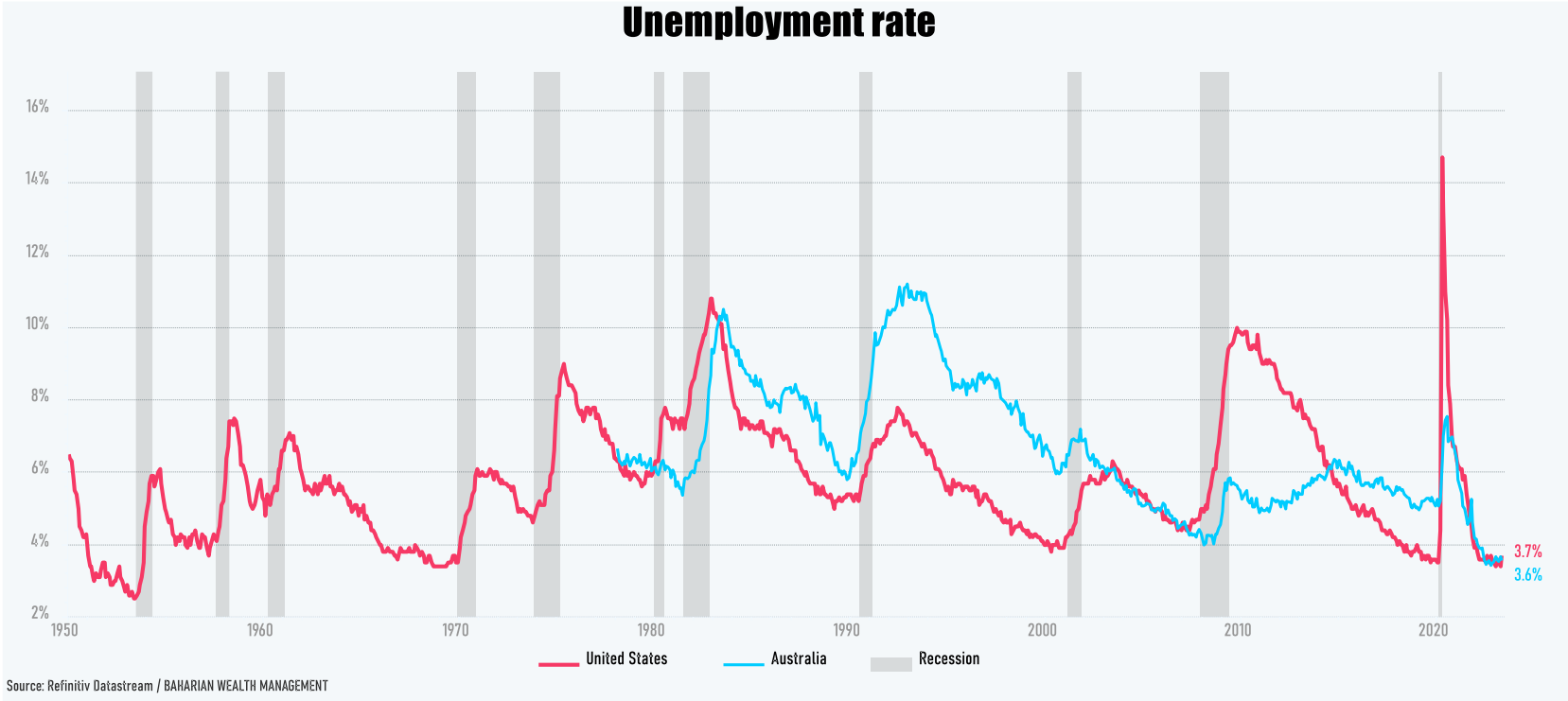
# Global markets. *Hot topics*

Watch what consumers do, not what they say.



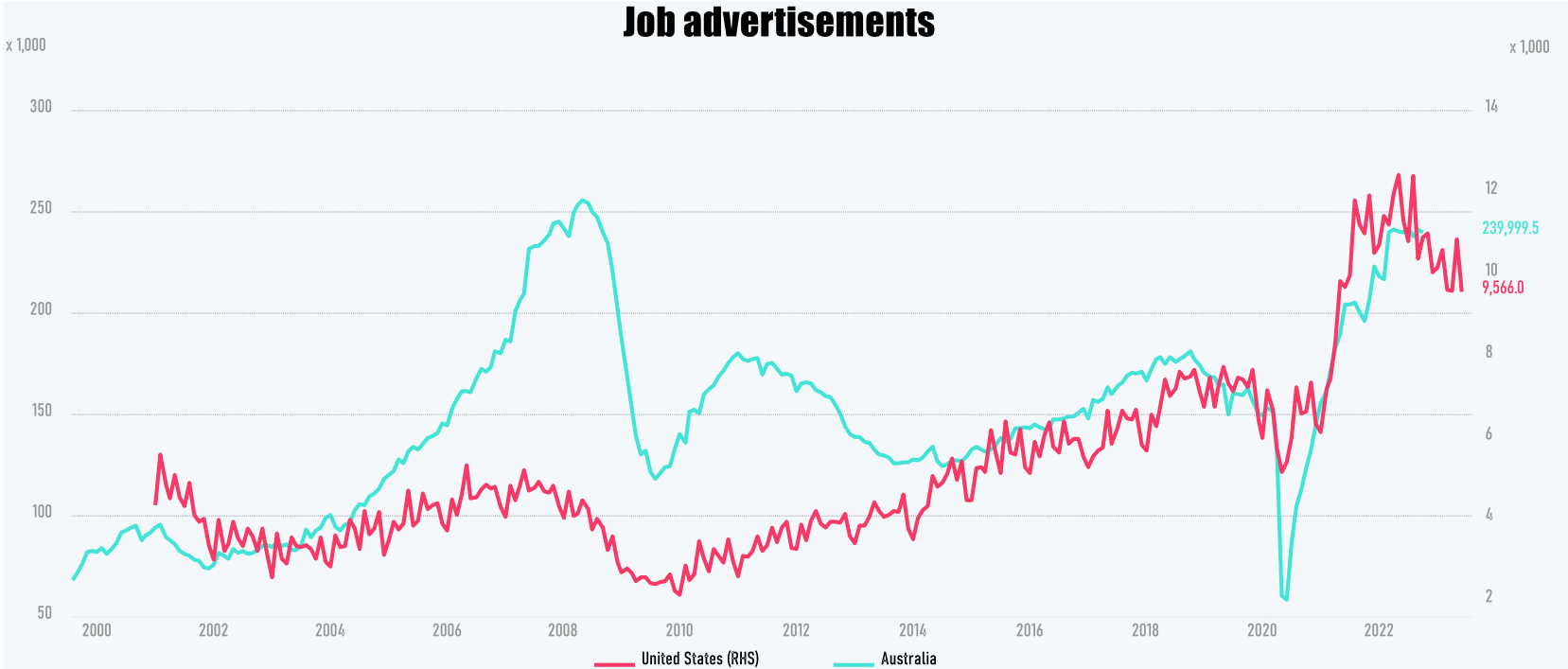
# Global markets. *Hot topics*

One of the strongest job markets on record.



# Global markets. *Hot topics*

We all know about the labor shortages, just look at these job advertisements. Although US slowing down fast.

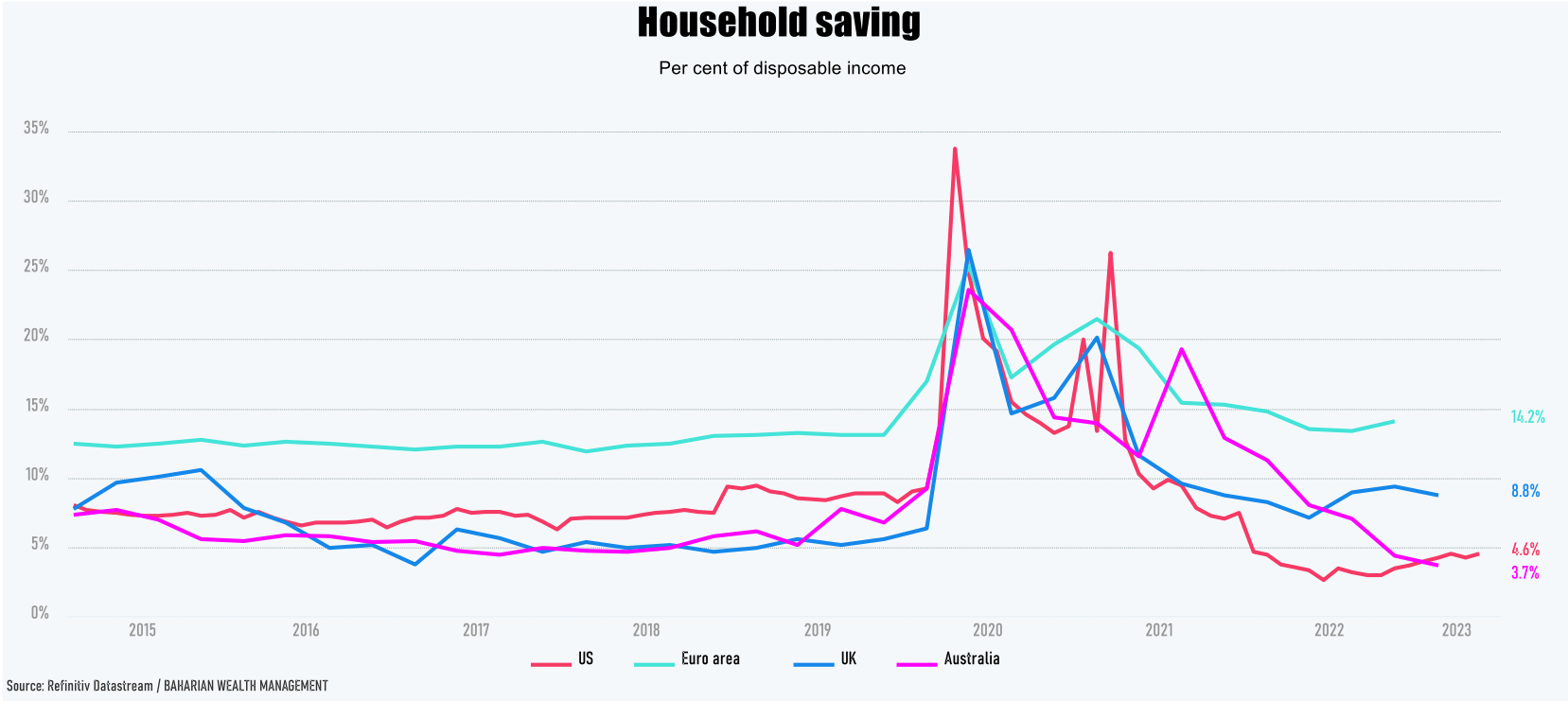


Source: Refinitiv Datastream / BAHARIAN WEALTH MANAGEMENT



# Global markets. *Hot topics*

Household savings have fallen – US back down to pre pandemic levels and rising slowly.



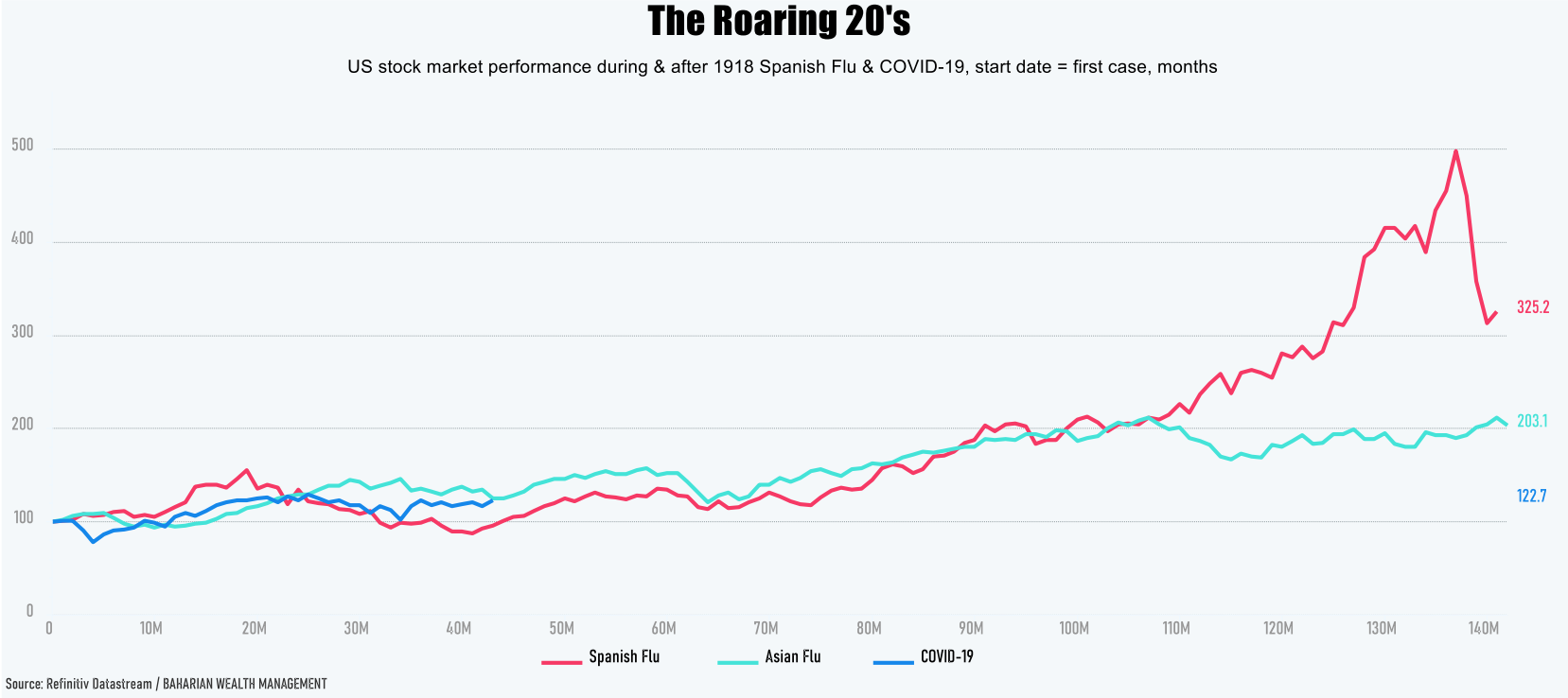
# Global markets. *Hot topics*

The post COVID recovery continues to mirror the path of the 2009 recovery.



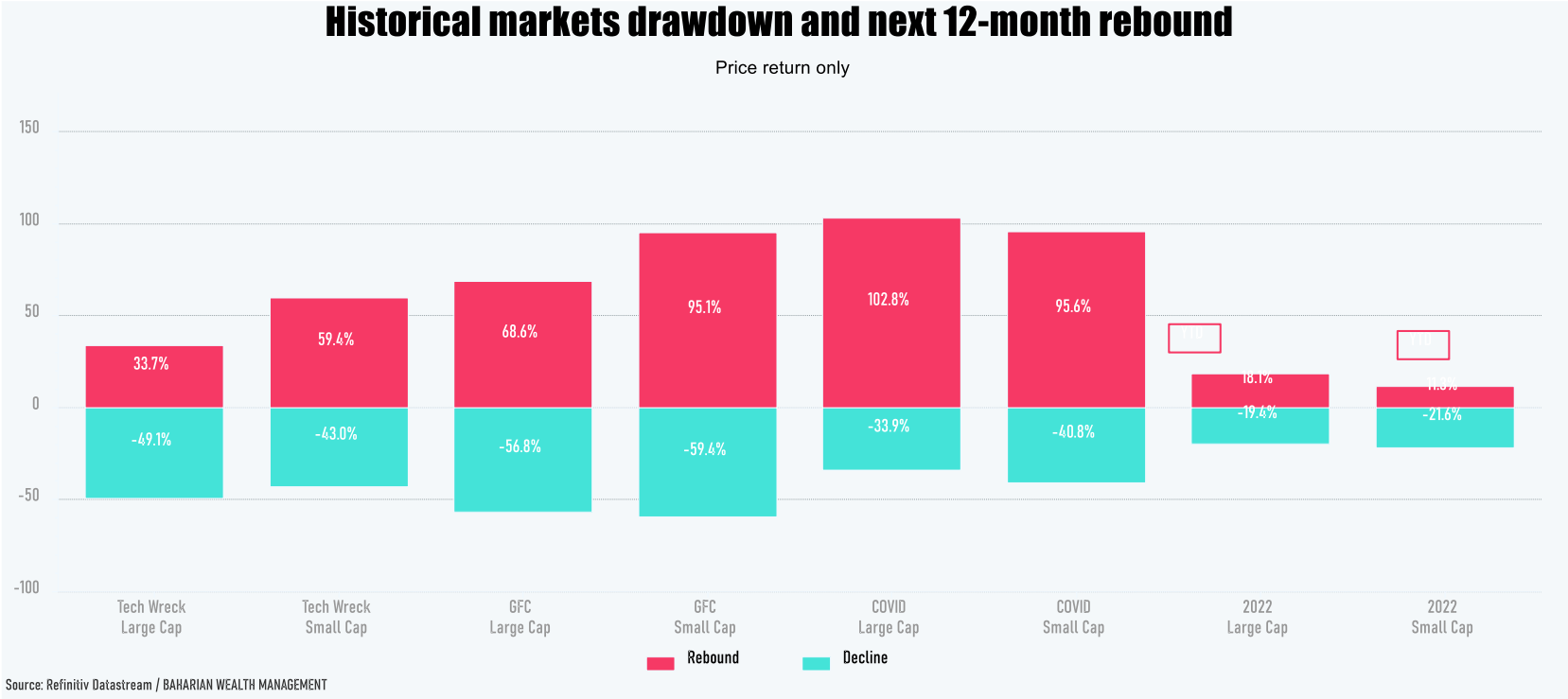
# Global markets. *Hot topics*

We could be on track for a 1920's-like boom.



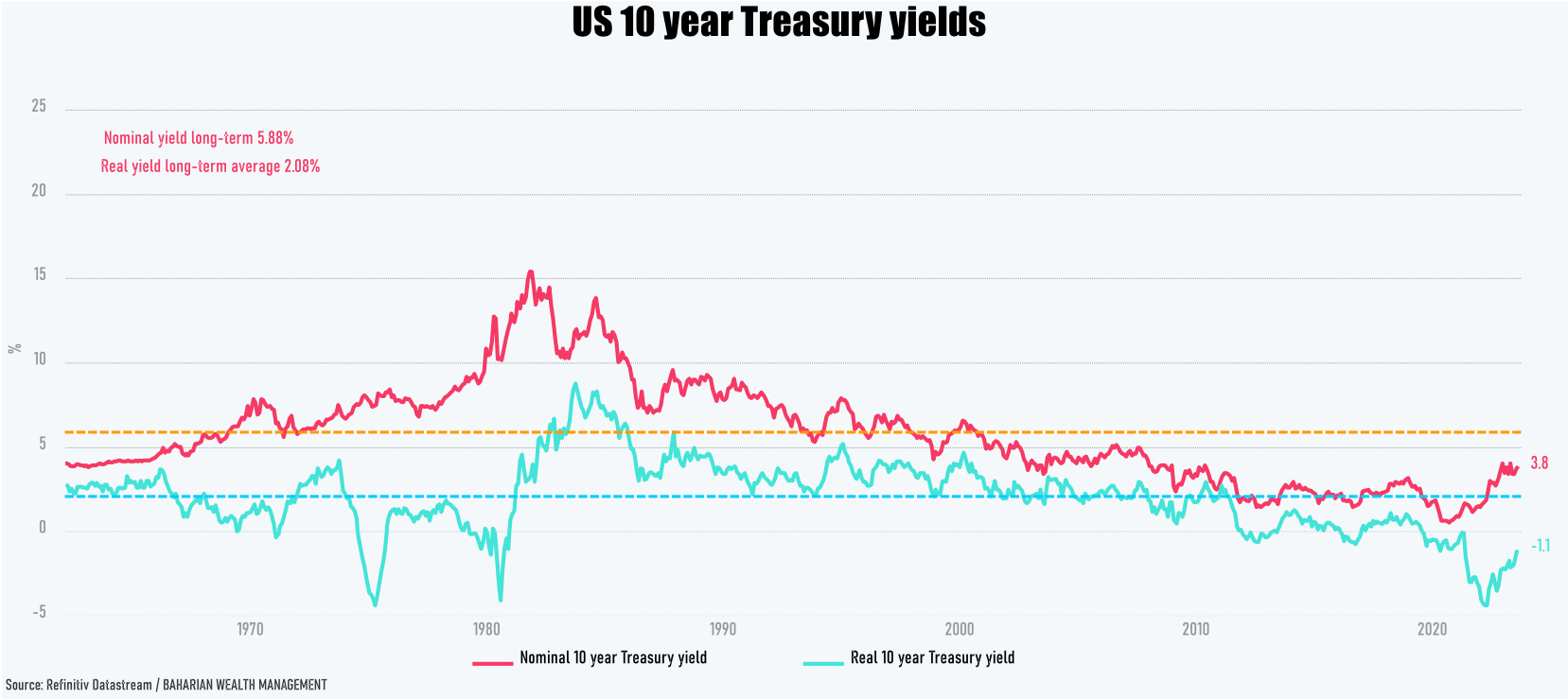
# Global markets. *Hot topics*

Small & Large Cap drawdowns letting out the steam of the prior bull run.



# Global markets. *Hot topics*

As inflation comes down, real yields are climbing from their 2022 lows.



# Important information

Any reference to “DS” relates to the source of information: Data Stream.

Any reference to “Recession” relates to a United States Recession.

Any reference to “Fathom” and its “scenarios” relates to research completed by “Fathom Consulting” – a firm that provides bespoke, independent macro research and advice on the macro economy and financial markets to a number of the world’s leading corporate and financial institutions, governments and policy groups.

## **Some definitions:**

### **FMPI (Fathom Macroeconomic Policy Indicator)**

- Fathom’s Macroeconomic Policy Indicator (FMPI) weights together both fiscal and monetary policy to give an overall measure of the degree of macroeconomic stimulus in any given country.
- A positive score in the chart implies that policy is tight, and a negative score that it is loose. The FMPI is calibrated so that a reading of minus one implies that the stance of macroeconomic policy is sufficiently loose to boost growth in demand by one percentage point relative to growth in supply.

### **CMI (Fathom China Momentum Indicator)**

- CMI 2.0 is based on ten alternative indicators for economic activity; some of those indicators include railway freight, electricity consumption, and the issuance of bank loans.
- Fathom has stated that in CMI 2.0, the calculation of the index avoids measuring construction activity, and instead focuses on shadow measures of economic activity. The consulting group says this allows the index to be “less prone to manipulation than the headline GDP figures.”

# Important information (2)

## Australia Consumer Survey of Melbourne Institute

- The Consumer Sentiment Index is calculated as the balance of optimism relating to five questions about the general economic outlook. The five questions include people's assessment of: 1. Current family finances compared to a year ago, 2. Family finances over the coming 12 months, 3. Economic conditions in Australia over the coming 12 months, 4. Economic conditions in Australia over the next five years and 5. Whether it is a good or bad time to buy major household items. Each question can be represented by an index that is equal to the per cent of optimists minus per cent of pessimists plus 100. The Consumer Sentiment Index is an average of the five component indexes. The Current Conditions Index is the average of question 1 and 5 above. The Consumer Expectations Index is the average of questions 2, 3 and 4. Westpac Banking Corporation, the University of Melbourne and the Melbourne Institute give no representation, make no warranty, nor take any responsibility as to the accuracy or completeness of any information contained herein and will not be liable in contract, tort, for negligence or otherwise for any loss or damage arising from reliance on any such information. The Westpac - Melbourne Institute Consumer Sentiment Index presents the results of a survey of over 1200 households together with the professional analysis and views of the Melbourne Institute.

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