



IS INFLATION CRASHING?



Disclaimer:

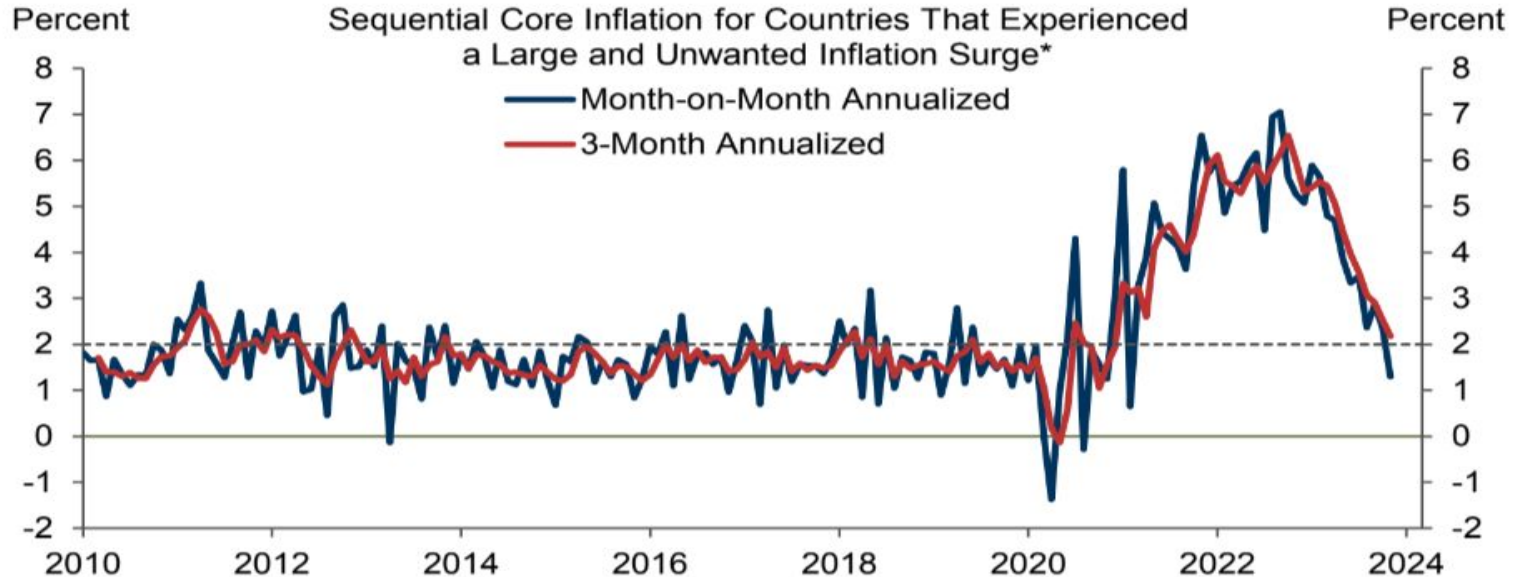
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Agenda: Global soft landing, Australian hard

- Global inflation for goods, services and energy
- Australian inflation for goods, services and energy
- Inflation outlook and risks
- Investment outlook

Global core inflation gone:

Exhibit 1: Core Inflation Is Back at the Target



*GDP-weighted average of G10 economies (ex. Japan) plus EM early hikers. The EM early hikers are Brazil, Chile, Colombia, Czechia, Hungary, Mexico, Peru, Poland, and Romania. Data SA by GS when official SA not available. Unreleased values estimated using the average change in the mom rate for released countries.

Global inflation components:

- Global goods deflation
- Global services glide path lower
- Global energy crash for gas, coal, oil and renewables

Choose themes to screen from your portfolio away from (i.e. remove stocks)

Climate Change

War

Human Rights

Health

Vices

Animal Rights

Religion

Asset Class

Thematic

Climate Change

- No Fossil Fuels (Worst Offenders) ⌵
- No Fossil Fuels (Any) ⌵
- No Coal Seam Gas or Fracking ⌵
- No Nuclear Power ⌵
- No Old Growth Forest Logging ⌵

Australian inflation components

- More goods deflation looms
- Services falling fast
- Energy bad news turning good as petrol and utilities fall

Breakdown of the Q4 2023 CPI

CPI forecasts Item	Dec-23 Actual		Dec-23 Forecast	
	% qtr	contrib	% qtr	contrib
Food	0.5	0.09	0.8	0.13
of which, fruit & vegetables	-1.2	-0.02	1.0	0.02
Alcohol & tobacco	2.8	0.22	2.6	0.20
of which, Tobacco	7.0	0.19	6.9	0.19
Clothing & footwear	0.5	0.02	1.0	0.03
Housing	1.0	0.23	1.9	0.43
of which, Rents	0.9	0.05	1.1	0.06
of which, House purchases	1.5	0.13	1.5	0.13
of which, Utilities	0.6	0.02	5.0	0.21
H/hold contents & services	-1.0	-0.09	-1.0	-0.09
Health	0.6	0.04	-0.4	-0.03
of which, Pharmaceuticals	-1.7	-0.02	-1.5	-0.02
Transportation	-0.2	-0.01	0.2	0.02
of which, car prices	-0.5	-0.02	1.1	0.03
of which, auto fuel	-0.2	-0.01	-0.7	-0.02
Communication	0.4	0.01	0.4	0.01
Recreation	0.3	0.05	-0.7	-0.08
of which, audio visual & computing	-0.4	-0.01	-0.6	-0.01
of which, holiday travel	1.0	0.06	-1.4	-0.08
Education	-0.1	0.00	0.0	0.00
Financial & insurance services	1.7	0.09	1.9	0.11
CPI: All groups	0.59	-	0.81	-
CPI: All groups % year	4.1	-	4.3	-

- Utilities the largest downside surprise with electricity bills falling -5.7% mth in Dec holding the quarterly rise to just 1.4%.
- Utilities accounted for 0.2ppt of our error.
- In terms of contributions the other estimates errors were not significant.
- Worth noting on the softer side of expectations were clothing & footwear (0.5%qtr), and autos (-0.2%).

Australian inflation components

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Inflation outlook and risks



Inflation outlook and risks

- More goods, food and services disinflation looms on strong US, weak China/commod, AI
- Was it all temporary AKA supply side?
- Most prominent risk is geopolitics and oil
- Weak so far



Australian inflation outlook

- Terrible macro management = household inflation and weak wages
- US/AUD household sectors going different directions. Output gaps too
- Catch down deflation ahead as Aussie economy lands harder: Q4 retail, NAB survey, jobs report, CPI, with UE spike and capex drop ahead
- Housing inflation minus energy to persist

Investment implications

- RBA to cut harder and deeper
- Buy bonds
- AUD pressure
- ASX useless bubble
- Property boom ahead

Personalise Your Portfolio

Screens

You can exclude the below to customise your portfolio

Climate Change	War	Human Rights	Health	Vices
Animal Rights	Religion	Asset Class	Thematic	

- No Fossil Fuels (Worst Offenders) ?
- No Fossil Fuels (Any) ?
- No Coal Seam Gas or Fracking ?
- No Nuclear Power ?
- No Old Growth Forest Logging ?

Tilts

You can add the below to customise your portfolio

Investment Style Factors	Climate Change	Technology	
Consumption	Commodities	Military	GICS Sectors

- Quality Stocks ?
- Value Stocks ?
- Growth Stocks ?
- Defensives ?



Personalise your portfolio now >



Build Your Portfolio

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- Account Selection
- Investment Choice
- Risk Profile
- Build Your Portfolio**
- Ethical Overlay
- Review
- Applicants
- Bank Details
- Compliance
- Final Review

Portfolio Tilts



Quality Stocks

Value Stocks

Growth Stocks

Oil & Gas Stocks

Gold Stocks

Agribusiness

Large Technology Stocks

Cloud Computing Stocks

Robotics/AI

Video Gaming

Cybersecurity

Clean Energy

Defensives

Battery Supply Chain

Nuclear Power

Defense Contractors

Travel

Luxury Goods

Logistics

Global Communication Services

Global Consumer Discretionary

Global Consumer Staples

Global Energy

Global Financials

Global Health Care

Global Industrials

Global Information Technology

Viewer question of the week:

Will the inflation pendulum swing too far?

Drop your answers in the comments

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