



## Highlights of the week

- ASX Limited announced it would abandon the new blockchain based ASX clearing and settlement system which was meant to replace the current Clearing House Electronic Sub Register System (CHES).
- The London Metal Exchange announced it would enhance monitoring of nickel trading following a collapse in the nickel price in volatile and illiquid conditions.

## Market Action

Sector	Returns % (excluding distributions)		
	18-Nov-22	11-Nov-22	Change (%)
<b>S&amp;P/ASX 200</b>	7163.5	7148.8	0.2%
<b>All Ordinaries</b>	7365.8	7337.4	0.4%
<b>Small Ordinaries</b>	2878.8	2882.3	-0.1%
<b>S&amp;P 500</b>	3946.6	3956.4	-0.2%
<b>NASDAQ</b>	11145.0	11114.2	0.3%
<b>FTSE 100</b>	7346.5	7375.3	-0.4%
<b>Hang Seng</b>	18045.7	16081.0	12.2%
<b>Nikkei</b>	27930.6	27446.1	1.8%

\*US, UK and European prices refer to the previous day's close

US equity markets closed relatively flat as the rally following the lower-than-expected inflation reading last week petered out. The S&P 500 fell 0.2% while the NASDAQ rose by 0.3%. The FTSE 100 fell -0.4% with UK inflation hitting a 41-year high of 11.1% driven by higher food and energy prices. The Hang Seng rallied on report of a rescue package for Chinese property developers and renewed optimism around the end of the COVID-zero policy in China.

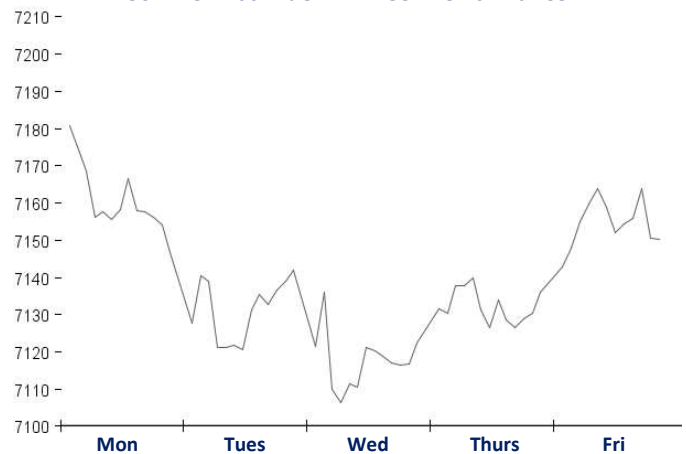
## S&P/ASX 200 - Top five of the week

ASX Code	Company	Closing Price	Change*
<b>PDL</b>	Pendal Group	\$4.82	23.3%
<b>CIA</b>	Champion Iron	\$6.16	21.0%
<b>FMG</b>	Fortescue Metals	\$19.93	18.7%
<b>PNI</b>	Pinnacle Investment	\$9.34	16.8%
<b>SFR</b>	Sandfire Resources	\$4.79	13.8%

Prices as at 3.25PM on 18/11/2022

Pendal Group was the best performer of the week after the Court ruled that they would be entitled to compensation if Perpetual Limited walked away from the recent takeover bid. Champion Iron and Fortescue Metals rallied following an increase in the iron ore price. Sandfire Resources rallied with the copper price before being placed in trading halt ahead of a \$200 million capital raising. Pinnacle rose following the AGM despite highlighting lower funds under management due to recent market movements.

## S&P/ASX 200 Index - 1 Week Performance



The S&P/ASX 200 closed higher benefiting from the rally in commodity prices which drove the major miners higher. Small Ordinaries fell by -0.1% as small companies underperformed large companies.

## S&P/ASX 200 - Bottom five of the week

ASX Code	Company	Closing Price	Change*
<b>ELD</b>	Elders	\$10.28	-21.5%
<b>PPT</b>	Perpetual	\$26.83	-19.5%
<b>CXO</b>	Core Lithium	\$1.39	-12.5%
<b>AKE</b>	Alkem	\$14.07	-10.7%
<b>PLS</b>	Pilbara Minerals	\$4.78	-7.9%

Elders was the worst performer of the week after the company announced the CEO planned to retire. Perpetual fell after the Court ruled that they would be liable for a \$23 million break fee plus additional relief if they walked away from the takeover of Pendal. Perpetual received their own takeover offer from a consortium led by Regal Partners earlier in the month. Lithium miners Core Lithium, Alkem and Pilbara fell as investors took profits after a strong run.

## Upcoming Dividend Dates

ASX Code	Company	Estimated Dividend Ex-date	Dividend Per Share (\$)	Franking (%)
AMC	Ancor PLC	22/11/2022	\$0.19	0%
NUF	Nufarm Limited	24/11/2022	\$0.06	100%

## Topic of the week

The market has sold down Listed Real Estate Investment Trusts (REITs) over the past twelve months with many REITs now trading at significant discounts to their net tangible asset values. Net tangible assets values are the values ascribed to the underlying property portfolio the REIT holds by an independent valuer such as CBRE or JLL.

The selloff has been driven by concerns around rising bond yields and cash rates which make the yield on REITs relatively less attractive. There is also concern around the increase in debt servicing costs. Certain REIT sectors are also facing other headwinds. For example, retail is facing the prospect of weaker consumer spending as economic growth slows while office REITs face a more structural issue of the 'work from home' thematic seeing fewer than expected employees returning to the office even after COVID-19 lockdown measures have been lifted.

These markets concerns have not yet been reflected in the private markets with capitalisation rates remaining at record lows. Capitalisation rates are the industry term used to describe the return, expressed as a percentage, that investors are willing to accept on commercial properties. Capitalisation rates are also what is used to determine the net tangible asset values of REITs. Capitalisation rates across all industry sectors have been declining for well over a decade as interest rates have fallen.

The large divergence in commercial property valuations in listed and unlisted markets is worth watching. Either private market commercial property valuations will see significant falls in the future or REITs will experience a significant rerate back towards the underlying net tangible asset values. In all likelihood, the result will be somewhere in between.

## Home Loan Rates

Lender	Owner Occupier (Variable)	Owner Occupier (2 Year Fixed)	Owner Occupier (5 Year Fixed)	Investor (Variable)	Investor (2 Year Fixed)	Investor (5 Year Fixed)
CBA	4.69%	5.94%	6.84%	4.99%	6.14%	7.04%
NAB	4.74%	5.84%	6.64%	5.24%	5.84%	6.79%
Macquarie	4.54%	5.49%	5.79%	4.79%	5.69%	5.99%

\*Based on a 25-year, \$450,000 loan with principal and interest repayments and a Loan-to-Value ratio of 70%.

## What to expect for the week

- The Reserve Bank of Australia Governor Phillip Lowe will deliver a speech which may give insight into future interest rate increases.
- The US Federal Reserve meeting minutes from the November 8-9 meeting will be released which will give an insight into expect cash US rate increases.
- US equity trading volumes will likely be lower next week ahead of the US Thanksgiving holiday.



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