

# WEEKLY MARKET recap

30 January – 3 February 2023

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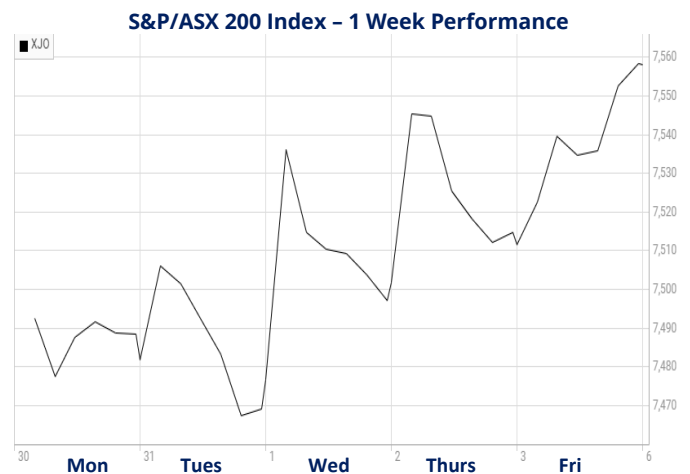


## Highlights of the week

- Reserve Bank of Australia (RBA) deputy secretary David Jacobs has been named to succeed Jonathon Kearns as RBA's head of domestic markets.
- The US Federal Reserve has slowed the rate of interest rate hikes, increasing the cash rate by 0.25%.

## Market Action

Sector	Returns % (excluding distributions)		
	3-Feb-23	27-Jan-23	Change (%)
<b>S&amp;P/ASX 200</b>	7558.9	7493.8	0.9%
<b>All Ordinaries</b>	7772.5	7709.5	0.8%
<b>Small Ordinaries</b>	3018.0	3012.0	0.2%
<b>S&amp;P 500</b>	4179.8	4060.4	2.9%
<b>NASDAQ</b>	12200.8	11512.4	6.0%
<b>FTSE 100</b>	7820.2	7757.4	0.8%
<b>Hang Seng</b>	21958.4	22044.7	-0.4%
<b>Nikkei</b>	27402.1	27395.0	0.0%



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

This week, US equity markets rallied as the Federal Reserve lowered the pace of interest rate hikes to 0.25%. The S&P 500 rose 2.9%, underperforming the NASDAQ which rose 6.0% due to the NASDAQ's higher composition of rate sensitive tech shares. The FTSE 100 gained 0.8% as the markets awaited the interest rate decisions by the European Central Bank and the Bank of England.

The Hang Seng fell -0.4% despite positive Chinese business activity data and the Hong Kong Monetary Authority raising the cash rate by 0.25% whilst the Nikkei remained flat despite an above expectation recovery in retail sales. The S&P/ASX 200 rose 0.9% led by the Healthcare, Technology and Real Estate sectors. Small caps underperformed both mid and large caps this week.

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

ASX Code	Company	Closing Price	Change*
<b>CHC</b>	Charter Hall Group	\$15.27	13.4%
<b>FLT</b>	Flight Centre Travel	\$17.63	12.5%
<b>XRO</b>	Xero	\$82.63	11.4%
<b>WTC</b>	Wisetech Global	\$62.14	10.8%
<b>NEC</b>	Nine Entertainment	\$2.19	10.4%

\*Prices as at 3.00PM on 03/02/2023

Charter Hall rose 13.4% after purchasing two pub venues in Adelaide for \$57 million. Xero and Wisetech were the major beneficiaries of the rally in the Technology sector, outperforming peers at 11.4% and 10.8% respectively. Last week, Wisetech also acquired Envase, a transport management software system. Flight Centre jumped 12.5% after announcing an institutional placement and share purchase plan to fund the acquisition of Scott Dunn, a luxury travel company in the UK. Nine Entertainment returned 10.4% despite no significant news being released.

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

ASX Code	Company	Closing Price	Change*
<b>SLR</b>	Silver Lake Resources	\$1.25	-14.4%
<b>MP1</b>	Megaport	\$6.01	-13.3%
<b>NHC</b>	New Hope Corporation	\$5.78	-10.1%
<b>WAF</b>	West African Resources	\$1.06	-10.0%
<b>WHC</b>	Whitehaven Coal	\$8.18	-9.5%

Silver Lake lost -14.4% after disappointing quarterly results and a cut to production guidance at its Sugar Zone Operation. Megaport fell -13.3% after decreases in customers for its MCR and MVE products. West African Resources slid another -10.0% after releasing their FY23 production guidance with slightly lower gold production forecast and higher operating costs. Coal miners, New Hope and Whitehaven Coal lost -10.1% and -9.5% respectively as thermal coal prices continue to fall with lower demand due to Europe experiencing a warmer than expected Winter.

## Upcoming Dividend Dates

ASX Code	Company	Estimated Dividend Ex-date	Dividend Per Share (\$)	Franking (%)
RMD	Resmed Inc	8/02/2023	\$0.04	0%
VUK	Virgin Money UK PLC	9/02/2023	\$0.13	0%

## Topic of the week

The US has received a major boost to its ongoing semiconductor trade war with China, as positive talks with officials from Japan and the Netherlands suggest both countries will also implement restrictions on semiconductor machinery exports to China. The Netherlands is expected to restrict photolithography machine developer and manufacturer ASML Holding from selling to China and Japan will implement similar restrictions for Nikon Corp. With Japan and the Netherlands, who are technologically competitive to the US in semiconductor chip manufacturing, likely agreeing to join the US in their control measures, the US can maintain its technological and military advantage.

In 2020, the US Department of Commerce began restricting equipment from being sold to Semiconductor Manufacturing International, China's main semiconductor chip maker. In October last year, US President Joe Biden and his administration sanctioned around 50 more companies. The newly introduced policies also

affect non-US companies that create semiconductor chips using US technology or have manufacturing plants in China, now requiring a licence from the US government to continue to use the technology and export to China. The Chinese government has in turn initiated a complaint to the World Trade Organization. The new policy also prevents US workers from being employed by the sanctioned companies.

The reasoning behind all the US policies is to limit China's access to and to slow their manufacturing capabilities of advanced semiconductor chips. Semiconductor chips are necessary for commonplace items such as smartphones but are also vital to supercomputers, artificial intelligence (AI) and notably military weapons. Viewing China's progress in this industry as a security threat, these measures are set to cut off China and maintain the technological superiority of the US.

## 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	4.87%	6.14%	6.64%	5.12%	6.24%	6.74%
NAB	4.99%	6.09%	6.69%	5.49%	6.14%	6.79%
Macquarie	4.79%	5.25%	5.55%	5.04%	5.45%	5.75%

\*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 (RBA) will release its quarterly Statement on Monetary Policy.
- The US Corporate Reporting Season continues with PepsiCo, AstraZeneca, Walt Disney and Toyota expected to report.
- The ASX Corporate Reporting continues with AGL, Argo, Macquarie and Transurban all expected to report.



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