

WEEKLY MARKET recap

13 – 17 March 2023

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Highlights of the week

- The AUKUS deal has been confirmed with Australia to build eight nuclear powered submarines using a UK design combined with US weapons and nuclear propulsion technology.
- The US annual inflation rate has fallen to 6.0%, led by falls in energy and car prices.

Market Action

Sector	Returns % (excluding distributions)		
	17-Mar-23	10-Mar-23	Change (%)
S&P/ASX 200	6993.1	7138.2	-2.0%
All Ordinaries	7186.2	7341.5	-2.1%
Small Ordinaries	2738.7	2811.8	-2.6%
S&P 500	3960.3	3992.0	-0.8%
NASDAQ	11717.3	11576.0	1.2%
FTSE 100	7410.0	7929.9	-6.6%
Hang Seng	19203.9	19925.7	-3.6%
Nikkei	27010.6	28623.2	-5.6%

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

US equity markets were mixed with the S&P 500 down 0.8% and the NASDAQ up 1.2%. Financials, Energy and Materials sectors were the main laggards whilst the NASDAQ outperformed the S&P 500 due to its higher exposure to tech shares which rallied. The FTSE 100 fell -6.6% after "too big to fail" Credit Suisse noted liquidity concerns and its inability to receive support from its major shareholder Saudi National Bank, exacerbating banking sector fears after the US bank failures last week.

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

ASX Code	Company	Closing Price	Change*
RMS	Ramelius Resources	\$1.15	20.0%
CMM	Capricorn Metals	\$4.45	18.4%
SLR	Silver Lake Resources	\$1.08	12.1%
GOR	Gold Road Resources	\$1.50	7.7%
RRL	Regis Resources	\$1.77	6.6%

*Prices as at 3.00PM on 17/03/2023

Gold producers saw major gains this week as the gold price soared. Gold was in high demand as investors turned to the precious metal as a safe-haven due to the volatile markets and fears of a global banking system crisis following the collapse of Silicon Valley Bank and Signature Bank as well as issues with Credit Suisse. Ramelius led its peers with a 20.0% jump in share price, followed by Capricorn Metals at 18.4%, and Silver Lake at 12.1%. Gold Road and Regis were next, up 7.7% and 6.6% respectively.

S&P/ASX 200 Index - 1 Week Performance



The bank sell-off also reached Asian markets with the Financials sector driving a -3.6% fall in the Hang Seng and a -5.6% fall in the Nikkei. The Hang Seng reached its lowest level this year with mixed Chinese economic data deepening the losses. The S&P/ASX 200 lost -2.0% this week, driven by a -5.4% decline in the Energy sector. Small caps underperformed both mid and large cap companies, falling by -2.6%.

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

ASX Code	Company	Closing Price	Change*
LKE	Lake Resources	\$0.52	-18.1%
CPU	Computershare	\$21.22	-16.0%
AKE	Allkem	\$10.48	-15.6%
CXO	Core Lithium	\$0.85	-15.3%
PLS	Pilbara Minerals	\$3.66	-14.5%

Lithium shares were the hardest hit in the Materials sector, with producers, Lake Resources, Allkem, Core Lithium and Pilbara Minerals down -18.1%, -15.6%, -15.3% and -14.5% respectively as lithium carbonate prices fell to their lowest level in over a year. Lake Resources also released its half year report which revealed a large increase in its cash burn. Computershare share fell -16.0% despite no significant news being released.

Upcoming Dividend Dates

ASX Code	Company	Estimated Dividend Ex-date	Dividend Per Share (\$)	Franking (%)
HUB	HUB24 Limited	20/03/2023	\$0.14	100%
CCP	Credit Corp Group Limited	21/03/2023	\$0.23	100%
COH	Cochlear Limited	21/03/2023	\$1.55	35%
REH	Reece Limited	21/03/2023	\$0.08	100%
SEK	Seek Limited	22/03/2023	\$0.24	100%

Topic of the week

Late last week, Silicon Valley Bank (SVB) experienced a bank run which led to its collapse with the bank now under the control of federal regulators. With US\$209 billion of assets, the collapse was the second largest US bank failure on record, ranking behind Washington Mutual which collapsed during the 2008 Global Financial Crisis. SVB was founded in 1983 and over time became the destination of choice for venture capital technology startups seeking funding. The sudden collapse of SVB left many companies, including Australian companies Life360 and Canva, unable to access their funds and sparked a global bank sell-off as investors became concerned that the interest rate increases had created similar issues for other banks.

SVB had invested 55% of its assets into fixed interest assets as of 31 December 2022, many of which were long term government bonds bought during the pandemic when interest rates were low.

As the Federal Reserve attempted to stave off inflation from becoming out of control by aggressively raising interest rates, the value of these long duration bonds fell. Ordinarily this would not present much of an issue as once bonds reach maturity, the original face value is returned to the owner. However, due to the volatile economic outlook, venture capital funds became harder to source and companies began to withdraw funds. SVB was left with inadequate cash reserves to fund all the withdrawal requests despite selling US\$21 billion worth of these bonds and securities at a loss. SVB then announced it would sell US\$2.25 billion worth of new shares to increase its cash levels. The announcement further panicked customers, particularly those with cash deposits above the government insured amount of US\$250,000 who rushed to withdraw their funds. The bank run left SVB unable to make the withdrawals and the bank entered receivership and placed under the control of the Federal Deposit Insurance Corporation.

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	5.22%	6.24%	6.84%	5.47%	6.34%	6.94%
NAB	5.34%	6.04%	6.64%	5.74%	6.14%	6.79%
Macquarie	5.09%	5.79%	5.75%	5.29%	5.95%	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 Australian Bureau of Statistics will release its quarterly release of Australian National Accounts figures.
- The 2023 NSW State Election will be held on Saturday, 25 March 2023.



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