



Highlights of the week

- The Victorian Government delivered the 2023 Victoria State Budget.
- Australian retail sales were unchanged month-on-month, but year on year retail sales fell 1.2%.

Market Action

| Sector | Returns % (excluding distributions) | | |
|-------------------------|-------------------------------------|-----------|------------|
| | 26-May-23 | 19-May-23 | Change (%) |
| S&P/ASX 200 | 7151.4 | 7280.6 | -1.8% |
| All Ordinaries | 7331.0 | 7471.6 | -1.9% |
| Small Ordinaries | 2805.0 | 2891.9 | -3.0% |
| S&P 500 | 4151.3 | 4198.1 | -1.1% |
| NASDAQ | 12698.1 | 12688.8 | 0.1% |
| FTSE 100 | 7570.9 | 7742.3 | -2.2% |
| Hang Seng | 18746.9 | 19727.3 | -5.0% |
| Nikkei | 30801.1 | 30573.9 | 0.7% |

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

US equity markets were mixed with the S&P 500 falling -1.1% and the NASDAQ inching 0.1% higher. NASDAQ's outperformance was due to the higher exposure to tech shares which outperformed this week. Markets were muted as the US debt ceiling negotiations continue to drag on. The FTSE 100 slid -2.2% after UK year on year inflation came in at 8.7%. Despite falling from 10.1% in March, the inflation figures were above the forecasted rate of 8.2%.

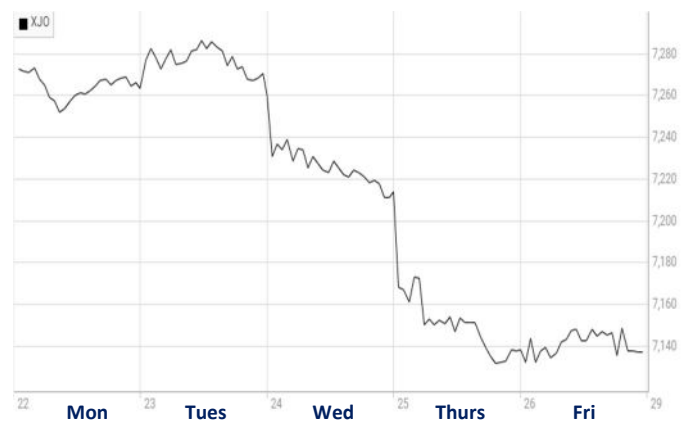
S&P/ASX 200 - Top five of the week

| ASX Code | Company | Closing Price | Change* |
|------------|----------------|---------------|---------|
| MP1 | Megaport | \$6.63 | 21.4% |
| PNV | Polynovo | \$1.55 | 14.5% |
| TNE | Technology One | \$16.67 | 10.6% |
| ALU | Altium | \$39.99 | 8.0% |
| XRO | Xero | \$110.22 | 7.7% |

*Prices as at 3.00PM on 26/05/2023

Tech companies Megaport, Technology One, Altium and Xero jumped 21.4%, 10.6%, 8.0% and 7.7% higher respectively as the sector rallied. Companies involved with AI and data centres saw the largest gains. Technology One also released their 1H23 results this week, announcing a 22% increase in revenue and a 24% increase in profit before tax on 1H22. Technology One also announced a 60% franked interim dividend of 4.62c per share, a 10% increase on its previous interim dividend. Polynovo rose 14.5% this week despite no significant news being released by the company.

S&P/ASX 200 Index - 1 Week Performance



The Hang Seng lost -5.0%, following industrial production and retail sales data which was below expectations and a weaker yuan. The Nikkei rose 0.7% as Japan appears to be heading towards sustained inflation and a potential tightening of monetary policy by the Bank of Japan. The S&P/ASX 200 fell -1.8%, driven by losses in Materials and Consumer Discretionary sectors. Small caps underperformed both mid and large cap companies, falling by -3.0%.

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

| ASX Code | Company | Closing Price | Change* |
|------------|-----------------------|---------------|---------|
| LOV | Lovisa Holdings | \$21.44 | -14.7% |
| LKE | Lake Resources NL | \$0.53 | -13.7% |
| WHC | Whitehaven Coal | \$6.26 | -12.4% |
| CRN | Coronado Global | \$1.32 | -11.3% |
| TWE | Treasury Wine Estates | \$11.69 | -11.1% |

Lovisa dropped -14.7% as retail spending continues to weaken as consumers pull back spending due to the rising inflation. Coal producers Whitehaven and Coronado Resources fell -12.4% and -11.3% respectively as coal prices continue to fall with higher coal production and weakening demand globally. Treasury Wines lost -11.1% after a trading update that flagged higher packaging costs and falling demand due to inflation. Lake Resources is down -13.7% despite no significant news being released. It remains one of the most shorted stocks on the ASX.

Upcoming Dividend Dates

| ASX Code | Company | Estimated Dividend Ex-date | Dividend Per Share (\$) | Franking (%) |
|----------------------------------|---------|----------------------------|-------------------------|--------------|
| No upcoming dividends this week. | | | | |

Topic of the week

The Victorian Treasurer, Tim Pallas released the 2023 Victorian State Budget this week. The State debt increased significantly driven by emergency payments made during the pandemic. Total debt is expected to reach \$116.7 billion by June 30, and is forecast to reach \$171.4 billion by 2026/2027. The Budget is aimed at bringing the State's debt back under control.

To generate additional revenue, changes have been made to tax rules for property owners. The land tax tax-free threshold for investment properties and holiday homes is being reduced from \$300,000 to \$50,000. A \$500 fee will be in place for properties valued between \$50,000 and \$100,000 whilst a \$975 fee will apply to properties valued between \$100,000 and \$300,000. Affected homeowners are estimated to pay an additional \$1,300 a year on average including those with properties valued above \$300,000. The absentee owner surcharge which affects foreign owners will also be doubled to 4%. Stamp duty will also be removed for commercial and industrial properties in favour of an annual property tax.

Another major source of funds will be a 10-year long COVID debt levy for large businesses with payroll over \$10 million. Affected business will be required to pay an additional payroll tax of 0.5%

or 1% for businesses with more than \$100 million in payroll. This change is estimated to generate \$3.87 billion over the next 4 years.

Other changes include increasing the betting and wagering tax to 15%, removing the payroll tax exemption for private schools and public sector job cuts of up to 4,000 workers.

On the other hand, extra support will be provided to small businesses, healthcare system, flood recovery budget and homeowners affected by the homebuilder insolvency crisis. Small businesses will have their payroll tax-free threshold increased from \$700,000 to \$900,000 at the start of FY25 and then \$1,000,000 for FY26. \$320 million in funds will be used to develop new hospitals in West Gippsland and East Melbourne, redevelop Wonthaggi hospital and more whilst \$677 million will be allocated to support ongoing flood recovery programs. For landowners with homes in mid renovation or construction when their builders became insolvent, the state revenue commissioner can grant up to two years of land tax exemptions.

With these modifications, the Victorian government expects to return to a \$1 billion budget surplus in FY26 and \$1.2 billion budget surplus in FY27.

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 | 5.92% | 6.24% | 6.84% | 6.17% | 6.34% | 6.94% |
| NAB | 5.99% | 5.79% | 6.19% | 6.34% | 5.89% | 6.49% |
| Macquarie | 5.54% | 5.45% | 5.25% | 5.74% | 5.69% | 5.49% |

*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 (ABS) will release its Monthly Consumer Price Index. The index which measures inflation has fallen consecutively over the last three months.
- The US Federal Reserve will release the Fed Beige Book, a summary of economic conditions in each of its 12 districts.



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