



Highlights of the week

- The US debt ceiling deal passed both the House of Representatives and the Senate.
- The Australian inflation rate rose higher than forecast in April, up 6.8% over the prior 12-month period from 6.3% in March.

Market Action

Sector	Returns % (excluding distributions)		
	2-Jun-23	26-May-23	Change (%)
S&P/ASX 200	7148.0	7151.4	0.0%
All Ordinaries	7332.4	7331.0	0.0%
Small Ordinaries	2829.6	2805.0	0.9%
S&P 500	4221.0	4151.3	1.7%
NASDAQ	13101.0	12698.1	3.2%
FTSE 100	7490.3	7570.9	-1.1%
Hang Seng	18216.9	18746.9	-2.8%
Nikkei	31148.0	30801.1	1.1%

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

US equity markets rallied as Congress inched closer towards a deal to increase the debt ceiling. The NASDAQ outperformed the S&P500 as the technology sector rallied driven in large part by markets enthusiasm for select artificial intelligence related stocks. The FTSE100 fell 1.1% despite a rally in European stocks following a lower-than-expected euro zone inflation reading for the twelve months ended April 2023.

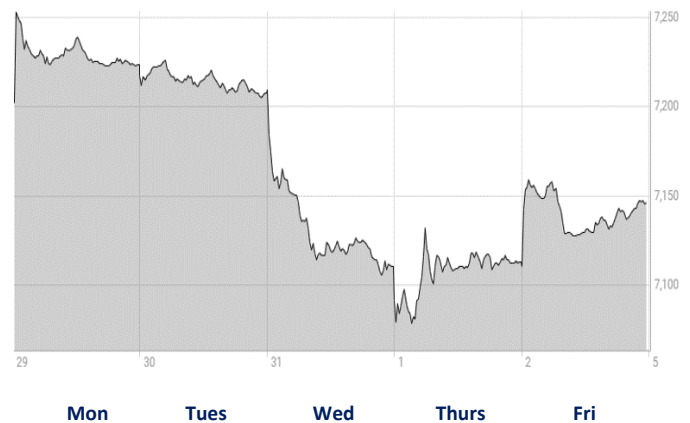
S&P/ASX 200 - Top five of the week

ASX Code	Company	Closing Price	Change*
MP1	Megaport	\$7.14	10.7%
DEG	De Grey Mining	\$1.42	10.1%
BRN	Brainchip Holdings	\$0.44	9.1%
CMM	Capricorn Metals	\$4.49	8.7%
RRL	Regis Resources	\$2.11	8.5%

*Prices as at 3.00PM on 02/06/2023

Megaport continued to rally following the better-than-expected financial results reported in the prior week with several broker upgrades and news of a director purchasing additional shares contributing to the positive market sentiment. De Grey Mining, Capricorn Metals and Regis Resources all rallied driven by the higher gold price. The global rally in artificial intelligence related stocks drove Brainchip higher despite no company specific news being announced.

S&P/ASX 200 Index - 1 Week Performance



The Hang Seng index recovered from intra week losses following a better-than-expected Caxin Manufacturing PMI reading which indicated China's manufacturing sector is continuing to expand. The S&P/ASX 200 closed flat as losses from the Financials and Materials sectors offset gains in other sectors. Small caps outperformed large cap companies, increasing by 0.9%.

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

ASX Code	Company	Closing Price	Change*
IEL	IDP Education	\$21.47	-15.9%
SYA	Sayona Mining	\$0.19	-13.3%
TLX	Telix Pharmaceuticals	\$10.93	-8.5%
WHC	Whitehaven Coal	\$5.88	-8.3%
CSR	CSR Limited	\$4.91	-8.2%

IDP Education was the worst performer stock on the market after Canada announced it would recognise other providers of English proficiency tests exposing IDP to future competition. Saya fell following the completion of a \$200 million placement with the funds to be used to speed the development of the Quebec lithium hub. Whitehaven declined as the coal priced continued to fall while CSR and Telix both underperformed despite no significant news being announced.

Upcoming Dividend Dates

ASX Code	Company	Estimated Dividend Ex-date	Dividend Per Share (\$)	Franking (%)
ALQ	ALS Limited	9/06/2023	\$0.19	10%

Topic of the week

The US debt ceiling has been a major topic of discussion over recent weeks with markets reacting to announcements related to the deal between US President Joe Biden and Republican House Speaker Kevin McCarthy.

The debt ceiling, or debt limit, represents the maximum amount the US Government can borrow. As the US Government consistently spends more than it raises in taxes, borrowing is needed to pay Federal employees and fund national programs such as Social Security and Medicare. The current debt ceiling was set at US\$31.4 trillion, but this was surpassed in January with extraordinary measures being undertaken since to ensure the continuing operation of necessary programs. In the event of a default, government employees would not be paid, and social programs would go unfunded. A default would also result in markets considering US debt riskier, increasing the cost of borrowing for the US Government. The higher rate would also trickle through the US economy, affecting all other loans which are usually priced at a spread above the Government borrowing rate.

In previous occurrences of the US debt approaching the ceiling, Congress had usually quickly voted for the limit to be raised. However, this time, both parties have taken longer to agree upon a deal.

The deal includes reduced spending in return for suspending the debt ceiling until 2025, after the next US Presidential election. The restrictions on budget spending will keep non-defence spending flat in 2024 before allowing a 1% increase in 2025. Defence spending will be excluded and allowed to rise by 3%. Approximately US\$28 billion in COVID funds will be returned with a further US\$20 billion diverted away from the Internal Revenue Service (IRS) to support other programs. Work requirements will also be introduced for US citizens to be eligible for food aid programs.

The US House of Representative passed the debt ceiling deal on Thursday with a vote of 314 to 117 and the Senate passed the deal late on Friday with a vote of 63 to 36.

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%	5.75%	5.59%	5.74%	5.95%	5.74%

*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 quarterly Government Finance Statistics, detailing the revenue and expenditure of the Government.
- The US Bureau of Economic Analysis will release the US International Trade data up until the end of April.



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