



Highlights of the week

- UK inflation remains stubbornly high, coming in above expectations at 8.7% for the year to May.
- China has unveiled US\$72.3 billion of tax breaks for electric vehicles and green cars over the next four years.

Market Action

Sector	Returns % (excluding distributions)		
	23-Jun-23	16-Jun-23	Change (%)
S&P/ASX 200	7097.1	7256.1	-2.2%
All Ordinaries	7283.1	7455.8	-2.3%
Small Ordinaries	2744.3	2843.8	-3.5%
S&P 500	4381.9	4425.8	-1.0%
NASDAQ	13630.6	13782.8	-1.1%
FTSE 100	7502.0	7628.3	-1.7%
Hang Seng	19218.4	19828.9	-3.1%
Nikkei	33264.9	33485.5	-0.7%

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

US equity markets fell over the shortened trading week, with the S&P 500 and the NASDAQ falling -1.0% and -1.1% respectively after Federal Reserve Chairman Jerome Powell confirmed the strong likelihood of another one or two rate hikes by year end. The FTSE100 fell -1.7% after the Bank of England made a surprise 0.5% rate hike after UK inflation remained unchanged from April.

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

ASX Code	Company	Closing Price	Change*
AGL	AGL Energy	\$11.03	14.2%
TLX	Telix Pharmaceuticals	\$11.94	9.0%
EDV	Endeavour Group	\$6.26	6.3%
BGL	Bellevue Gold	\$1.23	6.0%
PLS	Pilbara Minerals	\$4.90	5.2%

*Prices as at 3.00PM on 23/06/2023

AGL Energy jumped 14.2% with FY23 net profit tracking higher than previously forecast and guiding for FY24 net profit to more than double, driven by higher electricity prices and new storage batteries coming online. Telix Pharmaceuticals rallied 9.0%, reaching a new record high, after the first patient was dosed in the Phase II trials of its tumour imaging agent and after acquiring UK medical device firm Lightpoint Medical. Endeavour gained 6.3% with group CEO Steve Donohue noting a rise in distressed wine assets and the potential to make acquisitions. Pilbara rose 5.2% as it looks for a partner to build a \$1 billion processing plant.

S&P/ASX 200 Index - 1 Week Performance



The Hang Seng lost -3.1% as economic stimulus including 0.1% cuts to loan rates underwhelmed markets. The Nikkei retreated -0.7% as investors took profits on semiconductor chip shares which have rallied recently. The S&P/ASX 200 fell -2.2%, driven by losses in the Energy, Information Technology and Materials sectors. Small caps underperformed both mid and large companies, falling -3.5%.

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

ASX Code	Company	Closing Price	Change*
LKE	Lake Resources NL	\$0.30	-35.9%
BRN	Brainchip Holdings	\$0.34	-16.1%
JLG	Johns Lyng Group	\$5.16	-13.9%
FLT	Flight Centre Travel	\$18.84	-12.9%
GOR	Gold Road Resources	\$1.51	-10.4%

Lake Resources plummeted -35.9% after its Kachi Mine production guidance of 50,000tpa of lithium carbonate by 2024 was lowered to 25,000tpa in 2027. The company also noted significantly higher costs than previously estimated. John Lyng Group dropped -13.9% after downgrading its revenue forecast by \$7.9 million and EBITDA forecast by \$5 million. Flight Centre is down -12.9% after its investor update underwhelmed markets. Gold Road fell -10.4% after downgrading production at its Gruyere mine by 20,000 ounces. Brainchip lost -16.1% despite no significant news being released by the company.

Upcoming Dividend Dates

ASX Code	Company	Estimated Dividend Ex-date	Dividend Per Share (\$)	Franking (%)
FPH	Fisher & Paykel Healthcare Corporation	26/06/2023	\$0.21	0%
ARF	Arena REIT	29/06/2023	\$0.04	0%
CIP	Centuria Industrial REIT	29/06/2023	\$0.04	0%
CNI	Centuria Capital Group	29/06/2023	\$0.06	9%
CQE	Charter Hall Social Infrastructure REIT	29/06/2023	\$0.04	0%
GMG	Goodman Group	29/06/2023	\$0.15	0%
GPT	GPT Group	29/06/2023	\$0.13	0%
HDN	HomeCo Daily Needs REIT	29/06/2023	\$0.02	0%
MGR	Mirvac Group	29/06/2023	\$0.05	0%
RGN	Region Group	29/06/2023	\$0.08	0%
TCL	Transurban Group	29/06/2023	\$0.32	4%
ABP	Abacus Property Group	30/06/2023	\$0.09	0%

Topic of the week

Parts of the commercial property sector continue to be hit hard by rising interest rates and lower occupancy rates with major Real Estate Investment Trusts (REITs) writing down office tower valuations for June 30, or selling properties at prices well below the last recorded book value. Many REITs have been trading at large discounts to their net asset value valuations having declined by approximately 25% over the last year compared to ASX200 which fell 5.5%.

With work from home becoming more prevalent over the last few years, CBD vacancy rates have increased to 20-year highs in Sydney and Melbourne. Correspondingly, office rental rates have fallen by around 15-20% from their peak. New supply is still expected with multiple new buildings targeting completion within the next two years. The cost of debt has been rising driven by higher bond yields and rate hikes from central banks. Commercial property is often viewed as a bond proxy with predictable steady returns, but higher bond yields make property relatively less desirable given the additional risk.

Dexus recently sold its 26-storey office at 44 Market Street, Sydney for \$393 million, 17% below the December 2022 book value of \$475 million and a 22% decrease on the June 2022 book value of \$507 million. Dexus is reportedly trying to find a buyer for another office tower in Sydney at a 15% discount whilst Mirvac is looking at offloading the Optus Centre at a 12% discount.

Dexus' total commercial real estate portfolio, including 32 office towers will likely see a 7.7% valuation decline from the December book value. Over the entire portfolio, Dexus will write down \$1 billion in value. Growthpoint Properties' preliminary valuations record a 3.6% drop whilst Charter Hall will see 2.8% decline. Even with these write-downs, analysts still expect further rounds of revaluations to occur before the building values more accurately reflect current market values.

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	6.17%	6.44%	6.44%	6.42%	6.49%	6.54%
NAB	6.24%	6.14%	6.19%	6.59%	6.24%	6.49%
Macquarie	5.54%	5.95%	5.79%	5.74%	6.15%	6.05%

*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 ahead

- The Australian Bureau of Statistics (ABS) will release the latest Monthly Consumer Price Index Indicator.
- The US Bureau of Economic Analysis will release the Personal Income and Outlays data for the month of May.



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