



Highlights of the week

- The Federal Government has announced \$110 million worth of additional military and humanitarian aid for Ukraine.
- Australia's annual inflation rate fell to 5.6% to the end of May, down 1.2% from April.

Market Action

Sector	Returns % (excluding distributions)		
	30-Jun-23	23-Jun-23	Change (%)
S&P/ASX 200	7205.8	7097.1	1.5%
All Ordinaries	7403.0	7283.1	1.6%
Small Ordinaries	2795.8	2744.3	1.9%
S&P 500	4396.4	4381.9	0.3%
NASDAQ	13591.3	13630.6	-0.3%
FTSE 100	7471.7	7502.0	-0.4%
Hang Seng	18934.4	19218.4	-1.5%
Nikkei	33234.1	33264.9	-0.1%

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

US equity markets were mixed this week, with the S&P 500 rising 0.3% and the NASDAQ falling -0.3%. Gains were driven by the Materials, Consumer Discretionary and Energy sectors whilst the Utilities sector was the biggest laggard. The FTSE100 closed -0.4% lower with two more rate hikes expected to curb inflation. Water companies saw large falls following the potential collapse of Thames Water and the possibility of nationalisation.

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

ASX Code	Company	Closing Price	Change*
CKF	Collins Foods	\$9.76	18.5%
SGR	Star Entertainment	\$1.17	11.0%
DHG	Domain Holdings	\$3.77	9.3%
HVN	Harvey Norman	\$3.49	7.9%
LIC	Lifestyle Communities	\$15.61	7.8%

*Prices as at 3.00PM on 30/06/2023

Collins Foods saw an 18.5% jump in share price after revealing their same store sales growth remained strong following price increases. Star Entertainment climbed 11.0% after announcing an agreement to sell the Sheraton Grand Mirage Resort Gold Coast for \$192 million. Harvey Norman rose 7.9% following stronger than expected retail sales data for May whereas Domain Holdings Australia and Lifestyle Communities rose 9.3% and 7.8% respectively despite neither company releasing any significant news.

S&P/ASX 200 Index - 1 Week Performance



The Hang Seng dropped -1.5% with concerns of China's economic recovery despite Premier Li KeQiang commenting that China was on track to reach the 5% annual growth target. The Nikkei lost -0.1% supported by the yen weakening. The S&P/ASX 200 rallied 1.5% on the back of better-than-expected inflation data. Gains were driven by the Information Technology and Real Estate sectors. Small caps outperformed both mid and large cap companies, rising by 1.9%.

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

ASX Code	Company	Closing Price	Change*
BGA	Bega Cheese	\$2.83	-19.8%
LNK	Link Administration	\$1.67	-12.8%
TLX	Telix Pharmaceuticals	\$11.28	-9.8%
GOR	Gold Road Resources	\$1.49	-6.8%
NHC	New Hope Corporation	\$4.90	-6.5%

Bega dropped -19.8% after noting increased competition over a falling supply of milk has kept prices high, resulting in a write-down of \$180-280 million. Link shares fell -12.8% after revealing its HESTA contract, which accounted for 4% of its FY23 revenue, will not be renewed. Telix fell -9.8% following its acquisition of Lightpoint Medical last week. Gold Road continued to fall, down -6.8% after last week's downgrade to its production. New Hope Corporation sank -6.5% as Macquarie downgraded its rating to "underperform" citing concerns around thermal coal prices.

Upcoming Dividend Dates

ASX Code	Company	Estimated Dividend Ex-date	Dividend Per Share (\$)	Franking (%)
GNC	Graincorp Limited	5/07/2023	\$0.24	100%

Topic of the week

The Reserve Bank of Australia (RBA) recently published a research discussion paper, assessing the impact of interest rates on a bank's profitability, particularly when rates are low. The report analyses data over the twenty years to the end of 2019 when much of the world's interest rates were at or near historic lows. Data was collated from 1,500 banks across 10 different countries and banking systems.

One measure of profitability the paper explored was the net interest margin which is the difference between the interest the bank receives from loans and the interest the bank pays on deposits. Another measure studied by the paper was return on assets (ROA) which represents the net income generated by the bank's assets.

Most banks have a 0% lower limit for deposit rates and the major concern was that when rates were cut, and loan rates fell, net

interest margins would shrink, impacting profitability. It was also thought that this would reduce the effectiveness of monetary policy as banks would be unable to pass the full rate change on to consumers.

The paper found that after accounting for all other factors, when central banks lowered the cash rate, banks did suffer a decrease in their net interest margin. However, the effect was marginal and smaller than previously estimated with a 1% decrease only changing the short-term net interest margin by 0.05%. Longer term, the difference was almost 0.15%. The report also found that the return on assets saw an even smaller decrease than the net interest margin with banks able to generate returns elsewhere. Possible adjustments included increasing fee income and decreasing operating costs. Even when lower rates were maintained by central banks for longer, there were no significant differences.

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%. As at 16/06/23.

What to expect for the week ahead

- The Australian Bureau of Statistics (ABS) and the US Bureau of Economic Analysis will release their respective country's International Trade in Goods and Services data for the period ended May 2023.
- The US Bureau of Labor Statistics will release the latest Job Openings and Labor Turnover Survey and Employment Situation data.



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