



Highlights of the week

- Victorian Premier Daniel Andrews resigned and was replaced by Jacinta Allan.
- The Australia's annual inflation rate rose 0.3% to 5.2% in August, the first increase in four months.

Market Action

Sector	Returns % (excluding distributions)		
	29-Sep-23	22-Sep-23	Change (%)
S&P/ASX 200	7050.7	7056.2	-0.1%
All Ordinaries	7250.8	7256.7	-0.1%
Small Ordinaries	2714.7	2722.3	-0.3%
S&P 500	4299.7	4402.2	-2.3%
NASDAQ	13201.3	13469.1	-2.0%
FTSE 100	7601.9	7731.7	-1.7%
Hang Seng	17373.0	17885.6	-2.9%
Nikkei	31872.5	33023.8	-3.5%

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

US equity markets fell this week, with the S&P 500 and the NASDAQ falling -2.0% and -2.3% respectively as markets responded to a weakening economic outlook, an increased likelihood of high interest rates persisting and the possibility of a US government shutdown. The FTSE 100 lost -1.7% despite UK retail sales rebounding, and UK consumer confidence rising to a 2 year high.

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

ASX Code	Company	Closing Price	Change*
PME	Pro Medicus	\$82.99	14.7%
CXO	Core Lithium	\$0.40	14.3%
PDN	Paladin Energy	\$1.11	13.0%
RMD	ResMed Inc.	\$23.59	8.6%
CRN	Coronado Global	\$1.95	8.2%

*Prices as at 3.00PM on 29/09/2023

Pro Medicus leaped 14.7% after signing a \$104 million, 10-year contract with US healthcare company, Baylor Scott & White Health. Core Lithium jumped 14.3% after reporting a maiden full year profit. Core Lithium reported FY23 revenue of \$50.6 million and a net profit of \$10.8 million. Paladin Energy rose 13.0% driven by the ongoing rally in the price of uranium. ResMed rebounded 8.6% with brokers reiterating buy recommendations. Coronado Global Resources rose following the announcement that Seven Global Investments had acquired a majority stake in the company.

S&P/ASX 200 Index - 1 Week Performance



The Hang Seng hit a 10-month low after falling -2.9%, whilst the Nikkei dropped -3.5% following a higher-than-expected August inflation reading. The S&P/ASX 200 edged -0.1% lower this week despite inflation ticking higher. Gains were led by the Energy sector whilst the Information Technology sector was the primary detractor. Small caps underperformed both mid and large caps, falling -0.3%.

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

ASX Code	Company	Closing Price	Change*
SGR	Star Entertainment	\$0.61	-13.9%
CHN	Chalice Mining	\$2.28	-10.2%
DEG	De Grey Mining	\$1.12	-9.7%
IEL	IDP Education	\$21.24	-9.2%
GMD	Genesis Minerals	\$1.39	-9.2%

Star Entertainment fell after announcing \$450 million in new debt facilities, an institutional placement and an entitlement offer to raise \$750 million. Chalice Mining lost -10.2% despite reporting its FY23 results, still affected by the disappointing scoping study from last month. De Grey Mining declined after announcing a \$300 million institutional placement at \$1.05 per share. Genesis Minerals fell -9.2%, leading gold miners down with the precious metal price falling more than 60USD/oz over the week. IDP Education lost -9.2% despite no significant news being released.

Upcoming Dividend Dates

ASX Code	Company	Estimated Dividend Ex-date	Dividend Per Share (\$)	Franking (%)
SGM	Sims Limited	3/10/2023	\$0.21	100%
ARB	ARB Corporation Limited	5/10/2023	\$0.30	100%

Topic of the week

The Australian Prudential Regulation Authority (APRA) has published a discussion paper that outlines their intention to alter Additional Tier 1 (AT1) capital instruments, also known as hybrids. AT1 instruments are meant to protect depositors and stabilise banks by absorbing losses in times of stress with banks able to suspend coupon payments, convert the hybrids into equity or write the hybrids off. However, APRA is worried that AT1 instruments are not being used as intended, and instead of stabilising a bank, their functions may remain unused until the bank is already in collapse.

During the banking crisis earlier in the year, Credit Suisse collapsed and during its subsequent takeover by UBS, Credit Suisse's hybrids were written off. Credit Suisse hybrid holders experienced a total loss instead of equity holders who usually rank lower in the capital structure. From highest to lowest priority, a typical capital structure for a bank consists of senior debt, subordinated debt, hybrid financing, preferred equity, and finally common equity. Credit Suisse hybrids had different provisions to Australian hybrids, however the markets' view of the sudden disregard to the hybrid's priority over equity holders caused a loss of confidence and

sparked a sell-off in hybrids globally. Credit Suisse had also been maintaining their hybrid coupon payments in the lead up to their collapse despite the uncertain outlook. As a result the hybrids did not function as intended in preventing Credit Suisse's collapse. As such, APRA are now looking at altering the function of Australian hybrids.

Australian banks are heavily reliant on AT1 instruments and Australia is unique in that most hybrids are owned by retail investors. A write-off or conversion of hybrids would severely destroy confidence in the financial system. APRA are now seeking written submissions and industry feedback for potential changes to the current system. Some possible amendments include ensuring that they absorb losses earlier, changing regulatory capital requirements to have less reliance on hybrids or moving the hybrid investor base towards institutional investors. The proposed changes may put them in opposition to the priorities of another government regulator, the Australian Securities and Investment Commission which seeks to protect retail investors.

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	6.44%	6.99%	6.84%	6.50%	7.04%	6.94%
NAB	6.49%	6.19%	6.69%	7.01%	6.64%	6.79%
Macquarie	5.89%	6.15%	6.05%	6.09%	6.29%	6.19%

*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 Reserve Bank of Australia will hold its October Board Meeting on Monetary Policy, having kept the interest rate unchanged over the last three months.
- The Australian Bureau of Statistics will release the Monthly Household Spending Indicator. Year on year household spending had fallen in July, the first time since February 2021.



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