

WEEKLY MARKET recap

30 October – 3 November 2023

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Highlights of the week

- Six of Australia's former prime ministers have released a joint statement on the Israel Hamas conflict.
- The Australian Financial Review Super & Wealth Summit was held in Melbourne.

Market Action

Sector	Returns % (excluding distributions)		
	3-Nov-23	27-Oct-23	Change (%)
S&P/ASX 200	6969.6	6833.3	2.0%
All Ordinaries	7166.5	7019.6	2.1%
Small Ordinaries	2657.5	2580.9	3.0%
S&P 500	4317.8	4137.2	4.4%
NASDAQ	13294.2	12595.6	5.5%
FTSE 100	7446.5	7354.6	1.3%
Hang Seng	17230.6	17044.6	1.1%
Nikkei	31949.9	30601.8	4.4%

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

US equity markets rallied this week, with the S&P 500 and the NASDAQ gaining 4.4% and 5.5% respectively. A pause in rate hikes by the Federal Reserve provided hope that interest rate had now peaked. Rate-sensitive sectors like Consumer Discretionary, Real Estate and Information Technology benefitted from the decision, leading gains. The FTSE 100 gained 1.3% as the Bank of England also left its interest rate unchanged at 5.25%.

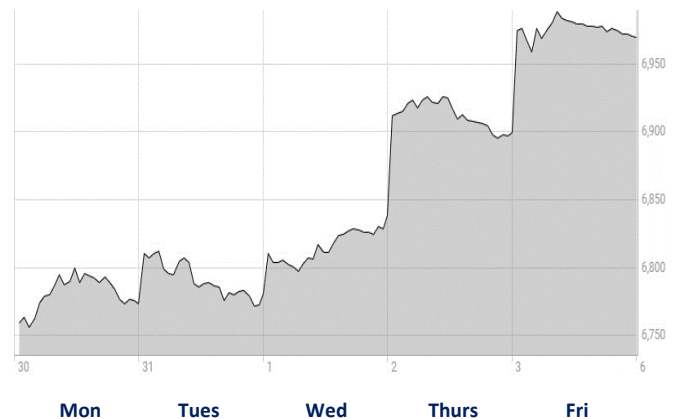
S&P/ASX 200 - Top five of the week

ASX Code	Company	Closing Price	Change*
SQ2	Block Inc.	\$81.01	23.8%
NEU	Neuren Pharma.	\$12.40	21.8%
CIA	Champion Iron	\$7.84	20.8%
ING	Inghams Group	\$3.91	16.0%
PNV	Polynovo	\$1.30	14.5%

*Prices as at 3.00PM on 03/11/2023

Block Inc. jumped 23.8% after reporting a 24% increase in revenue and a 21% increase in gross profit over the third quarter. Neuren Pharmaceuticals rose 21.8% after its partner announced net sales of US\$66.9 million, from which Neuren will receive royalties of \$10.4 million. Champion Iron gained 10.2% ahead of its fifth consecutive semi-annual dividend, at CA\$0.10 per share. Inghams Group rose 16.0% after noting strong demand for poultry and an improvement in operational performance metrics. Polynovo gained 14.5% after receiving US\$10 million in funding from the Biomedical Advanced Research and Development Authority.

S&P/ASX 200 Index - 1 Week Performance



The Hang Seng returned 1.1% this week, with gains subdued by weak manufacturing data whilst the Nikkei climbed 4.4% as the Japanese Government announced an economic stimulus package to boost growth. The S&P/ASX 200 rose 2.0% with gains led by Real Estate, Information Technology and Healthcare sectors. Small caps outperformed both mid and large cap companies, gaining 3.0%.

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

ASX Code	Company	Closing Price	Change*
NHC	New Hope Corporation	\$5.39	-11.2%
IGO	IGO	\$9.76	-9.3%
ORG	Origin Energy	\$8.41	-8.5%
WHC	Whitehaven Coal	\$7.17	-7.7%
TWE	Treasury Wine Estates	\$11.15	-6.9%

Coal producers, New Hope Corporation and Whitehaven Coal have lost -11.2% and -7.7% respectively, following an approximate 12USD/T fall in the coal price over the week. IGO is down -9.3% after releasing its first quarter update that showed a 42% drop in earnings before interest, tax, depreciation, and amortisation. Origin Energy fell -8.5% despite the Brookfield and EIG consortium improving their takeover offer price with the transaction in doubt after major shareholder Australian Super announced it would be voting against the proposal. Treasury Wine Estates retreated -6.9% after announcing an entitlement offer at \$10.80 per share.

Upcoming Dividend Dates

ASX Code	Company	Estimated Dividend Ex-date	Dividend Per Share (\$)	Franking (%)
CIA	Champion Iron Limited	6/11/2023	\$0.12	0%
IVC	Invocare Limited	7/11/2023	\$0.60	100%
RMD	Resmed CDI	8/11/2023	\$0.05	0%

Topic of the week

Earlier this week, US President Joe Biden signed the Executive Order on the Safe, Secure, and Trustworthy Development and use of Artificial Intelligence, the first binding legislation to minimise the risks of Artificial Intelligence (AI). The Executive Order aims to protect consumer and worker privacy by setting standards for AI safety and security without limiting AI innovation and competition. The US government had previously received commitments from major AI companies to watermark all content produced by AI and is looking to build upon that following further safety assessments and research.

Whilst AI has many advantages, it also presents many risks. A major concern is privacy, with AI making it easier to extract and exploit personal data. There are also concerns that AI may result in discrimination or bias, especially in sensitive areas such as healthcare, housing or the justice system. Similarly, workers are also at risk of being subject to increasing workplace surveillance as well as job displacement from AI.

The Executive Order requires all AI system developers that have risks linked to "US national security, the economy, public health or safety" to send safety test results to the US government before releasing the system to the public. Government agencies will be required to set standards for testing, and must address any chemical, biological, radiological, nuclear, and cybersecurity risks. New standards will also be developed for biological synthesis technologies to prevent AIs from engineering dangerous materials. The Department of Commerce will also develop guidance to protect Americans from AI-enabled fraud and deception with methods of content authentication and watermarking to label AI content. Other changes include establishing a cybersecurity program to develop AI tools and the development of a National Security Memorandum.

With the rapid development and growth in the capabilities of AI, there is currently limited regulation surrounding the technology. The Executive Order is seen as a step towards appropriate regulation despite the lack of an enforcement mechanism to guarantee adherence.

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	6.59%	6.34%	6.69%	7.11%	6.64%	6.79%
Macquarie	5.89%	6.55%	6.65%	6.09%	6.69%	6.79%

*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 (RBA) will hold their November Board Meeting. Markets are indicating a 50% chance that the RBA will raise the cash rate.
- The RBA will also be releasing their quarterly Statement on Monetary Policy



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