

WEEKLY MARKET recap

10 - 14 December 2023

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Highlights of the week

- The Federal Reserve kept rates on hold with the median forecast amongst Federal Open Committee members for rates to be 0.75% lower by the end of 2024.
- The Stage-3 tax cuts look more certain to go ahead following comments from Federal Treasurer Jim Chalmers and the release of the Mid-Year Economic and Fiscal Outlook.

Market Action

Sector	Returns % (excluding distributions)		
	14-Dec-23	8-Dec-23	Change (%)
S&P/ASX 200	7375.4	7194.9	2.5%
All Ordinaries	7595.6	7405.6	2.6%
Small Ordinaries	2844.8	2771.9	2.6%
S&P 500 *	4707.1	4585.6	2.6%
NASDAQ *	14734.0	14340.0	2.7%
FTSE 100 *	7548.4	7513.7	0.5%
Hang Seng *	16228.8	16345.9	-0.7%
Nikkei *	32926.4	32858.3	0.2%

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

The S&P 500 rallied 2.6% and the NASDAQ closed 2.7% higher after the Federal Reserve kept rates on hold and Chairman Jerome Powell indicated the potential for rate cuts in 2024. Markets have already priced in multiple rate cuts into both US bond and equity markets. The Hang Seng fell a further 0.7% with ongoing concerns around the strength of China's economy.

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

ASX Code	Company	Closing Price	Change*
AKE	Allkem Limited	\$10.01	17.1%
CHC	Charter Hall Group	\$12.27	15.5%
CCP	Credit Corp Group	\$15.09	12.2%
MFG	Magellan Financial	\$8.78	12.1%
PLS	Pilbara Minerals	\$3.78	10.9%

*Prices as at 3.00PM on 14/12/2023

Alkem announced it was one step closer to merging with Livent with the next court hearing set to approve the merger to be held on 20 December 2023. Charter Hall benefited from the large drop in bond yields which should support property valuations. Credit Corp rallied despite no significant news being announced. Pilbara increased despite announcing that Anthony Kiernan would retire as non-executive chairman on 1 January 2024 while Magellan continued to rally following the announcement last week of a \$0.9 billion increase in funds under management.

S&P/ASX 200 Index - 1 Week Performance



The Nikkei rose 0.2% driven by improved business sentiment and buying from the Bank of Japan partially offset by declines in the major car manufacturers such as Mitsubishi that would see exports impacted by the stronger yen. The S&P/ASX 200 performed in line with US markets with small caps also matching the performance of mid and large cap companies.

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

ASX Code	Company	Closing Price	Change*
IEL	IDP Education Limited	\$20.66	-12.5%
SGR	The Star Entertainment	\$0.50	-10.4%
BGL	Bellevue Gold Limited	\$1.69	-7.8%
QBE	QBE Insurance Group	\$13.96	-7.3%
IAG	Insurance Australia	\$5.58	-7.2%

IDP Education fell after the CFO, Murray Walton, would step down in March 2024. Star Entertainment fell after news broke that the Federal Court would not hear the case brought by ASIC against the directors and executives until February 2025. QBE Insurance and Insurance Australian declined following the share drop in bond yields that will see the two companies earn less on their float. Bellevue Gold fell despite no significant news being announced.

Upcoming Dividend Dates

ASX Code	Company	Estimated Dividend Ex-date	Dividend Per Share (\$)	Franking (%)
No upcoming dividends.				

Topic of the week

Alphabet Inc, the owner of Google, and one of the largest companies in the world with a US\$1.7 trillion market capitalisation lost an anticompetition lawsuit over the market power of the Google Play app store. The jury returned the guilty verdict after just four hours of deliberations with the penalties to be decided in January 2024.

The case was brought by Epic Games, the maker of popular video game Fortnite, in 2020 and alleged that Google abused its dominant position to squeeze excess profits from app developers. Google Play Store is alleged to have made approximately US\$12 billion in operating profits in 2021 with profit margins of more than 70%, albeit Google CEO Sundar Pichai reportedly stated during his testimony that those figures do not account for research and development cost.

Google currently has agreements with mobile manufacturers that in exchange for the use of Google's Android operating system, Google

Play is the only app store allowed on Android phones. Google then receives a cut of any purchases made through the App store.

Epic Games in 2020 encouraged users to pay the company directly for in-app purchases to avoid Google's slice of the payment but found their app quickly removed from the Google Play app store. Apple has a similar model, and also removed Epic Games from their App store after Epic Games attempted to do similar. These actions led to the lawsuit.

There are a number of anticompetition lawsuits now underway against the large US technology companies, reflecting their current market dominance, but also highlighting a growing risk with policies, regulators and other market participants challenging the status quo. The large US technology stocks have driven most of the market return over 2023 and much of it over the last decade so the proceedings are worth following.

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	6.69%	6.99%	6.84%	6.75%	7.04%	6.94%
NAB	6.84%	6.59%	6.79%	7.36%	6.64%	6.89%
Macquarie	6.14%	6.55%	6.65%	6.34%	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 will release the latest 'Financial Aggregates' data which monitors the stock of money and credit in Australia.
- The Australian Bureau of Statistics (ABS) will report the latest mortality statistics which will highlight any patterns from the COVID-19 pandemic.



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