

## Weekly Market Recap

7 March – 11 March 2022

## Highlights of the week

- The United States banned any new importation of Russian oil and natural gas and gave companies 45 days to wind down existing contracts with Russian energy suppliers.
- The London Metals Exchange suspended trading in nickel on March 8 following a 250% price spike driven by industrial users purchasing future supply contracts due to increased fears of shortages with Russia accounting for approximately 9% of global supply.

## Market Action

Equity Indices	Price Returns %		
	11-Mar-22	4-Mar-22	Change (%)
S&P/ASX 200	7063.6	7110.8	-0.7%
All Ordinaries	7339.5	7395.3	-0.8%
Small Ordinaries	3179.7	3200.7	-0.7%
S&P 500 *	4259.5	4363.5	-2.4%
NASDAQ *	13130.0	13537.9	-3.0%
FTSE 100 *	7099.1	7238.9	-1.9%
Hang Seng	20890.3	22467.3	-7.0%
Nikkei	25690.4	26557.3	-3.3%

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

US equity indices partially recovered from recent falls despite growing 'stagflation' fears following another high inflation reading. The Hang Seng fell on news that Norway's Sovereign Wealth Fund would exit the position in popular sportswear company Li Ning Co due to links to human rights violations in the Xinjiang region, fueling concerns other investors may follow suit.

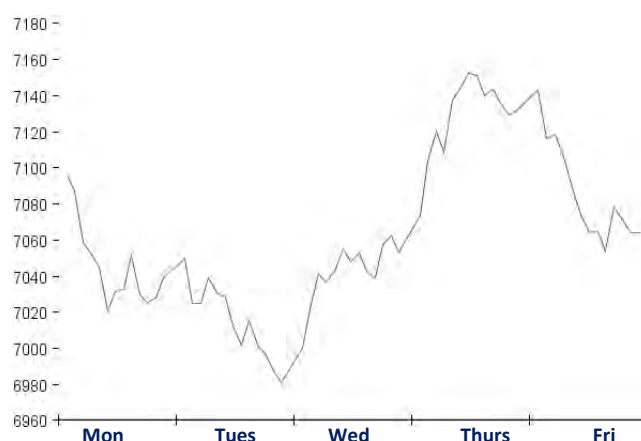
## S&amp;P/ASX 200 - Top five of the week

ASX Code	Company	Closing Price	Change
SBM	St Barbara Limited	\$1.59	17.78%
IPL	Incitec Pivot Limited	\$3.72	15.89%
GOR	Gold Road Resources Limited	\$1.78	14.52%
SLR	Silver Lake Resources Limited	\$2.11	13.14%
RRL	Regis Resources Limited	\$2.13	9.23%

Prices as at 3.30PM on 11/03/2022

Gold miners St Barbara, Gold Road, Silver Lake and Regis Resources all rose driven by a higher gold price. Incitec Pivot rose following the announcement of a new Chief Financial Officer, with the company also currently benefiting from higher fertilizer prices.

S&amp;P/ASX 200 Index – 1 Week Performance



The S&P/ASX 200 performed in-line with international markets as the Consumer Staples and Financials sectors outperformed while Materials was the worst performing sector. Large companies outperformed small companies.

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

ASX Code	Company	Closing Price	Change
NIC	Nickel Mines Limited	\$1.21	-25.8%
Z1P	Zip Co Limited	\$1.58	-15.5%
PBH	Pointsbet Holdings Limited	\$3.73	-14.3%
SQ2	Block Inc.	\$146.07	-13.3%
RIO	Rio Tinto Limited	\$111.66	-12.7%

Nickel mines fell on concerns that a major shareholder may be forced to sell their shares in order to meet margin calls on nickel derivative losses. Zip Co declined following the opening of a \$50 million share purchase plan. Pointsbet and Block fell despite no significant news being announced.

## Upcoming S&P/ASX 200 Dividend Dates

ASX Code	Company	Estimated Dividend Ex-date	Estimated Dividend Per Share	Franking
CNU	Chorus Limited	14/03/2022	\$0.13	0%
TGR	Tassal Group Limited	14/03/2022	\$0.08	0%
NWS	News Corporation	15/03/2022	\$0.10	0%
SFR	Sandfire Resources Limited	15/03/2022	\$0.03	100%
TPG	TPG Telecom Limited	15/03/2022	\$0.09	100%
ASB	Austal Limited	16/03/2022	\$0.04	0%
DTL	Data3 Limited	16/03/2022	\$0.07	100%
ING	Inghams Group Limited	16/03/2022	\$0.07	100%
MNY	Money3 Corporation Limited	16/03/2022	\$0.06	100%
CRN	Coronado Global Resources	17/03/2022	\$0.09	0%
FBU	Fletcher Building Limited	17/03/2022	\$0.17	0%
CAR	Carsales.com Limited	18/03/2022	\$0.26	100%
HUB	Hub24 Limited	18/03/2022	\$0.08	100%

## Topic of the week

During the week Amazon.com Inc announced a 20-for-1 stock split whereby existing shareholders will receive 20 shares for every Amazon.com share currently held. On the day of the announcement the share price closed 5.4% higher on an otherwise weak day for US equity markets with the Nasdaq Composite and the S&P500 declining by 1.0% and 0.4% respectively. Alphabet Inc, the owner of Google, announced a 20-for-1 stock split on February 1, 2022. While Tesla Inc also announced a 5-for-1 stock split in mid-August 2020 that saw similar positive share price reactions.

Australia operates an imputation tax system, whereby when a company distributes earnings via dividends, to which the company has already paid tax on those earnings, they are able to pass on or 'impute' credits for the tax already paid. This is called 'franking' the distribution with the attached 'franking credits' able to be used by the recipient shareholders as a tax offset and in many cases entitling them to a tax refund. In essence, this system prevents double taxation, that is the taxation of profits when earned by the corporate tax entity, and again in the hands of the shareholder. As the franking credits are of no use to the corporate entity, Australian corporations are incentivised to pay dividends in order to distribute franking credits. The US does not operate an imputation tax system which means that many companies often opt to instead reinvest earnings or buyback their own shares instead of paying dividends to avoid double taxation. This results in higher earnings per share

than Australian companies and consequently much higher share prices. An example that exemplifies this is multinational conglomerate Berkshire Hathaway that has run very profitably with high returns on capital for a number of decades but has never paid a dividend. Each 'Class A' share of Berkshire Hathaway now trades at over US\$487,000.00.

A stock split results in a lower price per share with the argument often being made that this enables more investors to purchase these shares who may not have been able to afford a share in the past, thus increasing demand. This is somewhat less necessary in the US these days with the advent of fractional share trading, but this remains the primary rationale. Furthermore, and most importantly, a stock split adds no fundamental value to a company as following the stock split the earnings per share will also fall. Using the example of a pizza cut into 12 slices, where the entire pizza represents an entire company's earnings and each slice an individual share of those earnings. Dividing each slice in half, akin to a 2-for-1 stock split, does not mean there is any additional pizza or company earnings to distribute. Consequently, a stock split, or announcement of a stock split should not have an impact on the value of the company which makes the significant share price rises following the stock split announcements by Tesla, Alphabet and Amazon.com almost entirely irrational.

## 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	2.29%	3.14%	4.14%	2.49%	3.34%	4.24%
NAB	2.29%	2.99%	3.79%	2.79%	3.19%	3.94%
Macquarie	2.19%	2.74%	3.99%	2.39%	2.99%	4.19%

\*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 Australian Bureau of Statistics will release the December quarter residential property price indexes for Australia's eight capital cities.
- The US Federal Reserve will release their monetary policy decision with markets anticipating a 0.25% increase the official Federal Funds Rate.




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