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WEALTH PARTNERS

Weekly Market Recap

28 March – 1 April 2022

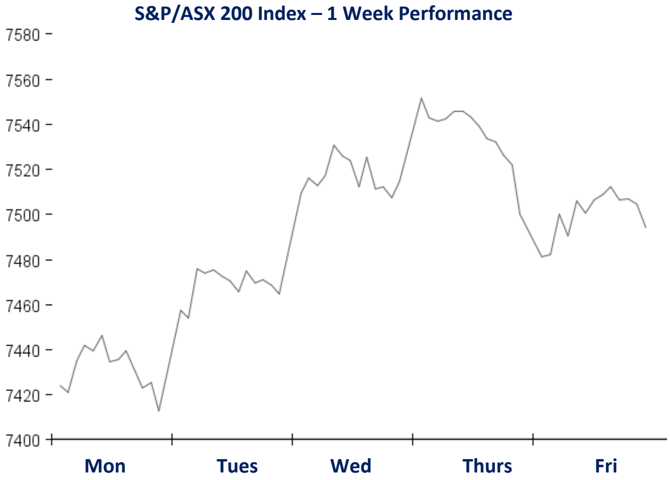
Highlights of the week

- US President Joe Biden announced the largest strategic oil reserve release in history of one million additional barrels per day for six months in an effort to reduce petrol prices.
- Germany has begun monitoring gas import and storage levels which is stage one of a three stage gas rationing plan after Russia threatened to cut off supply if future gas payments were not made in Rubles.

Market Action

Equity Indices	Returns % (excluding distributions)		
	1-Apr-22	25-Mar-22	Change (%)
S&P/ASX 200	7493.8	7406.2	1.2%
All Ordinaries	7785.9	7689.9	1.2%
Small Ordinaries	3346.9	3330.4	0.5%
S&P 500	4530.4	4520.2	0.2%
NASDAQ	14220.5	14191.8	0.2%
FTSE 100	7515.7	7467.4	0.6%
Hang Seng	21996.9	21946.0	0.2%
Nikkei	27821.4	28110.4	-1.0%

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



The NASDAQ and the S&P 500 rose slightly as gains made early in the week following reports of a possible de-escalation of the war in Ukraine slowly eroded.

The Hang Seng rose despite reports that Chinese regulators were drafting new regulations for the US$30 billion live-streaming industry in an effort to reign in technology companies and exert greater influence over the content consumed by citizens. The Nikkei was the worst performing international market despite the Bank of Japan outlining its commitment to keep bond yields low.

The S&P/ASX 200 outperformed international markets driven by the Materials sector as commodity prices rallied with the Energy Sector the primary detractor.

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

ASX Code	Company	Closing Price	Change
AVZ	AVZ Minerals Limited	$1.30	17.65%
AKE	Allkem Limited	$12.36	16.17%
MIN	Mineral Resources Limited	$54.41	12.19%
FMG	Fortescue Metals Group	$21.02	10.98%
NVX	Novonix Limited	$6.41	10.90%

Prices as at 3.30PM on 01/04/2022

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

ASX Code	Company	Closing Price	Change
IMU	Imugene Limited	$0.25	-12.3%
TLX	Telix Pharmaceuticals Limited	$4.23	-10.8%
JHX	James Haride Industries Plc	$40.19	-8.2%
PMV	Premier Investments Limited	$26.90	-7.1%
PBH	Pointsbet Holdings Limited	$3.66	-6.3%

Lithium miners AVZ Minerals, Allkem and Mineral Resources all rose after the US announced it may fund some ‘critical minerals’ projects in Australia. Fortescue Metals rose following news that the company had signed a Memorandum of Understanding to supply green hydrogen to German company E.ON by 2030.

Telix declined despite announcing a distribution agreement in the UK for its prostate cancer investigational imaging product. Premier fell even after announcing first half results that showed profit growth despite a strong prior corresponding period and noting that global sales grew 6% over the first five weeks of the Second Half.

Upcoming S&P/ASX 200 Dividend Dates

ASX Code	Company	Estimated Dividend Ex-date	Estimated Dividend Per Share	Franking
SIG	Sigma Healthcare Limited	4/04/2022	$0.01	100%
ARB	ARB Corporation Limited	7/04/2022	$0.39	100%

Topic of the week

The Federal Budget was delivered during the week and with it the Federal Treasury's economic forecasts were released which provided an insight into the trajectory of the Australian Federal Government's finances. Australia's economy is expected to grow by 4.3% in the current financial year before decelerating slightly to 3.5% in the 2023 Financial Year and then averaging 2.5% over the subsequent 3 Financial Years. The Unemployment Rate is expected to fall below 4% and remain there over the next three Financial Years which is expected to drive an increase in wages. Notably in the current Financial Year the rate of inflation is expected to be higher than wages growth, meaning a real income cut, though this is expected to correct in the following 2023 Financial Year.

The Australian Federal Government net debt has increased substantially over recent years, driven primarily by COVID-19 related spending measures, and currently represents approximately 28.6% of Gross Domestic Product (GDP). The level of net debt is expected to continue growing, reaching 33.1% in the 2024 Financial Year. Net interest payments as a percentage of GDP are also expected to increase from 0.7% currently to 0.9% by the 2025 Financial Year. The increase in debt and debt servicing cost is concerning as Australia is experiencing a relatively strong period of economic growth where prudent economic management would recommend reducing the level of debt, or at least not increasing it. The assumptions used in the economic forecasts are reportedly conservative, for instance an assumed iron ore price of $55 a tonne compared to current spot prices of well above $150 a tonne. This could result in more revenue for the Federal Government in future periods than implied in the forecasts, however, there are also cost areas such as the National Disability Insurance Scheme (NDIS) and the increase in Defence spending that have reportedly not been fully factored in.

If debt levels continue to increase then when the next economic shock occurs the Australian Federal Government may not be as well placed to respond, which is particularly important given Australia's reliance on foreign capital markets. It is also important to consider that when comparisons are made between the level of Australia's Government Debt and other Developed Economies it can seem relatively low, but what is often neglected is the total level of debt in the economy. The Organisation for Economic Co-operation and Development states in their Household debt indicator that Australian total household debt as percentage of net disposable income was 177%, the 5th highest among the 38 member countries.

There were some recent positive developments, including rating agencies reaffirming Australia's 'AAA' credit rating which will keep Australia's borrowing costs relatively low. The low borrowing costs, a growing economy and the rising level of inflation could mean that the 'real' level of debt may decline despite the rising nominal level of debt. Nevertheless, Australia should not be complacent given the large reliance on commodity prices for revenue and the well-known structural areas that are expected to need increased spending in future years such as healthcare.

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	2.19%	3.44%	4.44%	2.49%	3.64%	4.54%
NAB	2.19%	3.59%	4.59%	2.79%	2.69%	4.69%
Macquarie	2.19%	3.79%	4.49%	2.39%	2.69%	4.69%

*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 latest Lending Indicator reading for the month of February which will give an insight into the state of the residential property market.
- The Reserve Bank of Australia will announce their latest Monetary Policy decision with Australia one of the only Developed Market economies to have not yet increased interest rates.

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