

## Highlights of the week

- Elon Musk has secured US\$46.5 billion in funding to takeover Twitter, including US\$62.5 billion in Tesla shares as security for the loan.
- The US Dollar has appreciated 10% against the Japanese yen and 5% against the Euro this year as the US continues to raise interest rates faster than other countries in order to fight inflation.

## Market Action

Equity Indices	Returns % (excluding distributions)		
	22-Apr-22	14-Apr-22	Change (%)
<b>S&amp;P/ASX 200</b>	7473.3	7519.2	-0.6%
<b>All Ordinaries</b>	7768.2	7818.6	-0.6%
<b>Small Ordinaries</b>	3345.9	3368.6	-0.7%
<b>S&amp;P 500</b>	4393.7	4446.6	-1.2%
<b>NASDAQ</b>	13174.7	13643.6	-3.4%
<b>FTSE 100</b>	7628.0	7580.8	0.6%
<b>Hang Seng</b>	20682.2	21374.4	-3.2%
<b>Nikkei</b>	27553.1	26843.5	2.6%

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

The NASDAQ and the S&P 500 fell this week as the Federal Reserve showed its intent to raise interest rates by 0.5% in May.

European markets edged higher over the week following strong quarterly reporting whilst the Nikkei rose 2.6% led by chip-related technology stocks.

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

ASX Code	Company	Closing Price	Change
<b>RHC</b>	Ramsay Health Care Limited	\$83.92	29.91%
<b>BXB</b>	Brambles Limited	\$10.75	6.86%
<b>NHF</b>	NIB Holdings Limited	\$6.90	5.83%
<b>UMG</b>	United Malt Group Limited	\$4.23	5.75%
<b>CWY</b>	Cleanaway Waste Management	\$3.23	5.56%

Prices as at 3.30PM on 22/04/2022

Ramsay Health Care's share price jumped almost 30% this week following a takeover proposal from KKR at \$88 per share. Brambles share price rose after positive quarterly results and upgraded its profit guidance. NIB's share price increased after launching its new health membership Greenpass this week. Despite no major news this week, United Malt Group and Cleanaway Waste Management rose 5.75% and 5.56% respectively this week.

S&P/ASX 200 Index – 1 Week Performance



The S&P/ASX 200 approached record highs earlier in the week before the "largest daily loss since February" following the announcement by the US Federal Reserve. Healthcare was the best performing sector, led by Ramsay Health Care, and Materials the worst performing sector, falling by 5.2%

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

ASX Code	Company	Closing Price	Change
<b>MP1</b>	Megaport Limited	\$9.02	-28.3%
<b>PDN</b>	Paladin Energy Limited	\$0.83	-14.0%
<b>SQ2</b>	Block Inc.	\$146.13	-13.1%
<b>CCX</b>	City Chic Collective Limited	\$2.66	-10.7%
<b>EVN</b>	Evolution Mining Limited	\$4.17	-10.5%

Megaport fell 28.3% after poor results in its quarterly reporting. Resources and material shares like Paladin and Evolution Mining fell this week following increasing inflationary pressures and falls in commodity prices. Evolution Mining also downgraded their production guidance following more than 25% of its workforce at its Cowal project contracting Covid and issues from the prolonged rainfall.

## Topic of the week

During the week the Australian Bureau of Statistics released the Housing Spending Indicator reading for the month of February which showed that total household spending increased by 7.7% in February 2021. The increase was driven by a 20.2% increase in clothing and footwear spend, a 17.8% increase in recreation and culture spend and a 15.6% increase in hotels, cafes and restaurant spend. The only major decline was on alcoholic beverages and tobacco spend which decreased by 10.3%.

The increase highlights the strength of the economic recovery following the easing of COVID-19 restrictions. However, there now appears to be a number of economic headwinds emerging. The Westpac-Melbourne Institute Consumer Sentiment reading for March fell by 4.2% on the prior month to 96.6, the weakest reading since September 2020 and then fell a further 0.9% to 95.8 in April. The fall is likely to have been driven by a combination of factors including higher petrol prices, increased geopolitical tensions, widespread flooding in Queensland and New South Wales, and government policy uncertainty leading into the Federal Election. The Consumer Sentiment reading is a leading indicator for the overall strength of the economy as it impacts consumer spending, a key driver of economic growth.

There is also increasing concern around an increase in the cash rate. The ASX cash futures market is currently pricing in an official cash rate of above 2% by the end of the calendar year while Macquarie Group's financial research arm is expecting slightly fewer rate hikes,

forecasting a cash rate of 1.5% by mid-2023 and 2.25% by mid-2024. Macquarie is also forecasting the rate on online savings accounts to reach 1.42% by mid-2023 and 2.17% by mid-2024 while the average variable mortgage rate for an owner occupier is expected to rise from around 2.66% currently to 4.0% by mid-2023 before hitting 4.7% by mid-2024.

An increase in borrowing costs is expected to have a dampening effect on Australia's economic growth as young family households who typically have higher levels of debt direct more of their income to serving their debt. This is expected to more than offset any increase in spending from households who have savings and would benefit from higher cash rates. The higher mortgage rates will also make it more expensive to service outstanding debt, which will impact property prices and construction activity, another key driver of the Australian economy.

There is clearly a high degree of economic uncertainty. Although higher cash rates often lead to a recession, most other indicators are still pointing to further, albeit a lower rate of, economic growth. This economic uncertainty has also been reflected in financial markets with both international equity and bond markets delivering negative returns to investors for the calendar year to date. As a result, much of the current negative news has been priced in. Equity markets are still trading on historically high multiples, however, the recent correction means it is plausible that they may now begin to climb the 'wall of worry.'

## 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%	3.94%	4.64%	2.49%	4.14%	4.94%
NAB	2.19%	3.59%	4.59%	2.79%	3.69%	4.69%
Macquarie	2.19%	3.79%	4.49%	2.39%	3.99%	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 Consumer Price Index for the March quarter, providing insight into Australian consumers and willingness to spend.
- The US Corporate Reporting Season continues with Coca-Cola, UBS AG, Alphabet, Microsoft, Amazon, and Apple.




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