

## Highlights of the week

- The Reserve Bank of Australia (RBA) raised the cash rate by 0.25%, from 0.10% to 0.35%.
- The Federal Reserve raised the US cash rate by 0.5%, the largest rate rise in 22 years.

## Market Action

Equity Indices	Returns % (excluding distributions)		
	06-May-22	29-Apr-22	Change (%)
<b>S&amp;P/ASX 200</b>	7203.0	7423.5	-3.0%
<b>All Ordinaries</b>	7464.2	7713.4	-3.2%
<b>Small Ordinaries</b>	3125.6	3293.0	-5.1%
<b>S&amp;P 500</b>	4146.9	4287.5	-3.3%
<b>NASDAQ</b>	12317.7	12871.5	-4.3%
<b>FTSE 100</b>	7503.3	7509.2	-0.1%
<b>Hang Seng</b>	20793.4	20276.2	2.6%
<b>Nikkei</b>	26818.5	26847.9	-0.1%

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

On Thursday, the NASDAQ experienced its largest fall (-5%) since 2020 with a tech sell-off caused by the interest rate hike. The S&P 500 fell 3.5% due to increasing concerns around high inflation and slowing economic growth with consumer discretionary stocks declining the most. The S&P 500 and NASDAQ finished down -3.3% and -4.3% respectively for the week.

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

ASX Code	Company	Closing Price	Change
<b>MFG</b>	Magellan Financial Group	\$17.31	11.18%
<b>CHN</b>	Chalice Mining Limited	\$7.11	8.22%
<b>CGF</b>	Challenger Limited	\$7.52	7.89%
<b>HUB</b>	HUB24 Limited	\$25.22	7.09%
<b>GNC</b>	Graincorp Limited	\$10.63	6.83%

Prices as at 3.30PM on 06/05/2022

Magellan jumped 11.18% after announcing former CIO Hamish Douglass may return in a new consultancy role. Chalice Mining rose after positive drilling results at their Julimar mine in WA. Challenger's share price increased following their presentation at the Macquarie Australia conference whilst Graincorp's share price benefited from the global gain price reaching a 25-year high.

S&P/ASX 200 Index – 1 Week Performance



The Hang Seng increased following the Federal Reserve's decision to increase the cash rate as the Hong Kong dollar is pegged to the US dollar. The FTSE 100 finished the week relatively flat whilst the Nikkei was closed for public holidays for the majority of the week.

The S&P/ASX 200 also experienced significant losses led by large falls in property and information technology stocks.

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

ASX Code	Company	Closing Price	Change
<b>AVZ</b>	AVZ Minerals Limited	\$0.78	-21.6%
<b>ARB</b>	ARB Corporation Limited	\$31.93	-20.6%
<b>IMU</b>	Imugene Limited	\$0.18	-16.7%
<b>DMP</b>	Domino's Pizza Enterprises	\$66.23	-15.7%
<b>LIC</b>	Lifestyle Communities Limited	\$12.90	-15.5%

AVZ has fallen -21.6% due to ownership conflicts for the remaining 25% stake in Dathcom of which AVZ does not own. Imugene declined -16.7% over the week after announcing the termination of their agreement with Merck & Co. ARB fell after a disappointing market update whilst Dominos and Lifestyle Communities also fell despite no significant news being released.

## Upcoming S&P/ASX 200 Dividend Dates

ASX Code	Company	Estimated Dividend Ex-date	Estimated Dividend Per Share	Franking
RMD	ResMed Inc.	11/05/2022	\$0.04	0%

### Topic of the week

As widely anticipated the Reserve Bank of Australia (RBA) raised the official cash rate for the first time since 2007 during the week. The 0.25% increase was 0.1% more than market expectations and brought the official cash rate to 0.35%.

The RBA noted in their statement that the labour market remains tight with unemployment falling to 4% and labour force participation at a record high with job vacancies and job advertisements also at elevated levels. Their central forecast is for the unemployment rate to decline to around 3.5% by early 2023, the lowest unemployment in 50 years, and in stark contrast to the expectation at the height of the pandemic just two years ago. The tight labour market is expected to result in a further increase in wages.

Inflation has increased significantly but remains lower than most other advanced economies. The headline inflation reading is 5.1% but the RBA noted that on an underlying basis, which excludes the effect of events such as the recent flooding in Eastern Australia, inflation was 3.7%. The RBA's central forecast for 2022 is for headline inflation of around 6% and underlying inflation of around 4.75%; by mid-2024, headline and underlying inflation are forecast to have moderated to around 3% with this assumption also including further increases in the cash rate.

Importantly despite the ongoing impact of COVID-19 disruption, especially in China, the war in Ukraine and declining consumer purchasing power from higher inflation, the central forecast is for the Australian economy to grow by 4.25% over 2022 and 2% over 2023. The RBA noted that current macroeconomic policy settings remain supportive of growth and national income is being boosted by higher commodity prices. The strong economic growth, tight labour market and higher inflation has given the RBA confidence to begin raising rates while noting that future rate increase will need to be balanced against 'evolving risks'.

The major banks have for most part passed on the full cash rate increase to both deposit holders and to borrowers. The increase in cost of credit will eventually begin to slow economic growth as both mortgage and business borrowing costs increase. In the past higher cash rates have been one of the most consistent factors in leading to a recession, however it is not instantaneous, and a recession has taken as long as 24 months after the first-rate increase to occur. However, markets are said to be forward looking and the impact of high rates on valuations as well as the possibility of a future recession is what is driving the current market sell off.

### 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%	4.09%	5.09%	2.79%	4.29%	5.39%
Macquarie	2.19%	4.45%	5.50%	2.39%	4.65%	5.25%

\*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 US Bureau of Labor Statistics will release the latest Consumer Price Index reading, providing insight into the US inflation rate.
- CBA will release their Household Spending Indicator for April coming off of March's result which was the highest level since the index inception in 2017.