

Highlights of the week

- Anthony Albanese was sworn in as Australia's 31st prime minister.
- The Reserve Bank of New Zealand raised its official cash rate by 0.5% to 2%. The cash rate is expected to hit 3.5% by December. The NZD/USD jumped 0.6% following this announcement.

Market Action

Equity Indices	Returns % (excluding distributions)		
	27-May-22	20-May-22	Change (%)
S&P/ASX 200	7182.7	7140.4	0.6%
All Ordinaries	7413.1	7385.9	0.4%
Small Ordinaries	3014.8	3049.0	-1.1%
S&P 500	4057.8	3900.8	4.0%
NASDAQ	11740.7	11388.5	3.1%
FTSE 100	7564.9	7302.7	3.6%
Hang Seng	20116.2	20120.7	0.0%
Nikkei	26604.8	26402.8	0.8%

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

The S&P 500 and NASDAQ finished 4.0% and 3.1% higher respectively. Most gains occurred on Thursday where 10 out of 11 industry sectors climbed, led by retailers providing upgraded profit guidance. The FTSE 100 steadily climbed throughout the week finishing up 3.6%. Banking companies performed well whilst the Utilities sector fell after Chancellor Rishi Sunak announced a 25% windfall tax on gas and oil companies.

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

ASX Code	Company	Closing Price	Change
CDA	Codan Limited	\$7.85	18.1%
PBH	Pointsbet Holdings Limited	\$2.84	15.5%
AKE	Allkem Limited	\$13.98	12.7%
CHN	Chalice Mining Limited	\$6.26	9.4%
IGO	IGO Limited	\$12.13	9.3%

Prices as at 3.30PM on 27/05/2022

Codan Limited jumped 18.1% following its investor presentation with the expectation of matching its record first half profit in the second half of FYH22. Chalice Mining successfully completed a \$100m institutional placement as its price rose 9.4%. Allkem and IGO rose 12.7% and 9.3% respectively as investor sentiment improved on lithium and nickel, both key components of electric vehicles.

S&P/ASX 200 Index – 1 Week Performance



The Hang Seng remained flat this week whilst the Nikkei rose 0.8% respectively as early gains in the week were offset by increasing COVID cases in Beijing and Premier Li Keqiang stating the Chinese economy was in some respects worse than in 2020.

The S&P/ASX 200 closed higher for the second consecutive week, finishing up 0.6% led by the Energy, Materials, and Financials sector.

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

ASX Code	Company	Closing Price	Change
TAH	Tabcorp Holdings Limited	\$1.01	-81.0%
NUF	Nufarm Limited	\$5.38	-11.3%
IVC	Invocare Limited	\$10.96	-10.5%
IPL	Incitec Pivot Limited	\$3.51	-8.3%
IMU	Imugene Limited	\$0.19	-7.5%

Tabcorp's price change was a result of its demerger as its lottery businesses became the newly listed The Lottery Corporation Limited. Nufarm fell after its biggest shareholder Sumitomo Chemical sold its entire stake in the company. Incitec Pivot and Invocare dropped following their investor presentation and annual general meeting respectively.

Upcoming S&P/ASX 200 Dividend Dates

ASX Code	Company	Estimated Dividend Ex-date	Estimated Dividend Per Share	Franking
ELD	Elders Limited	30/05/2022	\$0.28	30%
ORI	Orica Limited	31/05/2022	\$0.13	0%
UMG	United Malt Group Limited	1/06/2022	\$0.02	0%
TNE	Technology One Limited	2/06/2022	\$0.04	60%

Topic of the week

On Wednesday, the Australia Prudential Regulation Authority (APRA) released its private health insurance statistics for the March 2022 quarter. The release not only provides insights into the industry's performance but also details on membership, coverage, benefits paid and statistical trends. This in turn provides guidance into the performance of private health insurers for instance Medibank Private Limited (MPL) and NIB Holdings Limited (NHF).

The March quarter continued the trend of increasing private health insurance participation rates, for the seventh consecutive quarter. An explanation may be an increased awareness in health given the COVID-19 pandemic. The number of insured persons for hospital treatment membership rose by 0.2% whereas general treatment membership rose by 0.3%. Revenue from premiums reached \$6.6 billion, a fall of -2.3% from the December quarter. However, claim costs were below the previous quarters by \$600 million, a -10.5% drop, creating a 7% increase in the net margin. The March quarter became the fourth consecutive quarter to have a higher growth in premiums than claims. Overall profit was offset by investment losses as fixed interest and equity investments fell over this period, leaving net profit after tax (NPAT) at \$476.2m, a 37.1% increase on the December quarter.

For the year-on-year performance ending in March, the private health insurance industry has seen a 5.6% growth in premium revenue and a decrease of 2.8% in claim costs. The increase in revenue was a result of rising membership numbers and increases in premiums. The decrease in claim costs was a result of COVID-19 restrictions and resultant deferred claims. Known as the Deferred Claims Liability (DCL), insurers must set aside funds equivalent to the cost of deferred procedures, such as elective surgery, to ensure that they maintain adequate capital to meet these costs once required. Movements in the DCL may continue to impact reporting until the funds are expended by the completion of deferred procedures or returned to policyholders. Compared to the prior corresponding period (pcp), the year ending March 2022 also faced a 7.3% rise in management expenses as operational and administration costs rose but finished the period with a 6.9% increase in net margin. The NPAT was \$2 billion, a 107.8% increase on the \$952 million from the pcp.

The March 2022 quarter statistics depict continued growth in the private health insurance sector, but the short-term outlook is unclear, dependent on how the DCL is settled.

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	2.44%	3.94%	4.64%	2.74%	4.14%	4.94%
NAB	2.44%	4.09%	5.09%	3.04%	4.29%	5.39%
Macquarie	2.44%	4.45%	5.05%	2.64%	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 Australian Bureau of Statistics (ABS) will release the latest monthly international trade statistics coming after a trade surplus of \$9.3 billion in March.
- The Reserve Bank of Australia (RBA) will release the latest monthly index of Commodity Prices given recent volatility.




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