

Highlights of the week

- The Australian Economy rose 0.8% over the March quarter, down from the 3.6% of the previous quarter.
- European Inflation is at a record high of 8.1% caused by rising energy and food costs.

Market Action

Equity Indices	Returns % (excluding distributions)		
	3-Jun-22	27-May-22	Change (%)
S&P/ASX 200	7238.8	7182.7	0.8%
All Ordinaries	7472.4	7413.1	0.8%
Small Ordinaries	3024.9	3014.8	0.3%
S&P 500	4176.8	4057.8	2.9%
NASDAQ	12316.9	11740.7	4.9%
FTSE 100	7533.0	7564.9	-0.4%
Hang Seng	21082.1	20116.2	4.8%
Nikkei	27413.9	26604.8	3.0%

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

The S&P 500 and NASDAQ finished up 2.9% and 4.9% respectively over this shortened week. Gains were mostly led by the tech industry. The FTSE 100 remained relatively flat this week as optimism from supply chain issues resolving as China comes out of lockdown were offset by concerns for growth and inflation.

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

ASX Code	Company	Closing Price	Change
BPT	Beach Energy Limited	\$1.83	15.6%
A2M	The a2 Milk Company	\$4.76	10.4%
BHP	BHP Group Limited	\$46.74	9.8%
S32	South32 Limited	\$5.09	9.5%
PBH	Pointsbet Holdings Limited	\$2.73	9.2%

Prices as at 3.30PM on 03/06/2022

Beach Energy jumped 15.6% this week as crude oil prices rose, and the EU held meetings over potential sanctions on Russian energy. A2 Milk also rose over optimism of the company providing infant milk formula to the US like its competitor Bubs Australia, having already received FDA approval. The iron ore and copper price has risen this week due to the returning demand from China as COVID restrictions were eased. Subsequently miners BHP and South32 rose closing up 9.8% and 9.5% respectively for the week.

S&P/ASX 200 Index – 1 Week Performance



The Hang Seng and Nikkei rose 4.8% and 3% respectively as China relaxed its COVID restrictions in Beijing and Shanghai, with business and factory activity recovering. The S&P/ASX 200 closed higher for the third consecutive week, led by the Energy and Materials sector as coal and iron prices rose.

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

ASX Code	Company	Closing Price	Change
APX	Appen Limited	\$6.36	-23.1%
PLS	Pilbara Minerals Limited	\$2.43	-13.5%
IMU	Imugene Limited	\$0.17	-13.2%
AKE	Allkem Limited	\$11.84	-12.2%
360	Life360 Inc	\$3.37	-12.0%

Appen's share price declined -23.1% back to its original price after Telus withdrew their takeover proposal. Lithium miners Pilbara Minerals and Allkem fell -13.5% and -12.2% respectively after a bearish Goldman Sachs report and reference price being set on Argentinian lithium exports. Life360 and Imugene declined -12% and -13.2% respectively despite no price sensitive announcements this week.

Upcoming S&P/ASX 200 Dividend Dates

ASX Code	Company	Estimated Dividend Ex-date	Estimated Dividend Per Share	Franking
ALQ	ALS Limited	6/06/2022	\$0.17	30%
CIA	Champion Iron Limited	6/06/2022	\$0.11	0%
IPL	Incitec Pivot Limited	6/06/2022	\$0.10	100%

Topic of the week

Lithium companies experienced sharp crashes in share price this week as investor sentiment soured. The demand for lithium and its price have benefited greatly in the last few years as the world makes the transition to renewable energy. Along with cobalt and nickel, lithium is one of the key materials in creating lithium-ion batteries. Lithium-ion batteries are more stable, have higher voltage capacity and a lower self-discharge rate compared to their traditional counterparts. They also have better longevity, lasting up to 10 times longer than lead-acid batteries and can maintain 80% capacity after 2,000 cycles. This makes lithium-ion batteries the perfect solution for electric vehicles.

As climate change concerns increase, electric vehicles are growing in popularity. From 2.2 million electric cars sold in 2019, sales have now tripled to 6.6 million in 2021. Tesla remains the most influential electric car manufacturer, but most major manufacturers have begun transitioning to electric vehicles. The increased demand for lithium has outstripped supply which has seen the minerals price skyrocket almost 500% over the last year to February 2022.

On Monday, Goldman Sachs analysts reported that the lithium market may have peaked. Despite the long term need for lithium, they believe that investors may have over-invested in the lithium trend leading to a mispricing of lithium equities. Goldman Sachs predicted that the abundance of investor capital raised and used to

increase supply would lead to excess and cause a “sharp correction” in prices, estimating that the lithium price would fall to US\$16,000 in 2023 from the current US\$54,000.

On Wednesday, Argentinean customs announced a reference price for lithium exports at US\$53 per kilogram due to irregularities they had detected in recent exports. The reference price does not represent a price cap but aims to prevent under-invoicing and tax avoidance, enhancing transparency of contract pricing. Argentina is the fourth largest lithium producer and is third for reserves available. The reference price has been considered an additional risk for the industry, reducing investor sentiment.

There are also reports that Chinese company BYD will attempt to purchase six African lithium mines. This vertical integration would allow the company to satisfy its own raw material needs for the next 10 years.

Due to the timing of these factors, Pilbara Minerals fell -22% whilst Liontown Resources and Allkem fell -19% and -15% respectively on Wednesday. They have all experienced a small recovery over the remainder of the week. Lithium miner AVZ has also had its trading halt extended as arbitration proceedings over ownership of the Manono Lithium and Tin Project in the Democratic Republic of Congo continues.

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%	4.69%	5.59%	3.04%	4.94%	5.69%
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 Reserve Bank of Australia (RBA) will release their monthly chart pack that summarises macroeconomic and financial market trends.
- The US Bureau of Labor Statistics (BLS) will release the latest monthly consumer price index. Early data suggests inflation may have fallen in May, possibly signifying that peak inflation has already passed.




1800 801 277


aptwealth.com.au
info@aptwealth.com.au

Sydney • Melbourne • Geelong

WEALTH PARTNERS


PROFESSIONAL PRACTICE
 FINANCIAL PLANNING ASSOCIATION of AUSTRALIA