

Highlights of the week

- Australia's unemployment rate is now 3.5%, the lowest it has been since 1974.
- US inflation has risen to 9.1%, higher than the consensus expectation of 8.8% and the highest level in 41 years.

Market Action

Equity Indices	Returns % (excluding distributions)		
	15-Jul-22	8-Jul -22	Change (%)
S&P/ASX 200	6597.1	6678.6	-1.2%
All Ordinaries	6789.5	6876.8	-1.3%
Small Ordinaries	2709.6	2767.0	-2.1%
S&P 500	3790.4	3902.6	-2.9%
NASDAQ	11251.2	11621.4	-3.2%
FTSE 100	7039.8	7189.1	-2.1%
Hang Seng	20751.2	21643.6	-4.1%
Nikkei	26643.4	26490.5	0.6%

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

The S&P 500 and NASDAQ fell -2.9% and -3.2% respectively this week as US CPI data revealed higher than expected inflation rates. US Quarterly Earnings Reporting has begun with JPMorgan Chase and Morgan Stanley both missing profit guidance. The FTSE100 has slid -2.1% as inflation and recession fears continue to grow.

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

ASX Code	Company	Closing Price	Change
NHC	New Hope Corporation	\$4.16	20.9%
WHC	Whitehaven Coal Limited	\$5.67	19.8%
CRN	Coronado Global Resources	\$1.66	14.1%
TLX	Telix Pharmaceuticals	\$5.86	8.6%
PLS	Pilbara Minerals Limited	\$2.39	8.6%

Prices as at 3.30PM on 15/07/2022

Coal companies New Hope Corporation, Whitehaven Coal and Coronado Global rose 20.9%, 19.8% and 14.1% respectively as coal prices surged to almost record highs. Telix Pharmaceuticals gained 8.6% after finalising patients for its Phase 3 Kidney Cancer Imaging trial and announcing the appointment of a new CEO, Kevin Richardson for Telix Americas. Pilbara Minerals increased by 8.6% as it released its results from the Battery Materials auction.

S&P/ASX 200 Index – 1 Week Performance



The Hang Seng fell -4.1% this week, as China applied fines to tech giants for breaking anti-monopoly laws. The S&P/ASX 200 fell by -1.2% following a poor performance from the Materials sector (-6%) as metal prices particularly iron ore continue to fall. Healthcare was the best performing sector this week, rising 3.5%.

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

ASX Code	Company	Closing Price	Change
EML	EML Payments Limited	\$1.01	-21.1%
LKE	Lake Resources NL	\$0.60	-15.0%
PDL	Pendal Group Limited	\$3.75	-13.7%
NVX	Novonix Limited	\$2.03	-13.6%
BGA	Bega Cheese Limited	\$3.26	-13.3%

EML Payments experienced a fall of -21.1% as CEO Tom Cregan suddenly departed the company without warning. Lake Resources declined 15% despite a two-day trading halt after a negative report from research firm J Capital. Investment Manager Pendal dropped -13.7% after reporting that funds under management had fallen by 11.1% over the June quarter. Bega Cheese fell -13.3% this week after downgrading their profit guidance due to the increased costs of milk.

Upcoming S&P/ASX 200 Dividend Dates

ASX Code	Company	Estimated Dividend Ex-date	Dividend Per Share	Franking (%)
UWL	Uniti Group Limited	22/07/2022	\$0.11	100%

Topic of the week

Return on Equity (ROE) and Return on Invested Capital (ROIC) are two metrics with similar formulas that can be used to measure the performance of a company. Return on Equity assesses the rate at which a company generates its profit from its net assets and is calculated by dividing the company's net income over a given period by the total value of the shareholder equity at the start of the period. The main difference when calculating Return on Investment Capital is that the divisor is the total invested capital being the sum of the value of the company's debt and shareholder equity at the start of the selected period rather than just the shareholder equity.

A higher ROE or ROIC is representative of how a company is more effective at converting its capital and financing into profits. The ratios can also be used to provide insight into a company's management team and whether the company has underutilised or unproductive assets. Despite the similarity between ROE and ROIC, it is important to use them in conjunction with each other and other financial statistics as one may be misleading. For example, a

company with extreme levels of debt will have a higher ROE which is desirable, but the ROIC will provide a more complete picture of company's situation in relation to the operating businesses' profitability and capital efficiency.

Irregular or outlier ROE or ROIC ratios can also be used to identify issues or events that have occurred within companies. Negative numbers imply that the company is operating at a loss although this may be expected for growth companies. High values may be the result of inconsistent profits, high debt levels or even share buybacks that have reduced the level of equity.

With other factors being near equal, these ratios can also be used as a point of differentiation between companies when investing. However, it is important to note that comparisons should only be drawn between companies within the same industry as these ratios will vary between them.

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	2.79%	5.94%	6.84%	3.09%	6.04%	7.04%
NAB	2.94%	5.69%	6.39%	3.54%	5.59%	6.39%
Macquarie	3.24%	5.85%	6.15%	3.49%	6.05%	6.35%

*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 Quarterly Reporting Season will continue with Bank of America, Goldman Sachs, Netflix and Tesla expected to release results.
- The Reserve Bank of Australia (RBA) will release the minutes from the July Board meeting that led to the increase in the cash rate.




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