

## Highlights of the week

- COVID-19 disaster payments for Australians missing work whilst in isolation have been reinstated until 30 September.
- UK inflation has reached a 40 year high of 9.4%, led by the increase in motor fuel.

## Market Action

Equity Indices	Returns % (excluding distributions)		
	21-Jul-22	15-Jul -22	Change (%)
<b>S&amp;P/ASX 200</b>	6784.8	6597.1	2.8%
<b>All Ordinaries</b>	7009.0	6789.5	3.2%
<b>Small Ordinaries</b>	2879.2	2709.6	6.3%
<b>S&amp;P 500</b>	3959.9	3790.4	4.5%
<b>NASDAQ</b>	11897.7	11251.2	5.7%
<b>FTSE 100</b>	7264.3	7039.8	3.2%
<b>Hang Seng</b>	20890.2	20751.2	0.7%
<b>Nikkei</b>	27680.3	26643.4	3.9%

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

The S&P 500 and NASDAQ rose 4.5% and 5.7% respectively following strong quarterly profit results from major companies and the expectation that the Federal Reserve will no longer be raising interest rates by the previously planned 1%. The FTSE 100 gained 3.2%, led by commodity stocks, in particular oil and gas.

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

ASX Code	Company	Closing Price	Change
<b>BRN</b>	Brainchip Holdings	\$1.20	41.4%
<b>ZIP</b>	Zip Co Limited	\$0.76	41.1%
<b>LTR</b>	Liontown Resources	\$1.23	29.8%
<b>MP1</b>	Megaport Limited	\$8.18	23.9%
<b>TLX</b>	Telix Pharmaceuticals	\$6.77	22.4%

Prices as at 3.30PM on 21/07/2022

Technology companies Brainchip and Megaport jumped 41.4% and 23.9% respectively as the sector rose following positive economic data releases. Zip has seen a recovery after ending its merger deal with Sezzle and announcing its plans to exit its Singapore operations. Liontown Resources rose by 29.8% as investor sentiment improved after Tesla released above expectation profit results and upgraded growth forecasts. Telix Pharmaceuticals surged 22.4% following a more than 10x revenue increase compared to its previous quarter.



The Hang Seng rose slightly, up 0.7%, as the Government crackdown on large technology companies appears to have come to an end. The Nikkei climbed 3.9% led by the Mining, Rubber and Technology sectors. The S&P/ASX 200 rose by 2.8% following a surge in the Technology sector, up 7% over the last five days.

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

ASX Code	Company	Closing Price	Change
<b>NHF</b>	NIB Holdings Limited	\$7.18	-4.8%
<b>SBM</b>	St Barbara Limited	\$0.90	-4.6%
<b>BGA</b>	Bega Cheese Limited	\$3.38	-4.5%
<b>VEA</b>	Viva Energy Group	\$2.63	-3.7%
<b>ELD</b>	Elders Limited	\$11.71	-3.2%

Bega Cheese continued to slide after providing responses to queries about last week's profit guidance downgrade, falling by a further -4.5%. St Barbara, Viva Energy and Elders fell with their respective commodity prices whilst NIB is down -4.8% despite no significant news being released this week.

## Upcoming S&P/ASX 200 Dividend Dates

ASX Code	Company	Estimated Dividend Ex-date	Dividend Per Share	Franking (%)
No upcoming dividends this week.				

## Topic of the week

The Commonwealth Scientific and Industrial Research Organisation (CSIRO) has released the 2021-2022 GenCost Report which details the costs of energy generation and storage and contains model scenarios from the Australian Energy Market Operator (AEMO), used for planning and forecasting. This year's report comes during Australia's worst ever energy crisis with soaring prices and more than a weeklong suspension of the National Energy Market. With energy prices still high, fuel reserves currently depleting and the longer-term goal of net zero emissions, AEMO needs to carefully manage the transition towards renewables.

The GenCost Report has revealed that renewables, particularly solar and wind, are still the cheapest options for new build electricity generation. This is calculated by the Levelised Cost of Electricity (LCOE) where the sum of the cost of construction and operation of a power plant is divided by the amount of energy produced. Solar and wind calculations for 2021 are in the ranges of \$44-76/MWh and \$49-61/MWh respectively ahead of the next two cheapest options, black coal and gas at \$81-109/MWh and \$93-123/MWh. This trend continues in the forecast models, at each time frame of 2030, 2040 and 2050, boding well for Australia's plan to reach net zero emissions by 2050.

One issue often mentioned with these forms of renewable energy generation is the need to increase battery storage capacity and new transmission connections due to variable nature of solar and wind power. Based on our current infrastructure, further investment will be required once solar and wind accounts for 50% of total electricity generation. However, the modelling of LCOE, including these additional costs, still has wind and solar as the lowest cost option available at each of the following four scenarios, where renewable energy accounts for 60%, 70%, 80% and 90% of total energy production. One important assumption to note is that the short-term cost of acquiring the materials and technologies required for solar and wind generation are high due to inflation, the conflict in Ukraine and supply chain issues. The forecasts have been generated under the expectation that the same costs will decrease as the inflation cycle ends and the world recovers from the COVID-19 pandemic.

The 2021-2022 GenCost report and the latest energy crisis has only emphasised the need for Australia to transition to renewable energy as soon as possible. Not only would Australia be able to reduce its carbon emissions, but Australia would also be less affected by global energy issues and be able to meet domestic demand at the lowest possible cost.

## 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	3.29%	5.94%	6.84%	3.59%	6.04%	7.04%
NAB	3.44%	5.69%	6.39%	4.40%	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 Australian Bureau of Statistics (ABS) will release the Consumer Price Index for June.
- The US Quarterly Reporting Season continues with Microsoft, Alphabet, Visa, Apple and Amazon all expected to report.




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