

Weekly Market Recap

3 - 7 October 2022

Highlights of the week

- The Reserve Bank of Australia (RBA) raised the cash rate by 0.25%, breaking the trend of 0.5% rate hikes of the past 6 months.
- The OPEC+ has agreed to reduce oil production by 2 million barrels a day.

Market Action

Equity Indices	Returns % (excluding distributions)		
	7-Oct-22	30-Sep-22	Change (%)
S&P/ASX 200	6779.7	6460.6	4.9%
All Ordinaries	6991.9	6665.6	4.9%
Small Ordinaries	2746.3	2609.8	5.2%
S&P 500	3744.5	3640.5	2.9%
NASDAQ	11073.3	10737.5	3.1%
FTSE 100	6997.3	6881.6	1.7%
Hang Seng	18012.2	17165.9	4.9%
Nikkei	27311.3	26422.1	3.4%

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

US markets rallied this week with the S&P 500 and the NASDAQ closing higher by 2.9% and 3.1% respectively. The energy sector led gains after the OPEC+ agreed to cut oil production. The FTSE 100 underperformed other international markets, up 1.7% as the UK credit rating was downgraded to negative by Fitch Ratings.

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

ASX Code	Company	Closing Price	Change
CMM	Capricorn Metals Limited	\$3.69	33.3%
KAR	Karoon Energy Limited	\$2.21	25.8%
RRL	Regis Resources Limited	\$1.74	19.0%
WHC	Whitehaven Coal Limited	\$10.91	18.9%
PLS	Pilbara Minerals Limited	\$5.46	18.4%

Prices as at 3.00PM on 07/10/2022

Gold producers Capricorn Metals and Regis Resources benefited from the rise in gold price as the US dollar and bond yields fell, gaining 33.3% and 19% respectively. Karoon Energy rose 25.8% after receiving approval for its Bauna Area development plan in Brazil. Whitehaven Coal rose 18.9%, indirectly benefiting from the OPEC+ cutting their oil production. Pilbara Minerals jumped 18.4% as the Department of Industry, Science and Resources forecast a 180% increase in lithium exports and despite their CFO stepping down.

S&P/ASX 200 Index – 1 Week Performance



Asian markets advanced on renewed optimism of easing rates with the Hang Seng and Nikkei rising by 4.9% and 3.4% respectively. The S&P/ASX 200 gained 4.9% following the smaller than expected rate increase by the RBA. All sectors were positive with Energy and Utilities, the best performers up 10.4% and 6.3% respectively.

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

ASX Code	Company	Closing Price	Change
MFG	Magellan Financial Group	\$10.70	-7.8%
KLS	Kelsian Group Limited	\$4.71	-6.6%
SGM	Sims Limited	\$12.94	-4.8%
CAR	Carsales.com Limited	\$19.65	-3.7%
WOW	Woolworths Group Limited	\$33.21	-3.1%

Magellan Financial Group fell -7.8% after reporting that their funds under management fell by \$3.6 billion in September. Sims lost -4.8% after trading ex-dividend for a final dividend of \$0.50 per share. Carsales decreased -3.7% despite acquiring the remaining ownership stake of Trader Interactive, a US digital marketplace business. Woolworths declined by -3.1% after reports that average spending on groceries had fallen 19% in September. Kelsian Group fell -6.6% despite releasing no significant news.

Upcoming S&P/ASX 200 Dividend Dates

ASX Code	Company	Estimated Dividend Ex-date	Dividend Per Share	Franking (%)
REH	Reece Limited	11/10/2022	\$0.15	100%
RRL	Regis Resources Limited	12/10/2022	\$0.02	100%
HVN	Harvey Norman Holdings Ltd	14/10/2022	\$0.18	100%

Topic of the week

China's property market has made up a quarter of its economy over the last decade, yet it has been in a crisis for over a year. House prices for new properties continue to fall and now a third of property loans are considered bad debts.

For two decades, the Chinese property sector has boomed with developers taking on debt and using new investor money to purchase more land and begin the next building project. Investor confidence was high and around 90% of homes sold off plan in 2021. However, the Chinese government introduced the "Three Red Lines" a regulatory framework that capped the maximum loans that developers could borrow. Most notably, the regulations created a liquidity crisis for China Evergrande, the second largest property developer in China, ultimately resulting in the company defaulting in December 2021.

Since then, the property market has faced a 40% reduction in home sales and falling property prices. With developers unable to source easy credit and struggling to complete projects, homebuyers have lost faith, and some have even begun to strike, refusing to make any further mortgage payments.

The Chinese government is now introducing stimulus to boost the property sector and its economy. A ¥600 billion plan has begun to bail out developers whereby state-owned banks are able to purchase developer bonds and make loans to developers. A new tax rebate has been introduced for homebuyers that make a home purchase within one year of a sale and, for the first-time, interest rates on homebuyer loans have been reduced in an effort to boost activity in the property market.

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	4.29%	5.94%	6.84%	4.59%	6.14%	7.04%
NAB	4.24%	5.89%	6.64%	4.74%	5.89%	6.84%
Macquarie	4.19%	5.15%	5.45%	4.49%	5.39%	5.69%

*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 Consumer Price Index for September.
- The Australian Bureau of Statistics (ABS) will publish the second release of 2021 Census data.




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