

## Highlights of the week

- The US year on year inflation reading for September was 8.2%, led by higher prices for food, shelter and medical care.
- The CSIRO has launched a \$90 million research mission to halve the emissions from the steel and agriculture industries by 2035.

## Market Action

Equity Indices	Returns % (excluding distributions)		
	14-Oct-22	7-Oct-22	Change (%)
<b>S&amp;P/ASX 200</b>	6756.2	6779.7	-0.3%
<b>All Ordinaries</b>	6945.3	6991.9	-0.7%
<b>Small Ordinaries</b>	2670.1	2746.3	-2.8%
<b>S&amp;P 500</b>	3669.9	3744.5	-2.0%
<b>NASDAQ</b>	10649.2	11073.3	-3.8%
<b>FTSE 100</b>	6850.3	6997.3	-2.1%
<b>Hang Seng</b>	16389.1	18012.2	-9.0%
<b>Nikkei</b>	26237.4	27311.3	-3.9%

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

Despite a surprise recovery after US CPI results, the S&P 500 and the NASDAQ fell -2.0% and -3.8% respectively. The biggest laggards were the Utilities and Communication Services sectors, down -6% each. The FTSE 100 lost -2.1% as the Bank of England continued to purchase gilts after a liquidity crisis in UK defined benefit schemes.

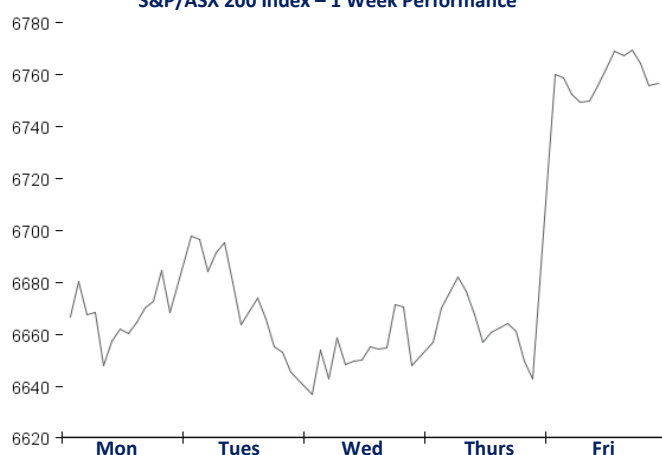
### S&P/ASX 200 - Top five of the week

ASX Code	Company	Closing Price	Change
<b>BOQ</b>	Bank of Queensland	\$7.74	10.9%
<b>QAN</b>	Qantas Airways Limited	\$5.83	10.8%
<b>WBC</b>	Westpac Banking Corp.	\$23.51	7.2%
<b>CRN</b>	Coronado Global Resources	\$2.08	5.3%
<b>PPT</b>	Perpetual Limited	\$25.70	5.1%

Prices as at 3.00PM on 14/10/2022

Bank of Queensland rose 10.9% after releasing its FY22 results including a higher-than-expected net interest margin (NIM) of 1.81%. The positive outlook of NIMs also benefitted Westpac which climbed 7.2%. Qantas jumped 10.8% after releasing forecasts of profit before tax of \$1.2 billion to \$1.3 billion as travel demand recovers. Coronado rose 5.3% after confirming talks of a merger with Peabody Energy, a US coal mining and energy company. Perpetual increased 5.1% despite releasing no significant news.

S&P/ASX 200 Index – 1 Week Performance



The Hang Seng has fallen to an 11-year low, down -9.0% this week as the Chinese government continues with their zero-Covid policy despite a resurgence in cases. The Nikkei declined -3.9% as the USD/JPY price reached an all-time high of 146.4. The S&P/ASX 200 slid -0.3% as the Financials sector offset most of the losses from other sectors.

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

ASX Code	Company	Closing Price	Change
<b>PLS</b>	Pilbara Minerals Limited	\$4.71	-12.8%
<b>MP1</b>	Megaport Limited	\$7.60	-12.7%
<b>CMM</b>	Capricorn Metals Limited	\$3.20	-11.4%
<b>LLC</b>	Lendlease Group	\$8.20	-11.4%
<b>JLG</b>	John Lyng Group Limited	\$5.94	-10.5%

Pilbara fell -12.8% after Morgan Stanley released a report highlighting the falling demand and price for lithium in China. Megaport declined -12.7% despite entering a strategic partnership with Zenlayer. Capricorn Metals decreased -11.4% after a fatal incident at its Karlawinda Gold Mine. John Lyng Group reconfirmed its earnings guidance but fell -10.5% after the sale of 4 million shares by its Managing Director and Group CEO, Scott Didier. Lendlease lost -11.4% despite releasing no significant news.

## 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

Earlier this month, Treasurer Jim Chalmers begun considering the potential need to change the stage three tax cuts currently legislated to commence in July 2024. News released this week now indicate any changes will be postponed beyond the upcoming October budget.

Passed in 2019 by the Morrison government, the tax plan has already introduced a low-and-middle-income tax offset of up to \$1,080 and shifted the lower threshold for the 32.5% and 37% marginal tax brackets from \$37,001 to \$45,001 and from \$90,000 to \$120,000 respectively. The third and final stage involved merging the 32.5% and 37% marginal tax brackets and increasing the upper threshold to form one tax bracket from \$45,001 to \$200,000 with a 30% marginal tax rate. The resultant tax brackets would be:

- Up to \$18,200 – tax-free
- \$18,201 to \$45,000 – 19%
- \$45,001 to \$200,00 – 30%
- Above \$200,000 – 45%

The third and final stage to the tax plan was intended to help address “bracket creep” where the average tax rate for an individual increases over time as their pay increases but tax brackets remain unchanged.

Australia’s economy has changed drastically since the passing of the legislation due to a variety of factors from the Covid-19 pandemic to the conflict in Ukraine and the increasing cost of living. The tax cuts will cost at least \$20 billion a year and with the global economic outlook still uncertain, there is pressure from the Greens and teal independents to cancel the stage three tax cuts and instead use the funds for cost-of-living relief.

Despite the Treasurer floating the idea, the Labor government would have to go back on their election promise if they were to remove and adjust the tax cuts. It is unlikely for any changes to occur in the October 25 budget with various Ministers stating that the government’s position had not changed since the election, but no confirmation was provided that the tax plan would definitively remain either.

## 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	4.44%	5.94%	6.84%	4.74%	6.14%	7.04%
NAB	4.49%	5.84%	6.64%	4.99%	5.84%	6.79%
Macquarie	4.39%	5.09%	5.39%	4.64%	5.29%	5.59%

\*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 the minutes from their latest monetary policy meeting which will provide an insight into the slowdown in interest rate hikes.
- The Australian Bureau of Statistics (ABS) will publish the Water Account for the 2020-2021 financial year.