

## Weekly Market Recap

7 – 11 February 2022

## Highlights of the week

- US inflation increased 0.6% in January (seasonally adjusted), reaching a 40 year high of 7.5% over the 12 months to the same date.
- In a landmark ruling the High Court has upheld business' rights to engage workers as independent contractors instead of employees which has ramifications for a number of industries such as food delivery.

## Market Action

Equity Indices	Price Returns %		
	11-Feb-22	4-Feb-22	Change (%)
S&P/ASX 200	7217.3	7120.1	1.4%
All Ordinaries	7515.8	7418.8	1.3%
Small Ordinaries	3298.9	3279.5	0.6%
S&P 500 *	4504.1	4477.4	0.6%
NASDAQ *	14185.6	13878.8	2.2%
FTSE 100 *	7672.4	7528.8	1.9%
Hang Seng	24924.4	23802.3	4.7%
Nikkei	27696.1	27241.3	1.7%

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

US equity markets ended the week higher despite a higher-than-expected inflation reading, partially offsetting the strong rally earlier in the week. Hong Kong's Hang Seng Index was the best performing international market as the Chinese equity market continues to recover from last year's underperformance.

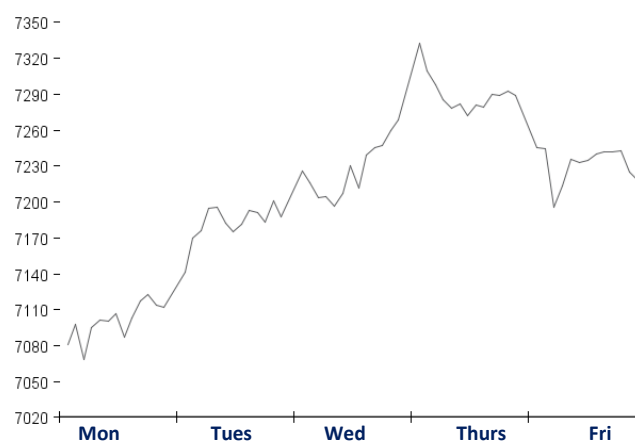
## S&amp;P/ASX 200 - Top five of the week

ASX Code	Company	Closing Price	Change
WEB	Webjet Limited	\$6.12	19.53%
FLT	Flight Centre Travel Group	\$20.90	19.09%
CTD	Corporate Travel Limited	\$23.34	14.81%
CPU	Computershare Limited	\$22.70	11.88%
VEA	Viva Energy Group Limited	\$2.45	11.36%

Prices as at 3.30PM on 11/02/2022

Webjet, Flight Centre and Corporate Travel all rose following news that Australia's borders will reopen to international tourists on February 21. Computershare rallied following the release of its half year results which beat market expectations, with management also providing guidance for strong growth in the year ahead.

S&amp;P/ASX 200 Index – 1 Week Performance



The S&P/ASX 200 outperformed international equity markets given the relatively higher weight to Materials and Financials which outperformed as investors became increasingly concerned around inflation. Healthcare and Consumer Staples underperformed.

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

ASX Code	Company	Closing Price	Change
TLX	Telix Pharmaceuticals Limited	\$6.38	-11.0%
APX	Appen Limited	\$8.48	-9.8%
MIN	Mineral Resources Limited	\$53.14	-9.3%
JHG	Janus Henderson Group	\$48.55	-7.4%
NAN	Nanosonics Limited	\$4.69	-7.1%

Mineral Resources fell following the release of its half-year results that showed earnings were impacted by the fall in the iron ore price. Nanosonics declined after announcing a revised contract with General Electric which will see a short-term revenue impact but should see gross margins improve over the longer term.

## Upcoming S&P/ASX 200 Dividend Dates

ASX Code	Company	Estimated Dividend Ex-date	Estimated Dividend Per Share	Franking
JHG	Janus Henderson Group	11/02/2022	\$0.536	0%
DDR	Dicker Data Limited	14/02/2022	\$0.15	100%
SCG	Scentre Group	14/02/2022	\$0.07	0%
SUN	Suncorp Group Limited	14/02/2022	\$0.23	100%
CPU	Computershare Limited	15/02/2022	\$0.24	40%
CBA	Commonwealth Bank of Australia	16/02/2022	\$1.75	100%
GUD	G.U.D Holdings Limited	18/02/2022	\$0.17	100%

## Topic of the week

Green' technological innovation is accelerating in a large part driven by government policy. One such technology that is seeing increased focus in Australia, is hydrogen. In November 2019, the Australian Government released 'Australia's National Hydrogen Strategy' which aimed to position Australia as a major exporter of hydrogen by 2030. The Australian Federal Government has subsequently announced further funding arrangements including the 'Future Fuels Fund' and a 'Low Emission Technology Commercialisation Fund' to help achieve this vision.

The economics of hydrogen are rapidly evolving with numerous production measures, all with different costs and green credentials. Some of the production methods are:

- Green hydrogen which is produced with renewable energy.
- Grey hydrogen which is produced with natural gas.
- Black or brown hydrogen which is produced from black or brown coal.
- Blue hydrogen which is produced with fossil fuels, however, uses carbon capture technology.
- Turquoise hydrogen which is produced with methane.
- Purple, Pink and Red hydrogen is produced with various forms of nuclear energy.
- White hydrogen refers to natural hydrogen.

Sustainability focused funds management company Nanuk Asset Management, in conjunction with technology research and consultancy company Gartner, released a presentation on the typical market response to policy driven technology. The research found that policy driven technology often sees an initial rise in share prices of companies involved in the industry, before increasing competition, declining margins and subsidy reductions often results in share prices falling. If the technology is economically viable, the industry then rationalises and the long-term 'winners' eventually see improved profitability and consequently share price improvement. Most companies do not survive in the mature, unsubsidised market and many of those that do generate low returns on capital eventually exit the industry. This dynamic has been seen in other industries such as solar panels in the past.

Given the nascent stage of the green hydrogen industry, there are few investment options available for investors. If options do emerge and investors are confident that a new technology will evolve into a viable industry a conservative approach, that can also be used for other new investment areas, is to invest in a basket of companies across the supply chain. This reduces individual security risk until the 'winners' in the industry become more evident.

## 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	2.29%	2.99%	3.94%	2.49%	3.14%	4.04%
NAB	2.29%	2.99%	3.79%	2.79%	3.19%	3.94%
Macquarie	2.19%	2.74%	3.99%	2.39%	2.89%	4.19%

\*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 will release the latest unemployment and workforce participating figures.
- The Australian corporate reporting season continues with BHP Group, Ansell, Treasury Wine Estates, CSL and Wesfarmers among the companies reporting.

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