

[Weekly Wrap 5 May 2023 – The global fall out from rate hikes this week](#)

Thank you for joining us this Friday the 5th of May. I'm Sophia Mavridis, a Market Analyst with Bell Direct and this is the weekly market update.

It was the highly anticipated rate decision week in some of the key markets around the world and investors are grappling with the aftermath of rate hikes in both Australia and the US.

Locally, the RBA raised Australia's cash rate by 25-basis points on Tuesday, taking the interest rate to 3.75%, causing a market sell-off, as many economists were expecting another pause for the month of May. The RBA's reasoning for raising the rate was due to the rebound in Australia's property prices, and inflation remaining higher than the target range at 7% in April.

Banking stocks, which traditionally rise with rate hike announcements as they pass the hikes onto customers, were sold off after the RBA's announcement, as fears of further banking troubles in the US grew. The news that First Republic Bank, was verging collapse this week before JPMorgan stepped in to buy the assets of the struggling bank, lowered investor confidence.

Investor fears of a banking crisis extended into the local market, with NAB plunging over 7% on Thursday after releasing first half results that, on balance, weren't too bad. For the first half, NAB's profit rose to more than \$4 billion driven by interest rate hikes, however the fall in net interest margin to 1.77%, which was below expectations, and the rise in the banks' Bad and Doubtful Debts to \$393 million, were the possible reasons for investors fleeing the big bank's stock on Thursday.

Fears of a US and broader global economic recession increased on Thursday after the Federal Reserve announced a 10th straight rate hike this week in the form of a 25-basis point rise, taking the US cash rate to a 16-year high of 5% to 5.25%. The Fed are tackling 40-year high inflation with an extremely aggressive stance, with Fed Chair Jerome Powell even ruling out cutting interest rates as he doesn't expect inflation to fall quick enough.

While interest rates have risen again in the US, there are signs of the tight labour market loosening as US job openings fell for a third straight month in March and layoffs increased to the highest level in more than 2-years. The manufacturing sector is also contracting, and consumers in the world's largest economy are struggling with the rising cost of living. But in support of the Fed's move to continue hiking rates is the US ISM Services PMI increasing to 51.9 points in April from 51.2 points in March, which was

higher than expectations and marks the fourth consecutive month of growth in the services sector.

Oil slumped over 8% on Thursday morning, the highest one-day drop in 2 months, as fears of a recession rise and the global economic growth outlook slows.

In Europe the European Central Bank was the last major central bank to announce its rate decision for the week, overnight announcing a 25-basis point rate hike, in-line with what economists were expecting. The rate hike was lower than last month's 50-basis points rise but European markets were still sold-off as investors fear a global banking crisis may still erupt in the US and spread.

While this week has been a turbulent week on both local and global markets, it is important for investors to remind themselves of their long-term strategy and contextualise the noise, news and short-term market movements.

Now looking at the market's performance this week so far, the ASX200 dropped 1.6% Monday to Thursday, with only the utilities sector making gains. Financials and energy weighed down on the market the most.

The best performing stock this week was Lake Resources (ASX:LKE) advancing an impressive 14.3. LKE was followed by Evolution Mining (ASX:EVN) and Pinnacle Investment Management (ASX:PNI).

While on the losing end, Syrah Resources (ASX:SYR), Polynovo (ASX:PNV) and Amcor (ASX:AMC).

And the most traded stocks by Bell Direct clients this week were Santos (ASX:STO), Seek (ASX:SEK) and Westpac (ASX:WBC).

Clients also bought into NAB, Best & Less (ASX:BST), ANZ Group (ASX:ANZ), Weebit Nano (ASX:WBT) and Megaport (ASX:MPI).

While took profits from National Storage (ASX:NSR) and Pilbara Minerals (ASX:PLS).

And the most traded ETFs this week were the Vanguard MSCI Index International Shares ETF (ASX:VGS), the BetaShares Australian Strong Bear Hedge Fund (ASX:BBOZ), and Perth Mint Gold (ASX:PMGOLD).

As for economic data to look out for next week, locally, business and consumer confidence are out on Monday and Tuesday. Retail sales data is also out on Tuesday. And overseas US core inflation data is released on Wednesday, while the Bank of England's interest rate decision is out on Thursday.

And that's all we have time for today, have a wonderful Friday and weekend, and as always happy trading!

- Sophia Mavridis, Market Analyst