

Market Update

The Australian stock market has been characterised so far this year by marked volatility as various factors, both domestic and international, continue from 2021. Covid is still a factor however the ongoing invasion of Ukraine by Russia is not only having tragic consequences from a human perspective, it is also having an impact on global markets.

Market Summary > All Ordinaries

7,403.50

-492.70 (-6.22%) ↓ year to date

18 May, 11:44 am AEST • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	7,350.60	Low	7,350.60	52-wk high	7,956.30
High	7,442.90	Prev close	7,350.60	52-wk low	7,031.90

As can be seen in the chart above, there have been a series of significant highs and lows so far this year as our market has responded to unfolding events.

The Reserve Bank (RBA) reports in April that global markets “functioned well during the [Covid] pandemic. However, Russia’s invasion of Ukraine and the resulting sanctions have amplified some existing risks and created others.”

The Australian economy has fared well up to this point however the lifting of the cash rate by the RBA this month and the raised expectation of further increases, have put downward pressure on financial asset prices. At this point there has been no significant decline in residential or commercial property prices although predictions as to future property movements are somewhat varied and often contradictory.

There is growing uncertainty in the market around inflation. The RBA observes: “Financial markets expect interest rates to increase further – but rates may need to increase by more than currently expected by financial markets to contain inflationary pressures in some countries. Disruptions to supply chains due to the pandemic and the war in Ukraine, as well as sharp increases in energy and other commodity prices, will add to already high inflation. Together, these factors could depress economic growth.”

Locally, we will need to see how the markets react to the result of the upcoming election, but generally speaking, we can expect that there will be further downward re-valuation of equity stocks, at least in the short-term. On the other hand, as interest rates rise, we expect that the value of the income stocks we hold on your behalf should maintain and improve their effect on current portfolios.

We believe we are well positioned, with a significant portion of portfolios invested in income stocks and most equity stocks that we hold, able to ride whatever economic waves we may experience. We will continue to see 'highs and lows' but given the current and projected state of affairs, it is what we would expect.

One stock of note is not performing to expectations: MVP.

We recently reported that the U.S. FDA had given Medical Developments approval to conduct its trials. This did indeed have a positive effect on MVP's price but somewhat less than we'd expected. Since then, its price has also succumbed to downward market forces, however strong sales projections, particularly in Europe, should see longer term improvement. MVP is currently re-focusing its operations, and while its 2022 revenue projections have been moderated, its International Chair, Gordon Naylor observes: *"Despite the pandemic challenges, Pentrox sales growth is strong in Europe, our primary growth corridor over the next few years. We're also seeing solid underlying growth in Australian sales and our US respiratory franchise [...] In another positive development, our next generation Pentrox delivery device ('Selfie') has reached the milestone of formal project approval. Our aim is for Selfie to propel further future business growth".*

Without doubt, our economy and the markets will face ongoing 'headwinds' in 2022 and we will need to be steadfast and measured in what we do. At present we believe that 'watch and wait' is the best approach, however we continue to monitor accounts daily and assess alternative strategies to deal with any challenges.

If you have any concerns at all or have any questions, either William or Wayne would be happy to discuss them with you personally.