



Weekly Wrap 9 2023 – Energy concerns this Winter

Thank you for joining us this Friday 9th June. I'm Sophia Mavridis, a Market Analyst with Bell Direct.

There's been a lot happening in the energy sector this week, so let's start with taking a closer look at oil.

Firstly, Saudi Arabia are looking to make voluntary oil production cuts. Over the weekend, OPEC+ will meet in Vienna to discuss the alliance's targeted oil output, after the production cuts in April, of 1 million barrels per day, failed to deliver a sustained increase in oil prices. Saudi Arabia are looking to agree to a 1 million barrel per day production decrease in July, in an attempt to stabilise global oil markets, however the other 23 OPEC+ member nations haven't offered to reduce output further. They have, instead, pledged to maintain current production levels until the end of 2024.

The Brent price is currently trading around US\$75 per barrel, slightly lower than a month ago. The Brent crude oil benchmark, which is the standard price that underpins most of global energy trade, is to include trades from oil produced outside of the North Sea of Europe for the first time.

Now there's also been talk of concerns for manufacturers with the energy transition, as the industry awaits the Australian Government's mandatory code of conduct for our local gas sector, with manufacturers concerns about the rush to renewable energy. The Chairman of Alumina (ASX:AWC), Peter Day, says that "current battery technologies don't provide adequate back-up energy capacity, therefore gas-fired electricity plants that can be brought online quickly should be prioritised during the energy transition."

As Australia moved into Winter, we've recently seen gas prices hit a 10-month high. If we remember back to this time last year, energy sector operators were forced to intervene to prevent blackouts. Therefore, the increase in the price of gas, heightens the concerns among the manufacturing sector, and the government should be looking at ways to ensure low cost and more reliable gas for everyone.

Now taking a look at the market's performance this week so far,

Locally, the ASX200 fell 0.64% Monday to Thursday, as investor sentiment was dampened by the RBA's unexpected 25-basis point rate hike announcement on Tuesday, with a warning of further hikes to come if inflation doesn't move toward the 2-3% target range.

On the leaderboard this week, the winning stocks were New Hope Corporation (ASX:NHC) gaining more than 13% amid a rally for coal miners, while Whitehaven Coal (ASX:WHC) jumped 10% on that theme, and construction and mining group NRW Holdings (ASX:NWH) came in third.

Stocks weighing down on the market this week were Imugene (ASX:IMU), Nanosonics (ASX:NAN) and Domain Holdings (ASX:DHG).

The broader market, All Ords index declined 0.59% this week so far, after a sharp sell-off in infant retailer Baby Bunting (ASX:BBN) on the release of a trading update, however Sigma Healthcare (ASX:SIG) advanced the most.

And the most traded stocks by Bell Direct clients this week were Sigma (ASX:SIG), Telstra (ASX:TLS), Aristocrat Leisure (ASX:ALL), Star Entertainment (ASX:SGR), Blackmores (ASX:BKL), Orora (ASX:ORA), Champion Iron (ASX:CIA) and HMC Capital (ASX:HMC).

Clients also bought into Northern Star Resources (ASX:NST), while took profits from Metacash Limited (ASX:MTS).

And the most traded ETFs this week were the Global X Fang+ ETF (ASX:FANG), the Vanguard Australian Shares ETF (ASX:VAS) and the SPDR S&P/ ASX200 (ASX:STW).

Taking a look at the week ahead, locally, the Westpac Consumer confidence data for June is released on Tuesday with the market expecting a rise of 3.2%. NAB Business confidence data for May is also out on Tuesday with the market expecting a rise of 2 points from a flat April reading.

Overseas, US Inflation rate data for May is out on Tuesday night with economists expecting a fall in core inflation for May YoY to 5.4% from 5.5%, and a fall in monthly inflation to 0.3% from 0.4% in April.

The all important FOMC meeting is also next week with the forecast that the Fed will hold the US cash rate at 5.25% for the month ahead.

And that's all we have time for today. I'm Sophia Mavridis with Bell Direct and we hope you have a wonderful weekend.

- Sophia Mavridis, Market Analyst