COVID-19 worries still holding stocks back - weekly review

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WEEKLY MARKET REPORT

Continuing worries about how the COVID-19 crisis will progress once again held the Australian share market back as an early rally disappeared and finished the week down for two days in a row.

Friday's 1.7% fall came on top of Thursday's 2% decline after a week that started with plenty of optimism and some great price rises.

In ordinary times the weekly rise of 4.65% on the ASX 200 would represent a truly fantastic week – and it is still the best week this year – but imagine what it would have looked like without a 3.7% decline on the last two trading days.

In the current environment, such rapid shifts are simply an indication that nobody really knows which way to jump as investors keep their eyes peeled for any flattening of the curve for new COVID-19 infections, both here and around the world.

On Friday the losses were broadly based with most sectors falling, with the industrials and consumer discretionary sectors both slumping by more than 4%.

Iron ore price rise a rare highlight

One rare bright spot was a reasonable lift in the iron ore price.

Fortescue Metals (ASX: FMG) added an impressive 5.7% to $10.56, thanks to a strong push in a broker's report from Credit Suisse which touted the attraction of the company's hefty dividend yield.

The firmer iron ore prices also pushed up the helped by a modest lift in iron ore prices along with a bullish broker note from Credit Suisse talking up the company's juicy dividend yield.

While not managing to match that jump, the two big miners BHP (ASX: BHP) and Rio Tinto (ASX: RIO) also escaped the gloom and rose 1.6% and 1.8% respectively to close at $30.33 and $88.93.

Energy stocks were also firmer on the back of a record 25% surge in oil prices, after President Trump suggested Saudi Arabia and Russia were close to striking a deal to cut production.

Stocks such as Santos (ASX: STO) were up more than 12% in early trade but faded as the day went on, closing up just 0.5% higher at $3.99.

Banks still being slammed

It was bleak just about everywhere else you looked though with all of the big four banks taking a big hit as investors worried about how much their dividends would fall on the back of the sudden rush of unemployment and a welter of potential bad debts.

Westpac (ASX: WBC) was the worst performer, sliding 2.9% to $15.51 and investment bank Macquarie (ASX: MQG) lost a chunky 4.3% to $84.30.

It was a really bad day for toll road owner Transurban (ASX: TCL) as investors see traffic on its roads – particularly Citylink in Melbourne – slump remarkably due to shutdowns.

Transurban shares were down 6.3% to $11.10.

Shopping centre owner Scentre Group (ASX: SCG) also drew some negative attention from investors, with shares tumbling 5.6% to $1.61 as they reacted to empty malls and the prospect of tenants seeking discounts.

Small cap stock action

The Small Ords index finished the week up 4.07% to close on 2095 points, despite a 1.96% drop on Friday.

ASX 200 vs Small Ords

Small cap companies making headlines this week were:

Resolution Minerals (ASX: RML)

Early visual signs at Resolution Minerals' 64North gold project in Alaska have confirmed the company has unearthed the same host rock as Northern Star Resources' adjacent multi-million ounce Pogo gold mine.

Drilling began at the Aurora gold targets at the start of March, with a 462m diamond drill hole completed and 194m reached of a second 600m hole.

“We are very pleased that Resolution Minerals has achieved the aim of our maiden drilling program, which was to successfully identify a Pogo-style mineral system on our side of the fence, pending assay results for final confirmation,” Resolution managing director Duncan Chessell said.

Similar to most other miners and explorers, Resolution has had to suspend drilling due to COVID-19 concerns.

The company anticipates drilling will resume in mid-May, with assays from completed drilling expected within four weeks.

Wide Open Agriculture (ASX: WOA)

Regenerative food and farming company Wide Open Agriculture’s Dirty Clean Food brand is experiencing a large rise in online orders for its 100% grass fed beef and lamb as COVID-19 isolation restrictions cause more people to move towards delivery options.

Online sales volumes for March rocketed more than 600% to reach 388 – up from 51 in February.

Wide Open Agriculture managing director Dr Ben Cole told *Small Caps* the company’s official March quarterly figures are expected shortly and he was anticipating they will reveal a third quarter of growth.

The company’s noted its traditional primary market in restaurants and food service orders has declined due to the virus, but said this was offset by the rise in online sales.

Dr Cole said the company was ready to meet the higher demand across all its market channels once the COVID-19 crisis passes.

Noxopharm (ASX: NOX)

Another company looking to ease the COVID-19 situation is Noxopharm, which revealed its advanced anti-cancer idronoxil drug could block the excessive inflammatory response in severe COVID-19 patients that often leads to death.

The drug has been branded Veyonda and has an excellent safety profile after being extensively tested in clinical trials to treat late stage prostate cancer.

Noxopharm has been working with the Hudson Institute to gain a better understanding of how the drug works with the body’s immune system.

Hudson has completed pre-clinical tests and found that idronoxil suppresses the cytokine molecules responsible for triggering inflammation or the cytokine storm responsible for COVID-19 deaths.

“When you are told by respected scientists that your lead drug candidate might prevent deaths in a global pandemic, then you don’t walk away from that possibility,” Noxopharm chief executive officer Dr Graham Kelly explained.

“Having idronoxil already in the clinic means that we are in a good position to commence clinical testing as soon as we receive the necessary funding and regulatory approvals,” he added.

As part of this, Noxopharm is making idronoxil available for “immediate clinical use” as a potential cytokine storm inhibitor in COVID-19 sufferers.

Buddy Technologies (ASX: BUD)

Smart light developer Buddy Technologies received its biggest order for its LIFX White lights to-date valued at $3.8 million.

Buddy chief executive officer David McLauchlan said the single order exceeds 40% of the company's total sales volume in 2019.

He said he was "very optimistic" about the flow-on effects on broader sales.

The LIFX White lights are expected to hit North American retailers in time for the summer period.

"The affordability and ease of installation of LIFX White will help bring smart lighting into the homes of countless new customers around the world who are now spending more time at home," Mr McLauchlan added.

The LIFX White smart lights are low-cost and easy to install, while also working with voice assistants such as Amazon Alexa.

Cellmid (ASX: CDY)

Although it was announced after market hours last Friday, Cellmid's shares rocketed on Monday market open on news it had secured a supply agreement for a 15 minute TGA approved diagnostic test for detecting COVID-19.

China-based Guangzhou Wondfo Biotech developed the test, which can be used as a bedside point of care tool, as well as in doctors' surgeries, pathology labs and other healthcare sites.

Wondfo Biotech is gearing up to mass manufacture the test and Cellmid will pay a fixed price for each unit.

As a result, Cellmid has placed its first order and Australia Applications, which is the authorised distributor and counterparty to the agreement, has issued its first invoice.

"We are excited to be able to contribute to Australia's comprehensive effort to manage this pandemic," Cellmid chief executive officer Maria Halasz said.

Skin Elements (ASX: SKN) and Holista CollTech (ASX: HCT)

To meet the mounting sanitiser demand, Skin Elements and Holista CollTech have joined forces to develop an alcohol free hand sanitiser that uses Skin's anti-microbial formula and Holista's Path-Away active ingredient.

The sensitive skin-friendly hand sanitiser is expected to be available in more than 10,000 retail outlets across Australia and New Zealand later this month, with a global launch planned shortly after.

"This new sanitiser significantly strengthens our range of existing sanitisers which is being unveiled after two years of product development and test marketing to independent pharmacies, and selected schools and day-care centres in Western Australia," Skin's executive chairman Peter Malone said.

The sanitiser will be branded Invisi Shield and Skin will initially produce up to 20,000 100ml bottles in the first month at its West Perth facility.

Under the agreement with Holista, the initial Path-Away order is for a minimum of $600,000 in the first year.

Rhythm Biosciences (ASX: RHY)

Rhythm Biosciences has validated the lead biomarker in its low cost, simple blood test called ColoSTAT for detecting colorectal cancer.

The lead biomarker is the primary biomarker for differentiating between cancerous and healthy blood samples.

"Having progressed from previously being optimised to now being successfully validated, stabilised and reproduceable marks a critical milestone for the company," Rhythm chief executive officer Glenn Gilbert said.

"Further, we are focusing on the development and optimisation of the adjunct biomarkers that will support not only the key lead biomarker, but add to the overall ColoSTAT test kit for colorectal cancer determination."

He added he "strongly believed" the ColoSTAT test has a global market where it could be added to a standard blood test panel a GP might request as part of a patient's annual check-up.

"Further, once approved, ColoSTAT has the potential to attract reimbursement by both governments and health insurance companies worldwide," Mr Gilbert noted.

TALi Digital (ASX: TD1)

TALi Digital impressed investors again this week after it announced it had registered TALi as a trademark in China – giving it a boost in a "high value" market.

The China Trademark Office has issued the trademark for the name TALi and this covers the company's TALi Train and TALi Detect products under two acceptance classes: services for education, tutoring, training and education; and medical analysis for the diagnosis and treatment of persons.

TALi Detect is a game-based platform that can identify inattention related difficulties including autism.

Meanwhile, TALi Train helps to strengthen a child's ability to maintain concentration, improve learning at school, avoid distractions and prevent impulsive behaviour and fidgeting.

TALi managing director Glenn Smith said securing the trademark for its products in China was a major milestone and offered "significant opportunities" with one every 100 Chinese children suffering from an autism spectrum disorder.

The week ahead

While COVID-19 curves will continue to be the big factor in trading, in Australia the Reserve Bank board meeting could be of interest.

While there is no expectation of a move in interest rates after last month's emergency cuts, there could be some brief commentary on how the RBA is supporting the economy during the pandemic.

There is also data on job advertisements, international trade, lending and consumer sentiment.

Overseas there is inflation data due for the US and China, with investors also looking out for spending, lending and hiring indicators.

It will be a holiday shortened four-day trading week due to Good Friday and about the only thing that can be guaranteed is that volatility is expected.

This week's top stocks

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