



BULLS vs BEARS

MPC Markets – Weekly edition
FOUNDED BY INVESTORS, FOR INVESTORS



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MPC IN THE MEDIA

On Ausbiz's 'The Call', Mark Gardner from MPC Markets and Jessica Amir from moomoo offered deep dives into notable stocks including Audinate, NextDC, and Liontown Resources, alongside ETFs like Betashares Global Uranium and iShares Bitcoin Trust. They also analyzed tech giants NVIDIA, Uber, Block, and major players BHP and WiseTech Global, providing insights into their market performance and future prospects.



CRYPTOCURRENCY ON A TEAR

The recent bitcoin frenzy, pushing its price towards an all-time high, is primarily driven by a classic supply and demand imbalance. This surge follows the introduction of several US-listed Bitcoin exchange-traded funds (ETFs) approved by the Securities and Exchange Commission in January, which have significantly increased investor interest and investment. Daily purchases by these ETFs significantly exceed the number of new coins produced by the Bitcoin network, with analysts noting purchases of 3,500 to 4,300 coins per day against a daily creation of just 900 coins. This growing demand against a limited supply is a key factor propelling Bitcoin's price upward. Furthermore, the upcoming "halving" event, which will halve the daily supply of new coins, is expected to exacerbate this supply crunch, potentially leading to even higher prices. Large holdings by entities like the US government and MicroStrategy further tighten the available supply. Despite these dynamics, experts caution that the current rally is largely speculative, as Bitcoin, by its nature, does not yield traditional returns, making its investment appeal primarily based on speculative demand and market sentiment.



STOCKS

AU EARNINGS THIS WEEK

Worley(WOR)

Worley reported a rebound to a \$106 million interim net profit from a \$99 million loss last year, driven by a 13% increase in revenue to \$6 billion across its engineering services. However, a \$58 million write-down for unresolved claims with Petroecuador impacted profits. Despite this, CEO Chris Ashton is exploring legal avenues in Ecuador to recover the funds, amidst refuting corruption allegations. Excluding the write-down, Worley's underlying earnings rose 22% to \$345 million. The company, which saw a 2% workforce increase to 49,200, remains focused on growth and sustainability projects, now over half of its revenue, while monitoring global political changes that could affect operations.

NextDC (NXT)

NextDC's commitment to significant upgrades in its data centres has resulted in a 700% increase in its post-tax loss, soaring to \$22.5 million for the half-year ending December 31, 2023, from a previous \$2.8 million loss. Despite this, the company reported a 31% rise in revenue to \$209.1 million and a 5% increase in EBITDA to \$96.8 million. The loss follows a substantial \$220 million investment in capital development projects, including capacity expansions in Sydney and Melbourne data centres to meet customer demands. CEO Craig Scroggie remains optimistic, highlighting the company's trajectory towards achieving its revenue and EBITDA targets and its readiness to support customer growth and capitalize on upcoming opportunities.

Zip Co. (ZIP)

Australian buy-now-pay-later firm Zip achieved a positive shift in its financial performance, reporting half-year cash earnings of AUD 30.8 million (\$20.2 million), a turnaround from a loss of AUD 33.2 million a year earlier. This improvement was underpinned by a 29% increase in revenue to AUD 430.0 million and a statutory net profit of AUD 57.2 million, with its revenue margin widening by 130 basis points to 8.5%. Despite challenging market conditions and a history of net losses, Zip managed to keep its bad debt ratio stable at 1.9%, reflecting effective debt management amidst its focus on achieving profitability after scaling back its global expansion efforts.

Coles Group Ltd (COL)

Coles Group Ltd saw a 6% increase in its share price following the release of strong half-year results. Sales revenue rose by 3.7% to \$22,216 million, with underlying EBITDA increasing by 4.1% to \$1,900 million. However, profit after tax saw an 8.4% decrease to \$589 million. Despite cost-of-living pressures, Coles maintained its fully franked interim dividend at 36 cents per share. CEO Leah Weckert emphasized efforts to offer value to customers through price reductions and promotions. Coles experienced a 4.9% growth in supermarket sales in the early second half, although liquor sales dipped by 2.2%.



STOCKS

HIGHLIGHTS OF THE WEEK

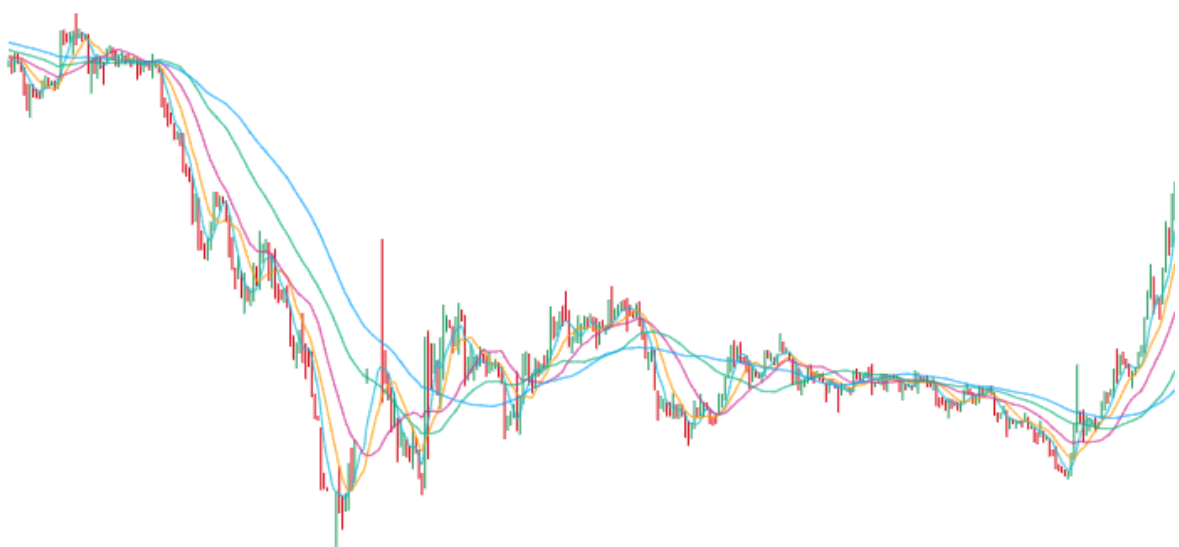
Lithium Stocks

Lithium carbonate prices in China are witnessing a notable uptick, marking their fourth consecutive day of gains, with prices reaching RMB 118,550 per tonne—an 30% increase from Wednesday's low. Despite this rally, lithium carbonate futures are significantly below their peak, highlighting the volatility in the lithium market. Pilbara Minerals, recognized as the most shorted stock on the ASX, finds itself at the center of investor attention amidst this volatility. The company's stock chart indicates potential excess demand, raising speculation about the possibility of a short squeeze. This situation arises as lithium carbonate futures and spot prices show differing trends, with futures experiencing a slight recovery while spot prices lag behind, still down 83% from their 2022 peak. Skepticism from big brokers about a lithium price floor persists, despite a technical rally suggesting initial signs of recovery. The scenario is further complicated by the performance of spodumene prices, another crucial lithium mineral, which have not mirrored lithium carbonate's recent gains. Nevertheless, a minor uptick in the Platts spodumene price offers a glimmer of hope for lithium bulls. Amidst these dynamics, Pilbara Minerals' significant short interest and the technical signals of building demand for its shares highlight the fragile equilibrium between bullish hopes and bearish pressures. As the market navigates these complex trends, the potential for a short squeeze in Pilbara Minerals shares looms, contingent on whether the demand can sustainably breach key resistance levels, challenging the shorts' resolve.

140,000

120,000

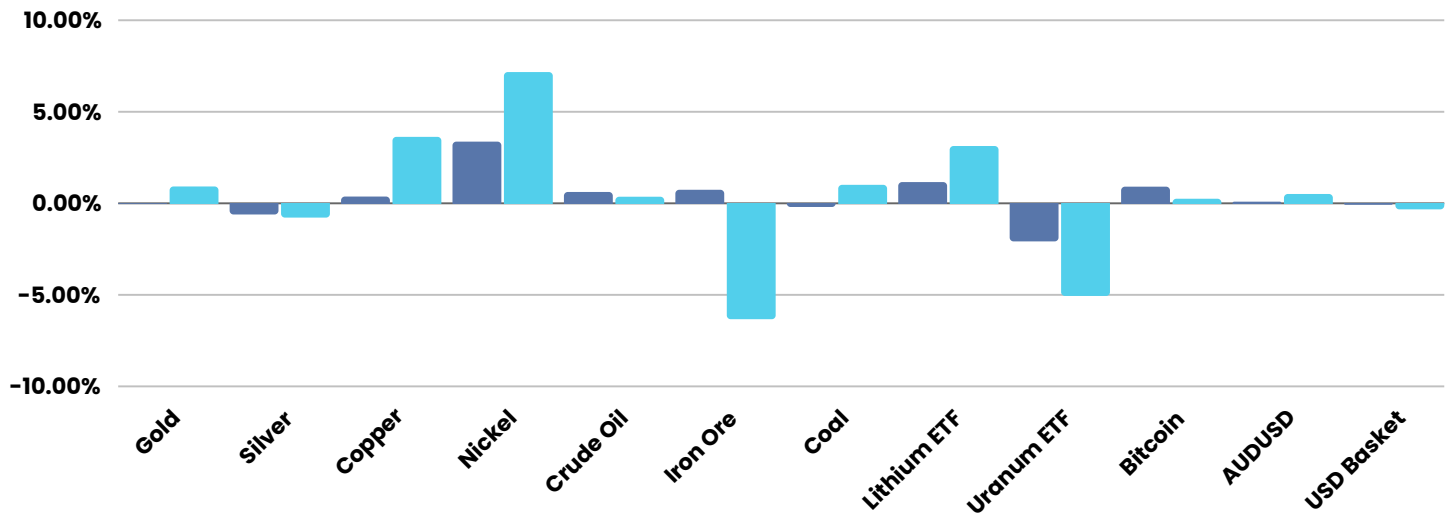
100,000





COMMODITIES & FX

■ Day ■ Week



Overall a quiet week in commodities and FX due to the headlines being dominated by US company earnings.

Lithium - Lithium has been the stand out commodity this week as the futures prices finally stopped falling and started to rally. The bounce has been sharp and there have been some big moves across the lithium stock spectrum. Large producers have moved first but smaller names are also rallying

Gold - Gold remains rangebound and trading around the \$2050 level. The conditions aren't right for Gold to rally but it isn't being sold off either.

Crude Oil - Oil remains quiet, but is hugging the \$78 level. It has fallen away from this level in the past but is holding on. If there is some new global risk event then if it does break out higher it should be a strong move

Coal - Coal prices stable. Not much movement in most stocks. Dividends are still decent but not enough to cause a broad rally without an increase in spot

Uranium - Uranium spot price fell under \$100 this week. Stock prices tried to bounce off lows but not much follow through

Bitcoin - Bitcoin rallied to \$63000 USD this week and even made a new high in AUD terms. Eth is also strong and rallied to \$3500us week



ECONOMY & POLITICS

AU CPI

Australia's Consumer Price Index (CPI) climbed 3.4% in the year to January, marking the lowest annual inflation rate since November 2021, as reported by the Australian Bureau of Statistics (ABS). This deceleration in inflation was significantly influenced by rising costs in housing, food and non-alcoholic beverages, along with alcohol, tobacco, and financial services. Housing notably rose by 4.6%, with new dwelling prices up 4.8% due to increased labor and material costs, and rent prices surged by 7.4% reflecting a tight rental market. The overall inflation trend appears to be slowing, with the rate excluding volatile items such as fuel and holiday travel at 4.1% in January, indicating a move towards economic stabilization.

Mitch McConnell

Top U.S. Senate Republican Mitch McConnell announced stepping down from his leadership role, marking the end of a record-setting tenure. His departure signals a shift towards more influence for Donald Trump and hardliners, as McConnell has been a central figure in GOP negotiations and policies.

NATO Troops in Ukraine

Germany, Poland, and NATO unequivocally rejected the idea of deploying ground troops to Ukraine, a stance that comes in response to Kremlin's warnings and French President Macron's earlier suggestions. This consensus aims to prevent direct military engagement between NATO countries and Russia, emphasizing support for Ukraine without escalating to direct conflict in the ongoing war.

WHAT WE ARE READING



[Putin warns West of risk of nuclear war](#)



[Albanese Government's cost-of-living tax cuts to roll out](#)



[Bitcoin soars past \\$60K amid ETF frenzy but mining stocks underperform](#)



TRADE OF THE WEEK

Arcadium Lithium (LTM)

Balanced Portfolio Recommendation

Action: Buy 28th February 2024

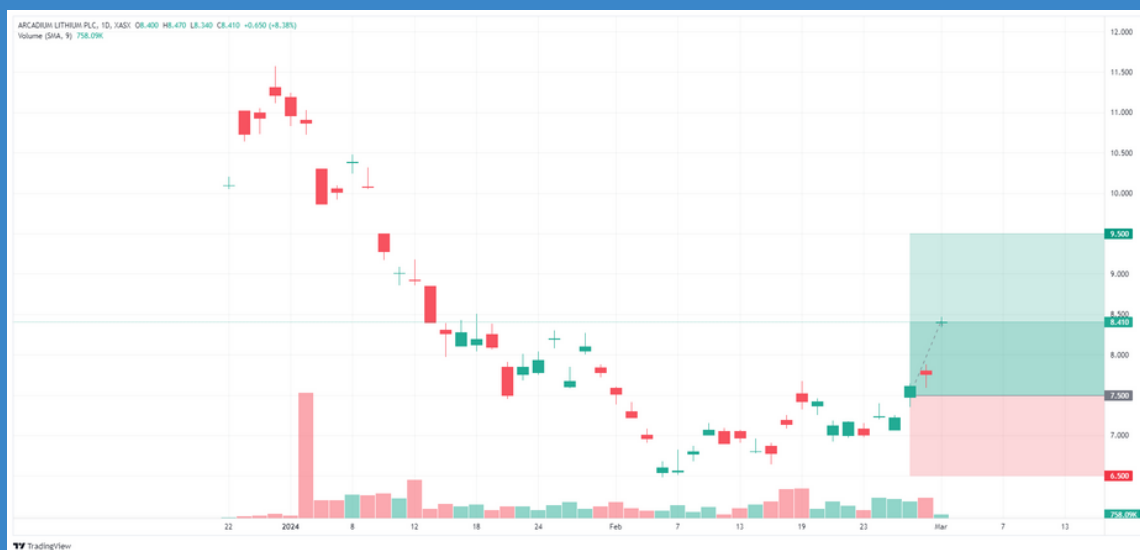
Entry Price: \$7.50

Target Price: \$9.5

Stop Price: \$6.5

A result of a \$10.6 billion merger between Australian lithium producer Allkem and U.S. company Livent, positions itself as one of the world's leading lithium companies. With operations across Australia, Argentina, and Canada, Arcadium focuses on the entire lithium supply chain, from mining to delivering chemicals to battery manufacturers.

Incorporating a 3% allocation to Arcadium Lithium (LTM) within our balanced portfolio represents a prudent investment strategy, given the stock's attractive valuation relative to its sector peers. This investment opportunity is underscored by LTM's competitive market positioning and the current undervaluation, suggesting a favorable entry point. Additionally, the stabilization of lithium prices, alongside emerging signs of recovery in the commodity market, indicates a positive outlook for lithium demand. This is particularly relevant in light of the growing electric vehicle and renewable energy markets.



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