



BULLS vs BEARS

MPC Markets – Weekly edition

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MPC IN THE MEDIA

Mark joined SBS World News Finance editor Ricardo Goncalves to discuss the Australian Inflation data and the risk of rate cut timing being pushed out to next year. They also discussed the markets reaction to the hot inflation data, which sectors were affected and Nick Scali's UK acquisition.



GOOGLE SAVES THE EQUITY MARKET.... FOR NOW

Google saved the day in afterhours trade, rallying 13% as equities closed lower, but well off session lows Thursday as Meta cut come losses, though rising Treasury yields on economic data showing slowing growth, but sticky inflation, forced traders to push out bets on a first rate cut to December.

Treasury yields climbed after data showed the U.S. economy grew by just 1.6% in the first quarter, on an annualised basis, much slower than expected, while a core underlying measure of inflation surprised to upside in Q1, rising 3.7%, pushing out rate-cut bets. Swaps traders are no longer fully pricing in a first Fed rate cut before December. The weaker growth but strong inflation raised fears of stagflation, but

some economists noted that growth wasn't as weak as the report suggested. During the day session, before the Microsoft and Google results, big tech weighed down the market as Meta stock slid 10.6% to a near three-month low, after the Facebook parent forecast weaker-than-expected revenue for the second quarter due to higher spending on artificial intelligence.





STOCKS

HIGHLIGHTS OF THE WEEK

BHP Group (BHP)

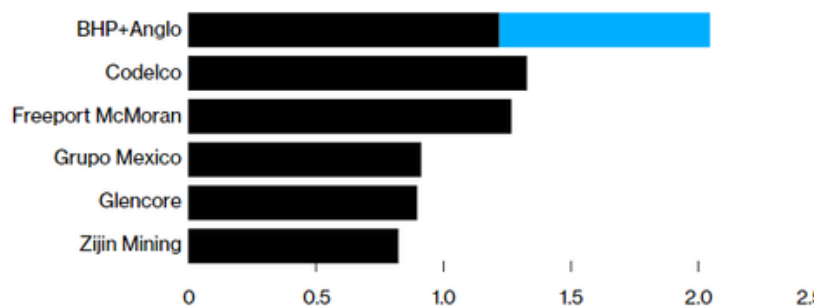
proposed a takeover of Anglo American Plc that valued the smaller miner at £31.1 billion (\$38.9 billion), in a deal that would create the world's top copper producer while sparking the industry's biggest shakeup in over a decade.

BHP, already the largest miner, proposed an all-share deal in which Anglo would first spin off controlling stakes in South African platinum and iron ore companies to its shareholders before being acquired by BHP. The total per-share value of the non-binding proposal was about £25.08, BHP said.

A tie-up with Anglo would give BHP roughly 10% of global copper mine supply ahead of an expected shortage that many market watchers have predicted will send prices soaring. If successful, the transaction would mark a return to large-scale dealmaking for BHP, while potentially flushing out other suitors aiming to boost their exposure to the metal that's closely linked to the global energy transition.

BHP Merger With Anglo Would Create World's Top Copper Miner

Mined copper output in 2023



Source: Company statements
Note: Output reflects equity ownership of mines

Newmont (NEM)

Newmont Corp beat Wall Street estimates for first-quarter profit on Thursday, as the world's largest gold miner benefited from robust production, higher prices and lower operating expenses. Shares rose 11.2% to a nine-month high of \$43.07 as the company also disclosed strong interest in its asset sale plans.

Quarterly attributable gold production rose to 1.7 million ounces from 1.3 million ounces a year earlier. The company has disclosed plans to divest non-core assets and trim its workforce to reduce debt as it completed the about \$17 billion purchase of Australian miner Newcrest in November.

Resmed (RMD)

ResMed reported third quarter EPS of \$2.13, \$0.20 better than the analyst estimate of \$1.93. Revenue for the quarter came in at \$1.2B versus the consensus estimate of \$1.17B. ResMed's stock price closed up 10% at \$183.43. It is down - however the stocks is down 3.53% in the last 3 months and down -18.08% in the last 12 months.



US EARNINGS

25% OF THE S&P500 REPORTED THIS WEEK



Microsoft (MSFT) reported fiscal third-quarter results that beat Wall Street estimates, as strong demand for artificial intelligence underpinned better-than-expected performance in its cloud business Azure. While several tech companies failed to keep growing due to the widespread margin shrinkage both on the costs and revenue sides, Microsoft's AI and cloud growth numbers show that the company managed to sail through the quarter unphased

Tesla – the electric vehicle maker's announcement that it was accelerating the launch of new EVs including affordable models overshadowed fiscal first-quarter results that fell short of estimates amid waning EV demand. Tesla delivered 386,810 EVs during the quarter, down from 433,371 in the three-month period a year earlier. "We have updated our future vehicle line-up to accelerate the launch of new models, with production set to start in the second half of 2025," the company said.



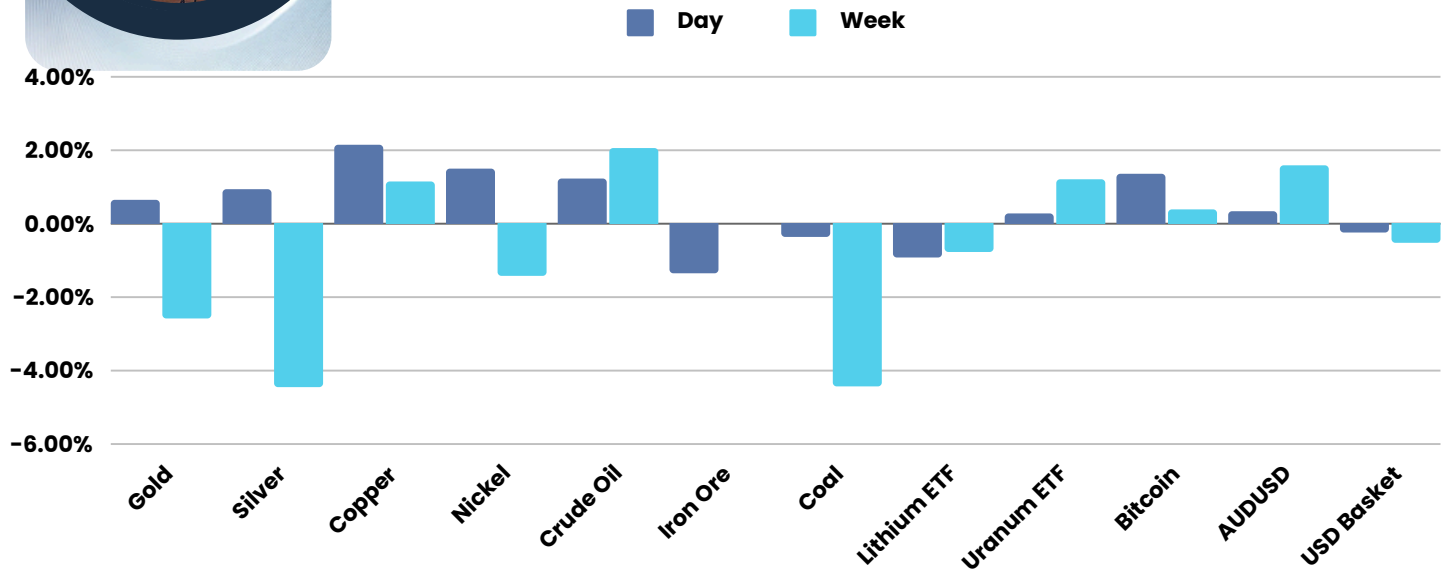
Caterpillar -7% – often regarded as a bellwether of the economy, industrial machinery maker Caterpillar fell 7% after they reported a mixed first quarter of 2024, with earnings surpassing analysts' expectations but revenue falling short. construction demand is expected to stay healthy for the rest of the year thanks to the U.S. government's \$1 trillion infrastructure law.

Meta Platforms – Shares of Meta Platforms fell sharply after a disappointing outlook for second-quarter earnings vastly offset strong first-quarter earnings, with selling spilling over into other major technology stocks. Meta's shares slid 15.3% to \$417.83– a near three-month low– after it forecast second-quarter revenue in the range of \$36.5 billion to \$39 billion, or \$37.75 billion at the midpoint– lower than estimates of \$38.3 billion. Losses in Meta's stock spilled over into other major internet firms, given that they set a dour tone for upcoming earnings in the sector.





COMMODITIES & FX



Gold - After making a new late last week over \$2400, Gold then since pulled back and traded under \$2300 earlier this week. Gold is settling around the \$2330 level and looks like it will consolidate after such high volatility

Silver - Silver similar to Gold, pulled back after testing highs. It is consolidating around the \$27.30 level. Silver is underperforming Gold during this run up, so chance of playing catch up if the metals surge does resume

Copper - Copper best performer of the metals again this week as it hits new highs again around the \$4.55 a pound level. BHP's takeover of Anglo Gold shows how hot this commodity is. News of Korean smelters not being able to source the metal also helped price rise.

Lithium - Lithium quiet as it drifts sideways. Lithium stocks mostly sideways

Crude Oil - Crude tested recent lows earlier this week under \$82 a barrel but has since recovered and trading near \$84. Demand remains strong as shown by strong economic numbers

Iron ore - Continues to hold ground

Uranium - Uranium spot prices have been quiet. Uranium stocks have pulled back as the hot money continues to look elsewhere

Bitcoin - BTC consolidates around the \$65k level as the halving passes without much hype in the price



ECONOMY & POLITICS

Stagflation

at first glance, Thursday's gross domestic product report showing the US economy grew at an annualized rate of 1.6% in the first quarter of this year versus the 3.4% rate in the fourth quarter of last year seems to be just the medicine the Federal Reserve doctors ordered. But there's just one problem: inflation.

Slowing economic growth combined with rising inflation is known as stagflation. It's among the ugliest terms to central bankers.

One of the worst bouts of stagflation happened in the 1970s after a spike in oil prices from the Arab oil embargo on the US and other countries that supported Israel in the 1973 Yom Kippur War raised the cost of living dramatically. But when the Fed tried to ease inflation by raising interest rates, the economy fell into a recession.

JPMorgan Chase CEO Jamie Dimon has concerns that history could repeat itself.

Cost of doing business with Iran?

The United States has warned Pakistan of the risk of sanctions after it promised greater security and economic cooperation with Iran during a visit by President Ebrahim Raisi. The first Iranian president to visit the South Asian country in eight years, Raisi concluded his three-day trip on Wednesday as the neighbouring countries said they would increase bilateral trade to \$10bn a year over the next five years, from the current \$2bn. Pakistan's foreign office said the two sides additionally agreed to cooperate in the energy sector including trade in electricity, power transmission lines and the Iran-Pakistan gas pipeline project.

The gas pipeline project has languished for more than a decade because of political turmoil and international sanctions.

The US Department of State on Tuesday cautioned the Pakistani government of engaging in business deals with Iran.

WHAT WE ARE READING



[Fears about stagflation are mounting in the US](#)



[Explainer-What would Japanese intervention to boost a weak yen look like?](#)



[RBA to lift cash rate to 5.1pc, says top forecaster](#)



TRADE OF THE WEEK

Newmont Corp (NEM)

Balanced Portfolio

Add 3% to position

Entry Price: \$60.50

Target Price: \$75

MPC already had a position in NEM, on the back of the geopolitical risk we decided to add to the position. We added 3% which raised the total allocation to 6%. NEM has since rallied on the back of good earnings. NEM overall is still relatively undervalued vs the Gold spot price, so still opportunity for NEM to continue higher



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