



BULLS vs BEARS

MPC Markets – Weekly edition

FOUNDED BY INVESTORS, FOR INVESTORS



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MPC IN THE MEDIA

Mark Joined Nadine Blayney and Zac Riaz for the Call this week on Ausbiz

From the list, Mark's favourites were Resmed, Computershare and Karoon with Zac agreeing to give all three a "Double Buy"

Tech darling ProMedicus was also discussed, with risk management front of mind for a stock that has rallied more than 50% this year, with some tips for rebalancing in the episode



Watch the episode

10.1% FIXED COUPON IN BLUE CHIP REAL ESTATE

Real Estate Fixed Coupon note – MPC Markets Structured Investment

In uncertain times, investors are looking for a safe investment, with a high yield and at MPC we have packaged up 4 of Australia's best REITs with a fixed coupon of 10.1%

Many of the REITs are already pricing in write downs in valuations of 20%+ due to speculation the RBA will lift interest one more time

With a 20% downside barrier, quarterly payments and a 3 year time frame, here at MPC we think that while there will be volatility as interest rates change cycles, these high quality operators, with little development risk and low debt will navigate the next 3 years well and provide you with a high coupon of 10.1%

REAL ESTATE - FIXED COUPON NOTE

Real Estate - Fixed Coupon Notes

Term

3 Years

Coupon Rate

10.1%* p.a.

Downside Barrier

20%

Coupon Frequency

Quarterly Payments

*Net of 10% orig. deal exp.

Investors use fixed coupon notes to generate defined income returns with significant downside protection to navigate market volatility.

Strategy profile

- The product provides above market income and a higher degree of stability than otherwise achieved by holding the underlying share investments.
- The strategy suits investors that are seeking a stable income and are happy to buy ASX REITs at a discount to current prices.
- Investor's sacrifice potential growth in order to secure an enhanced yield and a level of downside protection.

Strategy features

- Investors receive an income coupon for the investment period.
- At the end of 36 months, if the underlying investment has fallen by less than 20%, the investor retains 100% of their capital and also receives the coupon
- In the event the underlying has fallen by more than 20%, the investor has the option to 'go-long' and buy the underlying REITs. The investor buys at the reduced price with a high level of capital preservation.
- The investor can then seek capital growth from any subsequent share price recovery.

Early exit can be made from 18 months from the start date of investment

The uncertain interest rate environment has meant Real estate investment Trusts (REIT) have experienced volatility in the last 2 years, however the backing of hard assets provides long term stability



STOCKS

HIGHLIGHTS OF THE WEEK

Fortescue Metals – Cutting 700 jobs and slowing its green hydrogen ambitions, affecting the Albanese government's hydrogen superpower plans. Chairman Andrew Forrest cited the need to focus on renewable electricity instead of producing 15 million tonnes of green hydrogen by 2030 due to high energy costs and limited customer demand. Despite this, Fortescue will continue with several clean energy projects, including green hydrogen in Arizona and green iron in the Pilbara. Internal restructuring efforts are ongoing to reduce duplication between energy and mining divisions, but job losses in the Australian resources sector persist.

Electro Optic Systems Holdings Limited – Reported a 92% increase in unaudited revenue for the first half of 2024, totaling approximately \$142.6 million, compared to \$74.3 million in 1H 2023. This growth was driven by increased production and delivery of Remote Weapons Systems, as well as expansion in EM Solutions and Space Technologies. EOS's unaudited cash balance as of June 30, 2024, was \$52.2 million, down from \$72.4 million in March 2024, due to a \$20.5 million debt repayment in April. The company also reduced cash security deposits for bank guarantees by \$8.3 million, enhancing cash flow.

DroneShield – Experienced a dramatic two-day share price plunge, falling 20% to \$1.61 on Wednesday following a 22% drop on Tuesday. The stock had surged from \$0.31 in mid-December 2023 to a high of \$2.72, only to lose over \$800 million in value this week. The plunge was triggered by a media report questioning the company's valuation, exacerbated by short-selling activities. DroneShield, which provides drone countermeasures and electronic warfare solutions, had enjoyed a meteoric rise, driven by contracts with governments and law enforcement. Despite posting its first profit in 2023, concerns over its valuation, trading at 426 times EBITDA, spooked investors. The ASX issued a please explain notice, and the company cited the critical media coverage as the likely cause of the rapid decline.

Aussie Broadband – Launched a new value market challenger brand, Buddy Telco, aiming to attract four million households with a \$10 million marketing campaign. Buddy, featuring a canine mascot, targets 100,000 customers within three years to offset the loss of 145,402 Origin broadband services. Despite optimism and a FY25 EBITDA guidance of \$125-135 million, ABB shares fell 16.5% to \$2.98, down 31% since Superloop's competitive move in March. Buddy offers a digital-first, self-service experience and will leverage ABB's fibre infrastructure, expected to contribute positively to earnings by FY27.



US STOCK NEWS

Solid start to earnings

JPMorgan Chase -1% – has reported a robust financial performance for the second quarter of 2024, with a net income of \$18.1 billion and earnings per share (EPS) of \$6.12 on revenue of \$51 billion. These figures include a substantial net gain from the sale of Visa shares and a philanthropic contribution. The company’s Corporate and Investment Bank (CIB) and Consumer and Community Banking (CCB) segments showed strong performance, alongside a solid contribution from Asset and Wealth Management (AWM). JPMorgan also announced an increase in its quarterly dividend to \$1.25 per share.

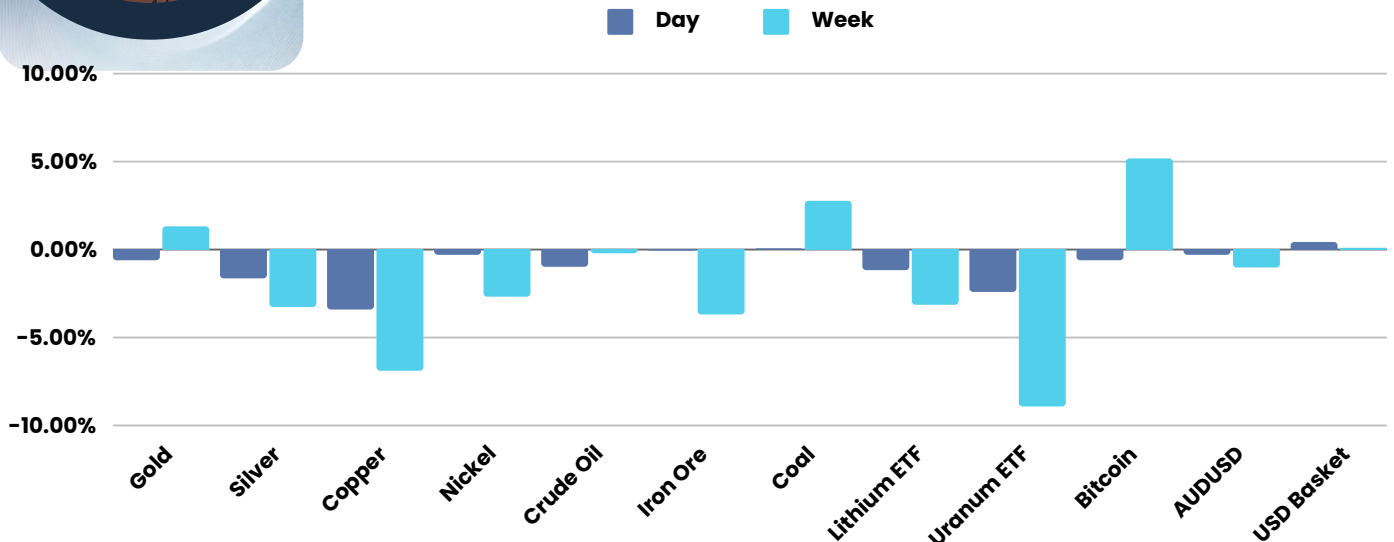
UnitedHealth +6.5% – reported on Tuesday earnings and revenue for the fiscal Q2 2024 that beat consensus estimates. Q2 earnings per share (EPS) stood at \$6.80, above the analyst expectations of \$6.67. Revenue for the quarter was \$98.9 billion, slightly above the consensus estimate of \$98.72 billion.

Citigroup -1.8% – reported a strong second quarter for 2024, with a net income of \$3.2 billion and earnings per share (EPS) of \$1.52. The bank saw revenues increase by 4%, with notable growth in its Services, Markets, Wealth, and US Personal Banking divisions. Despite the positive financial performance, Citigroup CEO Jane Fraser discussed the ongoing regulatory concerns, including recent actions by the Federal Reserve and the OCC related to consent orders from 2020.





COMMODITIES & FX



Gold: Gold hit a new record high early in the week at \$2480 but has since pulled back to \$2420. Its still above the \$2400 level so looks strong

Silver: Silver was stronger earlier in the week trading above \$31 but has since fallen away and is under \$30. It looks to be following Copper to the downside and being more industrial

Copper: Copper has broken recent lows at \$4.32 and is heading lower, currently around \$4.25. Doctor Copper is considered a barometer for the health of an economy and its slide is a sign that the market is pricing in a slowdown

Lithium: Lithium remains in a tight range. Producers have mostly been weaker this week

Crude Oil: Crude remains in a tight range around the \$82 level. Chances are the next move is lower if it takes the lead of Natural Gas which keeps falling

Iron Ore: Iron ore drifted lower this week and is now testing recent lows. Miners share prices have been sold off

Uranium: Uranium spot and miners have all taken a hit this week. Both have fallen and made new lows. Slowdown in the economy seems to be the driving thematic

Bitcoin: Bitcoin and Crypto surged this week on the back of Trump being favoured by the markets as the likely election winner. Trump also selected crypto friendly JD Vance as his VP which has also helped the rally



ECONOMY & POLITICS

Strong Jobs put pressure on RBA

Australian Jobs data puts pressure on RBA to hike

In June, Australian employment rose by 50,200, far exceeding expectations, yet the jobless rate increased to 4.1% as more people sought work. This has led to a slight increase in expectations for an August rate hike by the Reserve Bank of Australia (RBA), with swaps indicating a 20% probability, up from 12%. The three-year bond yield rose to 4.019%, and the Australian dollar reached \$0.6735 before stabilizing.

The participation rate neared an all-time high at 66.9%, and hours worked increased by 0.8%. Despite strong employment growth, the labor market is showing signs of slackening. The RBA has held rates steady for five meetings due to high inflation at 4%. The upcoming consumer price report will be crucial for future rate decisions, with global trends showing central banks signaling rate cuts

What happens if Biden decides to step down from the race?

A growing number of congressional Democrats are urging Joe Biden to end his reelection bid following a poor debate performance and his failure to convince his party he can defeat Donald Trump. Despite being the presumptive nominee with overwhelming primary support, replacing him would be difficult. The current primary system, empowering voters over party leaders, makes it unlikely for Biden to be forced out. If Biden dropped out, delegates would need to select a new nominee, with potential candidates like Kamala Harris or Gavin Newsom emerging. The Democratic National Committee can fill vacancies on the ticket post-convention, but party rules determine nominee replacement, not necessarily elevating the running mate.

WHAT WE ARE READING



Biden dropping re-election bid a question of when, not if- TD Cowen



Green hydrogen too 'expensive and inefficient': Finkel







Silver (XAG) Forecast: Bullish Sentiment Rising Amid Fed Rate Cut Expectations



TRADE OF THE WEEK

Real Estate Fixed Coupon

Real Estate - Fixed Coupon Notes

 Term 3 Years	 Coupon Rate 10.1%* p.a.	 Downside Barrier 20%	 Coupon Frequency Quarterly Payments
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*as at 11th July, can vary

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