



# BULLS vs BEARS

MPC Markets – Weekly edition

*FOUNDED BY INVESTORS, FOR INVESTORS*



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## MPC IN THE MEDIA

Jonathan joined Nadine Blayney and Adam Dawes for the Call this week on Ausbiz.

Jonathan and Adam wore matching ties and agreed on lots of stocks. Double Buys on viewer favourites such as TLX, AD8, DUR, NST and WOR is going to keep the investment committee busy.

**Watch the episode**



## TECH STOCKS STUMBLE: A WEEK OF GLOBAL MARKET JITTERS

This week, Wall Street experienced a sustained decline in tech stocks, marking a tumultuous period for the sector globally. The Nasdaq Composite fell 0.9% on Thursday, capping off its worst week in 18 months with a total drop of 3.6%. Despite stronger-than-expected US growth figures, sell-offs in European and Asian tech stocks exacerbated the decline. US chipmakers like Nvidia and AMD led the downturn due to disappointing earnings and geopolitical tensions. The Stoxx Europe 600 Technology index dropped 2.7%, while SK Hynix and ASML saw significant losses. Investors shifted from Big Tech to small-cap stocks, buoyed by hopes of Federal Reserve rate cuts, with the Russell 2000 index rising 1.3%. The two-year US Treasury yield fell to its lowest level since February, highlighting a flight to safety amidst the tech stock turmoil.





# STOCKS

## HIGHLIGHTS OF THE WEEK

**Mineral Resources (MIN)** - Investors are driving up Mineral Resources' share price following a 9% increase in FY 2024 mining services production to 269 million tonnes (Mt), within the 260-280 Mt guidance. Despite a 12% quarterly decline to 61 Mt due to lower mine development at Wodgina and Mt Marion, attributable iron ore shipments rose 6% to 4.8 million wet metric tonnes (wmt), totaling 18.1M wmt for FY 2024. Average realised price was US\$94/dry metric tonne (dmt). Key activities included two Lockyer Gas Project applications, a \$1.3 billion sale of a 49% interest in the Onslow Iron haul road, and a 40% rise in spodumene concentrate production to 328,000 dmt.

**Flight Centre (FLT)** - Flight Centre's share price has dropped following a revised profit before tax (PBT) guidance of \$316 million to \$324 million. This excludes approximately \$4 million in trading losses from the closure of the Discova Central Americas (DCA) destination management company. Previously, the DCA business was under review, so these losses were included in the earlier FY 2024 guidance. Adjusted for these losses, the earlier guidance would have been \$304 million to \$344 million in underlying PBT. Flight Centre anticipates FY 2024 total transaction value (TTV) of \$23.7 billion, matching its record FY 2019 result, with an improved underlying profit margin of 1.3% to 1.4%.

**Macquarie Group (MQG)** - Macquarie's FY25 first-quarter group contribution was "broadly in line" with the previous year's corresponding period. The asset management and banking and financial services (BFS) divisions, considered "annuity-style" businesses, maintained net profit levels consistent with the prior year. In the BFS sector, there was notable volume growth, reduced operating expenses, and lower credit impairment charges. However, this was offset by compression in the net interest margin. The asset management division's earnings were impacted by the timing of performance fees. Conversely, the market-facing businesses within the commodities and global markets (CGM) division and Macquarie Capital reported a lower net profit contribution compared to the first quarter of FY24. This decrease was primarily attributed to the timing of asset realisations in Macquarie Capital.

**Nine Entertainment (NEC)** - Nine shares dipped as publishing staff voted to strike on the eve of the Paris Olympics. From 11 am Friday, the majority of employees at The Australian Financial Review, The Sydney Morning Herald, and The Age will strike after rejecting the latest pay offer. Despite last-minute crisis talks and an improved offer, union members, who form the bulk of the workforce, voted overwhelmingly for a five-day strike starting Friday. This marks the first strike since 2017. Staff across Melbourne, Sydney, Canberra, Brisbane, Perth, and Paris will walk off, potentially impacting coverage of the Olympics and the opening ceremony.



# US STOCK NEWS

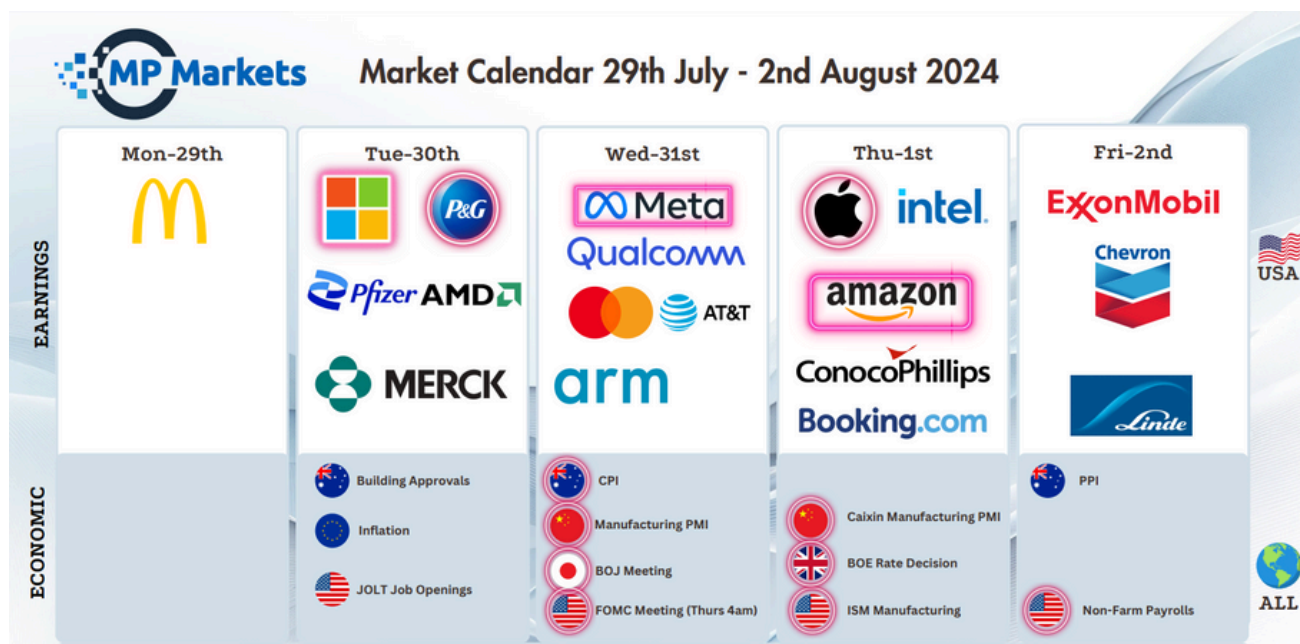
## Solid start to earnings

**Tesla** – after it reported mixed results for the second quarter, with EPS missing consensus despite a revenue beat. After a sequential decline in production in Q2, the company expects a sequential increase in production in Q3. Tesla stock tumbled 12% after its second-quarter earnings missed estimates amid falling vehicle sales. Tesla's profit margins fell to a five-year low as the electric vehicle maker aggressively cut prices to grapple with increased competition in key markets such as China. Some on Wall Street continued to be optimistic on the stock despite the margin pressures amid optimism on future growth opportunities including robotaxis. "While the margin weakness is weighing on the stock ... the next phase of the Tesla growth story is around autonomous, Robotaxis, and AI playing out for Musk & Co. in our view and that vision is on the doorstep," Wedbush said in a note.

**Down 12% for the week**

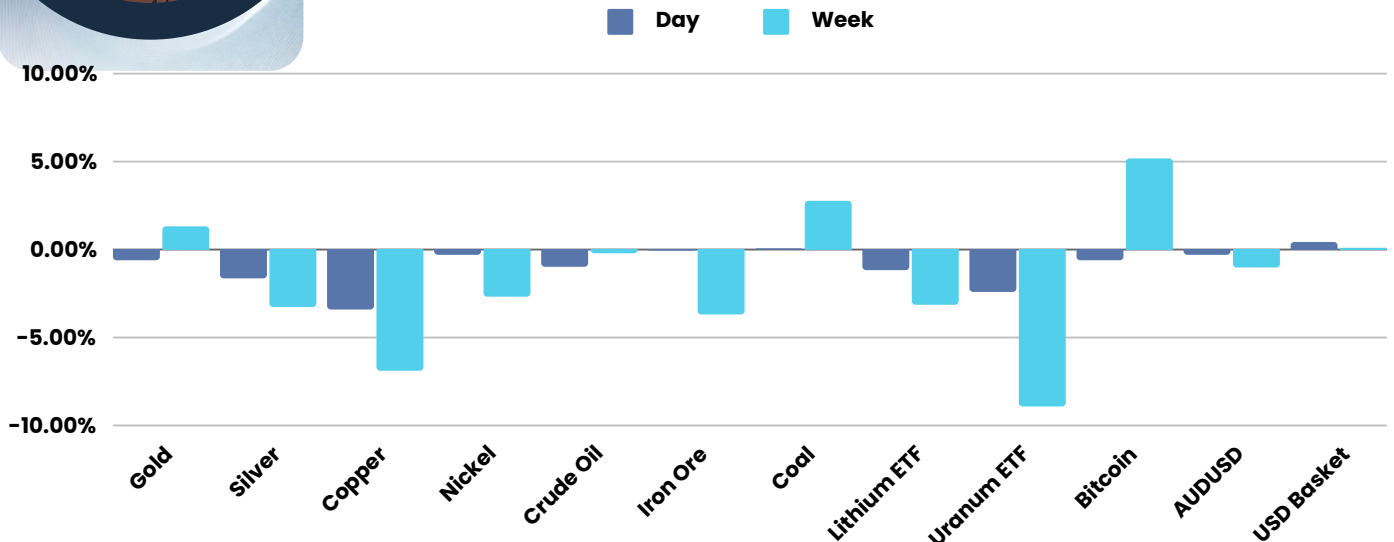
**Google/Alphabet's** – after reporting its second quarter results, which surpassed estimates on both revenue and earnings. The Google-parent company's ad revenue also exceeded expectations. Despite the positive earnings report, Alphabet experienced a nearly 5% drop, attributed to a mix of factors. While the company's Search and Cloud businesses performed well, these gains were counterbalanced by underperformance in YouTube, primarily due to challenging comparisons, and continued weakness in Google Network.

**Down 12% for the week**





# COMMODITIES & FX



**Gold:** Gold was looking to have an uneventful week hovering around \$2400 but sharply fell away and is down at \$2360. Not too much damage to the chart but it is a warning that even stores of value get sold when liquidity is needed

**Silver:** Silver got belted overnight as it broke support at \$29 and is now down under \$28. This means lower lows have formed and opens the door for a continued move lower

**Copper:** Copper has continued to trade lower this week and got as low as \$4.05. Strangely though, while Gold and Silver broke down overnight, Copper actually bounced quickly after the move and might have formed a low. Need more positive price action to confirm this though

**Lithium:** Lithium continues to trade near recent lows. Producers stock prices also remain near lows

**Crude Oil:** Crude oil trading around \$79 a barrel which is where it started the week. Large intraday ranges during the week though and traded as low as sub \$77. Looks like the geopolitical risk bid remains

**Iron Ore:** Iron ore fell under \$100 this week and miners followed it lower. Even small signs of China easing have not helped

**Uranium:** Uranium continues its slide lower this week. Selling has been strong and relentless in the miners and ETFs. Spot has not fallen as hard and is trading around \$82

**Bitcoin:** Bitcoin showed strength this week as it traded as high as \$68k over the weekend and remains around the \$65k. ETH has taken a hit though and is trading around \$3200



# ECONOMY & POLITICS

## Bank of Canada Slashes Rates Again

The Bank of Canada has cut its key policy rate by 25 basis points to 4.5%, marking the second consecutive monthly reduction. This move aims to balance the risks of high inflation against a weakening economy. Governor Tiff Macklem emphasized the need for growth to prevent inflation from falling too much, targeting a sustainable 2% inflation rate by the second half of 2025. The bank lowered its 2024 growth forecast to 1.2%, down from 1.5%, as households allocate more funds to debt payments. Despite these cuts, inflation faces opposing forces: a weak economy and high shelter and services prices. The Canadian dollar weakened, and further cuts are expected if inflation continues to cool. The bank projects growth to improve in the second half of the year, driven by stronger exports and increased household spending.

## Biden Withdraws from Presidential Race

President Joe Biden has withdrawn from the presidential re-election race and endorsed Vice-President Kamala Harris to lead the Democrats. This unexpected move comes just months before the November election against Donald Trump, whom Biden has labelled an existential threat to US democracy. Biden cited the best interests of his party and country in his decision, aiming to focus on his presidential duties. Harris, expressing gratitude for Biden's endorsement, aims to unite the Democratic Party and defeat Trump. The Bank of Canada has cut its key policy rate by 25 basis points to 4.5%, marking the second consecutive monthly reduction. This move aims to balance the risks of high inflation against a weakening economy. The Democratic nomination remains uncertain, with potential challengers and the party's path forward still in flux.

## WHAT WE ARE READING



[Sooner Fed rate cuts may not save economy from recession](#)



[CrowdStrike says over 97% of Windows sensors back online](#)



[Yen heads for strongest week in 3 months as carry trades unwind](#)



# TRADE OF THE WEEK

## Northern Star (NST)

### Balanced Portfolio Recommendation

Trade Date: 25/07/2024

Entry price: \$14.2

Target Price: \$16

Stop Loss: 13.5 (15% Trailing Stop)

Northern Star Resources, one of the largest gold producers, operates major mines in Australia and Alaska. Despite its solid operations and strong cash generation, NSR is currently undervalued compared to its peers according to a relative value model. This undervaluation, coupled with its ongoing growth plans, makes it an attractive investment.

By reallocating 5% of our gold sector investment to Northern Star, we can take advantage of its potential for price gains and growth strategy. This move aims to optimize our investment in the gold sector by shifting funds into a company that offers better value at present, as indicated by the relative value model.

