



# BULLS vs BEARS

MPC Markets – Weekly edition

*FOUNDED BY INVESTORS, FOR INVESTORS*



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## MPC IN THE MEDIA

Kai Chen joined Kochie for the Call this week and provided an in-depth analysis on several stocks during 'The Call.' He covered Amcor Limited (AMC), LTR Pharma (LTP), Megaport (MPI), TechnologyOne (TNE), Dicker Data (DDR), Dexus Convenience Retail REIT (DXC), Downer Group (DOW), Viva Energy (VEA), Capricorn Metals (CMM), and Brickworks (BKW). Additionally, he discussed the Big Four banks as the stock of the day.



[\*\*Watch the episode\*\*](#)

## WHAT IS THE YEN CARRY TRADE & HOW DOES IT AFFECT YOU?

The Yen carry trade involves borrowing in Japan at low interest rates and investing in higher-yielding assets elsewhere, such as Australia. This strategy takes advantage of the difference between Japan's near-zero interest rates and higher rates abroad, generating profits from the spread. However, when interest rates change or perceptions shift, it triggers an unwind, leading to a selloff in the markets. This recent stock market downturn is largely attributed to the unwinding of the Yen carry trade, impacting sectors heavily invested by these funds, like Australian Financials and REITs. The Aussie/Yen currency pair also reflected this shift, erasing yearly gains.



[\*\*Read the Full article here\*\*](#)



# STOCKS

## HIGHLIGHTS OF THE WEEK

### **AMP (AMP)**

AMP Limited's 1H 2024 results showcase solid financial performance and strategic progress, highlighted by a 5.4% increase in underlying NPAT to \$118 million and a 15.8% rise in EPS. The company effectively reduced controllable costs by 6.4% and returned \$963 million to shareholders, strengthening its balance sheet by reducing senior debt by \$191 million. AMP also announced a strategic partnership for its Advice business, selling its financial advice licensees while retaining a 30% equity stake in a new joint venture. The firm continues to focus on disciplined cost management, growth in its Platforms and Superannuation units, and the upcoming launch of a small business digital bank in 2025.

### **Audinate (AD8)**

Audinate reported strong preliminary unaudited results for FY24, with revenue increasing by 28.4% to approximately US\$60 million (A\$91.5 million). EBITDA saw a significant rise to around A\$20 million, up from A\$11 million in FY23. Gross profit grew by 33.2% to approximately US\$44.5 million, with gross margins improving to 74.3%. However, the outlook for FY25 suggests a transitional year, as the company anticipates a continued shift towards lower-revenue software solutions and the impact of unwinding conservative over-ordering by manufacturing customers. As a result, Audinate expects a potential decline in revenue and a slight decrease in gross profit in FY25, before resuming growth in FY26.

### **Woodside Energy Group (WDS)**

Woodside saw its share price drop by 5% to a 52-week low of \$25.19, following the announcement of a major acquisition. The company has agreed to acquire OCI Clean Ammonia and its lower carbon ammonia project in Beaumont, Texas, for approximately US\$2.35 billion (A\$3.6 billion). This project, currently under construction, aims to produce lower carbon ammonia, a key component in the energy transition strategy, by 2025, with full carbon sequestration capabilities by 2026. Woodside's CEO, Meg O'Neill, emphasized that this acquisition supports the company's goals for new energy projects and Scope 3 emissions abatement. However, the market's reaction has been mixed, with Goldman Sachs cautiously optimistic but Citi questioning the timing and potential returns of the deal.

### **QBE (QBE)**

has doubled its after-tax profits in the half year to June 30 to \$US802 million (\$528 million) and declared a 24c interim dividend, up from 14c in the 2023 period, as lower catastrophe costs boosted the bottom line. "Premium growth continued through rate increases and targeted new business growth," the company said in an ASX disclosure, though the benefits were partly offset by sales of its offshore businesses. Chief executive Andrew Horton said the closure of the middle-market North American business had allowed for "portfolio optimisation".



# ASX EARNINGS

“Outlook” will be the key word this earnings

## THE WEEK AHEAD

	Mon-12th	Tue-13th	Wed-14th	Thu-15th	Fri-16th
<b>EARNINGS</b>	    	   	         	     	     
<b>ECONOMIC</b>	Mountain Day Holiday	Consumer Confidence PPI	CPI	Employment Retail Sales	Building permits

## PREVIEW

**CSL** CSL is viewed as a strong buy with robust growth prospects driven by innovation and efficiency improvements. While currency fluctuations and short-term risks exist, the long-term outlook is positive, with significant potential upside if strategic projects like Horizon 2 succeed. The stock has been range bound for 4 years now and while analysts see a good entry point at current levels, CSL would have to shoot the lights out to break through to fresh record highs

**Goodman** The outlook for Goodman Group (GMG) is cautiously optimistic, though opinions are divided. While EPS growth of 12.2% is anticipated for FY25, with strong demand expected from the cloud data center sector, some analysts express concerns about the broader market environment and GMG's current valuation.

Although near-term support might come from US rate cuts, challenges loom from potential market slowdowns and stretched valuations. As a result, while there is confidence in GMG's ability to deliver solid growth, particularly in its core sectors, there is also a sense that expectations may be overly optimistic, warranting a more measured approach to the stock's valuation. Overall, the consensus suggests that GMG remains a strong performer, but with a tempered outlook given the current market dynamics.

**Cochlear** The outlook on Cochlear Limited (COH) shares from various analysts reflects a generally cautious and bearish sentiment. The company has a tendency to beat expectations.

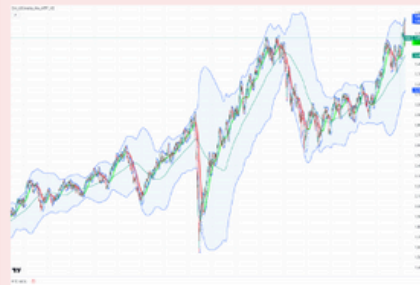
In summary, all the analysts have a bearish outlook on COH, with concerns about future market growth, potential competition from medical advancements, and the sustainability of recent strong performance. Target prices range between \$256 and \$300, with most analysts expecting a downside from the current share price.

### CONSUMER DISCRETIONARY

Could this be the last chance to bank profits?

**JB Hi-Fi** JBH is one of the best retailers in the world, however the recent rally in shares has pushed the PE multiple too high, particularly due to investor optimism surrounding AI-related products. Analysts see the stock as overvalued and project flat earnings growth for FY25.

As indicated in the consumer discretionary index below, we are at record highs with solid retail sales numbers in the rearview mirror and a likely turn in the economic cycle looming, this could be a good opportunity to sell on strength or weakness





# US STOCK NEWS

## Investors abandon ship

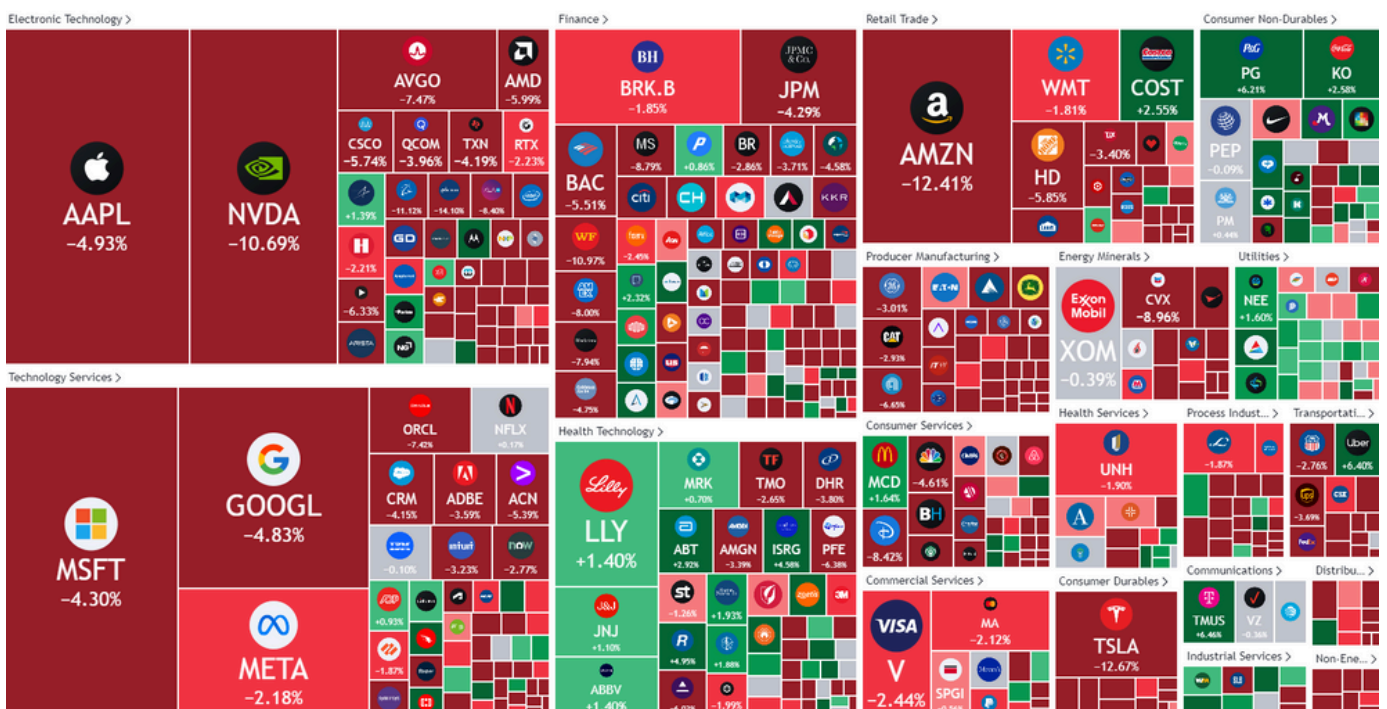
**Walt Disney -4%** the entertainment giant reported a drop in profits at its Experiences segment, which makes up just over half of profit, even as its Entertainment unit, with the combined streaming businesses of Disney+, Hulu and ESPN+, posted a profit for the first time.

**Shopify +18%** after the e-commerce platform beat expectations for quarterly revenue, as its artificial intelligence-powered tools helped pull in more merchants to its e-commerce services.

**Airbnb -13%** after the house rental company forecast third-quarter revenue below estimates and warned of shorter booking windows, suggesting travelers were waiting until the last minute to book due to economic uncertainty.

**Uber +11%** the ride-hailing firm beat estimates for second-quarter revenue and core profit, helped by steady demand for its ride-sharing and food-delivery services.

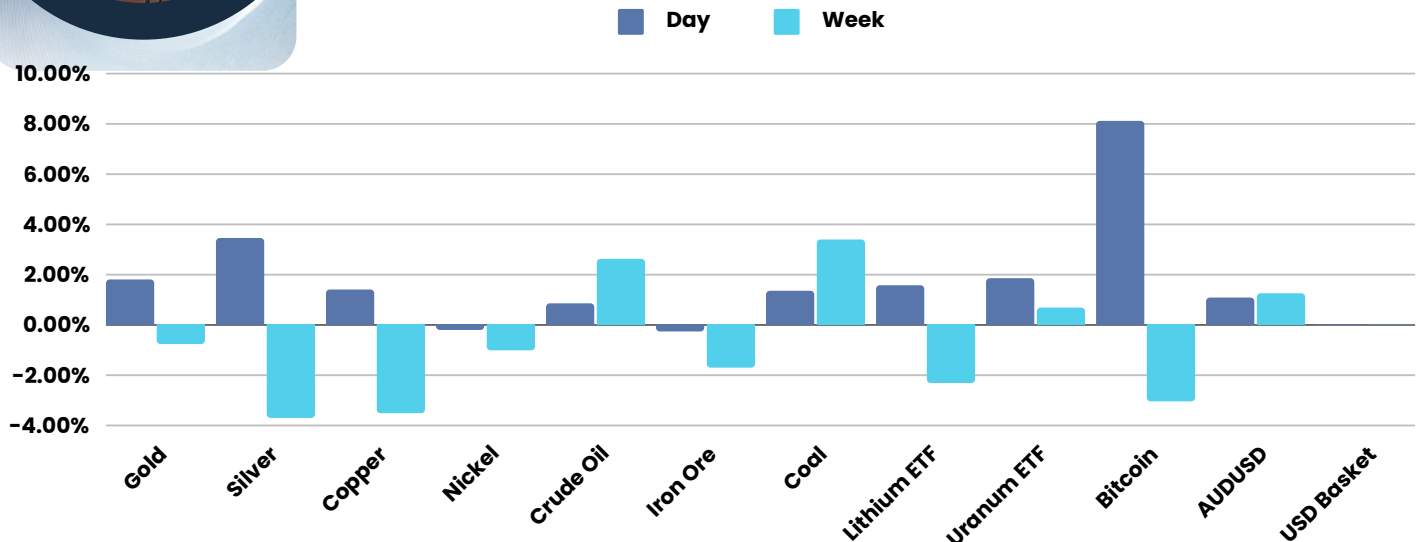
**Caterpillar +3%** the industrial giant reported a rise in quarterly adjusted profit, lifted by resilient demand for its larger excavators against the backdrop of increased infrastructure spending in the U.S.



Weekly S&P500 Heatmap



# COMMODITIES & FX



**Gold:** Gold prices rose slightly in Asian trade on Wednesday after falling sharply in the prior session as the dollar steadied from recent losses, with focus remaining on a potential U.S. recession and lower interest rates.

**Silver:** Silver had sold off fairly aggressively at the start of the week as it was risk off in the markets, but recovered into the end of the week and bounced nicely off the moving average.

**Copper:** Copper prices pulled back after data showed China's copper imports weakened in June, reflecting weak demand in the world's biggest copper importer.

**Lithium:** Lithium continues to be unloved and keeps falling to new lows. Producers did manage a small recent bounce.

**Crude Oil:** Oil prices edged down in early Asian trading on Friday but were on track to gain more than 3% for the week as U.S. jobs data calmed demand concerns and fears of a widening Middle East conflict persisted.

**Iron Ore:** Iron ore remains week trading just about the \$100 level. Miners have been dragged lower with the equity sell off.

**Uranium:** Uranium spot price remains stable around \$81, but we see continued weakness in Uranium stocks with risk off.

**Bitcoin:** Cryptocurrencies, however, saw a steep decline beginning Aug. 1 when recession fears sent global markets into a freefall. Bitcoin fell to as low as \$49,551 on Monday. But the price of Bitcoin nearly hit \$60,000 on Thursday.



# ECONOMY & POLITICS

## AU CPI eases RBA rate hike fears

We are unlikely to see interest rate relief before 2025, as the Reserve Bank of Australia (RBA) maintained its cash rate at 4.35% for the sixth consecutive meeting, citing persistent inflation concerns. The RBA emphasized that inflation in underlying terms remains too high, with price increases showing little decline over the past year. Despite speculation, the RBA is not considering a near-term rate cut, as it believes keeping rates steady is necessary to manage demand and curb inflation. The central bank projects inflation, currently at 3.8%, will return to its 2%-3% target range by late 2025. The economic outlook is uncertain, with global financial market volatility and high unit labor costs posing risks. The Australian dollar slightly rose following the RBA's decision. The RBA's forecasts suggest that interest rates may need to remain higher for longer than previously anticipated.

## Election odds are moving in DEM direction

Kamala Harris, the U.S. Vice President and Democratic Presidential nominee, has chosen Minnesota Governor Tim Walz as her running mate.

Walz, a populist and progressive, has revitalized the Democratic base and improved polling in key battleground states.

Strategists at Raymond James have adjusted the odds, now giving Harris a 45% chance of winning, up from 40%, while Trump's odds decrease to 55%.

The choice of Walz is also expected to boost Democratic chances in the House and possibly the Senate. The probability of a Republican sweep has decreased, while the odds of a Democratic President with a split Congress have risen.

Harris's candidacy is likely to increase voter turnout in critical districts.

Betting odds are tight with Trump at \$2.08 and Harris at \$2.04

## WHAT WE ARE READING



[Wall Street's 'fear gauge' – the VIX – hits highest level since the pandemic plunge in 2020](#)



[UK rioters thwarted by 'show of unity' by communities, says police chief](#)



[Buffett's \\$277 Billion Cash Hoard After Selling Apple Is a Warning](#)



# TRADE OF THE WEEK

## Whitehaven Coal

### Balanced Portfolio

Trade Date: 30/07/2024

Entry price: \$7.70

Target Price: \$10.50

Stop Loss: \$6.00 (15% Trailing Stop)

Over the past month, coal prices have risen by 10.5%, nearing 10-month highs, despite a broader sell-off in commodities and energy stocks due to concerns about a weakening Chinese economy and potential U.S. recession. The decline in coal-related stocks stems from two misconceptions: China being the primary coal trading partner and global coal consumption decreasing. In reality, Japan is Australia's largest coal export market, comprising 30% of exports, while global coal consumption is increasing, with Asia driving demand. The depreciating Australian dollar has also made coal cheaper for Japanese importers. Given these dynamics, a relative value switch is advised: selling a 4.5% holding in New Hope (NHC) to buy Whitehaven (WHC), with Whitehaven offering the best value. Entry targets are set at <7.70 for Whitehaven, with respective targets of 10.50 (+36%).

