



# BULLS vs BEARS

MPC Markets – Weekly edition

*FOUNDED BY INVESTORS, FOR INVESTORS*



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## MPC IN THE MEDIA

Jonathan Tacadena from MPC Markets highlighted inflation challenges impacting central banks and the Reserve Bank of Australia. He noted US market resilience driven by tech stocks, emphasized Pexa's (ASX: PXA) strong position in property settlements, and suggested Bitcoin's influence on Block (ASX: SQ2) presents low-risk, high-reward opportunities.

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



## INFLATION SURGE FORCES RBA TO CONSIDER RATE HIKE

A higher-than-expected inflation rate of 4% in May has increased pressure on the Reserve Bank of Australia (RBA) to hike interest rates again. The Australian Bureau of Statistics reported that annual inflation rose from 3.6% in April, driven by significant increases in automotive fuel and electricity prices. This surpasses economists' expectations and challenges the RBA's 2-3% target.

The RBA board will consider this data and the June quarter CPI report in their August 6 meeting. Deutsche Bank's Phil O'Donoghoe predicts a rate rise to 4.6%, noting Australia's high underlying inflation. Despite cautionary arguments to avoid recession risks, persistent inflation pressures may compel the RBA to act.

**[Read more here.](#)**





# STOCKS

## HIGHLIGHTS OF THE WEEK

**IAG and Suncorp (SUN)** The approval of Suncorp Bank's sale to ANZ Group is seen as positive for Suncorp's insurance division, allowing it to focus solely on general insurance. The insurance industry is currently benefiting from rational pricing and premium growth outpacing claims inflation. Additionally, Insurance Australia Group (IAG) has announced major new reinsurance partnerships, marking a landmark transaction for the company. This development is viewed as a significant and positive move for IAG.

**Collins Foods (CKF)** Collins Foods, which operates 279 KFC outlets in Australia, reported a 0.8% decline in same-store sales for May and June compared to last year. Interim CEO Kevin Perkins expects challenging conditions to persist into 2025 due to higher mortgage rates, rents, energy bills, and inflation. This consumer belt-tightening has also impacted sectors like clothing and motorcycle retailers. Companies such as Kathmandu's parent and Mosaic Brands have warned of slower sales, and MotorCycle Holdings noted worsening market conditions. Westpac senior economist Matthew Hassan highlighted increasing consumer unease about the economy. Perkins anticipates ongoing cost-of-living pressures will continue to impact sales growth and margins.

**Bannerman (BNM)** Bannerman Energy, valued at \$547.2 million on the ASX, has launched a \$76 million share placement, offering shares at \$3.30 each, a 7.8% discount to the last close. JP Morgan, Jett Capital, and Euroz Hartleys are managing the raise. Funds will support Bannerman's Etango project in Namibia, which aims for production by 2027 with an initial 15-year mine life and annual production of 3.5 million pounds of Triuranium octoxide. Bannerman, with a market cap increase of 125% over 12 months, is capitalizing on rising uranium demand amid a global shift towards nuclear energy and interest in decarbonizing power grids.

**ResMed (RMD)** ResMed shares plunged over 13% on Monday after Eli Lilly's weight-loss drug tirzepatide showed significant reductions in obstructive sleep apnoea (OSA) severity, renewing concerns about the impact on ResMed's market. The trial results indicated up to 51.5% disease resolution among participants, causing investor fears that effective obesity treatments could reduce the need for ResMed's CPAP devices. ResMed previously faced a similar sell-off following positive trials of Novo Nordisk's Ozempic. Despite the market reaction, some analysts believe the CPAP market remains robust, arguing that increased awareness of sleep apnoea may drive more diagnoses and treatment. Morningstar analysts also consider the concerns overblown, citing the slow adoption of GLP-1 drugs.



# STOCK NEWS

## EOFY Tax Selling Unveils Bargains

As the end of the financial year approaches, tax-loss selling is creating potential buying opportunities on the ASX for investors willing to scout for discounted small-cap stocks, particularly in the currently depressed materials and energy sectors. This phenomenon, driven mainly by retail investors, involves selling underperforming stocks to offset capital gains elsewhere. Brokers note that tax-loss selling typically peaks in early June but has been influencing market activity since April.

Tax-loss selling can be risky if market conditions worsen or if companies deliver disappointing earnings. However, it can also present opportunities, especially in sectors like materials and energy, which are currently experiencing significant declines. Investors may find bargains in stocks that have been heavily sold off despite having solid long-term prospects.

On the other hand, banking stocks have remained high, driven by strong fundamentals and robust performance. This dichotomy between the depressed materials and energy sectors and the resilient banking sector highlights the diverse impacts of tax-loss selling.

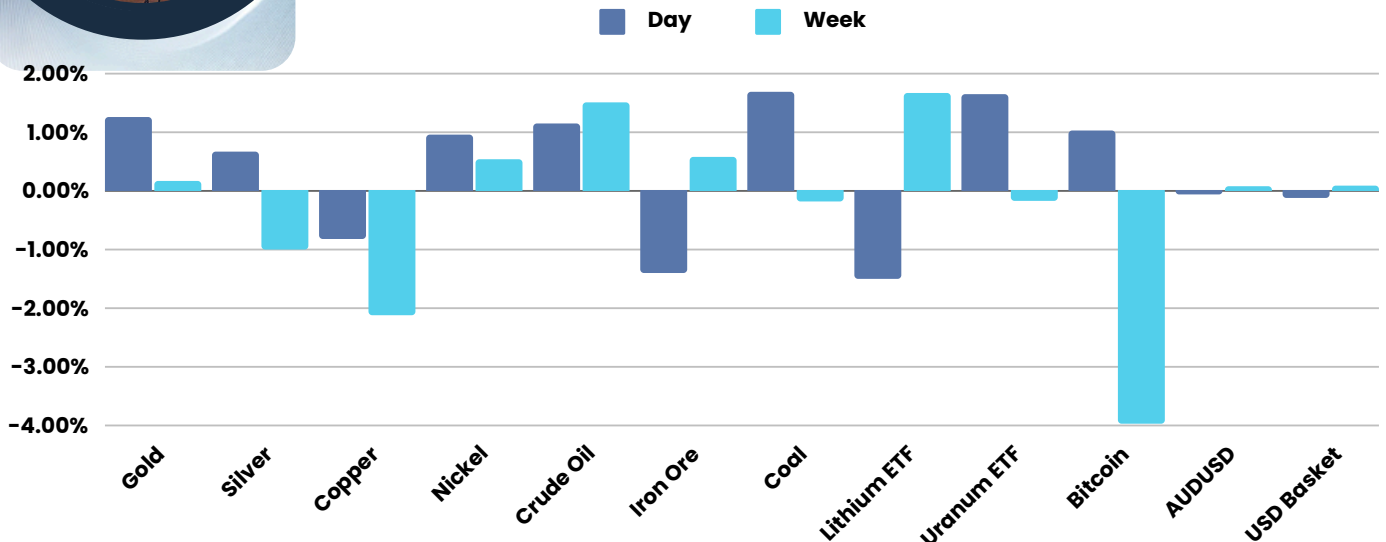
Fund managers like Matthew Kidman and Ben Rundle highlight that tax-loss selling is most pronounced in small-cap stocks and can be exacerbated by capital raisings earlier in the year. Investors often wait for earnings updates in July and August before re-entering the market, but being invested in July can be profitable as tax-loss selling ends and institutional investors adjust their positions.



For example, companies in the materials sector that have seen substantial declines may be ripe for a rebound once the selling pressure subsides. Similarly, energy stocks that have been sold off due to short-term market conditions could present attractive entry points for long-term investors.



# COMMODITIES & FX



**Gold:** Gold continues to be range bound. This week it tested the \$2300 level but support remains

**Silver:** Silver was weaker this week and made a lower low. It has since bounced and hovering around the \$29 level

**Copper:** Copper remains weak and made more lows. Copper will need a print above \$4.40 to halt the current decline.

**Lithium:** Lithium prices made new lows this week but have since bounced. Lithium stocks look to have found some support and some are even starting to show some positive technicals

**Crude Oil:** Crude Oil was consolidating the recent break out above \$81 this week and has today just started trading above \$82. Not the strongest rally but it continues to print higher

**Iron Ore:** Iron ore prices made more lows this week but managed a decent bounce mid week. Stock prices have found support so we need to see some higher prints to declare the recent declines over

**Uranium:** Uranium spot prices have found support despite printing new lows. Stocks have followed a similar trajectory, so its time to find the first runners from these lows

**Bitcoin:** Bitcoin was hit early this week and saw it trade under \$59k. Price has stabilised above \$61k now and will need some higher prices to settle the Hodlers. News of a Solana ETF has helped SOL bounce 10% from the lows to \$140



# ECONOMY & POLITICS

## No cuts from Fed, Macron fights the right

### AU May Monthly CPI

Australia's inflation rate rose to 4% in May 2024, the highest this year, per the Australian Bureau of Statistics. This increase, driven by a 9.3% rise in automotive fuel and a 6.5% hike in electricity prices, suggests the Reserve Bank of Australia (RBA) may not cut interest rates soon and could hike them further. The trimmed mean inflation measure, closely watched by the RBA, also rose to 4.4%.

The RBA has indicated it won't hesitate to raise rates again if inflation doesn't fall within the 2%-3% target by next year. Following the report, the Australian dollar strengthened, while the stock market dipped 0.75%. Treasurer Jim Chalmers noted the higher-than-expected inflation but highlighted its decrease since Labor took office. The next RBA rate decision is anticipated in August.

### Presidential Debate Showdown

During the presidential debate in Atlanta, Joe Biden and Donald Trump addressed key issues facing the nation. Biden, 81, faced questions about his fitness for office, while Trump, 78, was scrutinized for his legal troubles, including a recent felony conviction. Both candidates discussed the fate of US democracy, with Biden highlighting the threat posed by Trump's refusal to concede the 2020 election. Economic issues, including inflation, were hot topics, with Trump blaming Biden for rising costs and Biden pointing to a strong labor market. Immigration, war, and abortion were also debated, with Trump criticizing Biden's policies on these fronts. The debate reflected deep divisions on critical national issues and set the stage for the upcoming election.

## WHAT WE ARE READING



[Oil prices edge higher as supply risks mount](#)



[Inflation in Japan's capital accelerates, keeps BOJ rate hike prospects](#)



[The Take: Will France's election gamble pay off for Macron – or backfire?](#)



# TRADE OF THE WEEK

## Fortescue (FMG)

### Balanced Portfolio Recommendation

Trade Date: 26/06/2024

Entry price: \$21.60

Target Price: \$30

Stop Loss: 15% Trailing Stop

Fortescue Metals Group (FMG) is currently undervalued, with a yield of around 9%, significantly higher than typical returns in the current market. The recent sell-off in FMG's stock price has presented a favourable entry point, making it an attractive investment opportunity.

By entering FMG, we aim to capitalize on the potential price recovery and yield advantage offered by FMG. This move is expected to enhance our portfolio's overall yield while leveraging FMG's strong fundamentals and growth prospects.

Technically FMG has tested the lower Bollinger Bands and shown a positive reversal on the Parabolic SARs

