10th January, 2025

BULLS vs BEARS

MPC Markets - Weekly edition

FOUNDED BY INVESTORS, FOR INVESTORS

MPC IN THE MEDIA

Mark Gardner from MPC Markets joined Michael Wayne from Medallion Financial on The Call for a New Year's special, providing in-depth analysis of stocks including CTD, MIN, KGN, MSB, PME, TLX, REG, QBE, NWL, and PPT. The Stock of the Day was IEL, with discussions focused on opportunities and challenges heading into the new year.

RISING BOND YIELDS AND EMPLOYMENT DATA HALT MARKET RALLY

The U.S. Bureau of Labor Statistics will release the December employment report, with economists predicting 155,000 job additions, down from November's 227,000. The unemployment rate is expected to remain at 4.2%. Recent labor market data is mixed: the ADP report showed private-sector job gains of 122,000 in December, below expectations, while November saw job openings rise by 259,000 to 8.1 million but a hiring decline of 125,000, reflecting employer caution. However, initial unemployment claims dropped to an 11-month low, signaling fewer layoffs and continued job stability.

The Federal Reserve is monitoring these trends, with Boston Fed President Susan Collins indicating reduced concerns about labor-market fragility, supporting a gradual approach to interest rate adjustments. Today's report will be crucial in assessing the labor market's health as 2025 begins, shaping economic forecasts and monetary policy decisions in the months ahead.

STOCKS

HIGHLIGHTS OF THE WEEK

Insignia Financial (ASX: IFL) Insignia Financial, an ASX-listed wealth giant managing $301 billion, is considering a $2.9 billion bid from CC Capital, a New York-based private equity firm founded by ex-Blackstone dealmaker Chinh Chu. CC Capital's offer of $4.30 per share represents a 7.5% premium to Bain Capital's $4 bid and a 21.5% premium to Insignia's recent share price. The proposal is conditional on due diligence and a binding agreement. Insignia has faced market share losses and restructuring challenges but offers potential long-term upside.

Star Entertainment Group (ASX: SGR) Star Entertainment faces potential voluntary administration as financial pressures mount. The casino operator, once valued at $4 billion, has just $79 million in cash after burning through $107 million in the December quarter. Regulatory crackdowns, declining earnings, and higher-than-expected costs for its Brisbane casino have strained its finances. Lenders have offered $100 million in funding, contingent on raising an additional $150 million. Asset sales and liquidity measures are under consideration, but insolvency looms, with McGrath Nicol forecasting asset sales to cover debts. Shareholders, including billionaire Bruce Mathieson, risk significant losses as Star's market value plummets to under $500 million.

GQG Partners (ASX: GQG) GQG Partners reported a 4% decline in December funds under management (FUM), dropping from US$159.5 billion to US$153 billion, driven by US$200 million in net outflows from its institutional channel. International equities and global equities saw reductions exceeding 5%, with respective declines to US$57.2 billion and US$38.8 billion. Despite this, annual net flows for 2024 doubled to US$20.3 billion, with US$2.8 billion in net inflows for Q4. The firm attributed institutional outflows to asset allocation and rebalancing but emphasized strong long-term performance. GQG also launched its first private markets fund, raising $145 million to expand into private capital solutions.

Lovisa Holdings Ltd (ASX: LOV) has experienced a significant decline in its share price, dropping 9% to $27.10, following downgrades from multiple brokers. UBS downgraded Lovisa to a 'sell' rating with a $27.00 price target, citing concerns over slower-than-expected store rollouts and potential downside risks to earnings estimates. Jefferies also downgraded the stock from 'buy' to 'hold', reflecting similar apprehensions about the company's growth prospects. These downgrades have contributed to the recent decline in Lovisa's share price.

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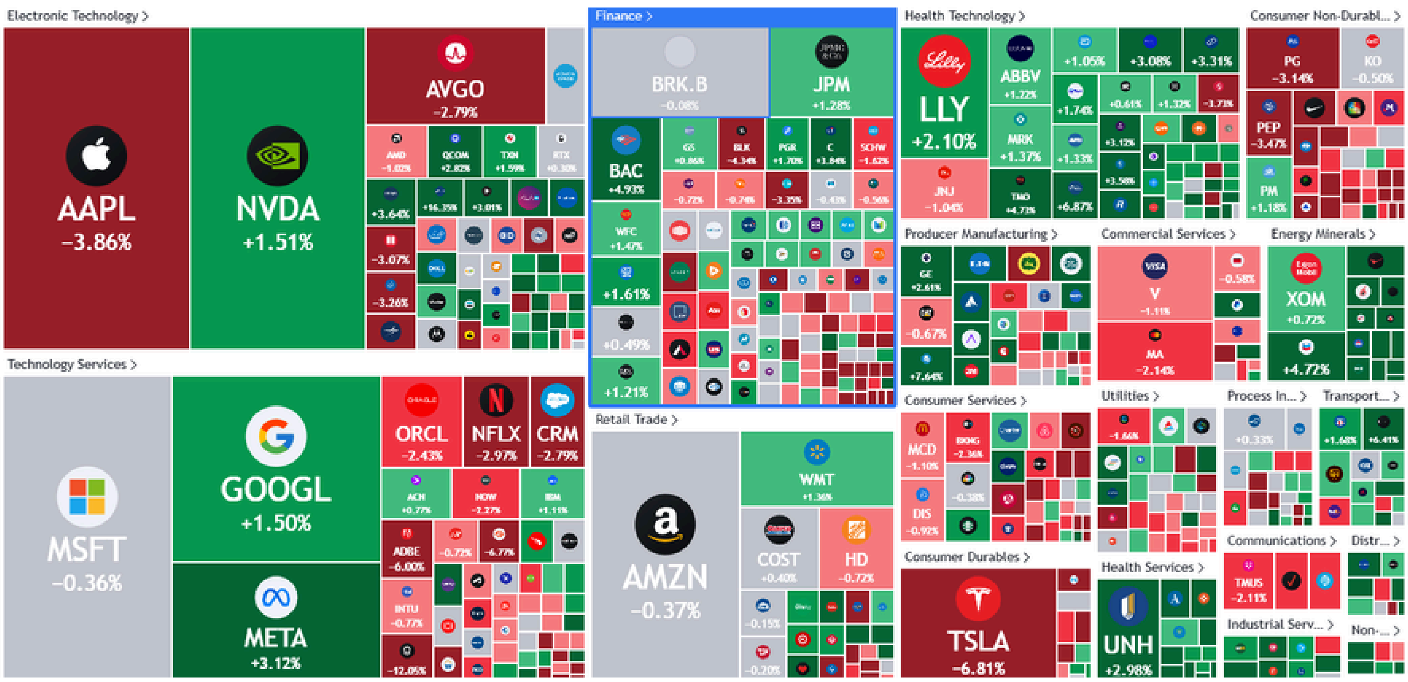
US STOCK NEWS

US Earnings and News

Meta Platforms – the Facebook-parent said it would end its current third-party fact-checking program in the United States and instead begin moving to a 'Community Notes' program similar to that on social media platform X.

Microsoft - has announced plans to invest $80 billion in building AI data centers for the 2025 financial year, a substantial increase from its previous spending. This investment, revealed by Microsoft's president Brad Smith, aims to strengthen the company's AI infrastructure and maintain its competitive edge in the rapidly evolving AI landscape.
The investment highlights Microsoft's commitment to AI development and its partnerships with companies like OpenAI. More than half of the $80 billion will be allocated to projects within the United States, demonstrating Microsoft's confidence in the American economy.This significant increase in spending, up from $53 billion in 2023, reflects the growing importance of AI in Microsoft's strategy. The company already has an extensive data center network, with over 5GW of capacity and plans for expansion.
Brad Smith also emphasized the need for collaboration between the US government and tech companies to ensure American AI technology is adopted globally, positioning it as an alternative to Chinese offerings.Despite Microsoft's substantial investments, reports suggest that OpenAI, one of Microsoft's key AI partners, may be seeking additional data center providers due to capacity constraints. This underscores the immense computational demands of advanced AI systems like ChatGPT.
Looking ahead, Microsoft and OpenAI are reportedly planning a massive 5GW data center project called Stargate, potentially operational by 2028, further solidifying their commitment to AI infrastructure development.



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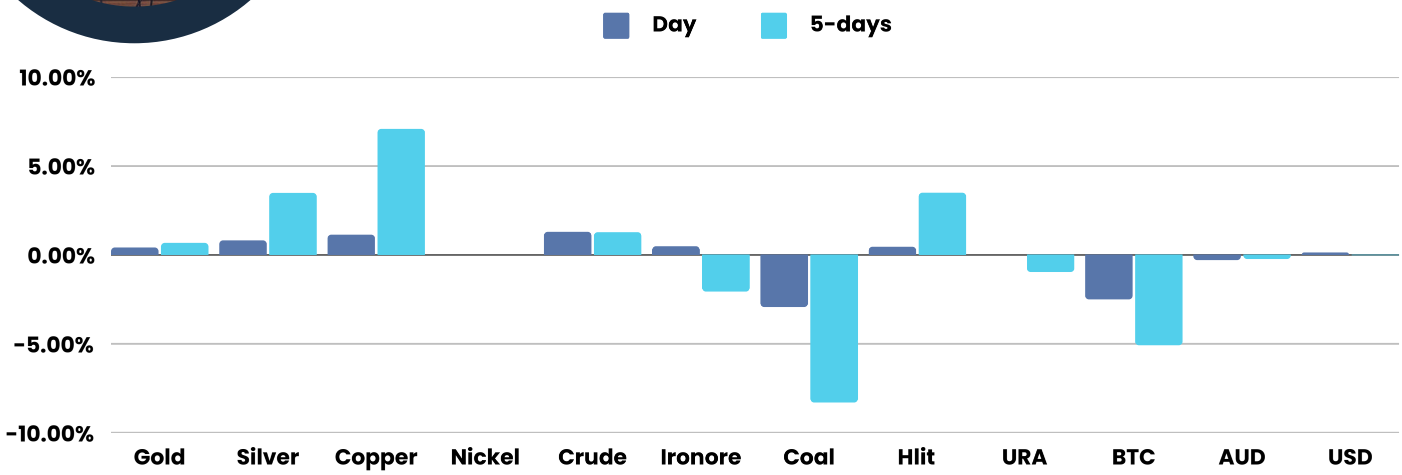
COMMODITIES & FX



Gold: despite rising bond yields and USD this week, gold held in very well as investors come to terms with the optimism on President elect Trump…and the reality. Citi called gold to $3100 this year.

Silver: Silver rode the tailwinds of gold while positive economic numbers and China central bank buying supported prices

Copper: more data center announcements gave copper a bid tone with Microsoft announcing it will spend $80b in infrastructure this year, while Trump also said that he would allocate $20B to A.I. data center initiatives

Uranium: Similar to Copper, Uranium held the large gains from last week on A.I. data center optimism

Crude Oil (WTI): Oil prices rose in early Asian trade and were on track for a third straight week of gains with icy conditions in parts of the United States and Europe driving up fuel demand for heating.

Iron ore: Iron ore had another quiet week drifting lower.

Bitcoin: Bitcoin fell from an early week high of $102,500 to a low of $92,000 as enthusiasm waned for Trump Trade thematics

US Dollar: the DXY remained strong at 2 year highs as higher UD bond yields underpinned prices.

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ECONOMY & POLITICS

Bond Selloff Accelerates, 5% Yields Loom

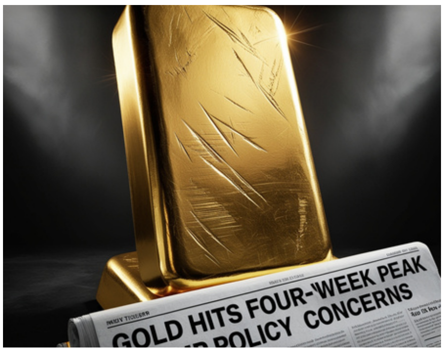
Analysts have identified rising U.S. bond yields as a significant risk to U.S. equity markets. The 10-year Treasury yield recently surpassed 4.7%, a level unseen since April, indicating a potential increase to 5%, a key psychological threshold for investors. This rise has strengthened the U.S. dollar and led to declines in major currencies like the euro and sterling. Additionally, President-elect Donald Trump's consideration of declaring a national economic emergency to implement broad import tariffs has heightened market uncertainty. Investors are concerned that such policies could exacerbate inflation, strain government finances, and limit the Federal Reserve's capacity to reduce interest rates. BCA Research warns that higher Treasury yields may elevate corporate borrowing costs, adversely affecting mid- and small-cap stocks, especially given current high equity valuations and a compressed equity risk premium.

Greenland 51st US State?

European leaders have expressed strong concerns over U.S. President-elect Donald Trump's statements suggesting potential military action to acquire Greenland, an autonomous Danish territory. German Chancellor Olaf Scholz emphasized the inviolability of sovereign borders, stating such principles are fundamental to international law and must be respected. French Foreign Minister Jean-Noël Barrot reiterated Greenland is European territory, asserting the EU's commitment to defending its sovereignty. In response, Denmark announced plans to enhance its defense capabilities in Greenland, with Defense Minister Troels Lund Poulsen unveiling significant investments to strengthen Arctic security. Greenland's Prime Minister Múte B. Egede firmly stated Greenland is not for sale and never will be. As Trump's inauguration approaches, European leaders urge the incoming administration to respect international norms and sovereignty.

WHAT WE ARE READING

Oil prices rise as cold weather in US, Europe fuels demand hopes



Gold hits four-week peak amid Trump policy concerns

Los Angeles fires live updates: Death toll rises to seven

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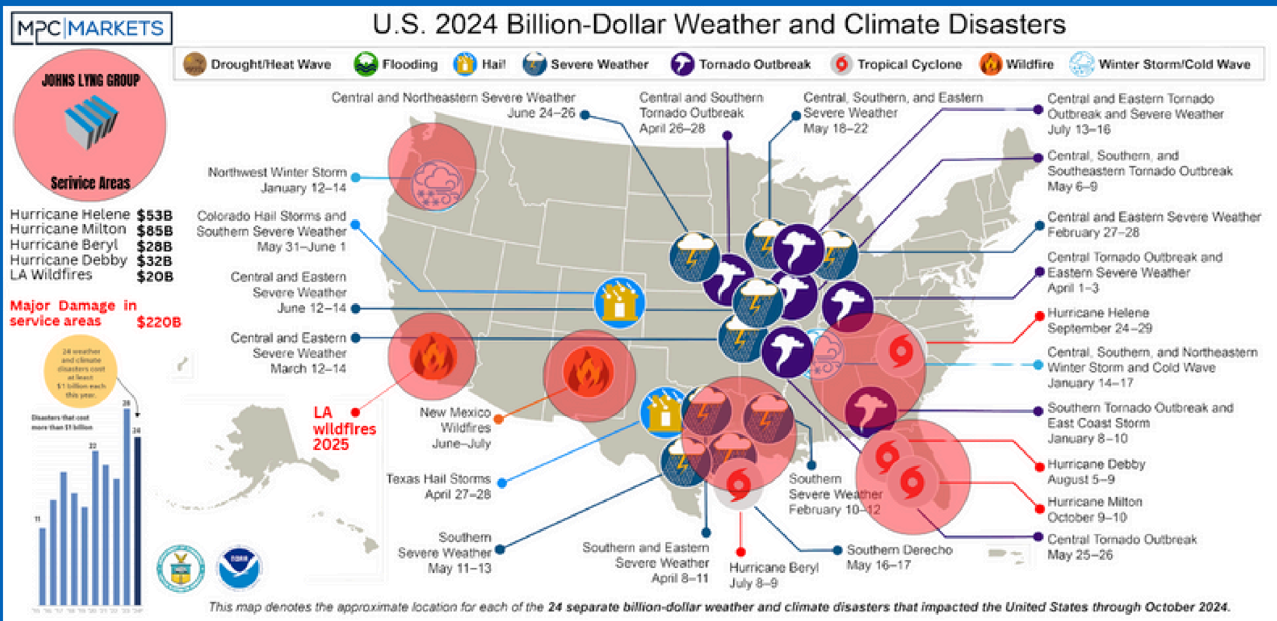
TRADE OF THE WEEK

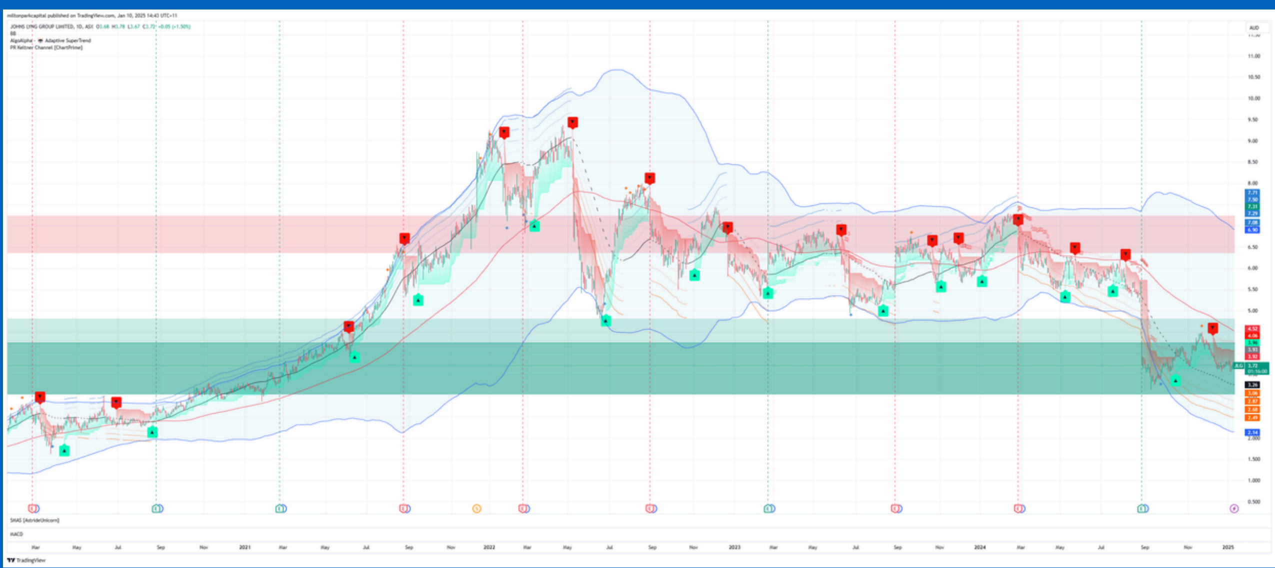
Johns Lyng Group JLG:ASX

ADD Johns Lyng Group

Given the LA wildfires and the second highest occurrence of >$1B disasters, we are looking at adding to Johns Lyng Group JLG:ASX

JLG's US operations service the hotspots of significant disasters over the last 12 months, highlighted in the below





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