

# Yovich & Co. Weekly Market Update

14<sup>th</sup> October 2024

## Market News

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week 4 <sup>th</sup> October	12619.94	8416.58	3336.50	8280.63	42352.75	18137.85	0.9063	0.6170	5.25%
Week Close 11 <sup>th</sup> October	12845.64	8491.49	3217.74	8253.65	42863.86	18342.94	0.9050	0.6110	4.75%
<b>Change</b>	1.79%	0.89%	-3.56%	-0.33%	1.21%	1.13%	-0.14%	-0.97%	0.50%

The New Zealand NZX50 index gained 1.79% over the past week, closing at 12,845.64 points. The market responded positively on Wednesday following the Reserve Bank of New Zealand's (RBNZ) decision to cut the Official Cash Rate (OCR) by 50 basis points to 4.75%. The announcement was seen as a continuing signal of easing inflationary conditions, boosting investor sentiment. Annual CPI is currently sitting at 3.3%—just above the RBNZ's target range of 1-3%, with expectations from Economists that Annual CPI Inflation will have fallen within the target band at the upcoming CPI Announcement on Wednesday. ASB Bank in particular are forecasting Annual CPI Inflation to have fallen to 2.2%.

Across the Tasman, Australia's All Ordinaries saw a moderate rise of 0.89%, closing at 8,491.49. Meanwhile, the Shanghai Composite suffered a sharp drop of 3.56% to close at 3,217.74. This was primarily due to lingering concerns about China's property sector, as key developers struggle to meet their debt obligations, as well as a weakening economy. However, China pledged on Saturday that there will be further stimulus packages to assist with the economy. The market is likely to react positively this week to this announcement.

In Europe, the FTSE 100 experienced a slight decline of 0.33%, ending at 8,253.65.

In the U.S., the Dow Jones Industrial Average gained 1.21% (closing at 42,863.86), and the Nasdaq climbed 1.13% (to 18,342.94). Market sentiment improved as U.S. Treasury yields fell and dovish comments from Federal Reserve officials reduced fears of additional rate hikes, however, there is still some uncertainty in the market due to the latest US annual inflation data for September showing the inflation rate at 2.4%, down from 2.5% but higher than analyst expectations of 2.3%.

## Weekly Market Movers

The biggest movers of the Week ending 11 <sup>th</sup> October 2024			
Up		Down	
Ryman Healthcare	10.91%	Spark	-4.39%
Vulcan Steel	8.30%	KMD Brands	-3.92%
Oceania Healthcare	8.00%	Sky Network Television	-2.19%
Vista Group International	7.91%	Meridian Energy	-2.09%
NZX	7.03%	Scales Corporation	-2.06%

Source: Iress

## Investment News

### Briscoes Group Limited

Briscoes Group is investing approximately \$120 million to develop a major warehousing and distribution centre in the North Island, set to be operational within two years. The new 20,000-square-meter facility will be 2.5 times larger than its existing 8,000-square-metre warehouse and double the height to accommodate state-of-the-art semi-automated systems. While not fully automated, the advanced distribution centre will require about 100 employees to operate. The semi-automation is expected to streamline inventory management, reducing the time frontline store staff spend on these tasks by 20%. The system will optimise stock levels and ensure high-demand products are replenished daily, enhancing store efficiency. The facility's construction reflects Briscoes' commitment to improving operational capacity and supporting future growth. The centre is scheduled to open in early 2026, positioning the company to better meet evolving consumer demands.

**Current Share Price: \$5.03 Consensus Target Price: \$5.28, Consensus Forecast Dividend Yield: 8.0%, Total Return: 13.0%**

### Smart Invest (formerly SmartShares) – New ETF

Smart is introducing four new exchange-traded funds (ETF) through a strategic alliance with BlackRock's iShares. These sector-focused ETFs will offer investors targeted exposure to Bitcoin, gold, U.S. technology, and New Zealand's largest companies. The new ETFs will be available from October 24th.

- **Smart Bitcoin ETF (BTC)** – Designed to track the performance of Bitcoin and trade on the NASDAQ, offering direct exposure to the cryptocurrency market.
- **Smart Gold ETF (GLD)** – Reflects gold price movements and trades on the NYSE Arca, providing a hedge against inflation and market volatility.
- **Smart US Technology (NZD Hedged) ETF (UST)** – Tracks the S&P 500 Capped 35/20 Information Technology Index, giving diversified exposure to 67 leading U.S. technology companies, with returns hedged to the New Zealand dollar to minimise currency risk.
- **Smart NZX 20 ETF** – Tracks the performance of the 20 largest companies listed on the NZX Main Board, giving investors easy access to New Zealand's top firms.

### Mainfreight Limited

Mainfreight has forecasted a 9.3% drop in pre-tax profit to \$158.5 million for the first half of the financial year, driven by weaker earnings across New Zealand, Asia, and the Americas. The most significant decline came from its Americas division, where pre-tax profit plunged by 32.1% to US\$8.14 million for the half-year period.

Despite these challenges, Mainfreight noted signs of improvement in the second quarter (July to September) and remains cautiously optimistic about further recovery in the second half of the year. The company aims to build on this momentum to mitigate the impact of first-half setbacks.

This outlook reflects a combination of global economic headwinds and regional pressures, but management remains hopeful for better performance as market conditions stabilise.

**Current Share Price: \$73.00 Consensus Target Price: \$80.44, Consensus Forecast Dividend Yield: 3.2%, Total Return: 13.4%**

## Spotlight: US Election 2024 – How Policy Shifts Could Reshape Key Sectors and Stocks

The 2024 U.S. election between Kamala Harris and Donald Trump could have a profound impact on various sectors of the economy, with their distinct policy platforms likely to influence market performance and company valuations differently. We have made efforts to source information from neutral or centrist news sources to reduce potential bias; however, finding entirely unbiased perspectives remains challenging.

### Tax policies

Currently, Corporate Tax in the United States is 21%. Kamala Harris has Indicated that she would raise the top corporate tax rate to 28% from 21%, while Donald Trump wants to reduce it to 15%-20%. Donald Trump's policy would particularly benefit manufactures and large corporations, as there would be an increase to revenue due to the tax relief, whereas Kamala Harris increase to tax would hit corporate revenue, particularly in tech and finance. Kamala Harris has however stated that she would like to assist small businesses and startups, by expanding the small business tax credit from \$5,000 to \$50,000.

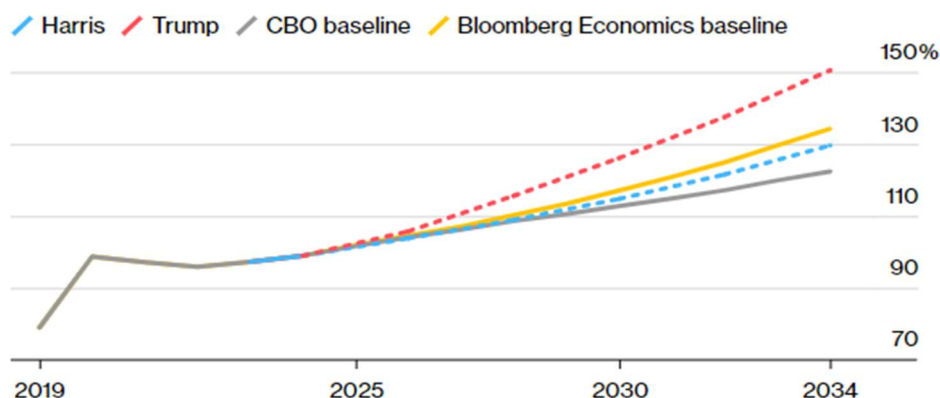
Kamala Harris and Donald Trump present contrasting strategies regarding income tax policy, especially for high-income earners. Harris has proposed increasing the income tax rate for individuals earning over \$400,000 per year. Conversely, Trump aims to permanently extend the tax rates established by the 2017 Tax Cuts and Jobs Act.

Analysts estimate that Trump's approach could result in a reduction of federal revenues by about \$3.3 trillion to \$4 trillion over the next decade. On the other hand, Kamala Harris would extend the 2017 tax cuts only for those earning less than \$400,000, aligning with commitments made by President Biden. This extension is projected to add approximately \$2.5 trillion to a spending agenda already estimated at \$2 trillion over the same timeframe. Under both candidates, U.S. debt, is projected to reach 99% of GDP this year, and is expected to continue rising. Bloomberg Economics estimates that Donald Trump's tax cuts could increase it to 116% by 2028, while Kamala Harris may increase U.S. Debt to 109%.

Sources: American Century, Bloomberg, CBS News & Reuters.

## How Trump, Harris Tax Plans Would Affect National Debt

Projected debt as share of GDP with full implementation of plans

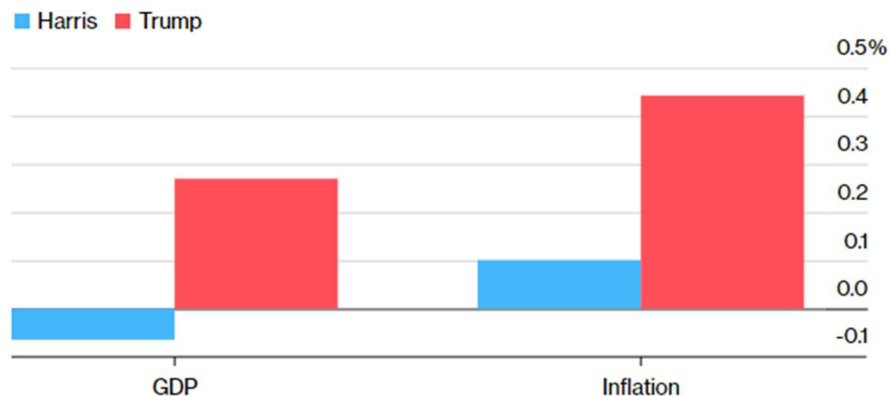


Note: Projections do not include impact of proposed tariffs on revenue or growth

Source: Congressional Budget Office, Bloomberg Economics

## How Trump, Harris Tax Plans Would Affect Growth and Prices

Estimated impact by 2028 (relative to baseline)



Source: Bloomberg Economics

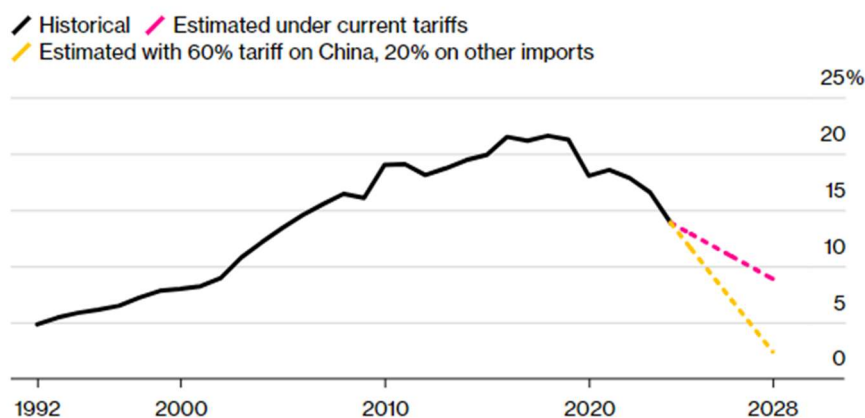
### Trade Policy

Kamala Harris would employ tariffs targeted at industry and geopolitical rivals, whereas Donald Trump has proposed a 60% tariff on all goods from China, with a 20% base tariff on all goods importing to the United States. The pro-business tax foundation estimates that Donald Trump’s tariffs could potentially raise up to \$2.5 Trillion over a decade, however this revenue may only cover a portion of the tax breaks and spending initiatives proposed by Donald Trump. If fully implemented, Donald Trump’s tariff plan would essentially end US-China trade, according to analysis by Bloomberg Economics, while his proposed border crackdown and deportations could knock more than 3% off GDP by the 2028 election. Kamala Harris’ proposals are more modest but show a new willingness for the government to wade into markets, from real estate to retail.

Sources: American Century, Bloomberg & Economic Times.

## Trump’s Maximal Tariffs Would Wipe Out Most Trade With China

Share of US goods imports coming from China



Source: US Census Bureau, Bloomberg Economics

### Construction/Housing

Kamala Harris has laid out plans for robust investment in affordable housing, including a \$25,000 in down-payment assistance for first-time buyers and \$40 billion for new housing development. This policy could stimulate the construction industry and benefit companies involved in homebuilding, materials, and construction technology. On the other hand, Donald Trump's deregulation focus aims to increase housing supply by easing development restrictions, potentially benefiting large-scale real estate developers.

### Energy Sector

Donald Trump has pledged to reduce energy prices by as much as 50%, focusing on fossil fuels and deregulation, which could benefit traditional energy companies, particularly oil and gas producers. His administration is expected to support policies that remove restrictions on drilling, which may lift the share prices of companies in this sector. Conversely, Kamala Harris has promised to build on the Biden administration's clean energy policies, supporting investment in renewable energy, like wind and solar, through tax incentives and federal funding. Companies involved in clean energy production and electric vehicles, such as Tesla or renewable infrastructure providers, could see a boost if Kamala Harris wins, aligning with the green energy transition under initiatives like the CHIPS Act.

Source: Hargreaves Lansdown

### Manufacturing and Technology

Both candidates plan to focus on boosting domestic manufacturing, but their approaches differ. Donald Trump is advocating for high tariffs on Chinese goods and foreign-made products, which could benefit domestic manufacturers, particularly in sectors like steel, automotive, and textiles. Kamala Harris, on the other hand, supports significant federal investment in high-tech industries like biomanufacturing, semiconductors, and clean technology, which could provide strong growth opportunities for companies in these spaces. Semiconductor companies, especially those benefiting from the CHIPS and Science Act, could see continued growth under a Kamala Harris administration

Source: Hargreaves Lansdown

The outcome of the 2024 U.S. Election will have a significant impact on various sectors. With policy approaches from Kamala Harris and Donald Trump likely to shape market dynamics in different ways. Donald Trump's focus on tax cuts, deregulation, and tariffs aims to benefit traditional industries like manufacturing, energy, and real estate, while Kamala Harris' policies lean toward higher corporate taxes, affordable housing initiatives, and investment in renewable energy and high-tech industries. Regardless of who wins, businesses and investors will need to adapt to evolving economic conditions, with national debt likely to rise under both candidates' plans. The election's impact on trade, fiscal policy, and key sectors will play a pivotal role in shaping the investment landscape for years to come.

### Upcoming Dividends: 15<sup>th</sup> October to 15<sup>th</sup> November.

Description	Security	ExDivDate	BooksClose	Gross Dividend Amount	Pay Date
Bankers Investment Trust	BIT	24-Oct-24	25-Oct-24	1.43cps	08-Nov-24
Southport	SPN	24-Oct-24	25-Oct-24	27.08 cps	08-Nov-24

Source: Iress

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