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Yovich & Co. Weekly Market Update

03rd February 2025

Market News

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week 24th January	13024.70	8660.43	3252.63	8502.35	44424.25	19954.30	0.9046	0.5703	4.25%
Week Close 31st January	12995.01	8789.70	3250.60	8673.96	44544.66	19627.44	0.9075	0.5638	4.25%
Change	-0.23%	1.49%	-0.06%	2.02%	0.27%	-1.64%	0.32%	-1.14%	0.00%

The NZX 50 Index saw a slight decline of 0.23% over the week. It had initially risen 0.52%, but tariff announcements by U.S. President Donald Trump erased those gains, dragging the index down. Year-to-date, the NZX 50 is now down nearly 1%. Although no tariffs have been announced on New Zealand exports, the United States was New Zealand's second-largest export market after China last year, with exports valued at $8.8 billion for the year ending May 2024.

Australia's All Ordinaries Index gained 1.49%, buoyed by investor optimism over a potential February interest rate cut by the Reserve Bank of Australia. The rally followed inflation data that came in lower than expected.

In China, the Shanghai Composite Index remained largely flat, slipping just 0.06% for the week. Markets could see increased volatility following the announcement of 10% tariffs on all Chinese Exports to the U.S., effective from the 1st of February.

The UK's FTSE 100 Index climbed 2.02%, driven by strong corporate earnings and a rally in precious metal miners. Notably, Shell reported robust quarterly results and announced a $3.5 billion share buyback, boosting sentiment. The oil and gas sector rose 2.20%.

In the United States, the Dow Jones Industrial Average inched up 0.27%, while the NASDAQ Composite fell 1.64%. The decline was led by DeepSeek, which triggered close to a $1 trillion selloff in tech stocks before a partial rebound. Markets have also reacted negatively after the White House confirmed that Trump would impose 25% tariffs on Canadian and Mexican exports and 10% on Chinese goods starting Saturday. Meanwhile, economic data released Friday reinforced expectations that the Federal Reserve will keep interest rates unchanged for an extended period.

Weekly Market Movers

The biggest movers of the Week ending 31st January 2025				
Up			**Down**	
Ebos Group	7.41%		Sky Network Television	-6.35%
Hallenstein Glasson	5.59%		KMD Brands	-4.71%
Gentrack Group	5.13%		Genesis Energy	-3.93%
Heartland Group	4.85%		Infratil	-3.90%
Mercury NZ	4.64%		Contact Energy	-3.13%

Source: Iress

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Investment News

Meridian Energy Limited
Meridian (MEL) has entered into a Power Purchase Agreement with Harmony Energy and First Renewables for their joint venture to develop the 150MW Tauhei Solar Farm near Te Aroha in Waikato. Set for completion in late 2026, the Tauhei Solar Farm will be one of New Zealand's largest, generating 280 gigawatt hours of electricity annually—enough to power approximately 35,000 homes. Under the agreement, Meridian will purchase 100% of the farm's output for its first 10 years of operation.

Current Share Price: $5.86 **Consensus Target Price:** $6.55, **Consensus Forecast Dividend Yield:** 5.0%, **Total Return:** 16.8%

Kathmandu Brands limited
KMD Brands (KMD) returned to sales growth in the second quarter of FY25, benefiting from easier comparisons to last year's weaker performance. According to analysis by Jarden, while part of the improvement comes from those softer prior-year results—especially for Rip Curl—there are signs that brand momentum is turning around, even as the broader retail sector faces challenges. For the five months ending in December, group sales were down 2.4%, an improvement from the 5.8% decline in the first quarter. Notably, sales grew 1.7% year-over-year in the first two months of Q2. Direct-to-consumer (DTC) sales remain a bright spot, with Rip Curl up 2.4% year-to-date and Kathmandu holding steady, indicating strong brand health. However, the wholesale channel continues to struggle due to inventory reductions and cautious buying from retailers. Year-to-date, wholesale sales for Rip Curl and Oboz are down 13% and 12%, respectively.

Current Share Price: $0.40 **Consensus Target Price:** $0.56, **Consensus Forecast Dividend Yield:** 1.3%, **Total Return:** 41.3%

Michael Hill International Limited
Michael Hill (MHJ) had a tough holiday season, with sales slowing significantly across all markets in the second quarter of FY25. According to analysis by Jarden, the company had been tracking a solid 4.3% year-over-year sales growth in the first 14 weeks of the half, but by the end of the period, overall sales had declined by 1.0%. Australia was hit the hardest, with sales dropping from a strong 6.5% growth in the first quarter to an estimated 2% decline in the second quarter, partly due to several store closures. To help offset this, MHJ plans to cut costs by A$5 million in the second half of FY25, while holiday trading was weaker than expected, industry insights suggest this was due to broader consumer spending pressures rather than issues specific to Michael Hill.

Current Share Price: $0.505 **Consensus Target Price:** $0.63, **Consensus Forecast Dividend Yield:** 1.53%, **Total Return:** 26.28%

Ebos Group
EBOS Group Limited is delighted to announce the appointment of Mr. Grant Viney as Chief Executive Officer of EBOS Animal Care, effective 1 February 2025. Grant currently serves as Executive General Manager of EBOS-owned Masterpet, has been instrumental in driving the company's success since joining in 2019. Prior to his tenure at EBOS, Mr. Viney held senior positions at prominent FMCG companies, including Accolade Wines, PZ Cussons, Dairy Farmers Australia, and Mars Confectionery.

Current Share Price: $39.72 **Consensus Target Price:** $39.13, **Consensus Forecast Dividend Yield:** 3.1%, **Total Return:** 1.6%

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Spotlight on New Zealand Retirement Expenditure Guidelines

As the cost of living continues to challenge retirees, the New Zealand Retirement Expenditure Guidelines 2024 provide a detailed look at the financial realities faced by retirees across different lifestyles and regions.
The report, published by the NZ Fin-Ed Centre at Massey University, highlights how most retirees spend more than New Zealand Superannuation provides, relying on other income sources or savings to maintain their desired standard of living. The data is based on the 2022/23 Household Economic Survey, adjusted for inflation to June 2024.

While inflation has moderated compared to previous years, retirees continue to face increasing costs across several essential categories:

Rising Cost For retirees	
Housing & Household Utilities	Up **4.4%**, reflecting rising maintenance and rates costs.
Transport	Up **3.5%**, driven by fuel prices and vehicle maintenance.
Insurance	A major contributor, with premiums rising by **14%**—far outpacing overall inflation.
Healthcare & Food Costs	Remain significant, particularly for provincial retirees who often face higher transport costs to access services.

Despite these increases, the report notes that some retirees have adjusted their spending patterns to cope, reflecting a more cautious approach to discretionary expenses. A major takeaway from the report is that most retirees need income beyond NZ Superannuation to maintain their desired standard of living.

As of 1 April 2024, the after-tax NZ Superannuation payments are:
• **Single, living alone: $519.47 per week**
• **Couple (both qualify): $799.18 per week**

However, the average weekly expenditure for retired households is much higher:

One-Person Households	Two-Person Households
No Frills' budget (basic standard of living): $687.84 (metro) / $564.25 (provincial)	**Two-person 'No Frills' budget: $909.90 (metro) / $1,031.85 (provincial)**
Choices' budget (comfortable lifestyle): $768.76 (metro) / $752.41 (provincial)	**Two-person 'Choices' budget: $1,739.85 (metro) / $1,210.18 (provincial)**

This means that retirees relying solely on NZ Super would face a weekly shortfall of up to $940 per household, depending on their lifestyle and location. The updated weekly expenditure between 2023 & 2024 reflects an inflation adjusted change for each household based on 3.3% CPI.

How Much Do Retirees Need to Save?

To bridge the gap between NZ Superannuation and actual retirement expenditure, retirees must either generate additional income or rely on savings. The estimated lump sum savings required at age 65 to cover the shortfall varies widely:

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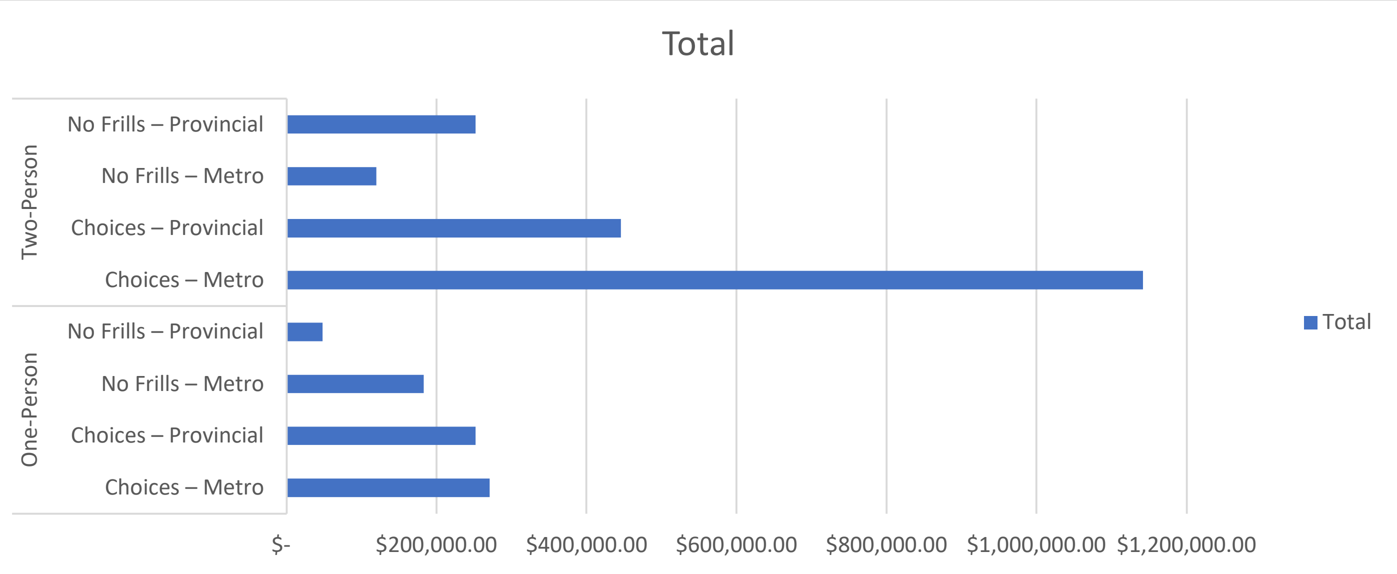

For those starting to save later in life, the report suggests a weekly savings requirement of $129–$1,303 depending on age and lifestyle choices. However, investing in higher-growth assets or starting early can reduce these figures significantly.

Safe drawdown rate

As interest rates vary, predicting the amount of income a portfolio can generate is very difficult. We prefer to consider safe drawn-down rates as a more stable measurement of sustainable earnings to be used to fund lifestyle expenses.

We consider a safe draw-down rate range of 3%-5% of a portfolio value to be sustainable, but on-going advice is required.

For example, according to research from the Retirement Expenditure Guidelines, a two-person 'Choices – Metro' budget requires $1,739.85 per week. To generate sufficient income throughout retirement—in addition to NZ Super—you would need an investment portfolio of approximately $977,600. This calculation is based on the maximum safe drawdown rate of 5%, meaning a $977,600 portfolio would provide $48,800 per year or approximately $940 per week ($977,600 × 5%).

Longevity Risk & The Fear of Running Out

One of the biggest challenges in retirement planning is the uncertainty around how long retirement savings need to last. The report highlights key concerns:

- Many retirees underestimate their life expectancy, leading to overspending early in retirement, which reduces quality of life later in retirement.
- More prudent investors may end up overestimating the amount of capital required for retirement, and work longer and save longer than they need to.
- Women tend to outlive men, meaning single female retirees face unique financial challenges.
- Life expectancy is rising, with the average 65-year-old expected to live well into their 80s or beyond. Those who live to 90 or 100 risk exhausting their savings

To manage this risk, Investors are encouraged to consider:

- A diversified portfolio of investments that balance income generation and capital growth.
- Flexible withdrawal strategies to adjust spending as needed.

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Investment Considerations & Planning for the Future

The report underscores the importance of early planning and diversified income sources. Some strategies to consider include:

- KiwiSaver Contributions: Maximising contributions early can significantly boost retirement savings.
- Income-Generating Investments: Dividend-paying stocks, rental income, and annuities can supplement NZ Super.
- Gradual Retirement: Some retirees continue part-time work or consulting to reduce reliance on savings.
- Downsizing & Budget Adjustments: Moving to a smaller home or a lower-cost region can ease financial strain.

With New Zealand's 65+ population expected to reach 1 million by 2028, retirement planning is more critical than ever. The NZ Retirement Expenditure Guidelines 2024 offer valuable insights into the true cost of retirement and the importance of having a financial plan that adapts to rising costs, longevity risk, and changing lifestyle needs.

Would you like us to review your retirement plan? **Our advisers can help you navigate these challenges and build a strategy tailored to your goals.**

For more information and to stay updated subscribe to our newsletter and consult with your Financial Adviser to tailor your investment strategy.