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Yovich & Co. Weekly Market Update

10th June 2024

Investment News

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous week: 02nd June	11,867.29	7,970.78	3,086.81	8,275.38	38,686.32	16,735.02	0.9234	0.614	5.50%
Week close: 07th June	11,856.56	8,112.82	3,051.28	8,245.37	38,798.99	17,133.13	0.9278	0.610	5.50%
% Change	-0.09%	1.78%	-1.15%	-0.36%	0.29%	2.38%	0.48%	-0.64%	0.00%

The New Zealand sharemarket achieved an eight-week high on Wednesday, closing at 11,996.71. However, by close of market Friday the index declined to 11,856.56 driven heavily by investors taking profit from the recent rally.

The Australian All Ordinaries index showed a generally positive trend for the week, closing up 1.78% to 8,112.82. This increase may be attributed to positive returns from eight of the ten largest holdings in the index, with gains ranging from 3.18% for CSL Ltd to 5.34% for Goodman Group.

The Shanghai Composite Index closed the week 1.15% lower, following a relatively stable performance the previous week. The Customs Administration released a report on imports and exports, indicating an annual export growth of 7.6% in May, up from a 1.5% increase in April. However, the report also revealed a deceleration in import growth to 1.8%, down from 8.4% the previous month, suggesting a weakening in domestic demand.

The FTSE 100 closed slightly lower at 8,245.37, down 0.36% from the previous week. This decrease may be due to diminishing euphoria over interest rate cuts by the European Central Bank. The FTSE 100 did reach an intraday high of 8,297.01 on Friday before dropping.

In the United States, both the Dow Jones Industrial Average and NASDAQ experienced gains, rising by 0.29% and 2.38% respectively. Stocks showed modest strength in Friday afternoon trading, with the S&P 500 reaching a new record intraday high. The increase may partly be attributed to the release of the Labor Department's closely watched employment report for May, which showed employment growth significantly exceeding expectations. This report helped alleviate concerns about the strength of the US economy.

The NZD/AUD currency pair saw an increase of 0.48%, while the NZD/USD pair decreased by 0.64%. The weakening of the NZD against the USD may be due to increased market sentiment favouring the US dollar

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Weekly Market Movers: Ending 07th June 2024

The biggest movers of the Week ending 07th June 2024				
Up			**Down**	
Skellerup Holdings	8.22%		SKYCITY Entertainment Group	-13.79%
The Warehouse Group	4.76%		Meridian Energy	-6.80%
Infratil	4.34%		Stride Property	-5.47%
Property for Industry	4.29%		Oceania Healthcare	-5.45%
Vista Group International	3.65%		Turners Automotive Group	-4.15%

Top Gainers:

1. **Skellerup Holdings** (8.22%): Skellerup Holdings concluded the week with an 8.22% increase, recovering from the previous week's 10.18% decline. This upward movement may indicate renewed investor confidence in Skellerup's future growth prospects. Over the past five years, Skellerup has achieved an annual growth rate of 14.1%. However, earnings are projected to grow at 6.46% this year. This adjustment in earnings forecasts could be contributing to the recent volatility in the company's share price.

2. **The Warehouse Group** (4.76%): The Warehouse Group's recent share price movement, witnessing a 4.76% increase, appears to reflect a modest recovery from the previous week's notable decline of 10.26%. This fluctuation could be attributed to various factors impacting investor sentiment. Investors might be reassessing the company's fundamentals and growth prospects following the recent decline, potentially leading to renewed interest and buying activity.

3. **Infratil** (4.34%): Infratil's share price rose by 4.34% last week, which is likely to be driven by increased buying activity ahead of the final dividend eligibility date which was due to close on Thursday. The dividend is scheduled to be paid on June 25th. Additionally, the rise in share price may be attributed to positive sentiment stemming from healthy earnings reported in their full-year financial results a few weeks ago. Investors who may have initially overlooked some encouraging aspects of Infratil's underlying profit figures may be reassessing and recognizing the company's strong performance, contributing to the recent upward movement in its stock price.

4. **Property for Industry** (4.29%): Property for Industry's shares rose by 4.29% last week. On Tuesday, Property for Industry announced securing long-term funding with Commonwealth Bank, consisting of a $50 million 7-year loan facility and a $25 million drawdown of an 8.5-year floating facility under the company's note purchase and private shelf agreement. This enables the company to pay off shorter-term loans and diversify the tenor of its borrowings, which may have contributed to the increase in share price. Additionally, PFI has maintained steady rental income and high occupancy rates in its industrial properties.

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5. **Vista Group International** (3.65%): Vista Group International's share price increased by 3.65%, following a significant rally of up to 19.02% the previous week. This continued rise may be attributed to the acquisition of an 18.45% stake by the investment entity Admetus. The company has also benefited from the ongoing recovery in the entertainment sector, with total revenue up by 63% over the last three years. Additionally, five analysts monitoring the company forecast an annual growth rate of 12% for the next three years.

Top Losers:

1. **SKYCITY Entertainment Group** (-13.79%): SkyCity Entertainment Group experienced a significant decline in share price following its announcement to investors that there would be no dividend for the year ending in June, and no dividend next year. This decision was made to allocate additional funds towards meeting its borrowing covenants. Additionally, SkyCity has downgraded its earnings guidance for the fiscal year 2024, ending June 30. The company now expects underlying profits after tax to be between $120 million and $125 million, down from the previous forecast of $125 million to $135 million.

2. **Meridian Energy** (-6.80%): Meridian Energy experienced a notable surge in its share price last week following a significant deal at the Plant at Tiwai Point. Despite the company's strong share price performance over the past five years, Meridian Energy has seen a decline in earnings per share by 19% annually. Additionally, its revenue growth stands at 1.8%, potentially influencing the current price dynamics.

3. **Stride Property** (-5.47%): Stride Property's shares declined by 5.47% following a 5.79% rally the previous week. While the company has promising commercial projects nearing completion, there may be apprehensions regarding the outlook of the commercial property market amid interest rate fluctuations and economic uncertainties.

4. **Oceania Healthcare** (-5.45%): Oceania Healthcare (-5.45%): Oceania Healthcare observed a 5.45% decline in its share price, possibly attributed to recent weak earnings disclosures and investor concerns regarding regulatory shifts and operational hurdles within the aged care sector. Despite the company's endeavours to enhance and broaden its facilities, market caution persists concerning potential cost escalations and financing constraints.

5. **Turners Automative Group** (-4.15%): Turners Automotive Group saw a 4.15% decrease in its share price. The automotive retail and finance enterprise is encountering obstacles amidst a demanding economic climate, marked by elevated interest rates impacting consumer financing and sluggish growth in vehicle sales. Furthermore, a recent announcement regarding a dividend increase compared to the previous year's payment, which may be raising concerns regarding its potential impact on future cash flows.

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Spotlight: Is AI the New Dot-Com? Navigating the potential AI Bubble

Is the economy facing an AI bubble? As interest rates have peaked over the past 12 months, artificial intelligence (AI) has driven significant earnings growth, but questions about the sustainability of AI valuations have emerged. Despite legal challenges, regulatory hurdles, and substantial investments that have yet to yield profits for most AI firms, there are key issues that cast doubt on the immediate benefits of AI.

Investors may need to reconsider their approach to AI ETFs (Exchange-Traded Funds). Distinguishing between ETFs that invest in firms broadly benefiting from AI and those at the forefront of AI innovation is crucial. The latter could offer more direct exposure to groundbreaking AI advancements, while the former might offer more generalised benefits.

Prominent AI players like Alphabet (GOOGL), Microsoft (MSFT) and Nvidia (NVDA) dominate the market. This dominance raises an intriguing question: Can AI-focused ETFs mitigate the risk of being overweight in these giants or should they double down on frontier firms?

Why AI ETFs?

Investing in AI ETFs provides a diversified approach to participating in the AI boom. Here are some notable AI ETFs to consider:

1. iShares MSCI Global Semiconductors UCITS ETF (SEMI): This ETF focuses on the semiconductor industry, which is fundamental to AI technology. It has shown robust performance as the demand for AI-related hardware surges.

2. iShares Robotics and Artificial Intelligence Multisector ETF (IRBO): With a diverse portfolio of companies across robotics and AI sectors, IRBO has demonstrated a 28.37% return over the past year, including key holdings like NVIDIA and Alphabet.

3. Invesco AI and Next Gen Software ETF (AIIQ): This ETF targets software firms leading AI development. It's a good pick for investors looking to capitalise on next-generation software innovations. Largest holdings include Alphabet Inc, Meta & Adobe Inc.

4. Global X Robotics & Artificial Intelligence ETF (BOTZ): BOTZ provides exposure to companies involved in industrial and non-industrial robotics and automation, featuring top holdings like NVIDIA and Intuitive Surgical.

Major Holdings in AI ETFs

NVIDIA (NVDA) is a standout performer, with its stock price soaring from around $450 to $1,150 in the past year. It is poised for further growth, especially with its upcoming stock split, which could make shares more accessible to a broader range of investors.

Alphabet (GOOGL) and Microsoft (MSFT) continue to be leaders in AI, with significant investments and advancements in AI technologies. Both companies are integral to many AI ETFs, offering stable growth and substantial market influence.

Apple (AAPL) also plays a vital role in AI through its innovations in AI-driven features and applications across its ecosystem.

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Growth Potential and Opportunities

Investing in AI ETFs allows you to ride the growth curve of these major tech firms without the need to pick individual stocks. ETFs mentioned above along with many available offer a diversified investment approach, reducing the risk associated with individual stock volatility while still providing significant exposure to the AI sector.

With the AI industry poised for continued growth, now is an opportune time to explore AI ETFs. Consider the various options and assess which aligns best with your investment goals. Diversifying your portfolio with AI ETFs could position you to benefit from the ongoing advancements and applications of artificial intelligence.

Upcoming Dividends: 12th of June to 12th of July

Description	Security	ExDivDate	BooksClose	Gross Dividend Amount	PayDate
TOWER	TWR	12-Jun-24	13-Jun-24	3 cps	27-Jun-24
Napier Port	NPH	13-Jun-24	14-Jun-24	4.667 cps	27-Jun-24
AFT Pharm	AFT	19-Jun-24	20-Jun-24	1.6 cps	4-Jul-24
TEMPMARKET	TEM	20-Jun-24	21-Jun-24	6.1901 cps	26-Jul-24
FISHERHEALTH	FPH	26-Jun-24	27-Jun-24	32.6389 cps	10-Jul-24
Scales	SCL	1-Jul-24	2-Jul-24	5.9028 cps	12-Jul-24
MAINFREIGHT	MFT	11-Jul-24	12-Jul-24	87 cps	19-Jul-24
MAINFREIGHT	MFT	11-Jul-24	12-Jul-24	33.8333 cps	19-Jul-24

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