

Yovich & Co. Weekly Market Update

10th January 2025

Market News

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week 3 rd January	13067.83	8511.89	3211.43	8223.98	42732.13	19621.68	0.9037	0.5616	4.25%
Week Close 10 th January	12895.98	8543.65	3168.52	8248.49	41938.45	19161.63	0.9041	0.5556	4.25%
Change	-1.32%	0.37%	-1.34%	0.30%	-1.86%	-2.34%	0.05%	-1.07%	0.00%

The New Zealand NZX50 Index declined by 1.32% over the week, weighed down by losses in key heavyweights such as Fisher & Paykel and Fletcher Building. Ryman Healthcare and Contact Energy also posted declines, contributing to the index's overall fall. Across the Tasman, the Australian All Ordinaries Index managed a modest increase of 0.37%, supported by gains in financial and resource stocks, which offset weakness in consumer discretionary sectors.

In China, the Shanghai Composite Index fell by 1.34% as investor sentiment remained cautious. Concerns over the pace of recovery in key sectors, including real estate and manufacturing, weighed on the index, despite signs of resilience in vehicle sales and domestic demand. Meanwhile, the UK's FTSE 100 Index edged up by 0.30%, driven by gains in financial and consumer staples stocks. However, losses in utilities and mining tempered the overall gains, reflecting mixed performance across sectors.

In the United States, the Dow Jones Industrial Average declined by 1.86%, while the tech-heavy NASDAQ fell by 2.34%. Renewed concerns over inflation and potential Federal Reserve actions weighed on investor sentiment. Technology stocks led the decline, erasing some of the previous week's gains. On the currency front, the NZD/AUD exchange rate held steady with a modest gain of 0.05%, closing at 0.90, while the NZD/USD weakened by 1.07%, reflecting U.S. dollar strength driven by risk-off sentiment in global markets.

Weekly Market Movers

The biggest movers of the Week ending 10 th January 2025			
Up		Down	
Mercury NZ	2.26%	The a2 Milk Company	-4.57%
Vital Healthcare Property Trust	2.21%	Infratil	-4.17%
Sanford	2.14%	The Warehouse Group	-3.81%
ANZ Bank	1.83%	Fletcher Building	-3.81%
Port of Tauranga	1.74%	Ryman Healthcare	-3.63%

Source: Iress

Investment News

Air New Zealand

The airline anticipates a decline in pre-tax earnings to between NZ\$120 million and NZ\$160 million for the first half of 2025, down from NZ\$185 million in the same period the previous year. This downturn is attributed to ongoing engine maintenance issues affecting aircraft availability, with 16% of its fleet, including Airbus neo and Boeing 787 aircraft, inoperable at times. The company is exploring leasing additional aircraft to mitigate capacity challenges, as these engine issues are expected to persist until 2026.

Current Share Price: \$0.60 **Consensus Target Price:** \$0.66, **Consensus Forecast Dividend Yield:** 3.6%, **Total Return:** 14.60%

Investment Picks for 2025: Spotlight on Growth and Innovation

As we venture into 2025, the investment landscape presents a blend of opportunities and challenges across various sectors and geographies. This analysis spotlights five notable companies: Spark New Zealand, Ryman Healthcare, Advanced Micro Devices (AMD), CSL Limited, and Amazon. By examining recent developments and financial data, we aim to provide a comprehensive overview to inform investment strategies for the upcoming year.

1. Spark New Zealand

Spark New Zealand, a leading telecommunications provider, has recently faced a subdued outlook due to flat mobile service revenue forecasts for fiscal 2025, driven by intensifying competition and challenging economic conditions. The company has revised its earnings and dividend projections downward, reflecting a cautious stance.

Despite these challenges, Spark remains a compelling stock pick due to its strategic focus on 5G network expansion, digital transformation, and growing presence in cloud and IT services. Recent cost optimisation efforts, such as the sale of its stake in Connexa, have unlocked capital for growth initiatives. These strategies position Spark to navigate current headwinds and deliver long-term value, making it an attractive choice for investors in New Zealand's telecom sector.

2. Ryman Healthcare

Ryman Healthcare, a leading operator of retirement villages and aged care facilities in New Zealand and Australia, has shown resilience despite sector challenges. While the company faces high debt levels and operational efficiency concerns, its strategic expansion plans and favourable demographic trends position it well for growth. Analysts project a significant 79% profit increase over the next two years, driven by rising demand for aged care services as populations age in both regions.

Ryman's focus on innovative village designs and healthcare integration strengthens its competitive edge. Additionally, ongoing efforts to improve efficiency and manage debt underline its commitment to long-term sustainability. For investors seeking exposure to the aging population trend, Ryman offers an attractive mix of growth potential and market leadership.

3. Advanced Micro Devices (AMD)

Advanced Micro Devices (AMD), a key semiconductor player, has experienced mixed performance in the AI-driven market. While it raised its full-year AI revenue forecast to over \$5 billion, its Q4 outlook fell short of expectations, applying pressure to its stock. AMD faces challenges, including stiff competition from Nvidia in the AI GPU market and weaker performance in some core segments.

Despite these hurdles, AMD's strategic initiatives make it a compelling pick. The MI300 series accelerators are positioned to challenge Nvidia's dominance in AI and high-performance computing. AMD's diversification into data centres, gaming, and embedded systems bolsters its revenue base, while its acquisition of Xilinx enhances capabilities in adaptive computing. Its focus on energy-efficient, innovative chip designs aligns with the growing demand for sustainable and high-performance solutions.

For investors seeking value and growth potential, AMD's lower valuation and room for market share expansion make it an attractive choice. However, for those prioritising market dominance and proven leadership in AI, Nvidia remains the safer, though more expensive, option. With a robust balance sheet and a strong push into emerging technologies, AMD is well-positioned for long-term growth and offers compelling exposure to the evolving semiconductor sector.

4. CSL Limited

CSL Limited, a leading Australian biotechnology company, has recently reported strong growth in its Behring division, particularly in its immunoglobulin's portfolio. However, financial year guidance fell short of market expectations, causing a decline in its share value. Concerns persist regarding the underperformance of its Seqirus and Vifor divisions, which have yet to fully capitalise on growth opportunities since the Vifor acquisition.

Despite these challenges, CSL anticipates revenue growth of 5-7% and net profit growth of 10-13% in FY25. The company is focusing on improving plasma collection and manufacturing efficiencies, with initiatives like the Rika device rollout expected to drive productivity gains. CSL's long-term growth prospects are underpinned by its strong presence in the high-demand immunoglobulins market and a robust pipeline of innovative therapies.

For investors seeking exposure to the healthcare sector, CSL offers a compelling mix of established market leadership and long-term growth potential. Continued execution on operational efficiencies and divisional improvements could position CSL for stronger performance ahead.

5. Amazon

Amazon.com has been identified as a top stock pick for 2025, driven by its impressive growth potential and leadership in the AI and cloud computing sectors. Its cloud division, Amazon Web Services (AWS), continues to deliver robust revenue and margin growth, cementing its position as a market leader. AWS's expanding suite of AI tools and machine learning capabilities further reinforces Amazon's competitive edge in this transformative space.

Analysts have raised their price targets for Amazon, reflecting confidence in its ability to capitalize on AI-driven opportunities and sustain growth across its diverse business model, which includes e-commerce, advertising, and entertainment. Despite recent stock declines, these have been largely attributed to broader market volatility rather than fundamental weaknesses.

Amazon's focus on innovation, coupled with its ability to scale and adapt across industries, makes it a compelling choice for investors seeking long-term growth and exposure to the growing AI and cloud markets.

Comparative Overview

Company	Security Code	Exchange	Region	Industry	Current Price	Target Price	Discount	Forecasted Gross Dividend Yield	Total Return
Spark New Zealand Limited	SPK.NZ	NZX	NZ	Communication Services	\$2.89	\$3.63	25.71%	12.21%	37.92%
Ryman Healthcare Limited	RYM.NZ	NZX	NZ	Health Care	\$4.49	\$5.88	30.96%	0%	30.96%
Advanced Micro Devices, Inc. - Common Stock	AMD.NAS	NAS	US	Information Technology	\$116.04	\$178.79	54.08%	0%	54.08%
CSL Limited	CSL.ASX	ASX	Aus	Health Care	\$279.65	\$342.59	22.51%	1.1%	23.64%
Amazon.com, Inc. - Common Stock	AMZN.NAS	NAS	US	Consumer Discretionary	\$218.94	\$241.71	10.40%	0%	10.40%

Other Broker Picks for 2025:

Salt Funds Management	Nikko Asset Management	Craigs Investment Partners	Forsyth Barr	Hamilton Hindin Greene
Freightways (NZX)	Summerset (NZX)	Summerset (NZX)	Ryman Healthcare (NZX)	Xero (ASX)
Mercury (NZX)	Contact Energy (NZX)	Amazon (Nasdaq)	Contact Energy (NZX)	WiseTech Global (ASX)
Infratil (NZX)	Infratil (NZX)	Visa (NYSE)	Seven Group Holding (ASX)	Walmart (NYSE)
Challenger Group (ASX)	Sky TV (NZX)	Zoetis (NYSE)	Uber (NYSE)	Salesforce (NYSE)
GDI Property (ASX)	Ryman Healthcare (NZX)	Novo Nordisk (CPH)	Alcon (SWX)	BlackRock (NYSE)

Source: NZ Herald

Conclusion

As we navigate 2025, these companies present a spectrum of investment opportunities and challenges. Spark New Zealand and Ryman Healthcare face sector-specific hurdles but also possess growth potential driven by strategic initiatives and favourable demographics. AMD and CSL are navigating competitive landscapes and operational challenges, with their future performance hinging on strategic execution and market dynamics. Amazon stands out with its robust growth prospects, particularly in the AI sector, making it a noteworthy consideration for investors.

It's also worth noting that other brokerage firms have highlighted several of these companies as key picks for 2025. Firms like Nikko Asset Management, Craigs Investment Partners, and Forsyth Barr have recognised Ryman Healthcare and Amazon among their recommendations, reinforcing their potential as attractive investment opportunities. Similarly, diverse picks from Salt Funds Management and Hamilton Hindin Greene reflect the varied approaches and insights shaping the market outlook.

Upcoming Dividends: 14th January to 14th February.

Description	Security	ExDivDate	BooksClose	DivAmt	PayDate
Tower Limited	TWR	15-Jan-25	16-Jan-25	6.5 cps	30-Jan-25

Source: Iress

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