

Yovich & Co. Weekly Market Update

20th January 2025

Market News

| | NZX 50G | All Ords | Shanghai | FTSE | Dow | NASDAQ | NZDAUD | NZDUSD | OCR |
|--|----------|----------|----------|---------|----------|----------|--------|--------|-------|
| Previous Week 10 th Jan, 2025 | 12895.98 | 8543.65 | 3168.52 | 8248.49 | 41938.45 | 19161.63 | 0.9041 | 0.5556 | 4.25% |
| Week Close 17 th Jan, 2025 | 13130.43 | 8557.43 | 3241.82 | 8505.22 | 43487.83 | 19630.20 | 0.9015 | 0.5585 | 4.25% |
| Change | 1.82% | 0.16% | 2.31% | 3.11% | 3.69% | 2.45% | -0.31% | 0.47% | 0.00% |

Global equity markets experienced mostly positive movements last week, as optimism around economic resilience and corporate earnings supported investor sentiment.

The New Zealand NZX50 Index climbed by 1.82% to close at 13,130.43, supported by gains in heavyweight stocks. The modest rise reflects confidence in local markets, supported by expectations of a potential rate cut from the Reserve Bank of New Zealand in February, despite the OCR remaining unchanged at 4.25% in its latest decision.

Across the Tasman, the Australian All Ordinaries Index edged up by 0.16%, closing at 8,557.43. Gains in resource stocks offset weakness in consumer discretionary sectors, while a cautious outlook on global commodity prices limited upward momentum.

In Asia, the Shanghai Composite Index rose by 2.31% to 3,241.82, as upbeat data around China's economic recovery fuelled investor optimism. Improved manufacturing output and government measures to stabilise the real estate sector bolstered market sentiment.

The UK's FTSE 100 Index surged by 3.11% to 8,505.22, reaching record levels. This strong performance was driven by gains in energy and financial sectors, as cooling inflation raised hopes of potential rate cuts in the near term.

In the United States, the Dow Jones Industrial Average jumped by 3.69% to 43,487.83, and the NASDAQ advanced 2.45% to 19,630.20. Robust corporate earnings, especially from technology and banking sectors, supported the rally. Lower Treasury yields also improved market sentiment. On the currency front, the NZD/USD rose by 0.47% to 0.56, reflecting a slight rebound in the Kiwi dollar. The NZD/AUD remained stable at 0.90.

Overall, global and domestic markets displayed resilience, but investors remain cautious amid uncertainty over future monetary policies and geopolitical developments.

Weekly Market Movers

| The biggest movers of the week ending 17 th January 2025 | | | |
|---|-------|-----------------------------|--------|
| Up | | Down | |
| The a2 Milk Company | 7.44% | Tower | -6.96% |
| Vector | 4.28% | Serko | -5.48% |
| Air New Zealand | 4.20% | Fonterra Shareholders' Fund | -3.78% |
| Scales Corporation | 4.17% | NZX | -3.33% |
| Spark | 4.17% | Vulcan Steel | -3.00% |

Source: Iress

Economic News

Consumer Price Index (CPI) for Q4 2024: Scheduled for release on Wednesday, this report is anticipated to show a 0.4% increase from the previous quarter, bringing annual inflation down to 2.1%. This would be the lowest rate since early 2021 and aligns with the Reserve Bank of New Zealand's (RBNZ) target range of 1-3%. The decrease is mainly due to a slowdown in domestic (non-tradable) inflation. However, prices of imported goods (tradables) are expected to remain stable after four consecutive quarters of decline. Looking ahead, modest price increases in tradable goods are expected throughout 2025, which could nudge overall inflation slightly higher by the end of the year.

Electronic Card Transactions for December: Data coming out on Tuesday is expected to show a modest rise in consumer spending. Despite current economic challenges, conditions seem favourable for a retail recovery in 2025.

Immigration and Tourism Statistics for November: Set to be released on Thursday, these figures are expected to indicate a continued decrease in annual net migration from the 39,000 recorded in October. Additionally, annual tourist arrivals are projected to remain around 3.2 million, still below the pre-COVID peak of approximately 4 million visitors.

Real Estate Institute of New Zealand (REINZ) Housing Data for December: Expected later this week, this report is likely to show that house prices remained flat in December 2024, despite reductions in mortgage interest rates.


Source: ASB

Spotlight on Amazon: A Tech Giant Poised for Growth with AI, Cloud, and Innovation in 2025

Amazon.com Inc. (AMZN) has been a focal point in the technology and retail sectors, showcasing remarkable growth and innovation. As one of the largest companies globally, Amazon boasts a market capitalisation exceeding \$2.38 trillion solidifying its position as a leader in e-commerce, cloud computing, and artificial intelligence.

Amazon.com Inc. operates through several key business segments, driving its growth and strengthening its dominance across industries. These include e-commerce, encompassing both online stores and third-party seller services; Amazon Web Services (AWS), a leader in cloud computing and AI; and a rapidly expanding advertising business. Other segments include subscription services like Prime and Audible, physical stores such as Whole Foods and Amazon Fresh, media and entertainment through Prime Video and Twitch, and devices like Kindle and Echo. Additionally, Amazon has a robust logistics network and ventures into healthcare with Amazon Pharmacy and One Medical. This diversified business model not only fuels Amazon's growth but also minimises risks associated with market-specific challenges, with each segment complementing the other to create a powerful ecosystem that positions Amazon as a leader in multiple industries.

| | | | | |
|------------------------------------|--|--|--|--|
| Security Code | AMZN.NAS | | | |
| Description | Amazon.com, Inc. | | | |
| Exchange | NASDAQ | | | |
| Industry | Consumer Discretionary Distribution & Retail | | | |
| Market Capitalisation (USD) | \$2.375 Trillion | | | |
| Index | NASDAQ Composite | | | |
| Weighting in Index | 3.45% | | | |
| Current Price (USD) | \$ 225.94 | | | |
| Target Price (USD) | \$ 245.42 | | | |
| Discount to Target Price | 8.62% | | | |
| 5 Year Hist Return (EAR) | 26.31% | | | |
| 5 Year Hist Risk (SD) | 35.36% | | | |



| Forecasts | 12/2023A | 12/2024F | 12/2025F | 12/2026F |
|---------------------------|-------------------|-------------------|------------------|--------------------|
| PE Ratio | 77.9103 | 43.9764 | 36.4964 | 29.8659 |
| Dividend Yield (%) | - | - | - | - |
| Revenue (USD) | \$575 Billion | \$638 Billion | \$707 Billion | \$782 Billion |
| EBITDA (USD) | \$110 Billion | \$142 Billion | \$166 Billion | \$195 Billion |
| Net Debt (USD) | -\$28.466 Billion | -\$62.953 Billion | -\$131 Billion | -\$203 Billion |
| \$ 196.34 | \$ 220.88 | \$ 245.42 | \$ 269.96 | \$ 294.50 |
| Strong Buy | Buy | Hold | Sell | Strong Sell |
| | | ↑ | | |

Financial Performance and Stock Outlook

Analysts maintain a positive outlook for Amazon's stock. With a current price of \$225.94 and a target price of \$245.42, the stock offers an upside potential of 8.62%. Its weight in the NASDAQ Composite is 3.45%, reflecting its significant influence.

For 2023, Amazon reported \$575 billion in revenue and \$110 billion in EBITDA, with net debt at \$28.466 billion. Forecasts show robust growth, with revenue expected to reach \$707 billion by 2025 and EBITDA rising to \$166 billion. The PE ratio is projected to decline to 36.49x by 2025, indicating improved valuation metrics.

Given its historical 5-year return of 26.31% (EAR) and strong financial trajectory, Amazon continues to demonstrate long-term investment potential. Its diversification across e-commerce, AWS, and advertising solidifies its position as a leader in multiple sectors. Investors are keenly anticipating Amazon's Q4 2024 earnings report, scheduled for release on February 6, 2025, after market close. The results will provide further clarity on the company's strong growth trajectory.

Amazon Web Services (AWS) and AI Integration

Amazon Web Services (AWS) continues to be a significant revenue driver for Amazon, holding a 31% market share in cloud services as of the third quarter of 2024.

This strong market position is supported by AWS's pivotal role in AI model training, offering a comprehensive suite of AI tools and machine learning capabilities. AWS CEO Matt Garman emphasises the transformative potential of AI, highlighting investments in proprietary AI chips and collaborations with AI companies like Anthropic.

Strategic Investments and Collaborations

Amazon is investing heavily in AI infrastructure. AWS plans to invest approximately \$11 billion to expand its infrastructure in Georgia, supporting cloud computing and AI technologies.

Additionally, AWS is developing a powerful AI supercomputer in collaboration with Anthropic, set to be the world's largest upon completion.

Advertising and E-commerce Growth

Amazon's advertising business has emerged as a powerful revenue stream, growing faster than traditional e-commerce operations. This diversification helps protect Amazon's revenue base from retail market fluctuations. Analysts project robust growth in online advertising revenue, contributing to Amazon's overall financial health.

Regulatory Considerations

Amazon's rapid expansion and concentration of power have attracted regulatory scrutiny. Potential antitrust actions in both the U.S. and Europe could impact Amazon's ability to expand through acquisitions or maintain current market practices. The company must navigate these challenges to sustain its growth trajectory.

Conclusion

Amazon, as one of the "Magnificent 7" tech giants, alongside Apple, Microsoft, and NVIDIA, plays a pivotal role in driving innovation and shaping market performance. Its strategic focus on AI and cloud computing through AWS, rapid growth in advertising, and substantial infrastructure investments position it as a leader in the tech revolution. Despite facing regulatory challenges, Amazon's diversified business model, scale, and adaptability ensure it remains poised for sustained growth and continued leadership in the global economy.

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