

# Yovich & Co. Market Update

20<sup>th</sup> December 2022

## The Year in Review

From all of us at Yovich & Co, we wish you a Merry Christmas and a prosperous New Year. The office will be closed from 1.00pm Friday 22<sup>nd</sup> December 2023 and will reopen 3<sup>th</sup> January 2024.

This year Yovich & Co have gone through a few changes, starting with Brock Fannin jumping the ditch to Australia in July, pursuing a career in analytics, we wish him all the best. Secondly, an upgrade of our custodian provider (NZX Wealth Tech). Thirdly the founder of Yovich & Co retiring. I am confident to say that all the staff and clients wish him all the very best in retirement.

The table below shows the year-to-date change in markets from the start of 2023 to 19<sup>th</sup> December 2023.

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
As at 19th December	11617.40	7715.90	2932.39	7638.03	37306.00	14979.80	0.9266	0.6262	5.50%
January 2023	11473.24	7221.69	3089.26	7451.74	33147.25	10466.48	0.9317	0.6347	4.25%
Change	1.26%	6.84%	-5.08%	2.50%	12.55%	43.12%	-0.55%	-1.33%	1.25%

- Carrying on from last year (2022), global interest rates continued to climb until quarter four 2023, where we have now seen the Reserve banks hold rates. For the US the rate of 5.5% is at a 22 year high. These latest rounds of dovish announcements have seen the markets climb on the expectations that rates are likely to have peaked and views that monetary policies will start to ease over 2024 and 2025. Jeremy Powell said “you want to be reducing restriction on the economy well before 2%.” He said that waiting to cut rates until inflation reaches 2% would “be too late.”
- Inflation rates and the growth of inflation have continued to reduce but are still higher than the 2% to 3% band.

Country	Last Rate	Start of 2023	Last Reference
New Zealand	5.6%	7.2%	September 2023
Australia	5.4%	7.8%	September 2023
United States of America	3.1%	6.4%	November 2023
United Kingdom	4.6%	10.1%	October 2023

<https://tradingeconomics.com/country-list/inflation-rate->

- Towards the end of last year and throughout the first 3 quarters of this year asset prices have fallen as interest rates have risen, including the housing market, the share market, and the bond market. With the recent announcements regarding momentary policy (as mentioned above), asset prices have started to appreciate.
- The tech-heavy NASDAQ index in the US has therefore seen the largest increase during 2023, appreciating 43%, driven by the large technology companies such as NVDA (238.75%), Meta (Facebook) (191.38%), Tesla (108.42%), and Alphabet (Google) (55.05%).
- The Dow Jones index in the US has seen a much more modest gain of 12.55%.
- The NZ market has increased by 1.26%, a positive change from the 11.0% fall during 2022, with the retail, and property sectors along with high yielding stocks being particularly affected. The travel sector has performed well. The Australian market held up much better, gaining 6.84%.
- The REINZ House Price Index showed that the NZ housing market value nationwide has fallen 0.2%, up in Auckland by 0.4% and down outside Auckland by 0.6%.

NZX50 - The biggest movers of the Year to Date to 19 <sup>th</sup> December			
Up		Down	
Gentrack (GTK.nz)	169.17%	a2 Milk (ATM.nz)	39.70%
Serko (SKO.nz)	81.33%	Warehouse Group (WHS.nz)	35.77%
Turners Automotive (TRA.nz)	36.78%	Investore Property (IPL.nz)	27.33%
Mercury Energy (MCY.nz)	18.71%	KMD Brands (KMD.nz)	25.24%
Sky TV (SKT.nz)	18.70%	Scales (SCL.nz)	23.90%

Of the top 50 companies that make up the NZ50 index, only 21 companies were in positive territory year to date.

## Performance of Stock Picks 2023

At the beginning of the year (Market Update 17<sup>th</sup> January), Yovich & Co picked our 10 preferred undervalued, high yielding and growth stocks from a list of 22 Herald Broker Picks as published on 26<sup>th</sup> December 2022. The table below shows those 10 companies and how they have performed year to date to 19<sup>th</sup> December:

Company	Price 31/12/2022	Price 19/12/2023	Capital Movement
Arvida Group	\$1.15	\$1.00	-13.04%
Contact Energy	\$7.90	\$7.91	0.13%
Delegat Group	\$9.80	\$6.27	-36.02%
Fletcher Building	\$5.12	\$4.75	-7.23%
Infratil	\$8.65	\$9.99	15.49%
Mercury NZ	\$5.74	\$6.60	14.98%
NZX Limited	\$1.26	\$1.08	-14.29%
Oceania Healthcare	\$0.82	\$0.71	-13.41%
Tourism Holdings	\$3.66	\$3.64	-0.55%
Vector	\$4.40	\$3.74	-15.00%

## Economic News

New Zealand's GDP was weaker for quarter 3 down 0.3%, (RBNZ predicted an increase of 0.2- 0.3%). On a per capita basis growth decreased by 0.9% due to an increase in population. The main downward drivers were manufacturing down 3.4%, transport lower by 4.5%, construction reduced by 1.7% and wholesale trade shrunk by 1.9%. Upwards drivers were Healthcare up 2.3% and rental, hiring and real estate services increased by 1%. Due to the unexpected decrease in GDP most forecasters are predicting that RBNZ will reduce the OCR earlier than first predicted. The revised Stats NZ last four quarters of economic activity read: -0.6% (December 2022), -0.2% (March 2023), +0.5% (June 2023), and -0.3% (September 2023). The GDP for the year ending September 2023 has increased 1.3%.

The ANZ Business Outlook survey gives a mixed signal. Business confidence rose 2 points to 33 and expected own activity rose 3 points to 29. While this is good for businesses, the flow on effect for inflation is mixed with inflation expectations taking a decent step lower, but the proportion of firms expecting higher costs and the proportion intending to raise their prices both rose. Indeed, pricing intentions are the most reliable lead indicator for inflation, and they have stopped falling in recent months. As we all know the RBNZ has made it clear that they have zero tolerance for delays in bringing inflation down. The 2024 February OCR decision will be an important one to watch.

Other upcoming news announcements before the year end are December ANZ Consumer Confidence, Half-Year Economic and Fiscal Outlook, and the new government's mini budget.