

# Yovich & Co. Market Update

31<sup>st</sup> March 2024

## Investment News

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Month	11741.47	7959.54	3015.17	7630.02	38996.39	16091.92	0.9369	0.6087	5.50%
Month Close	12105.29	8153.75	3041.17	7952.62	39807.37	16379.46	0.9181	0.5962	5.50%
Change	3.10%	2.44%	0.86%	4.23%	2.08%	1.79%	-2.01%	-2.05%	0.00%

Positive signs of a recovery are starting to show in the share markets but not so in the currency markets. All share markets we monitor are tracking upwards, driven by the short-term view that official interest rates around the world will be held, coupled with the long-term expectations of rates reducing. The NZX50G was up, 3.10% a mentionable contrast to February's results of -1.1%.

The biggest movers of the Month ending 31 <sup>st</sup> March 2024			
Up		Down	
Vista Group International (VGL.nz)	24.22%	Ebos Group Limited (EBO.nz)	7.31%
The Warehouse Group (WHS.nz)	16.54%	Spark New Zealand Limited (SPK.nz)	6.02%
Arvida Group (ARV.nz)	14.43%	Serko Limited (SKO.nz)	3.71%
Hallenstein Glasson Holdings (HLG.nz)	12.17%	Tourism Holdings Limited (THL.nz)	3.67%
Gentrack Group (GTK.nz)	11.95%	Chorus Limited (CNU.nz)	3.27%

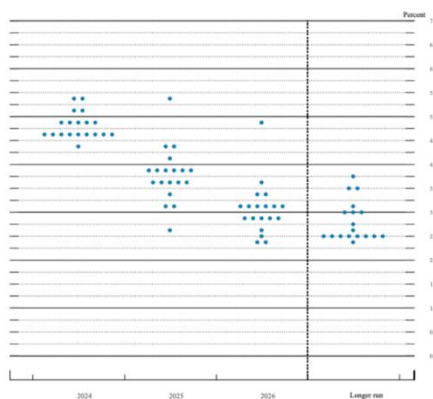
## Economic News

Stats NZ announced that 2023 Q4 (ending December 2023) GDP fell 0.1% following a 0.3% dip in Q3's GDP, indicating that Kiwis are experiencing a technical recession. This is the fourth quarter in the last five where the economy has contracted. Interestingly on an annual basis, GDP rose 0.6% in 2023 when compared with 2022, with the expectation that 2024 is to stay pretty flat. The ASB is not ruling out further contraction. Population growth (mainly immigration) has put more pressure on goods, yet surprisingly, consumer spending volumes have contracted. By the end of 2023 per-capita GDP had shrunk by 4% matching the Global Financial Crisis. The elevated OCR (5.50%) set by RBNZ is having the desired outcome, restricting consumer demand for household consumables, durables (nice-to-haves) and now even essentials on goods as households find it harder to manage the day-to-day cost of living. The view from many economists is that by year-end/early next year, the OCR restrictions will be reducing.

In this high-interest rate (restrictive) environment, there have been questions about earning income from term deposits (defensive assets). It is important to hold the correct portion of defensive assets that align your risk profile, not just chasing income provided from term deposits (TDs). As the OCR lowers expect to see the interest rates for TDs to all so reduce. Historically the 6-month rate is 0.5% higher than the OCR. If the RBNZ forecast for the OCR and TD are correct we would expect to TD rates closer to 5% in 12 months and approaching 4%, two years from now. Equating to a 13% and 30% (respectively) drop in income. Outlining the importance of having a diversified portfolio that aligns with your goals.

For release at 2:00 p.m., EDT, March 20, 2024

Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



In the US we saw the Fed keep interest rates at steady at 5.5% its fifth hold in a row. It is expected that this rate will be there until the Fed “feels” confident inflation rates are falling or at the target level of 1-3%. Have you heard of the Dot Plot chart? The Dot Plot chart is a chart each Fed official anonymously places a dot on representing where they judge the short and long-term interest rate will be. For example, the Fed’s latest projections show that just two officials see borrowing costs holding steady this year. Most officials expect rate cuts. Two officials see one quarter-point rate cut in 2024, and five officials see two cuts. Meanwhile, nine officials see three rate cuts next year, marking the median estimate among policymakers. Most Fed watchers focus on the Fed’s median dot as the Federal Open Market Committee FOMC’s baseline projection. The Fed’s dots can also give a glimpse into how officials are reacting to incoming data, as it comes in.

## Company News

### Fisher & Paykel Healthcare (FPH.nz)

FPH has updated its revenue and earnings guidance for the financial year ending 31 March 2024. Earlier the full year revenue was expected to be \$1.7b and NPAT to be in the range of approximately \$250m to \$260m. The revised estimates now have operating revenue to be approximately \$1.7b and underlying profit after tax (excluding any fair value changes) to be in the range of approximately \$260m to \$265m. There has been increased demand for the “In Hospital Products”, especially for consumables. Demand for the Obstructive Sleep Apnea (OSA) masks continued to see strong performance from the Evora Full mask. FPH has received positive feedback on the revolutionary F&P Solo mask after the recent release in early markets and looks forward to its introduction in more countries in the coming months. While we view FPH.nz as a core company to hold in clients’ portfolios, current share price appreciation and a forward PE ratio of 46.15 (FY25) places FPH.nz at a hold view until the share price is trading at fair value. Investors wanting exposure to the Sleep Respiration/Apnea sector, ResMed is an attractive alternative.

**Current Share Price:** \$26.66, **Consensus Target Price:** \$23.91, **Gross Forecasted Yield:** 2.1%.

### Sheffield Resources (SFX.asx)

SFX is pleased to advise that Kimberley Mineral Sands (KMS) has completed its maiden bulk shipment of approximately 10,000 metric tonnes of non-magnetic (zircon) concentrate from its Thunderbird Mineral Sands Mine in Western Australia. The shipment, which also included an additional 1,100 metric tonnes of bagged non-magnetic (zircon) concentrate, has departed the Port of Broome and will be delivered to an existing offtake customer. Additional bulk shipments of non-magnetic (zircon), magnetic (ilmenite) concentrate and paramagnetic (leucoxene) products are scheduled over the coming weeks as Thunderbird continues to ramp up production toward nameplate capacity.

**Current Share Price:** \$0.55.

### Hallenstein Glasson (HLG.asx)

HLG’s unaudited total group sales for the six months ending 1 February 2024, was \$223m compared to \$223.3m of the prior corresponding period (pcp). Group unaudited net profit after tax (NPAT) was \$21.1m, an increase of 1.5% on pcp. Margins increase from 56.5% to 58.9%, due to ongoing sourcing benefits with their long-standing supplier relationships, and the development of new relationships to diversify their supplier base. Net freight costs reduced throughout the period leading to a reduced landed cost of product. Due to a strong balance sheet and inventory position, a gross interim dividend of 28.19 cents is payable 18 April 2024. Group sales for the beginning of winter have been positive with sales for the first 7 weeks up 8.3%, while the full year is up 1.4% pcp.

**Current Share Price:** \$6.27, **Consensus Target Price:** \$6.35, **Gross Forecasted Yield:** 9.1%.