

# Yovich & Co. Market Update

February 22<sup>nd</sup> 2016

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD
<b>Previous Month</b>	6170.22	5056.60	2737.60	6083.79	16466.30	4613.95	0.9147	0.6484
<b>Week Close</b>	6141.71	5008.28	2860.02	5950.23	16391.99	4504.43	0.9277	0.6632
<b>Change</b>	-0.46%	-0.96%	4.47%	-2.20%	-0.45%	-2.37%	1.42%	2.29%

## Market Themes

- Markets have continued their shaky start to the year but the reporting season has started and some positive sentiment has started to turn the downward trend.
- Last week the NZX rose 3.6% and was helped by a couple of takeover offers for Nuplex and Diligent.
- The reporting season has started positively with announcements from Auckland Airport (AIA), Chorus (CNU) and TradeMe (TME) all exceeding expectations.
- The weakness in commodity and energy prices has continued to weigh on the Aussie market although last week the All Ords had its best week since November last year.
- Over the past month the Kiwi Currency has strengthened against both the Aussie and the Greenback with the carry trade once again looking attractive as traders speculate on interest rises to stay at the current low levels in the US.

## Investment News

### Macro Theme in Current Economic Environment

The rocky start to the year has not been a surprise to us as the signs were around last year that there would be more uncertainty around energy / commodity prices and how the world would react to the slowing growth in China. Given these uncertainties and a low interest rate environment our focus remains on identifying opportunities in defensive sector, high yielding investments. In addition to this, the NZD AUD exchange rate remains at historically high levels so it is also attractive to invest across the Tasman. Below is a list of our preferred high yielding Australian stocks:

Company	Code	Sector	Rating	Price	Target Price	Dividend Yield			Potential 12 Mth Return
						FY0	FY1	FY2	
ANZ Bank (AUD)	ANZ.asx	Aus Bank	N	\$23.75	\$24.50	7.60%	7.70%	8.10%	10.90%
Westpac Bank (AUD)	WBC.asx	Aus Bank	O	\$29.98	\$37.00	6.40%	6.50%	6.60%	29.90%
Tabcorp Holdings	TAH.asx	Aus Consumer	O	\$4.21	\$5.00	5.50%	5.70%	6.20%	24.50%
IOOF Holdings	IFL.asx	Aus Financial	O	\$7.70	\$9.20	6.90%	7.00%	7.90%	26.50%
Macquarie Group	MQG.asx	Aus Financial	O	\$65.22	\$85.00	6.00%	6.70%	6.90%	37.00%
AMP	AMP.asx	Aus Financial	O	\$5.43	\$6.05	5.30%	5.80%	6.20%	17.20%
Suncorp	SUN.asx	Aus Financial	O	\$11.31	\$12.50	5.40%	6.80%	6.60%	17.30%
Dexus Property Group	DXS.asx	Aus Real Estate	N	\$7.22	\$7.63	6.00%	6.10%	6.20%	11.80%
Lend Lease	LLC.asx	Aus Real Estate	O	\$12.88	\$17.00	4.60%	5.40%	6.20%	37.40%
Spark Infrastructure	SKI.asx	Aus Utilities	O	\$1.88	\$2.30	6.90%	7.20%	7.50%	29.90%
Telstra (AUD)	TLS.asx	Aus Telecommunications	U	\$5.40	\$5.25	5.70%	5.80%	5.90%	3.00%

Ratings Guide: U = Underperform, N = Neutral, O = Outperform. Ratings are relative performance compared to the underlying market over the next 12 months.