

# Yovich & Co. Market Update

31<sup>st</sup> July 2022

As at 29th July	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week	11263.19	7011.78	3269.97	7276.37	31899.29	11834.11	0.9029	0.6267	2.50%
Week Close	11492.65	7173.75	3253.24	7423.43	32845.13	12390.69	0.8997	0.6202	2.50%
Change	2.04%	2.31%	-0.51%	2.02%	2.97%	4.70%	-0.36%	-1.04%	0.00%

Sharemarkets continued to make gains last week, completing a positive month of July. The NZ market was up 2.04% during the week, and finished 5.67% up for July, having recovered 8.3% since the low point of June. The US market was stronger, with the S&P500 up 4.26% during the week, finishing 9.11% up for July, having recovered 13.57% since the low point of June.

In the US, the Federal Reserve raised the target range for the fed funds rate by the expected 75bps to 2.25%-2.5%, being the fourth consecutive rate rise. The central bank said that ongoing increases in the target range will be appropriate, and it will be looking for a moderately restrictive level by the end of the year, meaning a level between 3% and 3.5%.

Despite this, bond prices have continued to rise, as long-term interest rates continue to fall. In NZ, the 2-year swap rate was down 34bps to 3.74%, while the 10-year swap rate fell 32bps to 3.58%, despite the 3-month bank bill rate remaining flat at 3.14%. In the US, the 2-year Treasury rate was down 20bps to 2.86%, while the 10-year Treasury rate fell 12bps to 2.70%.

In NZ housing, purchases of NZ homes by foreign buyers have declined by 91% since restrictions on foreign buyers were introduced in 2018. Industry data shows total housing transactions fell 26% in the year to June, with stock for sale almost twice what it was at the same time last year. Construction costs continue to increase, with the cost to build a 200sqm brick and tile house up 7.7% over the year.

The biggest movers of the week ending 29 <sup>th</sup> July 2022			
Up		Down	
Mainfreight	9.22%	Restaurant Brands	-10.43%
Vista Group	8.28%	Pacific Edge	-7.14%
Skellerup	7.87%	Serko	-7.04%

## Market Highlight – ANZ Bank Entitlement Offer

ANZ Bank is conducting a pro-rata accelerated renounceable entitlement offer to raise funds, whereby eligible investors can apply for 1 new share for every 15 shares held, at an application price of AUD\$18.90 per share (or NZD\$20.81 per share if you own ANZ shares on the NZX). An entitlement offer is sometimes referred to as a rights issue.

### Suncorp Acquisition

Two weeks ago, ANZ Bank announced that they had entered an agreement to buy Suncorp Bank, the banking division of insurer Suncorp Group, for AUD\$4.9b. Suncorp Bank is based in Queensland and has a focus on mortgages, geographically skewed to Queensland, plus some commercial lending. ANZ believes this addition will complement ANZ's Australia Retail and Commercial businesses, adding operational scale and valuable geographic diversity, as well as reweighting ANZ's business towards Australian retail and commercial banking.

ANZ is raising AUD\$3.5b via the entitlement offer, and will use existing capital to cover the rest of the acquisition cost.

### **Entitlement Offer**

The application price for new shares is AUD\$18.90, which reflects a 12.0% discount to the theoretical ex-rights price (TERP) of AUD\$21.47.

The entitlement offer is made up of an institutional component and a retail component. The institutional component has been completed, which raised approximately AUD\$1.7b. The retail offer is now open for retail investors, who can now choose from 3 options.

### **Options for Investors**

1. Take up some or all of your entitlement at the application price of AUD\$18.90 per share (or NZD\$20.81 if you own ANZ on the NZX).
2. Sell some or all of your entitlements. You can sell them on the ASX, with the price being determined by the market. Usually the value of the entitlements will relate to the difference between the current price of existing shares and the application price for new shares. Trading of retail entitlements ceases on 8<sup>th</sup> August.
3. Do nothing, and let your entitlements be sold via the Retail Shortfall Bookbuild. Any premium achieved above the application price during this process will be paid to those shareholders who did not take up their entitlements.

Options 2 and 3 will result in your shareholding being diluted as a result of the new shares being issued.

## **Investment News**

### **Restaurant Brands (RBD.NZ) Expects Half-Year Profit of \$14m-\$16m**

Restaurant Brands' total sales for the second quarter to 30<sup>th</sup> June increased to \$309.5m, up 10.2% on pcp. Total sales were supported by the inclusion of 17 new stores, and the strengthening of the USD. Despite strong sales, inflationary pressures have impacted on costs. The company expects half-year NPAT of \$14m-\$16m, down from \$34.5m in 2021.

**Current Share Price: \$9.62, Consensus Target Price: \$11.82**

### **Argosy Property (ARG.NZ) Announces First Quarter Dividend**

Argosy Property have announced a first quarter dividend of 1.6625 cents per share. As Argosy is a PIE, the dividend can be treated as excluded income for NZ income tax purposes. Imputation credits of 0.206261 cps will be attached to the dividend, representing income tax paid by the company.

**Current Share Price: \$1.305, Consensus Target Price: \$1.32**

### **Westpac (WBC.ASX) Releases New Emissions-Intensive Industry Targets for 2030**

Westpac has released targets to assist the global transition to a net-zero economy by 2050, including a target of zero lending to companies with over 5% of their revenue coming directly from thermal coal mining by 2030. Westpac's total committed exposure to coal mining was AUD\$220m at the end of March.

**Current Share Price: AUD\$21.51, Consensus Target Price: AUD\$24.47**

### **Meridian Energy (MEL.NZ) Notes NZAS Statement on Tiwai Point Smelter**

NZ Aluminium Smelter (NZAS) have begun exploring potential pathways with electricity generators for the future of the Tiwai Point smelter, beyond the end of the current contract in December 2024. Meridian will engage with NZAS and expects this will include contract negotiations.

**Current Share Price: \$4.97, Consensus Target Price: \$5.30**