

# Yovich & Co. Weekly Market Update

7<sup>th</sup> April 2025

## Market News

As of 4 <sup>th</sup> April 2025	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week	12287.46	8195.46	3351.31	8658.85	41583.90	17322.99	0.9093	0.5718	3.75%
Week Close	12225.28	7847.59	3342.01	8054.98	38314.86	15587.79	0.9298	0.5579	3.75%
Change	-0.51%	-4.24%	-0.28%	-6.97%	-7.86%	-10.02%	2.25%	-2.43%	0.00%

All indices we follow were down last week, with Shanghai and New Zealand slipping the least. Market reactions were due to “Liberation Day” on 2 April 2025. The day when Donald Trump issued global tariffs with the attempt to equalise the balance of trade payments. The excerpt below explains how the Trump administration arrived at tariff figures, using New Zealand as an example:

By dividing New Zealand's trade surplus - how much more we sell to the US than buy back - by the total amount of exports. New Zealand currently exports \$14.6 billion in goods but imports around \$11.6 billion, leaving a trade surplus to New Zealand of \$3 billion. Put simply New Zealand makes more money by selling things to the US than the US does selling things to New Zealand by about 20 percent. (RNZ National) [Source](#).

Other data from the US last week was the unemployment rate, which rose to 4.2% in March 2025; this is the highest level since November and is above market expectations of 4.1%. Jerome Powell (FED Chair) also mentioned that it is too early to assess the likely economic effects that higher tariffs will have on inflation. “Our obligation is to keep longer-term inflation expectations well anchored and to make certain that a one-time increase in the price level does not become an ongoing inflation problem”.

Back home, tomorrow will see the OCR announcement with expectations for a 0.25% decrease followed by another in May, which will see the OCR at 3.25% by mid-year. With all major banks expecting a neutral OCR rate of around 3% by the end 2025. This easing of monetary policy has seen mortgage rates reduce, providing mortgage holders the flexibility to keep their repayments the same or reduce them, making more cash available for investing.

On the property front values in New Zealand rose by +0.5% in March, the strongest since January last year. Median values are now sitting at \$812,195 nationally, the highest since June 2024 (\$818,649). However, values are still down by 16.3% compared to the previous January 2022 peak (Core Logic).

## Weekly Market Movers

The biggest movers of the week ending 4 April 2025			
Up		Down	
Mercury NZ	5.66%	Gentrack Group	-8.12%
Fonterra Shareholders' Fund	4.43%	Tower	-8.08%
Vital Healthcare Property Trust	4.12%	Skellerup Holdings	-8.00%
Argosy Property	3.05%	Infratil	-7.32%
Fisher & Paykel Healthcare	2.76%	Tourism Holdings	-7.30%

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## Investment News

### Skellerup Holdings Limited (SKL.NZ)

Skellerup generates 35% of revenue from sales in the US market. Approximately 85% of this revenue comes from products manufactured at their own and partner facilities (in equal proportions) in each of New Zealand, China and Vietnam. CEO Graham Leaming said, "Due to actions already taken to increase inventory held in market, along with pricing and cost initiatives, we do not expect the new tariffs to have a material impact on our FY25 results. Our guidance for net profit after tax of \$52 to \$56 million for the year ended 30 June 2025 remains in place. The new tariffs will increase costs in future financial years. We expect to offset a significant proportion of these costs with a combination of continuous improvement activities, pricing and cost initiatives and expanding our in-market manufacturing capability."

**Current Share Price:** \$4.20, **Consensus Target Price:** \$5.63, **Forecast dividend Yield:** 7.00%, **Total Potential Return:** 25.4%.

### Sheffield Resource Limited (SFX.ASX)

Sheffield Resource provide a preliminary March 2025 quarterly update with Zircon concentrate shipments for March quarter totalled 82,000 tonnes, due to expanded customer interest along with increased demand from existing customers. With the prioritisation of zircon shipments and a closure of the port of Broome in the final week of March, a final ilmenite concentrate shipment for the quarter was deferred into April, and shipments for the March 2025 quarter totalled 126,000 tonnes. Ore mining for the quarter totalled 2.5 million tonnes. Ilmenite concentrate production and zircon concentrate production were 148,000 tonnes and 39,000 tonnes, respectively for the March quarter. The strong sales are expected to deliver the first positive quarter of operating cashflow for the Thunderbird mine.

**Current Share Price:** \$0.19

### Fisher & Paykel Healthcare Limited (FPH.NZ)

Fisher & Paykel Healthcare shares had intra-day volatility on the announcement on the tariffs as this would push costs up in the FY2026. Shares dropped around 7% but recovered after the company released a statement, ending the day down just 1%. While Fisher & Paykel didn't give exact figures, it said the tariffs would likely raise costs and could delay its gross margin target, though it still expects to hit it eventually. The company, which makes respiratory and surgical equipment, manufactures 45% of its products in Mexico and 55% in New Zealand, with the U.S. making up 43% of its revenue. Most of its U.S. imports from Mexico are covered by the USMCA trade agreement, meaning a recent 25% tariff on non-compliant goods doesn't apply. Fisher & Paykel plans to give a full update in May but doesn't expect the tariffs to significantly affect its 2025 profit.

**Current Share Price:** \$33.33, **Consensus Target Price:** \$34.78, **Forecast dividend Yield:** 1.8%, **Total Potential Return:** 3.90%.

## Tariffs in Focus: A Guideline for Navigating the Current Market Landscape

What is a tariff? A tariff is a tax imposed by a government on imported or exported goods, typically used to protect domestic industries, generate revenue, or influence trade policies. In today's interconnected global economy, tariffs can significantly influence the movement of goods, market prices, and overall economic stability.

As of April 2, the average U.S. tariff rate is approximately 25.5%, marking an increase of 23 percentage points from 2024. This represents the highest tariff rate the U.S. has seen in over a century.

The anticipation of tariff hikes by the Trump administration had already been dragging the markets down, but the excessive hikes ultimately imposed took the market by surprise. As a result, researchers now estimate a 40%-50% chance of a recession over the next year. However, it could be a short-term pain if the U.S. rolls back its stance on higher tariffs. Some speculators view this as part of the 'Starve the Beast' strategy, where a potential recession is seen as artificially created to reduce U.S. debt by applying economic pressure to achieve long-term fiscal goals. The US national debt has surged to \$36.6 trillion.

The Washington based Committee for a Responsible Federal Budget has emphasised the urgency of addressing fiscal challenges to stabilise and reduce the debt-to-GDP ratio. Their fiscal blueprint advocates for a combination of revenue and spending changes to achieve long-term debt sustainability.

Below is a Year-to-Date table for major indices, reflecting the price changes.

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	SP500	NZDAUD	NZDUSD	OCR
1/01/2025	13110.74	8420.51	3351.76	8173.02	42544.22	19310.79	5881.63	0.90	0.56	4.25
4/04/2025	12225.28	7847.59	3342.01	8054.98	38314.86	15587.79	5074.08	0.93	0.56	3.75
Change	-7.24%	-7.30%	-0.29%	-1.47%	-11.04%	-23.88%	-15.92%	2.80%	-0.30%	-13.33%

Source: Iress

For investors, understanding tariffs and other macroeconomic policies is crucial for making informed portfolio management decisions. Changes in tariff structures can affect industries in diverse ways, altering the risk and return profiles of various asset classes. In this section, we provide a general guideline on how to navigate these complex policies and make decisions that can help safeguard and grow your investment portfolio.

The most important strategy is maintaining a diversified portfolio, as this significantly reduces both risk and volatility. Adopting a long-term approach, combined with a diversified portfolio, has proven successful throughout history. Markets have weathered major downturns and economic troughs, and long-term investors are familiar with this reality. Some may consider using dollar-cost averaging strategies during uncertain times. However, situations like these often prompt investors to reassess their risk appetite, considering both their ability to take on risk and their behavioural tolerance for volatility.

If the downturn in your portfolio is causing discomfort, it may be prudent to reassess your risk profile or temporarily shift to income-generating securities, particularly if it helps reduce concentration risk or locks in profits. Risk profiles evolve over time as personal circumstances and market conditions change, making it essential to adjust them accordingly.

In conclusion, the tariffs imposed by the U.S. are excessive and widely regarded as self-inflicted pain for the U.S. economy in the short to medium term. However, the impact on various economies depends on factors such as the types of goods and services being exported to the U.S., their value, and the contribution to respective GDP.

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Therefore, instead of avoiding international allocation altogether, the response should be to be more strategic and diversified with international investments.

**Upcoming Dividends: 7<sup>th</sup> April to 7<sup>th</sup> May.**

Description	Security	ExDivDate	BooksClose	Gross Dividend Amount	Pay Date
Hallensteins Glassons	HLG	09-Apr-25	10-Apr-25	28.36cps	17-Apr-25
Turners Automotive	TRA	09-Apr-25	10-Apr-25	7 cps	29-Apr-25
F&C Investment Trust PLC	FCT	10-Apr-25	11-Apr-25	10.80 cps	7-May-25
The Bankers Investment Trust Plc	BIT	23-Apr-25	24-Apr-25	1.55 cps	30-May-25
CDL Investments NZ	CDI	01-May-25	02-May-25	4.86cps	16-May-25

Source: Iress

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