

# Yovich & Co. Weekly Market Update

8<sup>th</sup> July 2024

## Investment News

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
<b>Previous Week 28<sup>th</sup> June</b>	11,717.43	8,013.83	2,967.40	8,164.12	39,118.86	17,732.60	0.91	0.61	5.50%
<b>Week Close 5<sup>th</sup> July</b>	11,794.81	8,070.10	2,949.93	8,203.93	39,375.87	18,352.76	0.91	0.61	5.50%
<b>Change</b>	0.30%	-0.32%	-1.03%	-0.89%	-0.08%	0.24%	-0.87%	-0.45%	0.00%

The NZX 50 gained 0.30% this week, closing at 11,794.81. This positive movement was supported by gains in energy and healthcare stocks. Meridian Energy and Fisher & Paykel Healthcare were notable contributors, benefiting from strong earnings reports and favourable market conditions.

The All-Ordinaries index in Australia fell by 0.32% to 8,070.10, impacted by concerns over economic growth and rising interest rates. Key sectors such as financials and consumer staples faced downward pressure, reflecting investor caution.

The Shanghai Composite dropped by 1.03%, closing at 2,949.93, as concerns over China's economic recovery and regulatory crackdowns weighed on investor sentiment.

The FTSE 100 decreased by 0.89%, closing at 8,203.93. The decline was driven by drops in mining and energy stocks, influenced by fluctuating commodity prices, ongoing global economic uncertainties, and election uncertainty.

In the US, the Dow Jones Industrial Average saw a slight decline of 0.08% to 39,375.87, while the NASDAQ rose by 0.24% to 18,352.76. The mixed performance was driven by strong tech sector earnings offset by broader market concerns over interest rates and inflation.

The NZD weakened against both the AUD and USD, reflecting global market volatility and lower-than-expected economic data from New Zealand.

## Weekly Market Movers: Ending 5<sup>th</sup> July 2024

The biggest movers of the Week ending 5 <sup>th</sup> July 2024			
Up		Down	
Port of Tauranga	9.15%	Fletcher Building	-5.32%
Serko	5.85%	Scales Corporation	-4.29%
Skellerup Holdings	5.42%	Ryman Healthcare	-3.39%
KMD Brands	4.17%	Freightways	-3.32%
Tourism Holdings	3.35%	The Warehouse Group	-3.06%

### Top Gainers:

**Port of Tauranga (9.15%):** Port of Tauranga led the gains this week, driven by strong export volumes and improved logistics operations. The company reported a significant increase in cargo handling, boosting investor confidence.

**Serko (5.85%):** Serko saw a robust increase due to the recovery in corporate travel. The company has been benefiting from an uptick in travel bookings as businesses resume in-person meetings and events.

**Skellerup Holdings (5.42%):** Skellerup Holdings climbed on the back of strong earnings results and positive guidance for the upcoming quarters. The company's diversified industrial products have been in high demand.

**KMD Brands (4.17%):** KMD Brands, covered in our last week's spotlight as attractive buy, saw gains as the winter season boosts demand for outdoor and adventure gear. Additionally, their recent marketing campaigns have positively impacted sales.

**Tourism Holdings (3.35%):** Tourism Holdings benefited from the ongoing recovery in the tourism sector. Increased international tourist arrivals have driven higher rental bookings for their campervans and motorhomes.

### Top Losers:

**Fletcher Building (-5.32%):** Fletcher Building fell amid concerns over rising construction costs and supply chain disruptions, which could impact their margins and project timelines.

**Scales Corporation (-4.29%):** Scales Corporation saw a decline as market participants reacted to lower-than-expected export volumes. The agricultural sector has faced challenges, including adverse weather conditions.

**Ryman Healthcare (-3.39%):** Ryman Healthcare dropped after issuing a profit warning, citing increased operational costs and regulatory challenges in the aged care sector.

**Freightways (-3.32%):** Freightways experienced a dip due to lower freight volumes and increased competition in the logistics sector. The market has been cautious about the company's ability to maintain its growth trajectory.

**The Warehouse Group (-3.06%):** The Warehouse Group's shares fell following weak retail sales data. Consumer spending has been impacted by higher living costs and economic uncertainty, affecting the company's performance.

## Spotlight on BHP Group (ASX: BHP): A Strategic Buy Opportunity Technical and Fundamental Analysis

### Recent Performance and News

BHP Group, a leading global resources company, has shown resilience despite market fluctuations. Recent news highlights its strategic movements, including the easing of labor tensions in Chile and positive quarterly earnings, which have bolstered investor confidence.

The crown jewel for BHP at the moment is their enormous copper exposure after acquiring Oz Minerals in a \$10 billion takeover last year. Copper is currently a hot commodity, up 12% year-to-date, even after a 14% correction from the all-time high in May 2024.

### Fundamental Analysis

- BHP Group boasts strong fundamentals:
- Net Income: \$7.39 billion
- Return on Equity: 19.33%
- Annual Sales: \$55.66 billion
- Dividend Yield: Approximately 5.10%

### Risk and Return

Analysing the annualised risk and return from 5-year daily prices and average dividend yield:

- Annualised Standard Deviation (Risk): 29.06%
- Effective Annual Return: 8.8%
- Average Dividend Yield: 7.94%

Despite a high volatility of 29.06%, BHP has delivered an effective annualised return of 8.8% along with consistent dividends, surpassing the industry average of 4.9%. The volatility reflects the cyclical and project-dependent nature of mining stocks. Volatility can work in favour of investors when operational activities pick up pace and positive news emerges. Given the past data and current charts, it appears that now is the time when volatility may drive the price favourably for investors.

### Technical Analysis



Here's a closer look at its price movement and key indicators.

The 1-year chart for BHP shows significant price movements, highlighting periods of volatility. The stock experienced peaks and troughs, typical of cyclic and project-dependent mining stocks.

**Moving Averages:** Moving averages smooth out price data to identify trends over a specific period.

- **Daily Chart:** BHP's 50-day moving average is below the 200-day moving average, indicating a bearish trend. This "death cross" suggests that the stock has been experiencing downward momentum over the short term, which could be a signal for caution among investors with short time horizon.
- **Weekly Chart:** Conversely, the 50-week moving average is above the 200-week moving average, indicating a bullish trend. This "golden cross" suggests sustained upward momentum over the long term, which is often a positive sign for long-term investors. It implies that despite recent volatility, the stock has generally been trending upward over a longer period.

This dual perspective indicates that while BHP may face short-term challenges, its long-term outlook remains positive, which can be reassuring for long-term investors.

**Relative Strength Index (RSI):** The RSI is a momentum oscillator that measures the speed and change of price movements on a scale of 0 to 100. It helps identify overbought or oversold conditions. Currently, BHP's RSI is around 50, which is in the neutral zone. This suggests the stock is neither overbought nor oversold, indicating potential for growth without immediate risk of a reversal due to overbought conditions.

**MACD (Moving Average Convergence Divergence):** The MACD is a trend-following momentum indicator that shows the relationship between two moving averages of a security's price. The MACD line is calculated as the difference between the 12-day and 26-day EMAs (Exponential Moving Averages). The Signal line, a 9-day EMA of the MACD line, acts as a trigger for buy and sell signals. When the MACD line remains above the Signal line, as is the case for BHP, it indicates continued bullish momentum. This suggests that the stock's upward movement is strong and likely to continue in the near term.

## Analyst Opinions

Analysts from Goldman Sachs and Macquarie maintain a bullish outlook on BHP, with target prices suggesting a potential upside of up to 12.5%. The 12-month consensus target price is \$45.99.

## Investment Rationale

- **Strong Dividend:** BHP's consistent dividend payouts provide a reliable income stream for investors.
- **Strategic Expansions:** The company's investments in copper and iron ore are expected to drive future growth.
- **Market Position:** As a leader in the mining sector, BHP is well-positioned to benefit from global demand for resources.

## Conclusion

Given its strong financial health, technical indicators, and supportive market news, BHP Group presents a buy opportunity for both short-term gains and long-term growth.

Jarrod Goodall (FSP 198885)  
Nathanael McDonald (FSP 629229)  
Rajat Vats (FSP1007270)  
Daniel Butzbach (FSP1007407)



### Upcoming Dividends: 9th of July to 9th of August

Description	Security	ExDivDate	BooksClose	Gross Dividend Amount	PayDate
<b>MAINFREIGHT</b>	MFT	11-Jul-24	12-Jul-24	120.8333 cps	19-Jul-24
<b>TURNERS</b>	TRA	17-Jul-24	18-Jul-24	10.4167 cps	26-Jul-24
<b>BANKINV</b>	BIT	25-Jul-24	26-Jul-24	1.4027 cps	30-Aug-24

---

For more information and to stay updated subscribe to our newsletter and consult with your Financial Adviser to tailor your investment strategy.