

Yovich & Co. Market Update

20th February 2022

As at 18th February	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week	12173.78	7515.81	3462.95	7661.02	34738.06	13791.15	0.9312	0.6643	0.75%
Week Close	12141.89	7502.83	3490.76	7513.62	34079.18	13548.07	0.9333	0.6702	0.75%
Change	-0.26%	-0.17%	0.80%	-1.92%	-1.90%	-1.76%	0.22%	0.87%	0.00%

The NZ market was essentially flat over the last week, declining by 0.26%, however there were some large individual movements as the earnings reporting season kicked off. Fletcher Building (FBU) beat market expectations with their half-year EBIT of \$332m, up on \$323m in the previous corresponding period (pcp), as well as an increase in the dividend. The FBU share price increased 6.69% on the day of the announcement, closing up 5.27% over the week.

Ebos Group (EBO) also reported a positive result, with their half-year revenue and underlying EBITDA both up 13% on pcp. Shares were up 3.37% on the day of the announcement, and closed up 4.19% over the week.

Skellerup reported earnings in line with guidance, with revenue up 10% vs pcp and EBIT up 18% vs pcp. The share price was down 3.85% over the week. This however follows a stellar run over 2020 (up 50.8%) and 2021 (up 73.7%).

ANZ increased its 1-year home loan rate by 20 basis points to 3.85% during the week. ASB followed with increases across the board, with its 2-year rate increasing 20bps to 4.35%. The REINZ House Price Index declined by 1.5% for the month in NZ, and a decline of 0.9% over the last 3 months.

The biggest movers of the week ending 18 th February			
Up		Down	
Fletcher Building	5.27%	EROAD	-8.69%
Ebos Group	4.19%	Tourism Holdings	-5.40%
Westpac	3.27%	Pushpay Holdings	-4.85%

Market Spotlight – Volatility

The start of 2022 has seen falls in markets globally, following strong growth after the initial drop at the start of the covid-19 outbreak (the NZ market fell 8.78% in January which is just shy of the 10% threshold considered a ‘correction’). Since the global financial crisis in 2008, interest rates in NZ and worldwide have seen a continued downward trajectory, with central banks lowering their respective cash rates in line with low inflation outcomes. In NZ we have seen a long period of low inflation, even at times falling below the target band of 1%-3%.

The price inflation that we are now experiencing is a dramatic turnaround, caused by global supply chain constraints, and it is forcing the RBNZ to quickly raise the OCR after lowering it during the COVID-19 outbreak to support the economy. This theme has borne out overseas, with central banks now facing the decision to not only increase rates, but also to unwind their large scale asset purchase programmes, which have been used extensively since the GFC, especially in the US.

CBOE Volatility Index (VIX)

The VIX index represents the market’s expectations for volatility in the US S&P 500 index over the coming 30 days. Looking backwards, we see a large spike in the index at the beginning of the GFC, slowly falling on average back to more normal levels by the end of 2012, followed by relatively low levels through to 2020 while interest rates were decreasing and central banks were supporting economies with stimulatory monetary policy.

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The VIX index then saw a large spike at the onset of the covid-19 outbreak, with elevated levels through to the second half of last year. Currently, we are seeing an increased VIX index, with the index at 27.75 versus the 200-day average of 19.5, reflecting the uncertainty around when and how fast the global economy opens up, what effect this has on supply chains, whether this inflation is short-term or longer, and how high interest rates go.



For investors, volatility is normal, and for new investors this may be new. The share market has a very long history of rebounding from corrections, and providing above-inflation returns over the long-term, so the message to investors is to stay calm and stay focused on your investment plan that you have implemented with your adviser. There is no free lunch, and growing your wealth means accepting short-term volatility along the way, whereas putting your money into safe term deposits means accepting low returns that at current rates do not cover inflation.

Investment News

SkyCity Entertainment Group (SKC.NZ) – Reports Loss Due to Pandemic Restrictions on Casinos

Covid-19 restrictions have had an expected negative effect on earnings for SKC, with operating restrictions and closures of its NZ and Australian properties. Normalised EBITDA was down 70% vs pcp to NZ\$36m, while normalised NPAT was down 145% vs pcp to a net loss of NZ\$20m and no dividend.

No formal guidance has been provided due to near-term Covid-19 uncertainty.

Current Share Price: \$2.96, Consensus Target Price: \$3.56

Fletcher Building (FBU.NZ) Earnings Bounce Back

FBU said its quarterly earnings bounced back from a lengthy pandemic lockdown, helped by a home building boom in NZ. FY1H22 EBIT was \$332m, vs pcp of \$323m. The interim dividend is 18.0c, a 68% payout ratio, up on 12.0c in pcp.

Current Share Price: \$6.79, Consensus Target Price: \$7.68

Ebos Group (EBO.NZ) – First Half Underlying Net Profit up 16%

Revenue of \$5.25bn was up 13% on pcp, with underlying NPAT of \$109m, up 16% on pcp. The dividend is 47c, up 11% on pcp.

Current Share Price: \$41.05, Consensus Target Price: \$39.16

Vital Healthcare Property Trust (VHP.NZ) Acquires Development Site in South West Sydney

VHP has acquired c. 27,840sqm of leasehold land in Campbelltown, Western Sydney for A\$76.6m, including the development of a GenesisCare Cancer Centre. The acquisition will enable VHP to develop, over time, a leading healthcare precinct in one of Australia's fastest growing population zones.

Current Share Price: \$3.14, Consensus Target Price: \$3.05

Upcoming Dividends

Company	Ex dividend date	Gross Dividend cents per share	Payment date	Current price \$
NZX	23-Feb-22	4.31	10-Mar-22	\$1.699
Goodman Property Trust	02-Mar-22	1.88	17-Mar-22	\$2.46
Ebos Group	03-Mar-22	51.57	18-Mar-22	\$41.05
Skellerup	03-Mar-22	8.96	17-Mar-22	\$6.24
Contact Energy	10-Mar-22	17.89	30-Mar-22	\$8.13
Fletcher Building	17-Mar-22	25.0	07-Apr-22	\$6.79