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## WEEKLY INVESTMENT UPDATE

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Tuesday 23<sup>rd</sup> April 2024

What's on this week?

Region	Macro Data
Australia	(NAB) Fallout from Israel's strikes in Iran, which occurred on Friday morning, will likely continue to dominate market sentiment early into the week. The key question is if Israel's retaliation to Iran's initial retaliation perpetuates a spiralling tit-for-tat escalation. Markets continue to discount this scenario with large risk-off moves on Friday morning partly reversing by the afternoon. We will find out more as the days progress. Either way tensions will remain elevated. As for data, in Australia Q1 CPI (Wednesday) dominates domestically in a holiday-shortened week given the ANZAC Day Public Holiday on Thursday. We expect trimmed mean inflation to print at 0.9% q/q and 3.8% y/y (consensus 0.9/3.9). We assess risks as slightly to the downside, and the RBA February SoMP had pencilled in 0.8% q/q. We expect the data to reinforce only gradual progress on domestic price pressures, keeping the RBA on the side lines until late 2024.
International	(NAB) In the US it is Q1 GDP (Thursday) that is set to dominate with Fed officials in blackout for most of the week given the proximity of the next FOMC meeting (on 2 May). The early consensus pegs growth at 2.3% annualised, though the Atlanta Fed's GDP Now estimate sits at 2.9%. Durables (Wednesday) will firm up expectations. Core PCE (Friday) is also out, though much will be known from the GDP report. The earnings season also continues with the big tech names reporting this week. Key names include: Tesla (Tuesday); IBM & Meta (Wednesday); and Microsoft & Alphabet (Thursday).

Economic Calendar for the week of 15/04/2024

Date Time	Location	Event	Month	Survey	Prior
24/04/2024	AU	CPI Trimmed Mean	QoQ	0.9%	0.9%
25/04/2024	US	GDP Annualised	Q1	2.3%	3.4%
25/04/2024	US	Personal Consumption	Q1	2.3%	3.4%
26/04/2024	JP	BOJ Target Rate	Apr		
26/04/2024	US	PCE Core Deflator	MoM	0.3%	0.3%

## Global Weekly Market Recap 15/04-19/04

### Market data

Equities	Level	Index returns (%)		
		1 week	YTD	1 year
MSCI AC World	903	-2.8	4.6	17.7
MSCI World	2,568	-2.8	4.9	18.9
MSCI EM	62,289	-3.2	1.9	7.7

Countries	Level	Index returns (%)		
		1 week	YTD	1 year
ASX 200	7,567	-2.8	0.9	6.9
Small Ords	2,966	-3.8	2.2	5.0
NZ50	4,487	-1.1	0.2	-1.0
Topix	2,626	-4.8	12.1	31.7
MSCI China	55	-2.0	-3.0	-16.0
S&P 500	4,967	-3.0	4.6	21.4
Russell 2000	4,840	-2.8	-3.5	9.9
NASDAQ	15,282	-5.5	2.0	26.7
Stoxx 600	499	-1.1	5.2	10.2
FTSE 100	7,896	-1.2	3.5	4.1

ASX sectors	Level	Index returns (%)		
		1 week	YTD	1 year
Cons disc	3,381	-3.1	5.6	14.0
Cons staples	11,744	-1.8	-3.1	-10.2
Energy	10,577	-2.0	2.4	5.3
Financials	7,064	-3.1	6.1	18.0
Healthcare	40,625	-3.8	-3.5	-6.6
Industrials	6,959	-2.9	2.4	5.7
IT	2,101	-3.2	14.7	34.1
Materials	18,011	-2.2	-5.8	-1.0
Telecoms	1,484	-3.0	-5.0	-0.7
Utilities	8,652	0.1	8.0	6.9

Volatility	Level			
	Level	1 week	31/12/23	1 year
VIX	18.7	17.3	12.45	16.5

Local bonds	Yield	Change (bps)		
		1 week	YTD	1 year
2yr Aus Treasuries	3.88	-2	17	67
10yr Aus Treasuries	4.26	-1	30	74
AusBond Comp	4.37	-1	26	64
AusBond IG	5.06	-1	19	32

Global bonds	Yield	Change (bps)		
		1 week	YTD	1 year
10yr US Treasury	4.61	9	73	101
10yr UK Gilt	4.27	17	74	44
10yr German Bund	2.52	19	52	2
10yr JGB	0.84	-1	22	37
Global Agg	4.00	9	49	34
Global IG	5.23	14	55	20
Global HY	8.59	21	39	-60
EMD (\$US)	8.16	15	31	-48

Commodities		Change (%)		
		1 week	YTD	1 year
Copper (\$/t)	9,749	3.7	15.0	9.8
Gold (\$/ozt)	2,380	-0.9	14.5	19.5
Silver (\$/ozt)	28.24	-2.7	18.7	14.1
Crude (Brent \$/bbl)	87.08	-6.5	12.1	2.0
Iron ore (\$/t)	107.95	1.8	-20.8	-10.2

Currencies		Change (% vs \$A)		
		1 week	YTD	1 year
USD	0.6422	-0.7	-5.9	-4.5
EUR	0.6019	-1.1	-2.6	-1.9
GBP	0.5165	-0.7	-3.5	-4.3
CHF	0.5840	-0.9	1.7	-3.3
JPY	99.2841	0.3	3.2	9.7
NZD	1.0889	0.0	1.0	0.7

### Week in Review (jump to section)

- Strong US retail sales and the Fed's Powell acknowledging a 'lack of further progress on inflation' supported Fed cut repricing
- There are 44bp of cuts priced by end 2024, little changed over the week
- Local data showed the unemployment rate holding onto most of February's fall, but weaker Asian FX, risk sensitivity, and the stronger for longer USD were in the driving seat.

Source: NAB



## Australian Equities

### South32 Quarterly

### Morgan Stanley

#### Key takeaways

- Net Revenue impact (MSe) of today's quarterly is -3.2% on FY24 for the production report. However, this will be balanced by no change to guidance.
- Au Mang: Market expectations (we think) were exports from 2QFY25. S32 have indicated exports in 3QFY25 with earlier potential through alternate shipping options.
- Total alumina production of 1.24Mt was -5.6% vs MSe: 1314kt and -3.9% vs Cons. S32 flagged planned calciner maintenance but no major disruptions.
- Total ally production of 278kt was -1.1% vs MSe: 281kt and -2.3% vs Cons: 284.6kt. A broadly in-line result, the slight weakness was at Mozal.
- S32 share Sierra Gorda Cu (copper) was 13.9kt, -21.4%/-15.7% vs MSe/Cons. S32 flagged planned lower grades.





## Resmed Inc. (RMD.N): 3Q24E: What to expect?

Morgan Stanley Research

### Key takeaways

- RMD to report on Friday, 26 April 2024 at 6:30am AEST.
- MSe ~1% ahead of cons (Visible Alpha) on top line, driven by higher device sales growth expectations (US - MSe ~4% growth vs cons 2% growth). Mask sales in line.
- Gross margin in line w/ cons at 57.6% (+70bps from prev Q and +160bps pcp, vs in 2019 ~59%).
- Overall, MSe 2% ahead of cons on NPAT and EPS, driven by our slightly lower operating expenses forecast (i.e. MSe SG&A 19.0% of sales vs cons 19.3% of sales).
- Key focus: (1) US device sales growth, (2) mask sales growth, (3) gross margin and (4) GLP-1 impact.



Morgan Stanley

LLY (Eli Lilly) reported positive Ph3 topline data from SURMOUNT-OSA trial. In SURMOUNT-OSA Study 1 (non-CPAP arm), at 52 weeks, **tirzepatide** led to an **apnea-hypopnea index (AHI) reduction of 55% (27 events)** and a mean body weight reduction of 18% from baseline. In SURMOUNT-OSA Study 2 (CPAP arm), at 52 weeks, tirzepatide led to an AHI reduction of 63% (30 events) and a mean body weight reduction of 20% from baseline. Safety profile was similar to previously reported trials.



## BHP: 3Q24 iron ore solid, copper in line, met coal downgraded

**JPM**  
**Key takeaways:** 1) Iron ore production of 68Mt (276Mtpa) was in line with our estimates, while shipments of ~70Mt (283Mtpa) were a 4% beat vs JPMe, 2) Copper production of 466kt was in line with our estimates with strong production across major assets, 3) Met coal production missed JPM forecast by 3% with FY24 production guidance downgraded ~2Mt and unit costs increased by ~\$9/t; Energy coal production was ~20% higher than JPMe, while nickel production missed by ~10%. Guidance is unchanged outside met coal.

## RIO: 1Q24 result: Iron ore and Aluminium solid, copper soft; JPM

**Key takeaways:** 1) Iron ore shipments of 78Mt (316Mtpa) were broadly in line with our estimates; RIO has retained all 2024 Group guidance including Pilbara shipments of 323-338Mt , 2) Mined copper production of 156kt was a 12% miss vs JPMe due to conveyor downtime (again) at Kennecott, and lower than forecast throughput at Escondida (despite higher grades), 3) Other divisions were solid with Aluminium, Bauxite and TiO2 production all broadly in line with our estimates.

## Australia Banks: Waiting for the tide to recede? Citi downgrade all banks to Sell



The Banks have rallied over the past 6 months as rate cut expectations took off. This rally found other technical explanations, including the underperformance of other ASX sectors and banks in the region. We think that easing financial conditions has driven the rally, which will now be difficult to extrapolate out as credit, inflation and employment are all inconsistent with a rate easing environment. With that in mind, the ~20% rally in bank shares looks difficult to justify, particularly with negative jaws of ~2-4% over the next 2 years.



## US Earnings

E EARNINGS WHISPERS		Most Anticipated Earnings Releases									
		for the week beginning April 22, 2024									
Monday		Tuesday		Wednesday		Thursday		Friday			
Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open	After Close
VZ	CLF	GM	TESLA	BA	META	OSIS	MSFT	XOM			
verizon	CLIFFS	gm	TESLA	BOEING	Meta	CSI SYSTEMS, INC.	Microsoft	ExxonMobil			
AZZ	NUE	UPS	TESLA	T	IBM	BCL	GOOGL	CYX			
AZZ	NUCOR	ups	VISA	AT&T	IBM	Royal Caribbean Group	Alphabet	Chevron			
ACI	SAP	GE	ENPH	VRT	F	AAL	INTC	ABBV			
Albertsons Companies	SAP	GE	ENPHASE	VERTIV	Ford	American Airlines	intel	abbvie			
TFC	CDNS	PEP	TXN	HUM	CMG	NEM	SNAP	CL			
TRUIST	cadence	PEPSICO	TEXAS INSTRUMENTS	Humana	CHIPOTLE	Newmont	Snap Inc.	COLGATE-PALMOLIVE			
ZION	AGNC	LMT	STLD	GD	NOW	MO	ROKU	HCA			
ZIONS BANCORPORATION	AGNC	LOCKHEED MARTIN	Steel Dynamics, Inc.	GENERAL DYNAMICS	servicenow	Altria	Roku	HCA Healthcare			
BOH	AMP	FCX	CB	ODFL	VRTX	CAT	WDC	CHTR			
Bank of Hawaii	Ameriprise Financial	FOREXER McMillan Copper & Gold	CHUBB	APH	VIKING	CATERPILLAR	Western Digital	Charter Communications			
HBT	GL	SPOT	STX	AMPHENOL	Lam RESEARCH	LUV	DXCM	ACM			
HBT Financial	Globe Life	SPOT	SEAGATE	Amphenol	Lam RESEARCH	Southwest	Dexcom	ACM RESEARCH			
WASH	MEDP	RTX	BKR	BSX	CLS	BMY	TMUS	ALY			
WASHINGTON FEDERAL BANCORP. INC.	MED PACE	RTX	Baker Hughes	Boston Scientific	Celestica	Bristol Myers Squibb	T-Mobile	Autoliv			
SIFY	PKG	JBLU	Weatherford	MHO	VALE	MBLY	GILD	CNC			
sify	PCAI	jetBlue	Weatherford	M I HOMES INC	VALE	in mobileye	GILEAD	CENTENE			
	ARE	HAL	MAT	ALGN	ALGN	AZN	AEM	BALL			
	ALEXANDRIA	HALLIBURTON	MATTEL	align	align	AstraZeneca	AGNICO EAGLE	Ball			
	http://eps.sh/cal						© 2024 Earnings Whispers				

## JPM Sales

- GOOGL has been the most discussed & heavily debated name, though shares have recovered nicely from the early March lows & currently trade ~2 turns below META on our 2025E GAAP P/E multiples. That spread feels about right to us, though we think both companies can trade at higher multiples, likely on higher numbers.
- AMZN is most owned & a consensus long, & it is our favorite name as well. Still, we like the backdrop of 2 big businesses w/meaningful headroom for secular growth over the long term, combined w/accelerating AWS growth & Stores margin expansion in the near term.
- META remains well-owned, but there is growing caution into earnings on almost-certain growth deceleration beyond 1Q due to tough comps & perception of lack of new drivers vs. '23. We believe slower growth is well-anticipated, & likely taken into account in META's undemanding multiple.



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