

STORIES TO READ FROM FN Arena

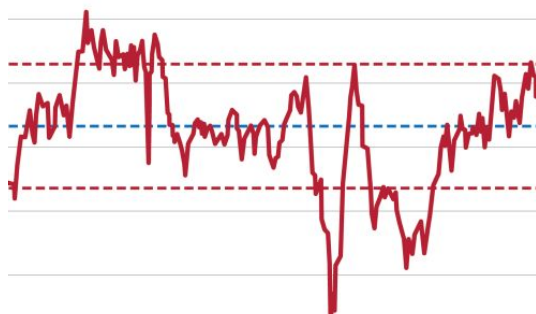
Friday, 29 July 2022



[Australian House Price Falls Accelerating](#)



[Material Matters: Iron Ore, Oil & Preferred Small-Cap Gold Stocks](#)



[Rudi's View: August Preview - Curve Balls, Profits & Opportunities](#)

CONTENTS

AUSTRALIA

1. [Start Your Engines](#)
2. [Australian House Price Falls Accelerating](#)
3. [July In Review: Growth Regains Leadership Over Value In 2022](#)

COMMODITIES

4. [Material Matters: Iron Ore, Oil & Preferred Small-Cap Gold Stocks](#)

ESG FOCUS

5. [ESG Focus: Interview Matthew England](#)

RUDI'S VIEWS

6. [Rudi's View: August Preview - Curve Balls, Profits & Opportunities](#)

TREASURE CHEST

7. [Treasure Chest: Telstra Entering An Upgrade Cycle](#)
8. [Treasure Chest: Appen Downgraded](#)

WEEKLY REPORTS

9. [Weekly Ratings, Targets, Forecast Changes - 29-07-22](#)
10. [Uranium Week: Acting For Nuclear](#)
11. [The Short Report - 04 Aug 2022](#)
12. [In Brief: Supermarkets, Pandemic Benefits & Global Growth](#)

AUSTRALIA

Start Your Engines

A look into the prospects for Australian-listed auto stocks this reporting season.

- New car buyers frustrated by delivery delays
- Car dealership and parts provider reviews
- Stocks have come off their highs

By Tim Boreham

Venture down to a car dealership today, the only bargaining you are likely to see is the Monty Python reverse-haggling variety by which desperate buyers beg to pay more for delivery some time before Christmas...2023.

We exaggerate, but not much. The reality is that the dealers and car makers hold the whip hand and that the sticker price is a case of 'truth in advertising' for the first time since Karl Benz invented the horseless carriage on a slow weekend.

(And speaking of Benzes, Mercedes' contentious set price policy means its dealers can't undercut each other, but they can still compete on trade-in values.)

The restoration of decent margins to the metal - the cars -- itself means the dealers don't have to resort to fleecing customers with marked-up accessories and dubious insurance and financing (some of which are now illegal anyway).

In short, life in the showroom should be as dazzling as the display vehicles itself - but things are more nuanced than that. For a start, they can't make money on a sale if they can't get the car off the boat in the first place.

Investors are well served with four listed vehicle dealerships, which front the market with full or half year disclosures this month.

The country's biggest dealer group after subsuming Automotive Holdings in 2019, the Nick Politis-controlled **Eagers Automotive ((APE))** has guided to a pre-tax profit of \$246m for the June half.

That's better than the \$225-240m indicated in May and, at the midpoint 7% higher than the previous corresponding covid-afflicted response.

Management reports a record new car order book and a cost cutting drive, with the ongoing supply constraints offsetting some of the joy.

Elsewhere, **Peter Warren Automotive ((PWR))** and **Autosports Group ((ASG))** are yet to update the market, but we dare say the numbers also will be strong. Broker Morgans tips a \$77.8m pre-tax profit for Peter Warren, 3% better than previously on revenue of \$1.64bn, 1.2% higher.

In late 2021, the Sydney and Brisbane-oriented group expanded into the eastern Melbourne market with the \$104m cash-scrip purchase of the storied Penfold Motors Group.

With a focus on upmarket marques including BMW, Rolls Royce and a Maserati purveyor thrown in as well, Autosports is tipped to record a circa \$55m net profit, 15% higher.

The country's biggest agglomeration of motor bike dealerships, **Motorcycle Holdings ((MTO))** is expected to post a \$21.7m full year net result, a big rev-up on the previous \$12.6m.

But is the showroom gloss wearing off the sector?



Stats from the industry body Vfacts show that new vehicle sales came in at 100,000 in the month of June, about -10% down on the May and previous June result. June half deliveries of 528,000 units are 21% higher than the (very) covid-afflicted June 2020 period. Just to confound things, sales are also some 21% below the five-year pre-covid average.

For the rest of the year, supply looks like remaining constrained because of ongoing microchip shortages, covid disruptions in China and the Ukrainian conflict. This suggests that pent-up demand will remain strong, but the unanswered question is the extent to which consumer confidence holds up amid the Reserve Bank's blitzkrieg on inflation.

The valuation of the dealers suggests tougher times ahead because the shares are going like a 15 year old Camry with a whining diff.

Year to date, Eagers Automotive shares are -10% off the pace and fallen -20% over the last 12 months. The stock is also below its prevailing value when the company was mopping up the last recalcitrant Automotive Holdings shareholders in late 2019.

Peter Warren and Autosports shares have lost almost- 30% and -22% of their value over the last year, respectively.

At prevailing valuations, the dealer shares present keen value. We won't say the bargain of a lifetime - drive away - no ore to pay - but solid dividend paying propositions if the consumer Armageddon fails to eventuate.

On Morgans numbers, Peter Warren, Autosports and Motorcycle Holdings are trading on current year multiples of less than seven times, on yields of 8-9%. Eagers is trading on less than eleven times for the calendar 2022 year, on a circa 6% yield.

Of course, the dealerships are merely one iteration of the listed automotive sector which also spans parts and accessories and fleet management.

Bapcor ((BAP)) is a well-established parts supplier, as is **ARB Corporation ((ARB))**, which caters for the four wheel drive audience.

Both stocks don't look cheap but maybe that's for a reason: ARB's revenue and earnings have recorded a compound annual growth rate (CAGR) 9.4% and 11.6% respectively over the last decade, while in May management spoke of a "consistently high" order book.

Not to be outdone, Bapcor's revenue and profits have grown at a CAGR of 26% and 31% respectively since the company listed in April 2014.

Bapcor's management reports that as of the end of March this year, performance has been "good".

The lesser known **National Tyre & Wheel ((NTD))** imports and distributes tyres and wheels - more than 2.5m of

them - in Australia, New Zealand and South Africa.

Last week the company said operating earnings would come in at \$40-42m, off the pace from an “unusually buoyant” 2020-2021.

The disclosure let some air out of the company’s share price, which tumbled up to -19% to below the November 2017 listing price of \$1 a share.

Management maintains the company is wheely well placed and will never tyre of giving good customer service.

This article does not constitute share recommendations and readers should seek their own financial advice from a properly qualified party

Find out why FNArena subscribers like the service so much: "[Your Feedback \(Thank You\)](#)" - Warning this story contains unashamedly positive feedback on the service provided.

FNArena is proud about its track record and past achievements: [Ten Years On](#)

AUSTRALIA

Australian House Price Falls Accelerating

July saw the biggest monthly fall in Australian house prices in 40 years. Just how much further will house prices fall?

- 40-year fall in house prices
- More RBA pain to come
- Ongoing house price falls expected
- Which sectors are most at risk?

By Greg Peel

Since the GFC, Australian house prices have remained a difficult conundrum for the RBA. With the one blunt tool of cash rate setting, the RBA can rein in runaway house prices by hiking rates but in doing so risk adversely affecting the wider economy, or conversely cut rates to support the wider economy but thus risk runaway house prices.

To try to tackle this dilemma, the RBA has over past years called upon APRA to tighten lending rules, basically making it harder for property investors to obtain loans and harder for owner-occupiers to obtain loans they cannot afford.

Further complicating the issue is government fiscal policy over the period designed to make it easier for first home buyers to get into a market that is otherwise beyond them, which only serves to increase prices.

APRA's tightening of various lending metrics has over the period worked to some extent, but not for long. When the RBA has hiked rates to cool housing, it has been quickly forced to cut again due to wider economic impacts.

Hence housing was the last thing on the RBA's mind in 2020 when it slashed the cash rate straight to a record low 0.1% in response to the pandemic and it's possibly severe economic impact. Desperate not to lose all demand for loans, the banks cut their mortgage rates - variable and particularly fixed rates - to record lows. The result was, of course, a housing boom like no other.

There was not much APRA could do about it.

To be fair, today's central bankers weren't around the last time there was a global pandemic, and the global economy was a very different beast back then anyway.

Nor were they around when last there was a war in Europe. RBA governor Philip Lowe, like his US counterpart Jerome Powell, admits the board left it too long to start reversing the emergency rate cuts, believing at the time the pandemic-driven spike in inflation would prove transitory. And to be fair, they could not foresee the pandemic dragging on, China's stubborn zero-covid policy or Putin's invasion.

What Philip Lowe most regrets is his insistence for so long that the first rate rise would not come until 2024. The popular media is now awash with stories of Australians getting into the property market for the first time in 2021 assuming they had at least three years before their mortgage rates would rise.

The first rate rise came two years earlier, and there's since been a total of four in consecutive months. Because three of those were of 50 basis points instead of the typical 25, effectively there's been seven since May. From 0.10% in April, the cash rate is now 1.85% as of this month.

With more to come.

While the rate hikes are devised solely to attack inflation, given the RBA's only other mandate - full employment - is for now locked in, surely Philip Lowe must be worried of the obvious counter-effect - a house price collapse.

No he's not.

Lowe admits there will be mortgage holders who will go to the wall, and that is regrettable. But a buffer is provided by aforementioned low unemployment (3.5%), and house prices had simply run too far, which was in itself a problem. There is therefore a long way house prices can come back before the RBA starts to worry in the other direction. So rate hikes aren't over yet.



How Far?

The average Australian house price fell -1.4% in July - the third consecutive monthly fall (which means prices began to fall immediately from the first rate hike) and the largest monthly fall in some 40 years. Prices are now down -2.6% from their April peak.

The falls were led by Sydney (-2.2%) and Melbourne (-1.5%), while Brisbane saw its first month of decline (-0.8%).

Note that in July, the RBA cash rate was 1.35%, and only this week it has risen to 1.85%. It may also rise by another 50 points in September.

It is not just a matter of sellers lining up. Not wishing to take the risk on still further rate hikes, buyers have also backed right off. In July last year auction clearance rates were running at 73%. Last month that figure was 52%.

Morgan Stanley points out this house price decline is in sharp contrast to other periods of house price declines, which the RBA hiked at most *one time* before pausing and reversing. Given the RBA has made it clear it will not pause tightening on house prices alone, Morgan Stanley now expects a cash rate of 3.1% by the end of this year.

There are four more RBA meetings this year and if Morgan Stanley is correct, that's another 125 basis points. This suggests the September hike will have to be 50 points. The broker now expects house prices to decline by -10% by year-end, and -15% overall, but admits further downside risk if inflation cannot be tamed.

Jarden expects a peak-to-trough fall of -15-20%, which would represent the biggest correction since the 1980s. But since the release of the July data, Jarden has pulled forward its prior forecast of -5% in 2022 and -5-10% in 2023 to -10% in 2022 and -5-10% in 2023.

Morgan Stanley and Jarden are but two broker/economists who expect the year-end RBA cash rate to begin with a 3 and for house prices to fall by such a quantum.

Any Relief?

Consensus has it the RBA will be forced to pause in 2023 when the subsequent economic downturn becomes too severe and/or the house price correction become too precipitous.

And maybe even be forced to cut rates.

Another possibility is APRA responds to crashing house prices by cutting its “serviceability buffer” back to 2% from 3%. This is the additional rate on which mortgage providers must assess a borrower’s capacity to service a mortgage, on top of the prevailing mortgage rate, intended to prevent homebuyer aspirants from stretching their budgets too far and then getting caught out on a rate rise.

Of course at a 3% buffer, many still will.

Stock Market Impact

The higher the cash rate, the wider a bank can set its loan rates above its deposit rates, expanding their net interest margins and thus earnings. It’s all well and good, until higher rates lead to a drop in loan demand and banks are forced to cut their margins.

Jarden expects the banks to thus underperform over the next six to twelve months.

For real estate platforms, i.e. REA Group ((REA)), Domain Group ((DHG)) and Pexa Group ((PXA)), Jarden sees falling house prices as providing a headwind for earnings. That said, Jarden notes REA and Domain are trading at levels suggesting this headwind is already priced in.

The same is true in the consumer discretionary sector, where lower house prices will lead to lower consumer demand. A lot of that has also been priced in, Jarden suggests.

The building materials sector is also at risk, Jarden suggests, if falling prices deter new home construction.

The building industry has already suffered substantially, with some big-name construction companies hitting bankruptcy. But they were struggling ahead of this year’s rate rises on the soaring cost of building materials, supply chain problems and covid absenteeism. Falling demand for housing could be another nail.

This clearly also hits building materials producers.

One caveat here is that prior to the recent run of devastating floods on the east coast, builders were still dealing with construction backlogs in the wake of the devastating 2019-20 bushfires, and flood rebuilding has barely yet begun.

Find out why FNArena subscribers like the service so much: "[Your Feedback \(Thank You\)](#)" - Warning this story contains unashamedly positive feedback on the service provided.

FNArena is proud about its track record and past achievements: [Ten Years On](#)

AUSTRALIA

July In Review: Growth Regains Leadership Over Value In 2022

Lower bond yields spurred the ASX200 to a 5.8% gain in July as growth, technology and real estate outperformed.

- The ASX200 gained 5.8% (total return) during July
- Growth outperformed Value, Technology and Real Estate the best
- Growth now leads Value in 2022
- The Australia 10-year bond yield fell by -60bps to 3.06%
- Commodity prices continued downward trend from April

By Mark Woodruff

The ASX200 gained 5.8% (including dividends) in July, as global equities rallied on a positive US reporting season and growth concerns that led interest rate markets to pare back expectations for rate hikes.

The MSCI Developed Markets Index rose by 8%, with the S&P500 in the US gaining 9.3% in local currency terms, while US Cyclical and the Nasdaq outperformed. Europe and Japan gained 6.1% and 4%, respectively, while stocks in China lost -16.4% on rising concerns relating to the property sector.

In Australia, all sectors besides Materials rose for the month with Information Technology and Real Estate the best performed, gaining 15.2% and 12.1%, respectively. Concerns about China's growth contributed to a decline in commodity prices, which drove the underperformance of stocks in the Materials sector.

Growth outperformed Value in July by 6.1% as the Technology and Healthcare sectors surged, and, interestingly, Growth now has leadership in the calendar year after consecutive months of strong outperformance. Morgan Stanley points out the opposite is true globally, where Value has maintained Style leadership, most notably in the US. Returns for Value in Australia were dragged down by mining stocks, notes Macquarie.

Industrials outperformed Resources over July, particularly among large caps, while the Small Ordinaries Accumulation Index gained 11.4% and outperformed large and mid-cap indices. It should be noted, the small-cap index is making up lost ground and remains the worst performing Size index in 2022.

In stark contrast to the ASX200, the Materials sector led the Small Ordinaries Index higher, followed by Real Estate and Financials.

According to Macquarie, small caps often lead out of bear markets, though caution is still required over slower growth from rising interest rates. The broker still sees an increasing likelihood of a US recession by early 2023.

At a stock level, banks drove the outperformance with CommBank ((CBA)), National Australia Bank ((NAB)) and Westpac Bank ((WBC)) among the top four stocks contributing to the ASX200's gain. Meanwhile, BHP Group ((BHP)) was the only outsized detractor in the month, with Rio Tinto ((RIO)) next in line.

An improvement in investor sentiment was also seen in bond markets as US 10-year Treasury yields dropped by -33bps to 2.64%, while in Australia the 10-year yield declined by -60bps to 3.06%. According to Ord Minnett, the futures market is now pricing in Reserve Bank of Australia cash rate cuts in 2023, suggesting recessionary risks have now increased.

Prices for iron ore, copper and wheat all declined during July while natural gas leapt more than 50%. Commodity prices have weakened since April due to concerns about global growth and China stimulus, notes Macquarie.



ASX100 Best and Worst Performers of the month

Company	Change	Company	Change
WTC - WISETECH GLOBAL LIMITED	32.36%	NCM - NEWCREST MINING LIMITED	-7.61%
WHC - WHITEHAVEN COAL LIMITED	28.31%	TAH - TABCORP HOLDINGS LIMITED	-7.48%
PLS - PILBARA MINERALS LIMITED	20.96%	BHP - BHP GROUP LIMITED	-6.23%
XRO - XERO LIMITED	20.83%	QBE - QBE INSURANCE GROUP LIMITED	-5.10%
SQ2 - BLOCK INC	19.87%	RIO - RIO TINTO LIMITED	-4.74%

ASX200 Best and Worst Performers of the month

Company	Change	Company	Change
ZIP - ZIP CO LIMITED	159.09%	CRN - CORONADO GLOBAL RESOURCES INC	-15.06%
MP1 - MEGAPORT LIMITED	77.80%	EML - EML PAYMENTS LIMITED	-14.63%
TLX - TELIX PHARMACEUTICALS LIMITED	63.13%	CIA - CHAMPION IRON LIMITED	-10.95%
360 - LIFE360 INC	58.80%	ELD - ELDERS LIMITED	-10.41%
SBM - ST. BARBARA LIMITED	50.67%	GNC - GRAINCORP LIMITED	-10.41%

ASX300 Best and Worst Performers of the month

Company	Change	Company	Change
ZIP - ZIP CO LIMITED	159.09%	JRV - JERVOIS GLOBAL LIMITED	-24.53%
MP1 - MEGAPORT LIMITED	77.80%	LLL - LEO LITHIUM LIMITED	-21.43%
KGN - KOGAN.COM LIMITED	65.83%	NXL - NUIX LIMITED	-19.74%
TLX - TELIX PHARMACEUTICALS LIMITED	63.13%	CRN - CORONADO GLOBAL RESOURCES INC	-15.06%
TPW - TEMPLE & WEBSTER GROUP LIMITED	59.34%	EML - EML PAYMENTS LIMITED	-14.63%

ALL-TECH Best and Worst Performers of the month

Company	Change	Company	Change
SZL - SEZZLE INC	215.38%	NXL - NUIX LIMITED	-19.74%
IOU - IOUPAY LIMITED	175.00%	EML - EML PAYMENTS LIMITED	-14.63%
SPT - SPLITIT PAYMENTS LIMITED	100.00%	NTO - NITRO SOFTWARE LIMITED	-14.18%
MP1 - MEGAPORT LIMITED	77.80%	RUL - RPMGLOBAL HOLDINGS LIMITED	-4.24%
CTT - CETTIRE LIMITED	71.05%	IFM - INFOMEDIA LIMITED	-4.19%

Banks

The 9.5% average total shareholder return of the major banks in July outperformed the ASX200 gain of 5.8%.

Aside from the 4.8% gain for ANZ Bank ((ANZ)), all the banks outperformed with Bendigo & Adelaide Bank ((BEN)) gaining 13.6%, Bank of Queensland ((BOQ)), 12.7%, National Australia Bank 11.7%, CommBank 11.5% and Westpac Bank 10.3%.

Relative to the other major banks, Morgan Stanley estimates CommBank is trading on a record price earnings (PE) premium of 54%. By contrast, ANZ Bank is trading on a discount of -27%.

The average PE multiple discount of the major banks relative to the All Industrials ex Banks is -25%, well below

the peak of -43% at the end of January, and is at its lowest level since mid-2017, according to the broker.

The average major bank one-year forward dividend yield is 5.5%, note the analysts, which compares with a post-2010 average of 6.0%.

Financials ex-Banks

Returns for Australian Financials Ex-Banks in July were split across the outperformance by market-linked stocks and the underperformance of insurers, which suffered as rates fell and reinsurance costs rose, explains Morgan Stanley.

Outperformers among market-linked stocks included Link Administration ((LNK)) which gained 16%, Magellan Financial Group ((MFG)) 14%, AMP ((AMP)) 14% and Macquarie Group ((MQG)) which gained 10%.

For the Insurers, Insurance Australia Group gained 3%, Suncorp Group 2%, while QBE Insurance ((QBE)) lost -5%.

Emerging companies

As mentioned previously, the Small Ordinaries Accumulation gained 11.4%, outperforming the ASX100 by 6.1%.

Small Industrials gained 11.8%, while Small Resources gained 10.8%, outperforming the ASX100 Resources by 11.8%.

The best performing sectors were Healthcare which gained 22.7%, Information Technology 17.7% and Financials which gained 14.5%.

REITs

REITs provided a total return of 11.93% in July, outperforming the 5.8% gain for the ASX200.

Softening Australian and US policy rate expectations provided impetus, explains Ord Minnett. Catalysts included falling 10-year yields, along with a below-consensus second quarter Australian consumer price index reading of 6.1%, versus market expectations for 6.3%.

Credit Suisse provides a 12-month snapshot of returns. For the year-ended 31-July 2022, REITs delivered a total return of -2.06%, outperforming the broader ASX200 by 0.11%.

Returning to July, Fund managers Charter Hall ((CHC)), Home Consortium ((HMC)) and Goodman Group ((GMG)) were among the relative outperformers after being sold-off quite aggressively in recent months, notes Credit Suisse. Meanwhile, retail-exposed names took a breather after a period of relative outperformance.

Outperformers for July included HealthCo Healthcare and Wellness REIT ((HCW)) which gained 23.7%, Ingenia Communities ((INA)) 17.5%, Charter Hall 15.4%, Home Consortium 15.3% and National Storage REIT ((NSR)) which gained 13.8%.

Underperformers for the month included Stockland ((SGP)) which gained 4.6%, RAM Essential Services Property Fund ((REP)) 5.1%, Charter Hall Long Wale REIT ((CLW)) 5.1%, Mirvac Group ((MGR)) 5.4%, and GPT Group ((GPT)) 5.8%.

Interest rates

In the US, the 10-year treasury yield fell by -33bps to 2.64%, as second quarter GDP figures moderated inflationary fears.

Meanwhile, in Australia the 10-year bond yield fell by -60bps to 3.06%, and the Reserve Bank raised the cash rate by 50bps to 1.35%.

Commodities

The CRB Commodity Index rose by 0.3% to 292 in July.

Brent crude oil fell by -4.2% to US\$110/bbl as bans on Russian shipments were delayed, explains UBS.

The iron ore price fell by -4.1% to \$US117/t, as Brazilian shipments hit record highs, notes the broker, and demand remains soft.

The gold price decreased by -2.3% to US\$1,765/oz, as moderating inflation expectations improve investor risk sentiment, according to UBS.

Hard coking coal prices fell by -32%, while thermal coal rose by 5.7% during July.

Foreign exchange

The US dollar Index (DXY), a measure of the value of the US dollar relative to a basket of foreign currencies, rose by 1.2% to 105.90.

The Australian dollar closed out July at US69.85cents, rising by 1.2% from the end of June.

Find out why FNArena subscribers like the service so much: "[Your Feedback \(Thank You\)](#)" - Warning this story contains unashamedly positive feedback on the service provided.

FNArena is proud about its track record and past achievements: [Ten Years On](#)

COMMODITIES

Material Matters: Iron Ore, Oil & Preferred Small-Cap Gold Stocks

A glance through the latest expert views and predictions about commodities: Upside for large-cap iron ore miners; a potential turning point for oil prices, and preferred ASX gold developers and explorers.

- Positive catalysts for large-cap iron ore shares
- Citi sees a turning point for high oil prices
- Preferred ASX-listed gold developers and explorers

By Mark Woodruff

Positive catalysts for large-cap iron ore shares

Citi prefers iron ore exposures over base metals in the short term and believes large-cap ASX-listed iron ore miners can outperform.

The preference for iron ore is based upon a range of factors including different monetary settings in the US and China.

While the US (self-sufficient in iron ore) is facing tight monetary conditions, China's monetary policy is easing and is set to ease further, which will ultimately benefit steel production/consumption and iron ore demand, assesses the broker. China accounts for nearly 70% of seaborne iron ore demand.

China port inventories of iron ore have fallen from recent highs, note the analysts, and represent a relatively low 3.4 weeks of steel production cover.

Despite recent property woes, Citi also points to a positive turn in China's property demand-supply rate of change, which has historically been a good lead indicator of iron ore pricing. Additionally, the broker's China Monetary Conditions Indicator, a good six-month lead indicator for China's broad-based industrial activity, registered 18% growth in June.

Moreover, Citi strategists point to a breakdown of the historical correlation between the Australian dollar and commodity prices, whereby the exchange rate is currently around -20% below where it would typically trade.

On top of this currency tailwind for Australian mining companies, the strategists forecast a lower oil price for the fourth quarter of 2022 of US\$73/bbl, which is expected to help moderate cost pressures. Over the same time period, iron ore prices are expected to rally back to US\$125/t.

Due to an overall correction in commodity prices in July, Citi points out the Resources sector, dominated by Buy-rated BHP Group ((BHP)) and Rio Tinto ((RIO)), along with the Neutral-rated Fortescue Metals Group ((FMG)), underperformed the Australian stockmarket in July.

South32 ((S32)) has been sold down given its lack of "defensive" iron ore exposure, and Citi suggests the company is now trading on an attractive multiple. Last week the broker set a \$4.60 target price, while retaining its Buy rating.



Citi sees a turning point for high oil prices

Citi sees a potential turning point for low oil inventories and currently high oil prices.

Both Brent and WTI crude prices have been coming off, and the broker expects ongoing supply growth for the remainder of the year to outpace weak demand, and drive inventories higher.

After a fall in production in reaction to the outbreak of war in the Ukraine, Russian oil production looks to be rising again, and exports of crude and products are holding up longer than Citi had expected. This recovery reflects ongoing adjustment to new trade routes, such as Russian oil moving en masse to China and India, or, for example, diesel moving to Brazil.

Moreover, the second half of 2022 should see new drilling reassert itself in aggregate US oil production numbers, while OPEC is continuing to add supply, observe the analysts.

Non-OPEC growth is also adding to the broker's overall forecast production in 2022 and 2023, via contributions from Argentina, Brazil, Canada, Colombia, Guyana, Mexico, and Norway.

The macroeconomic backdrop and high prices are cratering gasoline demand, as the northern summer driving season hasn't materialised, explain the analysts. Meanwhile, jet fuel demand has been suppressed by aviation bottlenecks, and diesel demand has softened in-line with reduced economic activity.

However, the return of high volatility and higher prices is only ever a few incidents away. Citi notes forecasts for an abnormally active US hurricane season, which could disrupt oil production, while internal politics could hamper supply for the so-called "Fragile Five", namely Libya, Iran, Iraq, Nigeria, and Venezuela.

Canaccord slashes valuations for gold explorers and developers

Twelve-month price targets for ASX-listed gold developers and explorers under Canaccord Genuity's coverage have dropped on average by -24% and -26%, respectively.

These revisions follow the broker's lower overall US gold price and Australian dollar forecasts, as well as changed cost and timeline assumptions for the developers and explorers, taking into account current inflationary pressures, supply chain constraints and labour shortages.

Higher capex estimates, higher operational costs and construction/production delays have emanated from a number of sources.

By way of example, Cannaccord lists a 60% rise over FY22 for the diesel price in Western Australia. Additionally, steel prices have risen 60% over 12 months, the cost to freight materials globally has climbed 400%, while drilling costs have increased by 15-20% in recent months.

For developers, the broker increases capital expenditure forecasts by 22% on average and life of mine (LOM) all-in sustaining costs (AISC) rise by 8%.

From among six developer stocks under Canaccord's coverage, Bellevue Gold ((BGL)) is considered a top pick with liquidity of \$351m in the March quarter compared to remaining capex commitments of \$248m.

A low forecast AISC is also expected to help mitigate the impacts of any further potential cost pressures once operations are underway. The analyst forecasts first production will commence for Bellevue in the first half of FY24 and sets a \$1.45 target price for the Speculative-Buy rated stock.

The broker assigns the same rating to De Grey Mining ((DEG)) and likes the recent 25% increase for the Hemi resource at the Mallina Gold Project in Western Australia's Pilbara region. Other developer stocks under coverage with a Speculative Buy rating are, Kingston Resources ((KSN)), OreCorp ((ORR)), Tietto Minerals ((TIE)) and Tulla Resources ((TUL)).

While the nine explorers under Canaccord's coverage are labouring under increased drilling costs and a shortfall in skilled employees, they are each rated Speculative Buys. Foremost in the broker's estimations is Predictive Discovery ((PDI)), with the Bankan Gold resource in north-east Guinea tipped to be on its way to becoming a Tier 1 project.

The broker's remaining eight explorer stocks under coverage are Auteco Minerals ((AUT)), Breaker Resources ((BRB)), Challenger Exploration ((CEL)), Matador Mining ((MZZ)), Musgrave Minerals ((MGV)), Oklo Resources ((OKU)), Rox Resources ((RXL)) and Titan Minerals ((TTM)).

Find out why FNArena subscribers like the service so much: "[Your Feedback \(Thank You\)](#)" - Warning this story contains unashamedly positive feedback on the service provided.

FNArena is proud about its track record and past achievements: [Ten Years On](#)

ESG FOCUS

ESG Focus: Interview Matthew England

In a first for **FN Arena Talks**, Danielle Ecuyer interviewed Matthew England, Scientia Professor of Ocean & Climate Dynamics at the University of New South Wales, Sydney, Australia.

Topics throughout the circa 20 minutes exchange range from the intertwined relationship between weather events and climate change to how economies and businesses already are being affected by the increase in the average global temperature.

To watch the interview on video, click on the below.

<https://www.fnarena.com/index.php/fnarena-talks/2022/08/01/climate-scientist-matthew-england/>

FN Arena's dedicated ESG Focus news section zooms in on matters Environmental, Social & Governance (ESG) that are increasingly guiding investors preferences and decisions globally. For more news updates, past and future:

<https://www.fnarena.com/index.php/financial-news/daily-financial-news/category/esg-focus/>

Find out why FN Arena subscribers like the service so much: "[Your Feedback \(Thank You\)](#)" - Warning this story contains unashamedly positive feedback on the service provided.

FN Arena is proud about its track record and past achievements: [Ten Years On](#)

RUDI'S VIEWS

Rudi's View: August Preview - Curve Balls, Profits & Opportunities

In this week's Weekly Insights:

- The Non-Recession Recession
- August Preview: Curve Balls, Profits & Forecasts
- Conviction Calls
- Focus on Quality
- FN Arena Talks

By Rudi Filapek-Vandyck, Editor

The Non-Recession Recession

When is a recession not a recession?

I'll leave the debate to the global community of economists, but needless to say the first two quarters of 2022 did not deliver the recession the US economy had to have, irrespective of the statistical outcomes for the period.

As to why US share markets simply shrugged and moved on, CIBC's Avery Shenfeld provided the answer:

"Rumours to the contrary, economists don't define two consecutive negative quarters as a recession.

"One needs to see a material decline in a broader range of activity measures, and the key missing ingredient thus far has been in the labour market.

"There can be job-free recoveries for a while, but the very definition of a recession essentially rules out having one without job losses, let alone a recession with a hiring boom."

When share market commentators, including myself, talk about recession coming, we're referring to company earnings falling by -20%, or maybe by -10%. Could be zero growth, on average, or a tiny positive number.

We just don't know yet which scenario is most likely. We might find out between now and February next year.

This year's August reporting season is too early in the cycle to provide investors with all the answers needed.

August Preview: Curve Balls, Profits & Forecasts

If I were to put in my good-humoured attempt at an old fashioned Dad-joke, I'd start off with:

I am old enough to remember when corporate reporting season in Australia was all about profits, margins, dividends and forward-looking guidance.

It's not as if reporting seasons in the past have never been closely intertwined with macro-geopolitical, -financial or -economic concerns, but ever since the early days of the pandemic in 2020, corporate results season in Australia has never been simply about corporate health and profits.

If it wasn't about the virus, or societal lockdowns, the key drivers underneath share price trends have been the return of inflation followed by the normalisation in global bond yields.

The power of all four has proven extremely dominant throughout the past five results seasons and ahead of August, investor consensus is for a global recession on the horizon (domestic Australia not included).

We don't know yet about the exact timing or what will be the severity of the upcoming economic slump, but corporate results will definitely be assessed against the background of (much) tougher conditions ahead.

That is, unless central bankers declare the war on inflation is due for a pause and they stop their rigorous tightening, which adds yet another macro factor into the mix.

An end to the war in the Ukraine could be another macro catalyst, albeit an unlikely one.

At face value, the Australian share market looks like a bargain hunter's paradise. The market's average Price-Earnings (PE) ratio starts with 13x while the average dividend yield has risen to 5% on the back of sharply weaker share prices for large segments of the ASX.

The long-term average PE in Australia is 14.9x including a few years of very high valuations. Prior to those years of elevated multiples, the average PE stood at 14.5x; still a long while off from today's multiple.

The problem with today's average is that commodity producers are enjoying exceptionally favourable conditions, to which investors have responded with low valuation multiples (as they traditionally tend to do when confronted with peak-of-the-cycle earnings and cash flows).

BHP Group ((BHP)) shares, for example, with circa 11% the largest index weight in Australia, are trading on 7x next year's forecast earnings per share. Shares in Rio Tinto ((RIO)) are on 7.3x. For Fortescue Metals ((FMG)) the comparable multiple is only 6.3x. The numbers look pretty similar for the large caps in the local energy sector.

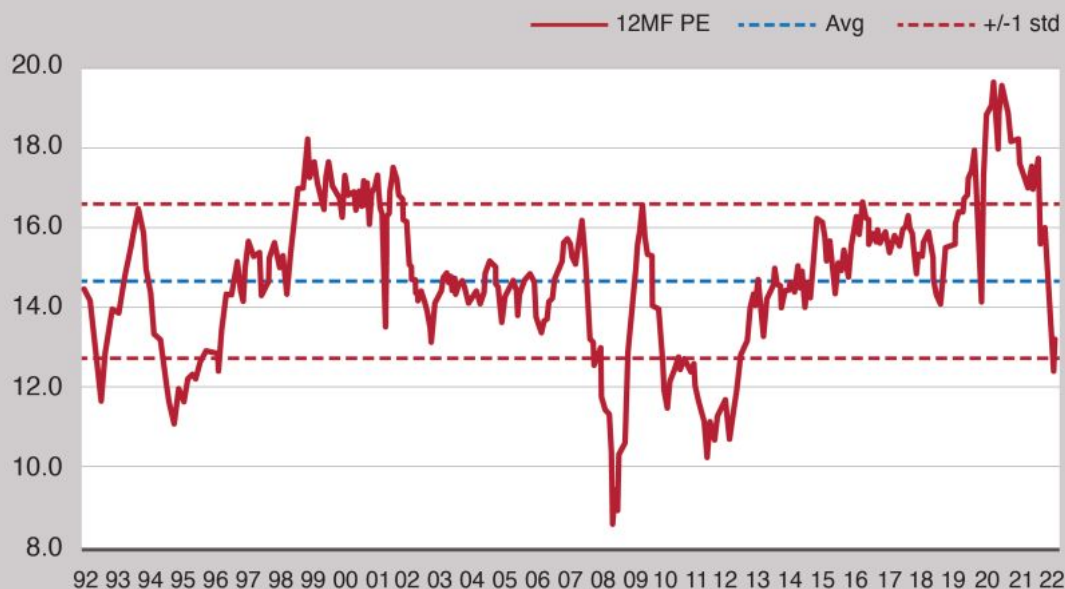
Following the commodities resurgence post late-2020, mining and energy now represent the second largest group in the local index, after banks/financials.

Any experienced and astute investor knows such low PE multiples are not by default a signal of severe undervaluation; they are merely a sign that investors worry about the two years ahead. But having low PEs for such a large index constituent does depress the overall average, artificially creating the impression of a "cheaply" priced share market.

In the largest group, the banks are mostly trading on below-average multiples too; once again showing the market is concerned about RBA rate hikes, their impact on local housing and the subsequent impact on spending and the local economy in general.

Excluding the two largest index sectors, the average PE in Australia quickly rises above 20x, which, by contrast, still doesn't look that cheap at all.

Market multiple has de-rated, now at 13.24x vs 17.7x at the start of year



Sources: RIMES, IBES, Morgan Stanley Research. Data as at July 21, 2022

The biggest problem investors are facing today is figuring out **what is the correct valuation for companies that mostly have no track record in dealing with an economic recession**. For multiple reasons, the brief recession of 2020 is hardly a reliable reference point.

Not making things any easier, the impact of sharply higher bond yields, tighter liquidity and high inflation on economies and companies individually has been gradual, if not slow-paced thus far this year, while supply chain bottlenecks seem to be easing and lockdowns outside China are now a thing of the past, but the pandemic is not.

Combine all of the above and August seems too early to reveal the full impact for every company on the ASX.

With fast-moving share markets having de-rated large segments of the exchange, including retailers, small cap technology, building and construction materials, steel producers, gold miners, property trusts (REITs), mortgage brokers, et cetera one would be inclined to think the bias is leaning towards upside surprises this season.

The current pre-season has already provided a number of examples with explosive share price rallies in response. Think Audinate Group ((AD8)), Megaport ((MP1)), Nanosonics ((NAN)), and WiseTech Global ((WTC)), among numerous others.

However, the current set-up is by no means an invitation to go all-out on high risk positioning, with plenty of others generating steep losses, including Allegiance Coal ((AHQ)), Bega Cheese ((BGA)), Nitro Software ((NTO)) and just about every small and mid-cap gold producer out there.

At face value, **corporate Australia looks positioned for an above-average performance this month**. Profits for shareholders are projected to have grown by 20%-plus, while dividends are expected to come in near an all-time record high but recent caution by the board of Rio Tinto signals this year's numbers are best not taken for granted.

Similar caution is already reflected in today's consensus forecasts which, mostly, reflect the view commodity producers have at best one more year of 'exceptional' in front of them. Forecasts do differ as to how favourable exactly the coming twelve months might still turn out for BHP, Woodside & Co but FY24 has negative growth penciled in.

The dilemma as how best to position for the upcoming economic recession yes/no, this year/next year,

mild/more severe is not limited to miners and oil and gas producers, but easily extends to local retailers, both bricks and mortar and 100% online.

Judging from recent market updates by JB Hi-Fi ((JBH)) and Accent Group ((AX1)) the day-to-day dynamics for these companies vary widely even without much of a noticeable correction in house prices as is now widely assumed to happen over the 18 months ahead.

Investors should also note: while dividend payouts are anticipated to remain strong, total payouts in Australia are highly concentrated with the big four banks and big three miners representing 60% of the total forecast FY22 dividend payout.

Current market estimates are for **significantly lower EPS growth in FY23 and FY24**, with the number for each year in single digit, and with more downgrades yet to follow.

While just about everyone expects to see net downgrades to growth forecasts over the weeks ahead, there's plenty of disagreement on the magnitude of what should be expected, and priced in, in terms of slower growth in FY23.

Analysts at Citi, for example, expect economic recession in all of the major economic regions of the UK, Europe and the USA (with China to miss its own target), but they also expect corporate profits to prove relatively resilient, which should reduce further downside potential for equity markets worldwide.

Their peers at Macquarie, however, continue to see (a lot) more downside, but they also anticipate a stronger-for-longer environment for the cyclical commodities.

Not all answers will be provided through company performances this month. But one observation stands: research analysts have been showing their short-term scepticism throughout June and July in responses to corporate market updates that can probably be best summarised as:

Okay for now, but what does it look like in 6-12 months' time?

I suspect the same question will be on institutional investors' mind throughout the August season.

Which is why I suspect many share prices will not necessarily follow through on early positive responses to better-than-expected performances. Whereas the past suggests better-than-forecast corporate results can support share price outperformance for up to four months, this time around the dynamic might be fundamentally different.

The difference comes down to that key question: how resilient are these profits and margins under rough weather?

The oft mentioned credo is that, ultimately, share markets take their guidance from, and follow in the footsteps of corporate profits.

This is only half true, at best.

In practice, **share markets move in the direction of where forecasts of corporate profits are pointing towards**. The two are not by default the same. This is why, on occasion, macro considerations overwhelm bottom-up reality.

By mid-2022, market forecasts have now started to fall in Europe, the US and locally in Australia too.

For the US specifically, media and commentators steadfastly mention percentages of "beats" and "misses" but the real statistic to pay attention to is how corporate results impact on analysts' forecasts post the event.

On Macquarie's observations, Q2's share of "misses" from US result releases is currently 4x higher than in Q2 last year and double the percentage in Q1, with downgrades to forecasts outnumbering upgrades by 2 to 1.

Plus more than half (56%) of S&P500 companies missed analyst expectations on free cash flow; the number of misses rises to 59% for operating cash flow.

Free cash flow, points out Macquarie, is an important, big "miss" given valuations in the US are more closely tied in with cash flows than they are in Australia.

Macquarie's notes might prove important later in the year as some of the more downbeat forecasters (Mike Wilson at Morgan Stanley, David Rosenberg, et al) consider the Q2 reporting season in the US as simply the first in a succession of disappointing quarterly seasons.

Macquarie also notes 47% of S&P500 results to date have revealed higher-than-expected inventories.

In Europe, businesses are on average beating forecasts for sales, but triggering downgrades because of margin pressure.

As things stand at the beginning of August, **analysts' forecasts are lowest for your typical retailer**, with negative profit growth only followed by (on average) marginal growth in the two years ahead. Food and Staples companies are projected to fare much better.

Healthcare is expected to be its historically resilient self, but internally a wide diversion has opened up between, say, CSL ((CSL)), ResMed ((RMD)) and Pro Medicus ((PME)) on the positive side and Integral Diagnostics ((IDX)), Healius ((HLS)) and Sonic Healthcare ((SHL)) in (anticipated) struggle street.

In between sits perennial promise Ramsay Health Care ((RHC)), also constantly under private equity interest.

A big year is projected for insurers in FY23, whereas diversified financials, which includes local asset managers, carry very low expectations. Real estate looks similar to healthcare: resilient as a sector, with large divergence internally.

Technology, believe it or not, is expected to continue to generate robust growth numbers in August and the years ahead, but probably needless to make the point: this sector is beset with all kinds of variaties, ranging from very high but slowing (WiseTech Global) to reliably consistent (TechnologyOne ((TNE)), to long-term potential with risk and question marks (Megaport) and not-sure-what-to-believe-anymore (Damstra Holdings ((DTC))).

Somewhere in between sits the currently very popular Audinate Group.

As far as the banks are concerned, nothing spectacular is expected with the debate raging about how much benefit exactly will flow through to the bottom line from a higher cash rate and how much impact should be accounted for when property dynamics change for the worse, even if only for a limited time?

Companies expected to surprise positively, on Citi's assessment, include Bapcor ((BAP)), Baby Bunting ((BBN)), Coles Group ((COL)), Goodman Group ((GMG)), Harvey Norman ((HVN)), Orora ((ORA)), and Woolworths ((WOW)).

Quant analysts at Morgan Stanley have selected Medibank Private ((MPL)), Whitehaven Coal ((WHC)), The Lottery Company ((TLC)), QBE Insurance ((QBE)), Ampol ((ALD)), Downer EDI ((DOW)), Worley ((WOR)), Challenger ((CGF)), ASX ((ASX)), Atlas Arteria ((ALX)), Bendigo and Adelaide Bank ((BEN)), Orora, Qube Holdings ((QUB)), Altium ((ALU)), and Computershare ((CPU)).

Morgan Stanley's quant selection for **likely disappointment** might contain a few surprises: Charter Hall Group ((CHC)), Evolution Mining ((EVN)), AGL Energy ((AGL)), Allkem ((AKE)), OZ Minerals ((OZL)), BHP Group, Reece ((REH)), Cochlear ((COH)), GPT Group ((GPT)), REA Group ((REA)), Iluka Resources ((ILU)), Mirvac Group ((MGR)), Origin Energy ((ORG)), Lendlease ((LLC)), and CommBank ((CBA)).

Also noteworthy: struggling Magellan Financial Group ((MFG)) still ranks as a likely disappointment among ASX small caps this month on Morgan Stanley's quant analysis, alongside Healius, Integral Diagnostics, Platinum Asset Management ((PTM)), and Sims ((SGM)).

On the broker's fundamental research desk, Magellan remains the least preferred in the local sector which, all

il all, is not considered attractive or full of potential. A recent sector update by Morgan Stanley was titled "No Way Home" and lamented the lack of obvious catalysts for a local sector that is struggling with funds outflows.

Morgan Stanley likes Perpetual ((PPT)) the most, as well as, on a broader asset definition, Macquarie Group ((MQG)).

Following on from growing risks with inventories in the US, Macquarie has identified City Chic Collective ((CCX)) and Breville Group ((BRG)) as potentially carrying the highest inventory risk on the ASX.

JP Morgan sees stabilising bond yields providing support for **local REITs** which are expected to report extremely strong growth this month (18% on average).

While the sector will be facing asset devaluations instead of revaluations going forward, JP Morgan continues to see great value in the sector.

The broker's top favourites are Mirvac Group, Charter Hall, Scentre Group ((SCG)), and Dexs ((DXS)), as well as smaller-caps National Storage ((NSR)), Centuria Industrial REIT ((CIP)), Centuria Capital Group ((CNI)), HomeCo Daily Needs REIT ((HDN)), Waypoint REIT ((WPR)), Home Consortium ((HMC)), and Hotel Property Investments ((HPI)).

Scentre Group, Charter Hall and National Storage in particular have been singled out for strong earnings deliverance this month.

Similar to the retailers, **Macquarie's** forecast is most **media companies** will still report robust performances in August, but it'll only be a matter of time, predict the sector analysts, before a slow down in advertising will make its mark across the sector.

Macquarie's sector favourites are Carsales ((CAR)) and HT&E ((HT1)) while both Seven West Media ((SWM)) and Nine Entertainment ((NEC)) might surprise through capital management.

Macquarie forecasts the bottom for media companies' share prices is 6-12 months into the future.

Recent research updates have become noticeably less optimistic on international travel and higher-for-longer oil prices.

Self-declared oil bears at Citi, for example, are now working off average Brent oil price forecasts of US\$98.5/bbl and US\$75.3/bbl for 2022 and 2023 and by 2025 the low is projected at US\$51/bbl.

For more reading on the upcoming August results season:

[-https://www.fnarena.com/index.php/2022/07/28/rudis-view-im-so-bearish-im-bullish/](https://www.fnarena.com/index.php/2022/07/28/rudis-view-im-so-bearish-im-bullish/)

[-https://www.fnarena.com/index.php/2022/07/21/rudis-views-pre-august-observations/](https://www.fnarena.com/index.php/2022/07/21/rudis-views-pre-august-observations/)

[-https://www.fnarena.com/index.php/2022/07/14/rudis-view-corporate-profits-the-next-challenge/](https://www.fnarena.com/index.php/2022/07/14/rudis-view-corporate-profits-the-next-challenge/)

[-https://www.fnarena.com/index.php/2022/07/07/rudis-view-minus-20/](https://www.fnarena.com/index.php/2022/07/07/rudis-view-minus-20/)

Conviction Calls

Morgan Stanley has highlighted Baby Bunting ((BBN)) as one small cap retailer that is poised for outperformance this August reporting season.

Further supporting their confidence, the analysts state Baby Bunting has one of the strongest competitive positions of any Australian small cap retailer in terms of relative scale, brand, loyalty on top of a genuine omni-channel offering.

When it comes to small cap Software-as-a-Service (SaaS) companies, Morgan Stanley's Top Pick on the ASX is Bigtincan Holdings ((BTH)).

For previous pre-August nominations: see last week's Weekly Insights:

<https://www.fnarena.com/index.php/2022/07/28/rudis-view-im-so-bearish-im-bullish/>

Morgan Stanley also issued a special 3 Conviction Buy Ideas report which specifically highlighted CSL, Telstra ((TLS)) and Breville Group.

This week's update on stockbroker **Morgans' Best Ideas** saw the inclusion of Jumbo Interactive ((JIN)), likely inspired by recent share price weakness, and the removal of Endeavour Group ((EDV)), Baby Bunting (yep, see the contrast with above), Domino's Pizza ((DMP)), and Whitehaven Coal ((WHC)).

No shortage in Best Buy ideas with Morgans' selection currently counting 33 ASX-listed companies, including Wesfarmers ((WES)), Macquarie Group, GQG Partners ((GQG)), Dalrymple Bay Infrastructure ((DBI)), Lovisa Holdings ((LOV)), Mach7 Technologies ((M7T)), Treasury Wine Estates ((TWE)), Incitec Pivot ((IPL)), Webjet ((WEB)), BHP Group, South32 ((S32)), Dexs Industries REIT ((DXI)), and HomeCo Daily Needs REIT ((HDN)).

With A-REITs increasingly on investors' radar in recent weeks, sector research by **Barrenjoey** has reportedly highlighted above average risks from higher bond yields which lift the costs for carrying and servicing debt.

Those identified as most vulnerable include GPT ((GPT)), Centuria Industrial REIT ((CIP)), Charter Hall Long WALE REIT ((CLW)), Dexs ((DXS)), and Shopping Centres Australasia Property ((SCP)).

In addition, and assuming property prices are now staring at a -15%-20% decline in valuations over the next 18 months or so, the research also highlighted higher risks for Mirvac Group, Stockland ((SGP)) and Lendlease.

Focus On Quality

The debate is still raging whether Growth can make a sustainable come-back or whether Value remains the best strategy-tilt even when history shows recessions are not really kind to cyclical companies.

Enter a third option: sturdy, reliable businesses that power on, regardless of economic cycles and conditions. It's the **Quality** way and **market strategists at Wilsons** dedicated their latest report on why a focus on Quality makes a lot of sense today.

This quote that says it all:

"We expect global economic growth and earnings growth to slow significantly over the coming year. As a result, companies with high quality, resilient earnings streams should be increasingly sought after by the market."

Apart from taking a peak at FNArena's dedicated All-Weather Performers section (for paying subscribers only), how does one identify true Quality companies?

Wilsons offers a few key characteristics:

- High return on equity (ROE) or high return on invested capital (ROIC)
- Low variability in annual earnings
- Strong balance sheets with modest gearing

Plus investors can throw in an extra factor in the form of, for example, quality of management and/or industry leadership.

Additional quality attributes can include strong generation of free cash flow and high operating margins.

Wilson's does observe Quality has underperformed over the past two years as first high multiple stocks got exuberantly priced, then de-rated and earlier this year the energy sector outperformed strongly.

But with earnings slowing and more downgrades than upgrades on the agenda, the view is that resilient, high-quality companies look poised to grab market leadership once again.

All-Weather Performers: <https://www.fnarena.com/index.php/analysis-data/all-weather-stocks/>

FNArena Talks

FNArena Talks now includes the very first interview that does not involve myself.

Danielle Ecuyer interviewed climate scientist Matthew England and I think everyone who cares about the world tomorrow, and how it impacts on the economy and the share market, should watch it.

It's only 20 minutes long, but Matthew's knowledge and eloquence means the interview is packed with insights.

<https://www.fnarena.com/index.php/fnarena-talks/2022/08/01/climate-scientist-matthew-england/>

(This story was written on Monday 1st August, 2022. It was published on the day in the form of an email to paying subscribers, and again on Thursday as a story on the website).

(Do note that, in line with all my analyses, appearances and presentations, all of the above names and calculations are provided for educational purposes only. Investors should always consult with their licensed investment advisor first, before making any decisions. All views are mine and not by association FNArena's - see disclaimer on the website.

In addition, since FNArena runs a Model Portfolio based upon my research on All-Weather Performers it is more than likely that stocks mentioned are included in this Model Portfolio. For all questions about this: info@fnarena.com or via the direct messaging system on the website).

BONUS PUBLICATIONS FOR FNARENA SUBSCRIBERS

Paid subscribers to FNArena (6 and 12 mnths) receive several bonus publications, at no extra cost, including:

- The AUD and the Australian Share Market (which stocks benefit from a weaker AUD, and which ones don't?)
- Make Risk Your Friend. Finding All-Weather Performers, January 2013 (The rationale behind investing in stocks that perform irrespective of the overall investment climate)
- Make Risk Your Friend. Finding All-Weather Performers, December 2014 (The follow-up that accounts for an ever changing world and updated stock selection)
- Change. Investing in a Low Growth World. eBook that sells through Amazon and other channels. Tackles the main issues impacting on investment strategies today and the world of tomorrow.
- Who's Afraid Of The Big Bad Bear? eBook and Book (print) available through Amazon and other channels. Your chance to relive 2016, and become a wiser investor along the way.

Subscriptions cost \$480 (incl GST) for twelve months or \$265 for six and can be purchased here (a subscription to FNArena might be tax deductible):

<https://www.fnarena.com/index.php/sign-up/>

TREASURE CHEST

Treasure Chest: Telstra Entering An Upgrade Cycle

FN Arena's Treasure Chest reports on money making ideas from stockbrokers and other experts. Analysts at Wilsons are increasingly drawn to the investment thesis for Telstra in the current macroeconomic environment.

By Mark Woodruff

Whose Idea Is It?

Analysts at Wilsons

The subject:

Brokers have been increasing their earnings forecasts for Telstra ((TLS)) in a sustained manner for the first time in years, according to Wilsons, and it's felt the company is entering an EPS upgrade cycle.

In the currently challenging macroeconomic conditions, the broker's investment strategy team has increased its exposure to Quality Defensives in its 'Australian Equity Focus List' portfolio to 22.5% from 17.5%, and increased its position in Telstra to 3% from 2%.

The company benefits from consistent user demand for mobile and fixed network plans through the economic cycle and receives annuity-like cash flows from company-owned infrastructure, explain the analysts.

Management has suggested the ongoing drag from the migration away from its legacy network to the NBN is all but over, and Wilsons feels earnings have reached a nadir in FY22.

Apart from the end of NBN headwinds, Wilsons feels the intense competition of recent years is easing, leading to an enhanced ability to raise mobile plan prices, without losing market share. Both Telstra and Optus have recently lifted prices, with the latter explicitly stating it will not compete on price. Both companies have signaled more price rises will follow.

Moreover, the T22 cost reduction strategy is on track to deliver -\$2.7bn in annual recurring cost reductions by FY22, according to the broker, while management's T25 strategy is to deliver a further -\$500m yearly reduction to the cost base from FY23 to FY25.

The analysts are also drawn to Telstra's 5G network leadership (more than twice the size of the closest competitor) which should assist in driving average revenue per user (APRU) growth, by converting customers to higher priced packages.

Noting that infrastructure assets typically command substantially higher earnings multiples as pure play investments, Wilsons points out Telstra is close to structurally separating its infrastructure assets from its consumer facing business.

On top of this potential valuation uplift, Buy-rated Ord Minnett expects Telstra will look at further infrastructure asset sales with InfraCo potentially due to be monetised over the next 12 months. Previously, the broker valued these assets at around \$32bn.

Wilsons agrees the company is likely to monetise more of its infrastructure over the medium-term. The sale of minority interests in its assets is expected to underwrite ordinary dividend payments, and shareholders will also benefit from extra funding for large capital management initiatives like special dividends and share buybacks.

A couple of weeks ago, Ord Minnett also pointed to a lack of M&A opportunities and the increasing prospect for buybacks. It's estimated Telstra has the potential to initiate more than \$3bn in capital management activities between now and FY25, which, working off a \$4 share price, would be 4% accretive to earnings per share.

These buybacks are in addition to regular dividends, which the broker noted are limited by the availability of franking credits. A 21cps dividend is expected by FY25, though this could reach 22cps if further share buybacks are implemented.



More info:

Another source of revenue for Telstra (subject to ACCC approval) may accrue from the Multi-Operator Core Network (MOCN) agreement with TPG Telecom ((TPG)).

Credit Suisse feels the deal is unlikely to be rejected by the ACCC due to benefits of better regional mobile coverage for consumers at a lower price point.

Telstra expects the agreement to deliver between \$1.6bn to \$1.8bn of revenue over the initial ten-year term, and the broker forecasts consistent accretion to earnings over time, with an around \$48m earnings (EBITDA) benefit by FY28.

The broker awaits ACCC approval before altering its forecasts and leaves its Outperform rating and \$4.50 target price unchanged.

The FNArena database has six broker ratings with four Buy (or equivalent) ratings and one Neutral rating, while Macquarie currently doesn't provide a rating. The average 12-month target price set by the brokers is \$4.46 which suggests 13.2% upside to the latest share price.

Wilsons, not one of the seven brokers updated daily in the database, includes Telstra in its Focus List, but doesn't currently set a target price or rating.

Find out why FNArena subscribers like the service so much: "[Your Feedback \(Thank You\)](#)" - Warning this story contains unashamedly positive feedback on the service provided.

FNArena is proud about its track record and past achievements: [Ten Years On](#)

TREASURE CHEST

Treasure Chest: Appen Downgraded

FN Arena's Treasure Chest reports on money making ideas from stockbrokers and other experts.

In the wake of Appen's shock trading update and limited visibility, Macquarie has downgraded the stock to Underperform.

By Greg Peel

Whose Idea Is It?

Macquarie

The Subject:

Artificial intelligence technology company Appen ((APX)).

Yesterday, Appen provided a first half trading update and full-year outlook ahead of its official result release later this month. Suffice to say, it was disappointing.

The company's underlying earnings margin collapsed to 4.6% in the first half FY22 from 14.3% in the same period last year. While there was some negative impact from currency, Macquarie sees the key driver as being a -7% decline in revenue year on year meeting a 3.2% increase in operating expenditure.

The underlying issue is a drop-off in digital advertising demand.

The update reflected lower margins, lower growth, more investment and less certainty over the conversion of forward orders to sales compared to prior years, Macquarie notes.

Management stated they are reviewing all investments in the business to accelerate productivity improvements and margin expansion, but beyond this were not able to provide any details as to how they planned to achieve this. No clear time frame was provided when asked how long this review process had been going for.

Management does expect a better second half, but warns of an uncertain environment adding further risk.

Yesterday, the share price dropped -27%. This has not stopped Macquarie downgrading its rating to Underperform from Neutral. The broker has cut its FY22-26 earnings forecasts by -65-82% and lowered its price target to \$3.50 from \$5.70.



More Info:

The considerable and non-linear growth in spending by Appen's small number of highly concentrated and meaningful global technology clients had been the clear driver of Appen's organic revenues to this point, which had been expanding on a three-year compound annual growth rate of 48% to FY20, Wilsons notes.

It is this same cohort that is now resulting in Appen's slowing growth profile from weaker digital advertising demand.

On the back of Appen's update, Wilsons has maintained a MarketWeight rating (note the share price fall) but has cut its target by -23% to \$4.44.

JPMorgan notes Appen's update mirrors some of the recent takeaways from US social media platforms such as Meta (Facebook) and Snap, which are seeing impacts from a weakening macro backdrop, Apple's privacy rule changes and competition from TikTok.

In the broker's view, Appen needs to provide a clearer framework for how it will manage the pivot away from its large social media/advertising customers to deliver on its ambitious 2026 targets.

JPMorgan retains a Neutral rating, but cuts its target to \$4.00 from \$7.00.

Bell Potter retains a Hold recommendation but cuts its target to \$4.25 from \$6.50. The broker slashed earnings and dividend forecasts but does expect Appen will pay both an interim and final dividend, although this is unclear given an expected underlying net loss in the first half.

Find out why FNArena subscribers like the service so much: "[Your Feedback \(Thank You\)](#)" - Warning this story contains unashamedly positive feedback on the service provided.

FNArena is proud about its track record and past achievements: [Ten Years On](#)

WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 29-07-22

Weekly update on stockbroker recommendation, target price, and earnings forecast changes.

By Mark Woodruff

Guide:

The FN Arena database tabulates the views of seven major Australian and international stock brokers: Citi, Credit Suisse, Macquarie, Morgan Stanley, Morgans, Ord Minnett and UBS.

For the purpose of broker rating correlation, Outperform and Overweight ratings are grouped as Buy, Neutral is grouped with Hold and Underperform and Underweight are grouped as Sell to provide a Buy/Hold/Sell (B/H/S) ratio.

Ratings, consensus target price and forecast earnings tables are published at the bottom of this report.

Summary

Period: Monday July 25 to Friday July 29, 2022

Total Upgrades: 9

Total Downgrades: 11

Net Ratings Breakdown: Buy 59.29%; Hold 33.76%; Sell 6.95%

For the week ending Friday July 29 there were nine upgrades and eleven downgrades to ASX-listed companies covered by brokers in the FN Arena database.

Wagners Holdings received the largest percentage decrease in average target price set by brokers last week. Morgans saw potential for underwhelming FY22 results and noted uncertainty around growth prospects for the Composite Fibre Technologies (CFT) division and for the company's Earth Friendly Concrete (EFC) product.

As a result, the broker lowered its rating to Hold from Add, and reduced its target to \$1.45 from \$2.20. The opportunity in Europe for the EFC product is well appreciated though hard to quantify.

Last week UBS lowered its target price for EML Payments to \$1.05 from \$2.10 and reduced its rating to Neutral from Buy. In an ongoing saga, the Central Bank of Ireland (CBI) has sought more remediation/controls and assurances, which is expected to extend the process into 2023.

The delay will have an impact on sales growth for the company and lead to a deferral of the company's switch from cash to bonds to benefit from higher interest rates, explained the analyst.

Wagners also headed the list for the largest percentage fall in forecast earnings last week. Coming second was Sandfire Resources, despite a strong June-quarter performance, in which copper production beat the high end of guidance.

While UBS retained a positive view on the company and noted shares are trading at too-wide a discount to peers, its target fell to \$6.20 from \$7.35 after higher costs were taken into account.

Costs and capex missed at the MATSA copper operations in Spain, when compared to Ord Minnett's forecasts. Costs were also a -12% miss at the DeGrussa copper-gold operations in Western Australia, though the Sell-rated broker left its \$3.80 target unchanged.

Integral Diagnostics also had a bad week in terms of earnings forecasts, and three of four brokers that were updated in the FN Arena database set reduced 12-month price targets. These changes followed unaudited FY22 results that fell short of expectations.

Citi downgraded its FY22-FY24 EPS forecasts by -28%, -25% and -15%, respectively, as the FY22 margin fell

around -20% compared to FY21. Morgan Stanley attributed the lower margin to negative fixed cost leverage, increased employee costs and an elevated consumables cost.

Both Mineral Resources and Nickel Mines also appeared on the list for material falls in broker earnings forecasts after issuing June quarter activities reports.

Iron ore production for Mineral Resources was a miss versus Overweight-rated Morgan Stanley's forecast, while production at Mt Marion was -10% below expectation as the company battled covid absenteeism and some operational difficulties.

Outperform-rated Credit Suisse noted Nickel Mines' record earnings were driven by a 57% increase in nickel sales though volume growth was partially offset by a 21% increase in unit cash costs, leading to the overall margin falling -9% short of the broker's forecast.

On the flipside, Nanosonics led the table for the largest percentage increase in earnings forecasts.

Ord Minnett raised earnings forecasts and lifted its target to \$3.70 from \$3.50 after a business update showed the switch to direct distribution boosted sales and average prices.

The broker retained its Lighten rating given the recent sharp rally in the share price. While Sell-rated Citi raised its target price to \$3.85 from \$3.65, concerns remain that material profits won't be generated until FY25.

Brickworks was next on the table after its June-half trading update pleased Ord Minnett. A strong housing pipeline is expected to drive continued earnings growth in Australia, while an uptick in non-residential construction in North America should lend support.

Management upgraded earnings guidance, thanks to completions of the Oakdale and Rochedale estates.

Total Buy recommendations take up 59.29% of the total, versus 33.76% on Neutral/Hold, while Sell ratings account for the remaining 6.95%.

Upgrade

ANSARADA GROUP LIMITED ((AND)) Upgrade to Add from Hold by Morgans .B/H/S: 1/0/0

At 4Q trading update, Ansarada Group guided to a "positive outlook for FY23, with Q1 underpinned by contracted revenue and solid pipeline". Morgans assesses a strong end to the year, which was broadly in-line with forecasts.

The broker upgrades its rating for the company to Add from Hold as there is now more than 10% upside to the new \$1.85 target price, down from \$2.03. The target was lowered on lower peer multiples and lower medium-term free cash flow.

EAGERS AUTOMOTIVE LIMITED ((APE)) Upgrade to Outperform from Neutral by Credit Suisse .B/H/S: 5/1/0

Credit Suisse reviews Eagers Automotive in light of some macro-economic changes to the global automotive markets.

The broker believes pent up demand for vehicles in Australia is running at around 350k to 400k post the covid problems in the last two years.

Eagers Automotive is in a good position to benefit from improvements in the global automotive supply chains and notably the company did not "over earn" during covid, but experienced high margins, points out Credit Suisse.

Accordingly, the analyst explains strong demand and the ability to maintain robust margins will assist in revenue and ongoing earnings growth for the company.

Credit Suisse increases earnings forecasts by 7.9% and 8.2% for FY22 and FY23, respectively.

The rating is upgraded to Outperform from Neutral and the price target is raised to \$14.50 from \$12.30.

See also APE downgrade.

AUB GROUP LIMITED ((AUB)) Upgrade to Buy from Accumulate by Ord Minnett .B/H/S: 2/0/0

Ord Minnett upgrades AUB Group's to Buy from Accumulate heading into the result and cuts the target price to \$25 from \$26.88 to reflect uncertainty around Tysers' earning potential.

The broker notes general insurance broking is in a strong cycle, enjoying higher pre-tax earnings and the

potential for EPS accretive purchases, and says discussions with brokers point to stable or improved margins given rate rises have outpaced general inflation.

Costs are the main wildcard as is the gearing situation. Ord Minnett expects any rise in interest expense is likely to be offset by interest revenues on float cash.

The broker prefers AUB over Steadfast ((SDF)), given it is trading on a discount to peers while enjoying similar business outcomes.

HT&E LIMITED ((HT1)) Upgrade to Neutral from Outperform by Macquarie .B/H/S: 3/0/1

On June 1, Macquarie downgraded its view on the media sector to Underweight from Neutral, with the broker's macro strategy team putting 60% probability of a mild recession and that does not bode well for media companies across the board.

So far, advertising volumes are holding up, but Macquarie thinks it is but a matter of time before the trend turns negative.

HT&E's FY22 result is anticipated to beat market consensus in August. Outperform rating retained. Amidst cuts to forecasts across the sector, estimates for HT&E have been left untouched.

Price target has declined to \$1.40 from \$1.70.

MEDIBANK PRIVATE LIMITED ((MPL)) Upgrade to Buy from Neutral by UBS .B/H/S: 5/2/0

UBS upgrades its rating for Medibank Private to Buy from Neutral after raising FY23-24 EPS forecasts by 9-12% due to favourable growth and margins persisting in the wake of covid. The target price rises to \$3.90 from \$3.35.

The broker has identified, from its own survey, improved consumer sentiment towards the private health insurance (PHI) value proposition, which should drive above-average policyholder growth.

In addition, the analyst considers the balance of regulatory risks is now skewed to the upside, and the customer's claims and overall experience will be improved by digital trends.

PERPETUAL LIMITED ((PPT)) Upgrade to Buy from Accumulate by Ord Minnett .B/H/S: 4/1/0

Following Perpetual's 4Q update, Ord Minnett raises its rating to Buy from Accumulate on valuation, though lowers its target to \$33.00 from \$36.50 to reflect weaker flows and market conditions.

For the quarter, flows were weaker than the analyst expected for Perpetual Asset Management Australia and Perpetual Asset Management International.

The broker sees ongoing momentum and funds under administration (FUA) growth in the Corporate Trust business, and earnings diversification via further revenue opportunities from Perpetual Digital.

PERSEUS MINING LIMITED ((PRU)) Upgrade to Buy from Neutral by Citi .B/H/S: 3/0/0

Perseus Mining's June-quarter update has triggered an upgrade to Buy from Neutral at Citi, but it's more related to the share price response than to the report itself.

Citi considers Perseus Mining a "standout" in its ASX-listed gold coverage with free cash flow estimated at 19% next year versus a mere 5% for the sector in general. Estimates have been culled.

The broker does temper investor enthusiasm by pointing at the High Risk that has been attached to the Buy rating. The company is expected to make a call on Block 14 project in Sudan in H2 2023. Target unchanged at \$2.10.

REGIS RESOURCES LIMITED ((RRL)) Upgrade to Neutral from Sell by Citi and Upgrade to Add from Hold by Morgans .B/H/S: 3/1/1

Citi analysts observe investors getting more nervous about Aussie gold producers as costs are creeping higher and Citi's in-house forecast has the gold price trending sideways next year.

The good news is Regis Resources' FY23 guidance implies more gold available to be sold, with management also including McPhillamys in its outlook, but not until after FY25.

Citi has pulled back its price target to \$1.70 from \$1.90 but upgrades to Neutral from Sell following an -18% retreat in the share price. The broker does highlight it does not see "compelling value" on offer.

Regis Resources produced a better than expected 4Q22 result with 123.9koz produced compared to Morgans estimated 114koz.

The broker notes an increase in costs above guidance over the quarter and welcomes the FY23 to FY25 production outlook of 450-500koz.

Now the company will need to deliver on the growth outlook to build investor confidence management, explains the analyst.

Short term higher costs and labour shortages, in line with other WA producers, remain as earnings risks, Morgans points out.

The target is lowered to \$2.02 from \$2.05 and the rating is upgraded to Buy from Hold due to weakness in the share price.

Downgrade

EAGERS AUTOMOTIVE LIMITED ((APE)) Downgrade to Neutral from Buy by UBS .B/H/S: 5/1/0

UBS has used a general sector update to lower its price target for Eagers Automotive, now at \$12.90 versus \$17.50 previously.

The broker's rating has been downgraded to Neutral from Buy.

UBS has taken the prognosis on board that new car sales will drop -15% peak-to-trough on the expectation that house prices will drop -10% and the historical correlation between the two remains intact.

See also APE upgrade.

COCHLEAR LIMITED ((COH)) Downgrade to Neutral from Outperform by Credit Suisse .B/H/S: 2/4/0

Globally, healthcare staff shortages have continued to impact the recovery of surgical volumes following covid disruptions in 2020-21.

The Credit Suisse monthly hospital survey suggests sluggish US surgical volume growth in recent months for both inpatient and outpatient surgeries.

Given hospital staffing constraints are impacting surgeries globally, the broker has lowered its cochlear implant sales forecast by -6% in FY23, not expecting any significant change in the operating environment in 1H23 relative to 2H22.

Credit Suisse downgrades Cochlear to Neutral from Outperform and cuts its target to \$232 from \$240.

EML PAYMENTS LIMITED ((EML)) Downgrade to Neutral from Buy by UBS .B/H/S: 2/1/0

The Central Bank of Ireland (CBI) has sought more remediation/controls and assurances from EML Payments which pushes out the risk the process is extended in 2023, assesses UBS.

Shortfalls in some aspects of the remediation process were identified by the CBI and the delay will have a forecast impact on the sales growth for the company as well as a deferral of the company's switch from cash to bonds to benefit from higher interest rates, explains the analyst.

The rating is downgraded to Neutral from Buy and the price target is reduced to \$1.05 from \$2.10 due to ongoing uncertainty around the growth restrictions.

FORTESCUE METALS GROUP LIMITED ((FMG)) Downgrade to Underperform from Neutral by Macquarie .B/H/S: 0/5/2

Macquarie viewed the 4Q22 results update from Fortescue Metals as solid across the board with volumes, costs and prices coming in within expectations. Capital expenditure guidance was noticeably higher than anticipated.

Accounting for the adjustment in capital expenditure guidance of US\$2.7bn to US\$3.1bn and higher unit costs, Macquarie reduces the estimated free cash flow forecast by -25% in FY23.

Earnings forecasts are adjusted for a -15% decline in free cash flow each year in the medium term and FY23 earnings estimates are reduced by -5%.

Macquarie's earnings forecasts are -3% lower than FY22 Bloomberg consensus and -16% below FY23 and the broker points out the estimates could be too low with higher iron ore spot prices.

Macquarie downgrades the stock to Underperform from Neutral and the price target is lowered by -11% to \$16.00.

G.U.D. HOLDINGS LIMITED ((GUD)) Downgrade to Neutral from Buy by UBS .B/H/S: 3/2/0

UBS has used a general sector update to lower its price target for G.U.D. Holdings, now at \$9.10 versus \$13.30 previously.

The rating for G.U.D. Holdings has been downgraded to Neutral from Buy.

UBS has taken the prognosis on board that new car sales will drop -15% peak-to-trough on the expectation that house prices will drop -10% and the historical correlation between the two remains intact.

JANUS HENDERSON GROUP PLC ((JHG)) Downgrade to Sell from Neutral by Citi .B/H/S: 0/3/1

Underlying, comment Citi analysts, the Q2 flows for Janus Henderson look even worse than expected. The broker concludes any new strategy will require time before generating concrete impact.

Forecasts have been further trimmed. Price target drops to \$31.60 from \$33.90. Downgrade to Sell from Neutral.

Janus Henderson, exclaims the broker, is strongly leveraged to any potential rebound in financial markets. In the absence of such rebound, it seems shareholders may need to be very patient, suggests Citi.

NITRO SOFTWARE LIMITED ((NTO)) Downgrade to Equal-weight from Overweight by Morgan Stanley .B/H/S: 1/1/0

Following a 2Q update by Nitro Software, Morgan Stanley notes ongoing underperformance versus consensus expectations, and now assumes lower growth into FY23-24. The target falls to \$1.30 from \$2.00 and the rating falls to Equal-weight from Overweight.

Citing macroeconomic challenges and lower than expected synergies from the Connective acquisition, management lowered FY22 annual recurring revenue (ARR) guidance to US\$57-60m from US\$64-68m, while revenue guidance was unchanged, with no explanation given.

Management intends to reduce costs to achieve guidance for a reduced earnings (EBITDA) loss of -US\$10-13m, down from -US\$15-18m. Industry View: In-Line.

NEWS CORPORATION ((NWS)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 3/1/0

On June 1, Macquarie downgraded its view on the media sector to Underweight from Neutral, with the broker's macro strategy team putting 60% probability of a mild recession and that does not bode well for media companies across the board.

So far, advertising volumes are holding up, but Macquarie thinks it is but a matter of time before the trend turns negative.

News Corp is expected to release a rather weak FY22 report in August. Macquarie downgrades to Neutral from Outperform.

Target price falls to \$21.10.

RAMELIUS RESOURCES LIMITED ((RMS)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 2/1/0

After incorporating Ramelius Resources' 4Q result into forecasts and downgrading the outlook on higher costs, Ord Minnett lowers its target price to \$1.10 from \$1.35. The rating also falls to Hold from Accumulate.

However, the broker believes downside to the share price is protected by balance sheet strength. Costs are expected to improve in FY24 with a higher contribution from the Penny Project, though production will likely plateau.

SONIC HEALTHCARE LIMITED ((SHL)) Downgrade to Underperform from Neutral by Macquarie .B/H/S: 3/2/1

Macquarie assesses the growth drivers for Sonic Healthcare and downgrades the company to Underperform from Neutral.

The broker spies only slight organic growth and notes the company is relying on acquisitions to meet Macquarie's EPS forecasts, which are already below consensus. Consensus forecasts 6.8% EPS growth to FY26, compared with Macquarie's 4.4%.

Macquarie raises its EPS forecasts 3% for FY23 and 4% for FY24 to reflect covid-19 earnings and acquisition earnings.

Target price falls to \$32 from \$38.45 to reflect higher risk-free rates, and lower long-term growth assumptions.

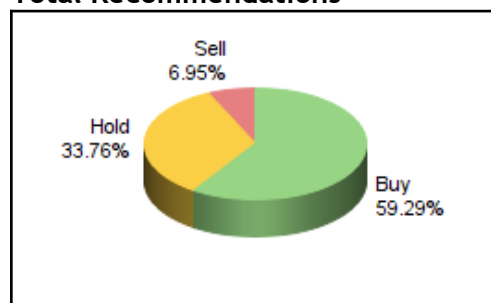
WAGNERS HOLDING CO. LIMITED ((WGN)) Downgrade to Hold from Add by Morgans .B/H/S: 2/1/0

Morgans sees potential for Wagners Holding Co to produce underwhelming FY22 results and notes uncertainty around growth prospects for the Composite Fibre Technologies (CFT) division and the EFC division's product.

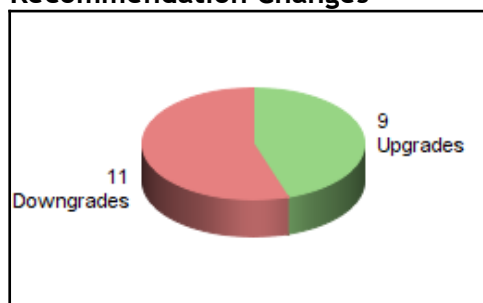
As a result, the rating falls to Hold from Add, and the target to \$1.45 from \$2.20.

The broker likes the opportunity in Europe for the Earth Friendly Concrete-Low Carbon Technologies (EFC) division, though finds it hard to quantify.

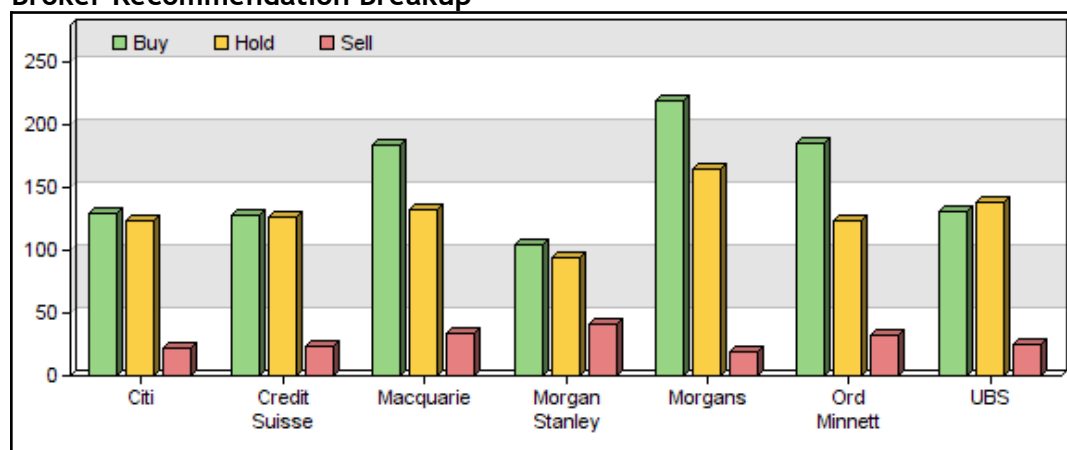
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	ANSARADA GROUP LIMITED	Buy	Neutral	Morgans
2	AUB GROUP LIMITED	Buy	Buy	Ord Minnett
3	EAGERS AUTOMOTIVE LIMITED	Buy	Neutral	Credit Suisse
4	HT&E LIMITED	Buy	Neutral	Macquarie
5	MEDIBANK PRIVATE LIMITED	Buy	Neutral	UBS
6	PERPETUAL LIMITED	Buy	Buy	Ord Minnett
7	PERSEUS MINING LIMITED	Buy	Neutral	Citi
8	REGIS RESOURCES LIMITED	Buy	Neutral	Morgans
9	REGIS RESOURCES LIMITED	Neutral	Sell	Citi
Downgrade				
10	COCHLEAR LIMITED	Neutral	Buy	Credit Suisse
11	EAGERS AUTOMOTIVE LIMITED	Neutral	Buy	UBS
12	EML PAYMENTS LIMITED	Neutral	Buy	UBS
13	FORTESCUE METALS GROUP LIMITED	Sell	Neutral	Macquarie
14	G.U.D. HOLDINGS LIMITED	Neutral	Buy	UBS
15	JANUS HENDERSON GROUP PLC	Sell	Neutral	Citi
16	NEWS CORPORATION	Neutral	Buy	Macquarie
17	NITRO SOFTWARE LIMITED	Neutral	Buy	Morgan Stanley
18	RAMELIUS RESOURCES LIMITED	Neutral	Buy	Ord Minnett
19	SONIC HEALTHCARE LIMITED	Sell	Neutral	Macquarie

Target Price

Positive Change Covered by > 2 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	MPL	MEDIBANK PRIVATE LIMITED	3.583	3.479	2.99%	7

Negative Change Covered by > 2 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	WGN	WAGNERS HOLDING CO. LIMITED	1.767	2.017	-12.39%	3
2	EML	EML PAYMENTS LIMITED	2.483	2.833	-12.35%	3
3	PPT	PERPETUAL LIMITED	33.400	37.260	-10.36%	5
4	RMS	RAMELIUS RESOURCES LIMITED	1.420	1.570	-9.55%	3
5	FLT	FLIGHT CENTRE TRAVEL GROUP LIMITED	16.497	18.096	-8.84%	6
6	CTD	CORPORATE TRAVEL MANAGEMENT LIMITED	24.507	26.467	-7.41%	7
7	GUD	G.U.D. HOLDINGS LIMITED	11.930	12.770	-6.58%	5
8	NWS	NEWS CORPORATION	32.650	34.625	-5.70%	4
9	NCM	NEWCREST MINING LIMITED	23.123	24.490	-5.58%	7
10	IEL	IDP EDUCATION LIMITED	33.240	35.175	-5.50%	5

Earning Forecast

Positive Change Covered by > 2 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	NAN	NANOSONICS LIMITED	-0.233	-1.000	76.70%	3
2	BKW	BRICKWORKS LIMITED	367.400	313.500	17.19%	4
3	CTD	CORPORATE TRAVEL MANAGEMENT LIMITED	13.883	12.233	13.49%	7
4	AWC	ALUMINA LIMITED	12.123	11.329	7.01%	5
5	FLT	FLIGHT CENTRE TRAVEL GROUP LIMITED	-127.300	-135.280	5.90%	6
6	BHP	BHP GROUP LIMITED	626.460	591.907	5.84%	7
7	HT1	HT&E LIMITED	16.688	16.338	2.14%	4
8	APE	EAGERS AUTOMOTIVE LIMITED	106.698	104.870	1.74%	6
9	HVN	HARVEY NORMAN HOLDINGS LIMITED	51.136	50.476	1.31%	5
10	SGM	SIMS LIMITED	273.783	271.783	0.74%	6

Negative Change Covered by > 2 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	WGN	WAGNERS HOLDING CO. LIMITED	4.077	5.477	-25.56%	3
2	SFR	SANDFIRE RESOURCES LIMITED	56.451	67.723	-16.64%	7
3	IDX	INTEGRAL DIAGNOSTICS LIMITED	10.828	12.622	-14.21%	5
4	MIN	MINERAL RESOURCES LIMITED	208.630	239.600	-12.93%	5
5	NIC	NICKEL INDUSTRIES LIMITED	13.515	15.381	-12.13%	4
6	CRN	CORONADO GLOBAL RESOURCES INC	77.544	88.130	-12.01%	3
7	OZL	OZ MINERALS LIMITED	109.286	121.933	-10.37%	7
8	PRU	PERSEUS MINING LIMITED	18.433	20.520	-10.17%	3
9	CGF	CHALLENGER LIMITED	39.429	42.786	-7.85%	7
10	SQ2	BLOCK INC	149.453	160.330	-6.78%	4

Technical limitations

If you are reading this story through a third party distribution channel and you cannot see charts included, we apologise, but technical limitations are to blame.

Find out why FNArena subscribers like the service so much: "[Your Feedback \(Thank You\)](#)" - Warning this story contains unashamedly positive feedback on the service provided.

WEEKLY REPORTS

Uranium Week: Acting For Nuclear

The spot uranium price jumped last week after the US Democrats reached an agreement on a bill that includes investment in and tax breaks for zero-carbon energy.

- Democrats agree on climate change bill
- Uranium spot price jumps in response
- Utilities active in term markets

By Greg Peel

Amidst the uncertainty created by the Russian invasion, potential sanctions on Russian uranium and a shift away from Russian exports by US and European utilities, the uranium spot market has been range-bound on low volumes in recent weeks.

The week before last also as good as shut the market down when the Nuclear Energy Institute's *Nuclear Fuel Supply Forum* drew market participants to Washington DC.

Last week began the same way, as participants awaited a June quarter earnings result from major producer Cameco, and awaited the Fed's decision on interest rates.

What was not anticipated last week was news that broke on Wednesday that US Senate Majority Leader Chuck Schumer and recalcitrant Democrat Senator Joe Manchin had announced a deal on an energy and health care bill, representing a breakthrough after more than a year of negotiations.

The Inflation Reduction Act has been born from the ruins of Biden's earlier grand Build Back Better bill, which seemed like a good idea at the time of his election as the US tried to move out of covid, but has since become politically toxic as an additional driver of runaway inflation.

Hence the name. The Inflation Reduction Act is viewed as a significant achievement for the US nuclear industry, industry consultant TradeTech notes, if it becomes law. The measure would invest US\$369bn into energy and climate change programs, with the goal of reducing carbon emissions by -40% by 2030.

Clean energy tax credits would drive the majority of those emission reductions, including a production tax credit for existing nuclear power plants and a tax credit for investment in new zero-carbon electricity facilities, including nuclear power plants.

This news, as well as a positive result from major producer Cameco, spurred the spot market into action on the day and TradeTech reports five spot transactions concluded totalling 500,000lbs U3O8, sending TradeTech's weekly spot price indicator up US\$3.00 to US\$48.75/lb.

That end-July price was down -US\$1.75/lb from the end-June price. It was a thin month of trading, with only 2mlbs U3O8 changing hands in 17 transactions, TradeTech reports.

Term Markets

Although utilities have decided to forego participation in the spot uranium market, they remain extremely active in realigning their portfolios to mitigate potential exposure in the event of a Russian-related disruption, TradeTech reports.

These efforts have been primarily focused on addressing enrichment and conversion needs, but the market is now seeing utilities venturing into addressing long term uranium needs as well.

That said, only two transactions were concluded in July for term delivery of approximately 1mlbs U3O8 for delivery beginning this year and extending into 2029. But five off-market transactions that have been under negotiation for several months were finally concluded and account for delivery of over 10mlbs to occur over a range of time periods, with some extending until 2030.

Offers are due this week to supply the US Department of Energy with 1mlbs U3O8 for the planned US strategic

uranium reserve.

TradeTech's mid-term price indicator has dipped to US\$51.50/lb at end July, down from US\$52.00/lb. The long-term price indicator remains at US\$53.00/lb.

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
BKY	01/08/2022	0.3400	0.00%	\$0.64	\$0.14			
BMN	01/08/2022	2.1600	▲1111.11%	\$2.29	\$0.12			
BOE	01/08/2022	2.2700	▲12.44%	\$3.10	\$0.14		\$2.600	▲14.5%
ERA	01/08/2022	0.2500	▲4.17%	\$0.58	\$0.16			
PDN	01/08/2022	0.7100	▲7.46%	\$1.12	\$0.42	-76.2	\$0.800	▲12.7%
PEN	01/08/2022	0.1800	▲5.88%	\$0.35	\$0.12			
VMY	01/08/2022	0.1900	0.00%	\$0.33	\$0.09			

Uranium - U3O8



Find out why FN Arena subscribers like the service so much: "[Your Feedback \(Thank You\)](#)" - Warning this story contains unashamedly positive feedback on the service provided.

FN Arena is proud about its track record and past achievements: [Ten Years On](#)

WEEKLY REPORTS

The Short Report - 04 Aug 2022

See **Guide** further below (for readers with full access).

Summary:

By Greg Peel

Week Ending July 28, 2022.

The rally that began for the ASX200 the week before continued into last week as we tagged along with Wall Street.

There's a lot of movement on the table below but only one short position changed by one percentage point or more. Kogan ((KGN)) shorts fell to 6.6% from 8.2% the week before. What's interesting about the move is that the very next day, Kogan provided a trading update and jumped 50%.

Yes, 50%. But that still left it down -65% from its 2021 high.

Also posting solid moves on that day, although not quite as emphatic, were Temple & Webster ((TPW)) and PointsBet Holdings ((PBH)), which are both also in the 6%-shorted bracket. It will be interesting to see how these positions fare this week.

Otherwise, we note the shorters are moving in on miners of exotics. Lithium miner Lake Resources ((LKE)) is now over 10% shorted and uranium miner 92 Energy ((92E)) has stepped up to join peer Paladin Energy ((PDN)) in the 6% bracket.

Gold miners are also on the move, with Bellevue Gold ((BGL)) and De Grey Mining ((DEG)) each stepping up a bracket, while St Barbara ((SBM)) stepped down one. Again interesting, as St Barbara also shot up the next day on a positive update.

I pointed out last week that Zip Co had rallied 100% for no reason and eventually someone will be left without a chair when the music stops. Well, that rally extended to over 200% before the music stopped, and Zip fell -25%.

But, it's been back on the move again since. Meanwhile, the shorters are stoically hanging in for the ride (8.7%), which means short-covering is not the reason the stocks has gone "meme".

Weekly short positions as a percentage of market cap:

10%+

FLT	15.3
BET	12.0
NAN	11.4
SQ2	11.4
LKE	10.2

In: **LKE**

9.0-9.9

RRL, EML

In: **EML**

Out: **LKE**

8.0-8.9%

ZIP, MSB, PNV

Out: **EML**, **KGN**, **ING**

7.0-7.9%

ING, CCX, IEL , BGL

In: **ING**, **BGL** Out: **CXO**

6.0-6.9%

VUL, CXO, PDN, WEB, PNI, PBH, MP1, CUV, KGN, TPW, 92E, DEG

In: **KGN**, **CXO**, **MP1**, **92E**, **DEG** Out: **BGL**, **SBM**, **ADH**, **OBL**

5.0-5.9%

SBM, ADH, NEA, OBL, BOQ, AMA, 92E, NHC, FFX, IMU, JBH, PME, SYR,

In: **SBM**, **ADH**, **OBL** Out: **MP1**, **92E**, **DEG**, **MFG**

Movers & Shakers

All covered above.

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.2	0.2	NAB	0.8	0.7
ANZ	0.6	0.6	NCM	0.2	0.3
BHP	0.3	0.3	RIO	0.8	0.7
CBA	0.9	1.0	STO	0.2	0.2
COL	0.6	0.7	TCL	0.4	0.3
CSL	0.4	0.4	TLS	0.1	0.2
FMG	1.6	1.6	WBC	1.2	1.2
GMG	0.7	0.7	WDS	1.0	0.9
JHX	0.4	0.4	WES	0.9	0.9
MQG	0.6	0.3	WOW	0.5	0.4

To see the full Short Report, please [go to this link](#)

Guide:

The Short Report draws upon data provided by the Australian Securities & Investment Commission (ASIC) to highlight significant weekly moves in short positions registered on stocks listed on the Australian Securities Exchange (ASX). Short positions in exchange-traded funds (ETF) and non-ordinary shares are not included. Short positions below 5% are not included in the table below but may be noted in the accompanying text if deemed significant.

Please take note of the Important Information provided at the end of this report. Percentage amounts in this report refer to percentage of ordinary shares on issue.

Stock codes highlighted in green have seen their short positions reduce in the week by an amount sufficient to move them into a lower percentage bracket. Stocks highlighted in red have seen their short positions increase in the week by an amount sufficient to move them into a higher percentage bracket. Moves in excess of one percentage point or more are discussed in the Movers & Shakers report below.

IMPORTANT INFORMATION ABOUT THIS REPORT

The above information is sourced from daily reports published by the Australian Investment & Securities Commission (ASIC) and is provided by FNArena unqualified as a service to subscribers. FNArena would like to make it very clear that immediate assumptions cannot be drawn from the numbers alone.

It is wrong to assume that short percentages published by ASIC simply imply negative market positions held by fund managers or others looking to profit from a fall in respective share prices. While all or part of certain

short percentages may indeed imply such, there are also a myriad of other reasons why a short position might be held which does not render that position “naked” given offsetting positions held elsewhere. Whatever balance of percentages truly is a “short” position would suggest there are negative views on a stock held by some in the market and also would suggest that were the news flow on that stock to turn suddenly positive, “short covering” may spark a short, sharp rally in that share price. However short positions held as an offset against another position may prove merely benign.

Often large short positions can be attributable to a listed hybrid security on the same stock where traders look to “strip out” the option value of the hybrid with offsetting listed option and stock positions. Short positions may form part of a short stock portfolio offsetting a long share price index (SPI) futures portfolio - a popular trade which seeks to exploit windows of opportunity when the SPI price trades at an overextended discount to fair value. Short positions may be held as a hedge by a broking house providing dividend reinvestment plan (DRP) underwriting services or other similar services. Short positions will occasionally need to be adopted by market makers in listed equity exchange traded fund products (EFT). All of the above are just some of the reasons why a short position may be held in a stock but can be considered benign in share price direction terms due to offsets.

Market makers in stock and stock index options will also hedge their portfolios using short positions where necessary. These delta hedges often form the other side of a client's long stock-long put option protection trade, or perhaps long stock-short call option (“buy-write”) position. In a clear example of how published short percentages can be misleading, an options market maker may hold a short position below the implied delta hedge level and that actually implies a “long” position in that stock.

Another popular trading strategy is that of “pairs trading” in which one stock is held short against a long position in another stock. Such positions look to exploit perceived imbalances in the valuations of two stocks and imply a “net neutral” market position.

Aside from all the above reasons as to why it would be a potential misconception to draw simply conclusions on short percentages, there are even wider issues to consider. ASIC itself will admit that short position data is not an exact science given the onus on market participants to declare to their broker when positions truly are “short”. Without any suggestion of deceit, there are always participants who are ignorant of the regulations. Discrepancies can also arise when short positions are held by a large investment banking operation offering multiple stock market services as well as proprietary trading activities. Such activity can introduce the possibility of either non-counting or double-counting when custodians are involved and beneficial ownership issues become unclear.

Finally, a simple fact is that the Australian Securities Exchange also keeps its own register of short positions. The figures provided by ASIC and by the ASX at any point do not necessarily correlate.

FNArena has offered this qualified explanation of the vagaries of short stock positions as a warning to subscribers not to jump to any conclusions or to make investment decisions based solely on these unqualified numbers. FNArena strongly suggests investors seek advice from their stock broker or financial adviser before acting upon any of the information provided herein.

Find out why FNArena subscribers like the service so much: ["Your Feedback \(Thank You\)"](#) - Warning this story contains unashamedly positive feedback on the service provided.

FNArena is proud about its track record and past achievements: [Ten Years On](#)

WEEKLY REPORTS

In Brief: Supermarkets, Pandemic Benefits & Global Growth

In Brief: Supermarkets and their landlords; pandemic lifts the Australian economy & global growth concerns.

Weekly broker wrap:

- Alternate ways for investors to benefit from food inflation
- The pandemic's gift to the Australian economy
- Will the eurozone join the US in a technical recession?

By Mark Woodruff

Alternate ways for investors to benefit from food inflation

June data from the Australian Bureau of Statistics show food inflation was more than 5% for June, with the rate of increase accelerating.

Brokers suggest **investors may capture benefits of this rising inflation by holding either ASX-listed supermarkets or their landlords.**

Jarden remains overweight the grocers and continues to see upside to FY23 consensus forecasts.

Apart from rising food prices, the supermarkets will benefit from lower consumer confidence and more eating at home, and the analysts see a scenario in which the Australian grocery market can grow at greater than 6% year-on-year through FY23.

This rate of growth is well ahead of FY23 consensus revenue growth estimates for Coles Group ((COL)), Woolworths Group ((WOW)) and Metcash ((MTS)) of 4.9%, 4.7% and 1.8%, respectively, which suggests to Jarden the most potential upside for Overweight-rated Metcash.

Having recently upgraded forecasts for Australian supermarket stocks, Citi now points to an alternative approach. Investors may also gain exposure via landlords such as Buy-rated Shopping Centres Australasia Property ((SCP)) and Charter Hall Retail REIT ((CQR)), which the broker rates as Neutral.

Both companies have a strong weighting to food sales through grocery-based anchors such as supermarkets.

Retail inflation is supporting continued revenue growth from retail tenants, explain the analysts, and landlords receive delayed benefits via stronger total occupancy cost ratios on rental renewals and increased turnover rent clause growth.

Moreover, Citi points out increased turnover is captured in base rent reviews and an overall stronger shopping centre performance, which benefits surrounding specialty stores.

Jarden feels the share market is not only making zero allowance for market growth for the major supermarkets, but also implying a significant moderation in market share to discounters.

However, the broker feels **a swing to discounters is unlikely** given relative pricing, the scale of the majors and supply chain issues facing Aldi. In fact, the return of the value shopper is more likely to see private label penetration lift at the majors.

While a rise in private label sales would lower the average selling price metric, an improved gross margin would provide an offset, predicts Jarden. It's thought Woolworths would navigate a more value conscious consumer best, given its higher online share and data capabilities to enable effective promotions.



The pandemic's gift to the Australian economy

Following a weak decade of economic performance, some structural shifts brought on by the pandemic should stand Australia in good stead, according to ANZ Bank.

If inflation is sustained at higher levels in Australia, the bank expects higher levels of employment and investment, resulting in stronger economic growth.

The dramatic policy response during the pandemic might have spurred on inflation, but it also changed the baseline, notes ANZ.

Already, capital expenditure plans for the year ahead are the highest in nearly thirty years. Unemployment is also the lowest in five decades, while consumer spending has risen 9% above pre-pandemic levels.

Additionally, capacity utilisation in the business sector has attained highs only seen prior to the GFC, and the household sector is in the best shape for two decades, with aggregate household debt (net of liquid assets) the lowest in 15 years.

Prior to covid-19, many governments around the world preferred excess unemployment to excess inflation, fearing expectations for the latter might become entrenched. However, the bank notes unemployment can also become entrenched, and combined with less visible underemployment, contribute to inequality.

This inequality leads to lower economic growth and exacerbates financial vulnerability, because those on higher incomes tend to save more, reducing consumption, while those on lower incomes tend to borrow more, explains ANZ.

Will the eurozone join the US in a technical recession?

Data published last week confirmed the US economy shrank for a second consecutive quarter.

Now, more than 60% of participating companies in July's global risk survey, conducted by Oxford Economics, see a chance of the eurozone following the US into technical recession in the next 12 months.

The survey indicates businesses are becoming increasingly concerned about the impact of rapid central bank policy tightening on global growth.

The mean expectation for world GDP in 2022 now stands at 2.1%, down from 2.4% in the June survey, and 1.5 percentage points lower than the level anticipated prior to the Ukraine war. For 2023, the mean expectation has fallen to 2.2%, down from 2.4% in the March survey.

The Global Business Sentiment Index compiled by Oxford Economics also indicates the average expectation by businesses is for world GDP in 12 months' time to lie -3% below the level forecast before the outbreak of covid.

Returning to the survey, some upside from lower growth expectations is expected by respondents, due to a weaker near-term outlook for inflation. An inflation rate of 4.3% is expected, a fall of -0.3ppts from what was expected three months ago. Also, the perceived chance of very high (over 6%) world inflation next year has halved since June's survey, though there's still a 20% probability attached to inflation remaining above 4% over the medium term.

The largest upside risk for advanced economies, according to around one third of respondents, is a fall in oil prices. Other perceived upside risks include greater monetary policy support for the global economy, economies learning to live with endemic covid and a willingness by consumers to run down savings accumulated during the pandemic.

As in recent surveys conducted by Oxford Economics, the vast majority expect supply-chain disruptions to persist. While 28% of respondents are unaffected, only 42% of those affected see an end to disruption by mid-2023.

July's survey also indicates more businesses now feel climate change is the top global economic risk over the medium term, and a small but increasing number cite near-term risk.

Find out why FNArena subscribers like the service so much: "[Your Feedback \(Thank You\)](#)" - Warning this story contains unashamedly positive feedback on the service provided.

FNArena is proud about its track record and past achievements: [Ten Years On](#)

TERMS AND CONDITIONS OF USE, AND DISCLAIMERS

These Terms and Conditions of Use, and Disclaimers constitutes your agreement with FNArena Ltd with respect to your use of its FNArena website, its weekday news periodical, Australian Broker Call, as well as any other publications (including articles) FNArena may publish on its website, or anywhere else, from time to time.

Please read the contents of this page carefully as it contains important legal information and disclaimers. By entering and perusing the website, reading the Australian Broker Call, or, if you are subscriber, by entering the password protected part of the website, you acknowledge that you have read, understood and accept this agreement.

By accepting this agreement you acknowledge, understand and accept the following:

1. Reference to “FN Arena” and “FNArena” means reference to FNArena Ltd, its journalists, directors, other employees, affiliates, agents, associates and subsidiaries.
2. FNArena Ltd is the owner of the FN Arena website and brand name.
3. Reference to “we” or “us” is reference to FNArena.
4. Reference to “this website” or the “FNArena website” means reference to www.fnarena.com, and includes reference to FNArena’s weekday news periodical, Australian Broker Call, as well as any other publications (including articles) FNArena may publish on this website, or anywhere else, from time to time.
5. Reference to “news periodicals” means reference to FNArena’s weekday periodical, Australian Broker Call, as well as any other periodicals FNArena may publish from time to time on this website, or anywhere else, from time to time.
6. Reference to “publications” in this agreement means any material, including articles, published or put in print on the FNArena website, or anywhere else, whatsoever, and includes FNArena’s weekday periodical, Australian Broker Call, and any other periodicals FNArena may publish from time to time.
7. Reference to a “visitor” means, you, a visitor to this website, and includes a subscriber to Australian Broker Call as well as any other publications or periodicals FNArena may, from time to time, publish through its website.
8. FNArena is a media company which employs financial journalists to report financial news. FNArena’s journalists perform the required research and collect the information that is, ultimately, each day, published on this website and in FNArena’s news periodicals. As is obvious, the process by which the information is collected and delivered to you is a purely journalistic one and, therefore, the comments, opinions and recommendations FNArena reports on this website are not the opinions of FNArena or any of its journalist or other employees. FNArena is ONLY and specifically a

matter-of-fact reporter of industry signals suggesting price direction probability of some shares. FNArena simply delivers the information – it does not create it.

9. Although FNArena obtains the information published herein from sources deemed to be reliable, and given and received in good faith, it cannot and does not guarantee its accuracy. FNArena does not take any responsibility either for the financial soundness or for the correctness of statement made or opinion expressed in the data or content reported by FNArena, and cannot and does not guarantee the reliability and accuracy of the opinions of the brokers whose opinions, recommendations and forecasts it reports.

10. FNArena publishes this website, all publications and its periodicals strictly for convenient personal, non-commercial, educational and informational purposes of its subscribers only. Our goal is to provide the subscribers with a convenient starting point of potentially useful, but not comprehensive, content that can educate or otherwise enhance a visitor's knowledge base and frame of reference.

11. FNArena is NOT a stock broker or financial or trading advisor, nor is it an advisory service of any kind, and no advice or recommendations on investments or trading are made nor implied on this website. Nothing contained in this website is intended to be, nor shall it be construed as, advice or recommendation. Any investment or other decisions made by you must be based solely on your own evaluation of the targeted subject for investment, and your financial circumstances and investment objectives, and FNArena will not be held liable for any such investments and decisions.

12. It is distinctly understood and accepted that the shares referred to in the FNArena website, FNArena's publications and/or periodicals have not been recommended by FNArena. The content and or any comments found of this website, including the content and/or comments published in any publication and/or periodicals published by FNArena, do not constitute a recommendation or endorsement by FNArena with respect to any company, security, share or investment or any financial or investment product.

13. This website makes no representations, and, to the extent allowed by the law, specifically disclaims all warranties, express, implied or statutory, regarding the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any material contained in the website.

14. Before making an investment decision, you must do your own research and rely on your own examination of the share, and the risk involved, and not on what you read on the FNArena website, or in any publication or periodical. The content of this website is provided strictly for convenient personal, non-commercial educational and informational purposes only and FNArena shall not be held liable for any investment decisions, sales or purchase decisions, which you may have made based on what you have read on this website or in the periodicals published by FNArena from time to time, or in any other publications FNArena may publish on its website, or anywhere else, from time to time. Anyone who makes investment decisions based on what they read on this website does so at their own risk, and agrees that they cannot hold FNArena responsible and/or liable for any loss whatsoever.

15. It is your responsibility to evaluate the completeness, accuracy and usefulness of any content made available on this website. If you are unsure, or in doubt about the meaning of any information, you should consult your financial advisor.

16. FNArena does not guarantee any returns on investments made in any share mentioned on this website by the visitors. As any investor well knows, any investment opportunity, strategy or concept involves a degree of risk and investors should not invest any funds unless they can afford to take the risk of losing their investment. FNArena strongly suggests that you consult your own financial advisors regarding the soundness of any intended investments, strategies or concepts, and discuss with such advisor your individual investment needs and goals. You may also wish to consult the broker who expressed the opinion we have reported on in the news periodicals we publish.

17. FNArena shall not be held liable to any visitor of the FN Arena website, or any reader of its periodicals and/or publications, or anyone else who may have relied on this website, directly or indirectly, for any inaccuracies in the printed material found on the FN Arena website, in the periodicals and/or other publications, any typing errors, omissions, interruptions, timeliness, completeness, deletions, defects, failure of performance, computer virus, communication line failures, alterations of, or use of any content herein, regardless of cause, for any loss or damage resulting therefrom.

18. Under no circumstances, including, but not limited to negligence, shall FNArena be liable for any direct, indirect, incidental, special or consequential damages that result from the use of, or the inability to use, the FNArena website, and any or the FNArena's publications and/or periodicals.

19. As a condition of use of the FNArena Website, FNArena's publications and periodicals, you agree to indemnify FNArena and all those affiliated with it from and against any and all liabilities, expenses (including legal costs) and damages arising out of claims resulting from your use of the FNArena website, FNArena's publications and periodicals. If you are uncertain about this agreement or the contents of the FNArena's website, or are dissatisfied in any shape or from, with the content of the FNArena website, or any of the publications or periodicals, or you do not agree with these terms and conditions, your sole and exclusive remedy is to discontinue using the FNArena website, FNArena's publications and periodicals.

20. FNArena may, from time to time, publish advice, opinions and statements of various third parties, other than the ten stock brokers, and various other information and content providers. FNArena does not represent or endorse the accuracy or reliability of any advice, opinion, statement or other information provided by these third parties. Reliance upon any such opinion, advice, statement, or other information is at your own risk.

21. The FNArena website may contain links and pointers to websites maintained by third parties. FNArena does not operate or control in any respect any information, products or services on such third-party websites. Third party links are included solely for the convenience of visitors, and do not constitute any endorsement by FNArena of any products or services provided by the third party link owners or operators. FNArena has no control over any websites that we might link to and does not

take responsibility for their quality, content or suitability.

22. FNArena is not responsible for claims made by advertisers on the FN Arena website or in any of its periodicals. Such advertisements are included solely for the convenience of visitors, and do not constitute any endorsement by FNArena of any products or services advertised. FNArena does not check the accuracy of the statements made by the advertisers. You assume sole responsibility for the access and use of third party links and pointers from the FN Arena website, as well as any purchases you may make from those third parties (including advertisers).

23. All the content, information and material made available on this website are provided to you "as is" and without warranty of any kind from FNArena whether express or implied, including, but not limited to, implied warranties of merchantability and fitness for a particular purpose, title, non-infringement, security or accuracy, nor does FNArena endorse or take any responsibility for the accuracy or reliability of any opinion, advice or statement made through the FN Arena website, its periodicals, or for making good all or part of any loss and/or damage that may have been caused by the visitor's reliance on any information, advice, product or service obtained from a linked website.

24. FNArena is not liable for any copyright infringements incurred by any outside content or information contributors, or by third parties who have links to this website, or advertise on this website.

25. FNArena reserves the right to make any and all changes to the FN Arena website, including the publications and periodicals, at its sole discretion without notice to you. FNArena reserves the right to deny access to this website or its information to anyone at any time.

26. This agreement shall be deemed to include all other notices, policies, disclaimers, and other terms contained in the FNArena website, provided, however, that in the event of a conflict between such other terms and the terms of this agreement, the terms of this agreement shall prevail.

27. FNArena shall have the right, at its discretion, to change, modify, add or remove terms of this agreement at any time. Changes shall be effective immediately. Notification of any such changes shall be made herein, therefore, you are strongly advised to read these terms each time you wish to access the FN Arena website or any periodical.

28. No permission is granted to copy, distribute, modify, post or frame any text, graphics, video, audio, software code, or viewer interface design or logos. The entire FNArena website, including the publications and periodicals, is subject to copyright with all rights reserved. The information contained in the website, including the publications and periodicals, shall not be published, rewritten for broadcast or publication or redistributed in any medium, or for any other reason whatsoever, without prior written permission from FNArena.

29. All original content is the copyrighted property of FNArena.



Financial News for the Bright
and the Uneducated. And for
everybody else in between.

FN Arena News

Building the Future of Financial Journalism

www.fnarena.com

Trials are free and without any obligation

