

Weekly Investment Update – Week ending 15 January 2021

New Zealand

- Michael Hill International provided a positive business update to the market last week. The company expects significant EBIT (earnings before interest and tax) growth of 30-40% when compared with last year's financial half year and they are currently seeing solid growth in store sales in all markets and channels. The business is up 6.3% for the half and up 5.6% for the quarter against prior year, with an outstanding performance in Australia. Digital initiatives continue to deliver increased sales and margin across all markets with digital channels now representing 5.8% of total sales. Payment of the FY20 interim dividend originally payable in March 2020 was deferred to preserve cash as the global pandemic took hold. Given the company's first half FY21 trading performance and cash position, the Board has resolved to pay this outstanding debt on 29 January 2021.
- Meridian Energy confirmed that global mining giant Rio Tinto has accepted new contract terms offered by Meridian, effective from 14 January 2021 and will now be continuing operations at the NZAS Tiwai Point Aluminium Smelter through to December 2024, while an economic transition for Southland is developed. As part of the arrangement, Contact has agreed to supply Meridian Energy with a portion of the electricity required to power the smelter. Contact will provide an average of 100 megawatts of baseload electricity through until the end of 2024 (assuming the smelter requires 572 megawatts of electricity).

Asia Pacific

- The retailing division of Australian company Premier Investments released a first half FY21 trading update expecting EBIT to be up between 75% and 85%. During the half to date, their online sales have continued to accelerate – a trend among Australasian retailers. For the first 24 weeks of 1H21, online sales were \$146 million which is up \$55 million or 60% up on the same period last year and contributed 20% of total group sales. Premier Retail's online sales deliver significantly higher EBIT margin than the EBIT margin of the retail store network.

United States

- The key event in the US this week will be the start of a new administration. The Senate reconvenes on Tuesday, and Joe Biden is set to be inaugurated as President in Washington DC on Wednesday. Markets will be on the lookout for any disruption or protests, although Biden's immediate plans for his first 100 days in office will be of more importance. His top priorities will be dealing with the COVID-19 pandemic and offering economic relief in the form of a fresh stimulus package. Biden is aiming for 100 million people to have been vaccinated during his first 100 days, while his proposed US\$1.9 trillion economic support

package includes topping up the US\$600 weekly cheques to individuals to US\$2,000. Further policy announcements will come next month, with Biden set to appear before a Joint Session of Congress in February

- Initial jobless claims surged more than expected to 965,000 for the week ended January 9. It is possible that an elevated number of post-holiday filings not fully captured by the Department of Labour's additive seasonal adjustment boosted initial claims. Additionally, the week ended January 9 was the first full week following the enactment of the \$900 billion COVID-19 relief package approved in late December, which renewed extended eligibility for unemployment insurance and added an additional \$300 benefit top-up. These changes may have both increased filing incentives and created administrative confusion regarding how claims should be processed and counted.

Market Performance for the period 08 Jan 2021 - 15 Jan 2021									
Index	Stocks			Bond Yield (%)	Bonds				
	Last	Change	% change		Last	Change	% change		
NZX50	13024.7	-533.5	-3.9%	NZ OCR	0.25	0.00	0%		
ASX200	6715.4	-42.4	-0.6%	NZ 2Y Govt	0.20	-0.07	-26%		
DJIA	30814.3	-283.7	-0.9%	NZ 5Y Govt	0.57	-0.05	-8%		
S&P500	3768.3	-56.4	-1.5%	NZ 10Y Govt	1.02	-0.04	-4%		
NASDAQ	12998.5	-203.5	-1.5%	AU 10Y Govt	1.08	-0.04	-4%		
Nikkei 225	28519.2	380.2	1.4%	US 10Y Govt	1.08	-0.03	-3%		
Hang Seng	28573.9	695.6	2.5%	DE 10Y Govt	-0.54	-0.02	4%		
FTSE 100	6735.7	-137.6	-2.0%	GB 10Y Govt	0.29	0.00	0%		
Currencies				Commodities					
Currency	Last	Change	% change	Commodity	Last	Change	% change		
NZD:USD	0.71	-0.011	-1.5%	Oil - WTI	52.4	0.12	0%		
NZD:AUD	0.93	-0.006	-0.6%	Oil - Brent	55.1	-0.89	-2%		
AUD:USD	0.53	-0.008	-1.6%	Gold	1828.5	-20.56	-1%		
EUR:USD	0.77	-0.005	-0.7%	Silver	24.8	-0.65	-3%		
GBP:USD	1.21	-0.014	-1.1%	Copper	360.2	-7.15	-2%		
USD:JPY	1.4	0.002	0.2%	Aluminium	1990.8	-27.25	-1%		
USD:CNY	103.85	-0.090	-0.1%	Platinum	1075.2	5.97	1%		
Bitcoin:USD	36262	-3779	-9.4%	Iron Ore	169.1	0.78	0%		