

Weekly Investment Update – Week ending 12 February 2021

New Zealand

- New Zealand has moved up the alert levels as of midnight Sunday 14 February with the emergence of community cases. PM Jacinda Ardern made the call as the source of infection is currently unknown. Auckland is currently at Alert Level 3 while the rest of the country has moved to Alert Level 2, initially for just three days but likely to be extended if more cases continue to develop.
- The New Zealand government has announced that it will participate in Air New Zealand’s capital raise and commits to a majority ownership. Air New Zealand reconfirmed we should expect to see the capital raise before 30th June this year. With monthly cash burn at approximately \$70 million it’s estimated the company would need to raise between \$1-1.5 billion depending on how much longer borders are likely to be closed.
- S&P Global announced there would be changes to the S&P Clean Energy Index that caused significant price movement early in the year in two of our electricity generator-retailers, Meridian and Contact Energy. Weights will be capped with a liquidity constraint or at 9% of the index and given the lighter comparative trading volumes both Meridian and Contact will face the liquidity cap, and also Mercury Energy won’t be in contention for entry. These changes come into force at the upcoming reset in April.

Asia Pacific

- Newcrest Mining had an overall positive first half result, with earnings in line with expectations however, they beat guidance in terms of cashflow and also provided positive update on the Lihir Island mine. The share price has been suppressed due to argillic clay ores impacting throughput and recoveries is expected to continue into FY22. The update suggests less ore than previously feared, and they have made a number of changes to conveyors and chutes to better manage these clays in the plant. The Board has also implemented a new dividend policy committing to pay out 30-60% of free cash flow compared to 10-30% previously.

United States

- Tesla said last Monday that it bought \$1.5 billion in bitcoin, a disclosure that follows Chief Executive Elon Musk’s promotion of the cryptocurrency and other digital-currency alternatives on Twitter. The electric-vehicle company also said it expects to start accepting bitcoin as payment for its products soon. Bitcoin prices jumped more than 10% after the announcement. Tesla disclosed the bitcoin purchase in its latest annual report, saying the move aims to “diversify and maximize returns on our cash that is not required to maintain adequate operating liquidity.” Tesla said a board committee had approved changes to company rules on investments, adding that it can also invest cash in gold bullion and gold exchange-traded funds among other assets. The bitcoin purchase, likely to be

among the largest by a public company, comes after a rally in 2020 when the price more than quadrupled.

- Interest from retail investors appeared to lift cannabis stocks broadly higher on Wednesday, signalling that the recent trading frenzy behind Reddit favourites such as GameStop is shifting to other companies. Shares of Tilray (one of the largest producers of premium medical cannabis in the world) jumped 40% in morning trading, while shares of Canopy Growth Corp and Aurora Cannabis both rallied more than 12%. The ETFMG cannabis stocks exchange-traded fund, which has more than doubled in value since November’s US presidential elections, gained nearly 10%, while the broad S&P 500 index edged just 0.2% higher before turning lower. The moves came as posts touting cannabis stocks as the next GameStop spread throughout the popular “WallStreetBets” forum on Reddit, linking it with the short squeeze that pushed shares of the video game retailer up more than 1,650% in January.
- Initial jobless claims decreased from an upwardly revised level to 793,000 for the week ended February 6, above consensus expectations. The composition of the report was somewhat stronger however, the overall increase was driven by a 91k increase in initial claims in Ohio and initial claims declined in 37 states. Continuing claims through regular state programs continue to understate the number of workers receiving unemployment insurance benefits. Total continued claims through regular state, the extended benefits, and the Pandemic Emergency Unemployment Compensation programs suggest that continuing benefits increased by 1 million.

Market Performance for the period 05 Feb 2021 - 12 Feb 2021								
Index	Stocks			Bonds			Bond Yield (%)	% change
	Last	Change	% change	Last	Change	% change		
NZX50	12589.6	-464.2	-3.6%	NZ OCR	0.25	0.00	0%	
ASX200	6806.7	-33.8	-0.5%	NZ 2Y Govt	0.22	-0.05	-18%	
DJIA	31458.4	310.2	1.0%	NZ 5Y Govt	0.70	-0.15	-18%	
S&P500	3934.8	48.0	1.2%	NZ 10Y Govt	1.30	-0.07	-5%	
NASDAQ	14095.5	239.2	1.7%	AU 10Y Govt	1.22	0.03	2%	
Nikkei 225	29520.1	740.9	2.6%	US 10Y Govt	1.21	0.05	4%	
Hang Seng	30173.6	884.9	3.0%	DE 10Y Govt	-0.43	0.02	-4%	
FTSE 100	6589.8	100.5	1.5%	GB 10Y Govt	0.52	0.04	7%	
Currencies								
Currency	Last	Change	% change	Commodities				
NZD:USD	0.72	0.003	0.3%	Oil - WTI	59.5	2.62	5%	
NZD:AUD	0.93	-0.008	-0.9%	Oil - Brent	62.4	3.09	5%	
AUD:USD	0.52	-0.003	-0.6%	Gold	1824.2	10.12	1%	
EUR:USD	0.78	0.008	1.1%	Silver	27.4	0.44	2%	
GBP:USD	1.21	0.007	0.6%	Copper	378.8	16.20	4%	
USD:JPY	1.4	0.011	0.8%	Aluminium	2085.3	72.50	4%	
USD:CNY	104.94	-0.450	-0.4%	Platinum	1256.4	127.45	11%	
Bitcoin:USD	47947	10088	26.6%	Iron Ore	152.9	9.80	7%	

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