

Wealth Weekly

Earnings Season Continues

WEALTH MANAGEMENT RESEARCH

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Reporting season in Australia and NZ has started to ramp up as the US slows down. Early in the season Australia has been marginally stronger than normal, although the December period numbers don't yet include two exogenous headwinds for corporate profits – the bushfires and the coronavirus outbreak.

Meanwhile, last week's results from New Zealand companies were softer, with Skellerup, Contact Energy, Sky TV, and SKYCITY missing market expectations, while NZX bucked the trend with four out of five of its divisions growing organic revenues by more than +10%.

Themes of the week

The Forsyth Barr Investment Committee maintained its neutral exposure to risk assets, but lifted the weighting to international equities and reduced Australian equities. We generally see better value opportunities further afield, while, at the same time, the Australian economic outlook has softened. Equities have had a strong start to the year, supported by positive economic data, the reduction of uncertainty around Brexit and the US-China trade war, and continued stimulus from central banks. The coronavirus outbreak has clouded the outlook, but investors seem to be mostly taking the view that the pandemic can be contained by China's heroic measures, the economic impact will be temporary, and fiscal and monetary stimulus will help drive a recovery. Equities remain relatively attractive value compared to cash and bonds, and global growth is expected to remain on an upward trajectory over the medium-term.

A presentation from the **manager of Bankers Investment Trust**, a UK-listed global equity fund, largely mirrored our investment committee's views on the short-term outlook. Longer-term, they see **environmental issues rising higher on investor's agendas**, and believes the falling cost of renewable energy will rapidly disrupt the market for traditional energy sources like oil and coal. Interestingly, they also see some **headwinds for profitability of the large technology stocks** as regulators and legislators get tougher on the industry's tax avoidance, monopoly behaviour and data sharing practices.

FedEx stock has been a disappointing performer but the outlook may be improving after the company announced plans to make its network more adept at handling the growth in e-commerce parcels, which could lead to an improved cost structure. The changes will take time to test and scale up, so sentiment on the stock may not immediately turn positive, but we're optimistic about the company's long-term prospects.

Alibaba's management warned that the coronavirus will lead to a decrease in revenues (which the business has never experienced before). If the outbreak peaks soon (and data over the weekend suggest it might be stabilising) the business could see a quick recovery. We see any pullback in the shares as an attractive buying opportunity.

The Reserve Bank of NZ left the Official Cash Rate unchanged last week and most forecasters now expect it to stay at this level at least through 2020. Looking beyond New Zealand bonds for fixed income exposure makes a lot of sense for diversifying and improving the quality, liquidity and performance of portfolios. One way to do that is through a fund like the PIMCO GIS Global Bond Fund.

Looking ahead

The earnings season continues in New Zealand this week with Fletcher Building, Spark, Vital Healthcare Property, Auckland Airport, EBOS, Precinct Properties and Genesis Energy reporting later in the week. In Australia we expect results from companies including BHP, Domino's Pizza, Lendlease, Sydney Airport, Santos and Origin Energy, and in the northern hemisphere Medtronic, Lloyds Banking Group and Ping An Insurance are scheduled to release earnings.

Australasian Reporting Season

Australia faring better than New Zealand

Australia's February 2020 reporting period is off to a 'not bad' start. Expectations for June 2020 EPS growth for the ASX 200 have come down by only -0.4% so far, which is better than the average -0.8% forecast downgrade seen during past reporting seasons. Trading updates have so far highlighted signs of strength, albeit patchy, for domestic demand in January. But several companies believed the coronavirus outbreak could put a dampener on consumer confidence and be a headwind to near-term earnings, but most believe there will be a rebound in affected areas later this year.

CSL (CSL) delivered a strong 1H20 result, posting revenue growth of +11% yoy, above market expectations, while net profit growth of +11% yoy was a slight miss due to higher sales and admin expenses. CSL's immunoglobulin (IG) segment was the standout, delivering +26% growth, with CSL clearly still taking market share as supply from competitors remains constrained. Seqirus, the once loss-making flu vaccine business CSL bought from Novartis in 2015, is now consistently delivering positive earnings. Guidance for 2020 net profit has been upgraded by +3%, but with analyst forecasts already largely at the upgraded guidance level, it seems to be priced in.

The result highlighted CSL's ability to deliver above-industry growth, in a competitive market. Investments made early last decade, such as the expansion of plasma collection and fractionation, plasma product research and development investment, and the acquisition of the loss making flu business, are now paying off.

James Hardie Industries (JHX) posted a decent set of 3Q20 results, despite net profit growth of +17% yoy coming in below expectations due to higher corporate costs and softer performances from the Asia Pacific Fiber Cement and Europe Building Product divisions.

Pleasingly, the performance of the North America Fiber Cement division – the key earnings driver of the business – was very strong and JHX is now consistently taking market share in North America. The interiors business also returned to growth, which hasn't been sustainably achieved for a few years. Management lifted FY20 net profit guidance slightly; however, with analysts expecting more, the new guidance actually represents a small downgrade relative to market expectations.

Goodman Group (GMG) reported a very strong 1H20 result, underpinned by strong development revenues, while assets under management (AUM) were also ahead of expectations. Management earnings were slightly behind expectations, but performance fees are usually recognised in the second half of the fiscal year, so management earnings should be skewed to the 2H. Weighted Average Lease Expiries increased, providing improved earnings visibility and certainty.

GMG revised FY20 EPS guidance higher – management now expects EPS growth of +11% vs +9% prior. This is slightly ahead of consensus. Our research affiliate is of the view that this guidance is conservative, and expects a strong FY20 result in August along with an upbeat FY21 outlook.

Skellerup (SKL) reported a slightly weaker than expected 1H20 result, as trade tensions and a slowdown in key areas of its Industrial division affected the business. Weighing on the result was a slowdown in US infrastructure projects, oil exploration, and the European automotive market. Commentary suggests activity has subsequently picked up, with the second half expected to return to growth.

On the positive side, the Agriculture division delivered strong growth, driven by increased sales into the US market which was buoyed by lower feed costs and a higher milk price. The company's guidance implies a reasonable second half skew, however, we continue to see risk from ongoing trade tensions, headwinds for domestic dairy production, and possible coronavirus related impacts.

Contact Energy's (CEN) 1H20 result was not great. Asset sales in 1H19 were responsible for some of the decline in earnings from the prior corresponding period, but weak hydrology and gas constraints were largely responsible for the decline. Our short-term outlook is weaker, due mainly to the ongoing effects of gas constraints limiting CEN's activity in the commercial and industrial market. However, our longer-term outlook is more positive as the Tauhara geothermal project looks increasingly likely to get the go ahead. CEN remains our preferred stock in the electricity sector.

Themes of the Week

Macro strategy

Tactical Asset Allocation – House Views

Retain a neutral stance

Major equity markets have started the year strongly, reflecting recent economic data that supports the consensus outlook for stronger growth in 2020. January readings for global manufacturing showed the best numbers since early 2019, while economic sentiment indicators have also picked up from last year. This confident start to the year is supported by the US and China signing a 'Phase 1' trade agreement, and the subsequent rolling back of a number of mutual tariffs, Brexit uncertainty disappearing off the front pages, and the continuation of central bank stimulus in the form of historically low interest rates and liquidity support.

Despite a more positive outlook, the current picture is clouded to a large extent by the emergence of the new coronavirus in Hebei province in China. While we have no view on how the epidemic will evolve, we do expect the disruption resulting from the containment strategy adopted by China and other countries to have at least a short-term impact on global growth. This risk has already been reflected in bond and commodity markets, with interest rates and commodity prices dropping. Equity markets have recovered some of their initial losses after the outbreak became widely known, seemingly pricing in only a modest, short-term earnings impact.

Our recommendation is to maintain a neutral exposure to growth assets within portfolios. Equities remain attractive relative to cash and bonds, when compared on an earnings or dividend yield basis, and global growth is expected to remain on an upward trajectory over the medium term.

Conditions for economic growth have improved but unexpected shocks can happen

The de-escalation in the trade war between the US and China is a positive development in the outlook for growth this year. Also helping is the ongoing strength in most labour markets, helping push wages and discretionary income higher. At the same time inflation remains contained, keeping interest rates on hold. Signs of the positive transmission between incomes and consumption can be seen in the rebound in house prices and construction activity.

Coronavirus constitutes a risk

The new coronavirus outbreak is a cause of uncertainty and therefore market risk. Fear and the policy of containment will be a drag on growth, with the quantum determined by how long the outbreak and policy response continue. For China, the key metric will be how long the travel ban remains, and when the factories are fully operational again. If most workers are allowed back by the 24th February and the epidemic shows signs of abating, the economic impact should be limited to a Q1 blip. However, the longer the quarantining of large segments of the domestic population continues, the more damage will be done to the global supply chains. China is expected to pump money into its economy once the outbreak wanes to revive growth.

Fixed income and commodities

Debt curves have flattened again over the past week with longer term interest rates falling. This current pricing in bond yields suggests the market is already pricing in slower growth in response to the coronavirus outbreak.

Current yields offer little value to investors if the coronavirus shock is short-lived and growth bounces back in the second half of the year. The RBNZ has also signalled that it is unlikely to cut rates further unless external risks intensify. We recommend a neutral exposure to cash/fixed income.

Similarly, commodity prices – which had been showing signs of recovery late last year and in January – have fallen back again, led by oil and copper. China dominates global trade and any perceived hit to Chinese demand will show up in the commodity markets first.

Equities

Major equity markets are trading at all-time highs, despite the risks associated with the coronavirus shock. Valuations are being supported by historically low interest rates and a risk appetite characterised by very shallow pullbacks.

Despite markets looking somewhat overbought in the short-term, risk appetite remains healthy. We reiterate our concerns that following a year of very strong returns, equity markets remain vulnerable to unexpected shocks and returns going forward are likely to be lower than those earned in recent years.

Of note is the downgrading of expected GDP growth in Australia for the year to June 2020 by the Reserve Bank of Australia. This season's wildfires and lower than expected household consumption have reduced short-term domestic activity. Australia is also very exposed to slower growth in China, which takes close to 40% of its exports. After a strong period of returns from Australian growth stocks, we recommended reducing exposure to Australian equities and increasing global exposures. We maintain a neutral equity stance overall while the uncertainty around coronavirus plays out.

Interest rates will continue to underpin asset values

Uncertainty, and therefore risk, has increased in the short-term. No one knows how serious the outbreak of coronavirus will be for the global economy. But this event, like others before it, will eventually pass, and with it a recovery will start.

In the meantime, historically low interest rates will continue to act as a buffer and provide some protection for asset values. Well diversified portfolios remain the best approach to ride out most financial storms, and leave investors positioned to capitalise on the inevitable bounce in growth.

Figure 1. Forsyth Barr Investment Committee House View

Asset Class	12-month forecast level or return	FBIC view	Suggested tactical asset allocations				
			Defensive	Conservative	Balanced	Growth	Growth Plus
Cash to 90 days	0.75%	Remain underweight	8	9	8	4	4
Fixed Interest	1.35%	Remain overweight	77	56	35	19	1
Property	0-4%	Remain underweight	4	3	5	8	8
Equity NZ	0-5%	Remain neutral	5	10	15	19	23
Equity AU	0-10%	Reduce overweight	5	10	15	18	22
Equity International	0-10%	Reduce underweight	1	12	22	32	42
Total Equity & Property			15	35	57	77	95

Source: Forsyth Barr analysis

Equities

FedEx (FDX) – Our International Research Affiliates are Calling the Bottom

Since the beginning of 2018, FDX has been a disappointing stock, significantly underperforming the market and its peers as it delivered multiple earnings guidance downgrades. It seems the outlook for FDX may be improving, however, with the company last week announcing a program to push more express packages into its FedEx Ground network, which could be the first step toward creating a network that is more adept at handling the growth of e-commerce parcels. Although the program will initially be modest, it could be scaled and, more importantly, it marks a turning point in the FDX's approach to e-commerce and shows a willingness to be more innovative and cost-focused. This should result in lower handling costs, a smaller Express road fleet and increased density, and improved margins.

Our research partners, Citi and UBS, are of the view that FY20 earnings expectations have bottomed, and they see a pathway to a materially improved cost structure. 2020 will be a transition year for FedEx, and sentiment may remain downbeat. But we're optimistic about the company's long-term prospects.

Alibaba (BABA) – 3Q20 result highlights impact from coronavirus

BABA's 3Q20 result was largely in line with expectations, with the company delivering flat EBITDA margins yoy, following many quarters of declines. Of concern were comments on the coronavirus outbreak, with the company guiding to material impacts for Chinese retail marketplaces and local consumer services. BABA believes these segments are likely to see negative revenue growth, which the firm has never experienced before. This may be an overhang for the stock in the short-term. However, if the virus outbreak peaks soon, we may see a quick recovery of business, hence, any pullback in the shares on coronavirus concerns could provide a decent buying opportunity. Additionally, the outbreak may drive more consumers to adopt online services, and corporates to accelerate digitalisation, which could benefit BABA over the long-term. Overall we maintain a long-term positive view on BABA, as the virus outbreak is a rare occurrence and BABA's businesses remains in good shape.

Equity funds

Bankers Investment Trust (BNKR.L & BLT.NZ) – Manager visit

We had a presentation this week from the London-based manager of Bankers Investment Trust (BNKR.L and BLT.NZ), a £1.3bn closed-end global equity fund. BNKR was founded in 1888, has increased its dividend (in sterling) every year since 1966, and has been managed by Alex Crooke of Janus Henderson since 2003. Since then the fund's net asset value (after fees) has outperformed the MSCI All Country World index by +0.5% p.a. after fees, which compounded to an extra 29% returns over those 17 years.

2019 outlook. Mr Crooke outlined his outlook for 2019 and beyond. Expectations of economic growth globally have been fading over the last two years, as have corporate earnings estimates. Some of the uncertainties that plagued 2019 (Brexit, the US-China trade war) are being resolved, and central banks remain supportive of continued growth by keeping interest rates low. US economic growth is being propped up by the large and rising US fiscal deficit, which is being funded by money printing. That in turn should result in weakness in the US dollar. BNKR has recently been taking profits in highly-priced US stocks and – as the managers have struggled to find good value – has been building up cash to deploy in the next downturn in markets.

There are some signs that companies may be starting to invest more again, which tends to be positive for company earnings. Low inventory levels together with supply disruption from the coronavirus might drive a re-stocking cycle, which tends to boost growth in manufacturing economies like Germany/Europe and Japan, where the manager has added a few stocks.

The UK market is looking cheap as many investors still regard it as uninvestable due to uncertainty about how the UK's trading relationship with the EU will pan out. The fund has a 27% allocation to UK-listed stocks. That is less than the c.40% it used to have but is still unusually large by the standards of most global equity funds. Some of the UK allocation is in domestic companies, like homebuilder Bovis, that are cheap and will benefit as Brexit uncertainty clears, but much of it is in multinationals like GlaxoSmithKline and AstraZeneca. Overall only about 11% of the portfolio's underlying revenues comes from the UK.

The current coronavirus outbreak is discouraging consumers from travelling, and the fund is now avoiding travel-related businesses with high fixed costs and high leverage to occupancy rates, like airlines, cruise lines and hotel operators. Once the virus outbreak comes under control, China's government is likely to stimulate its economy to revive growth. BNKR has a dedicated sub-portfolio manager for China A-shares, which include higher quality, privately run companies like spirits maker Kweichow Moutai. The manager prefers these over the state-owned enterprises that dominate the Hong Kong H-share market.

The decade ahead. Looking at what the 2020s holds in store for investors, Mr Crooke expects current high valuations together with low economic growth and low inflation will make for lower investment returns than what we've enjoyed over the last ten and forty years. He sees higher inflation – potentially driven by higher wages due to a shrinking workforce – as a risk that could drive interest rates higher. That environment should see equities outperforming bonds. A recession seems likely at some point, but the signals that historically portend one aren't even flashing amber yet.

Two other big trends ahead over the next decade are in the energy and technology sectors. Mr Crooke believes a lot of investor attention will turn to environmental issues, the greatest of which will be the rapid displacement of traditional energy sources like oil and coal ("decarbonisation") with renewable energy sources like wind and solar as the cost of these technologies continues to decline. This is expected to result in lower oil and coal prices. As a result, the managers are lobbying the few energy companies they hold in the portfolio to reinvest their free cashflows into renewable energy businesses, not into more oil extraction. They also see good opportunities in owning electricity transmission companies. The big tech companies have got away with too much tax avoidance for too long; an increasingly unified global approach to corporate taxation is likely to crimp profits, as is rising public and regulator scrutiny of corporate behaviour. Tech sector returns seem likely set to suffer as a result.

From "value" to "growth-at-a-reasonable-price". BNKR traditionally had a bias towards "value"-style stocks (ones with attractive valuation metrics like high dividend yields). Mr Crooke believes many such companies now face disruption from new technologies and business models, and that this will make it hard for value stocks to consistently outperform. Around the middle of the decade BNKR's style shifted more towards paying reasonable prices for companies with good growth in free cashflows, and the manager of the US sub-portfolio added more high quality and high growth companies, for example in the technology sector, which turned out to be a good move. The overall makeup of BNKR's portfolio is somewhat less volatile than broad equity markets.

Premium/discount. BNKR.L on Friday traded at a +1.3% premium to Thursday's net asset value. Over the last two years it has stayed in a narrow range between -3.5% and +2%, but has been considerably wider in the past. The board has historically bought back shares to support an average discount level of around -5-7% in normal market conditions.

Fixed interest

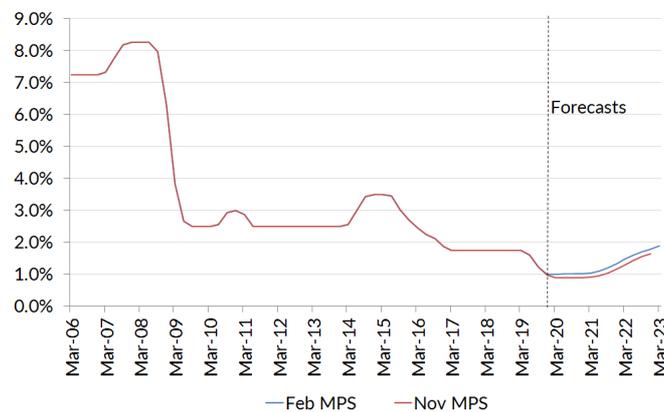
RBNZ appears pretty relaxed

The Reserve Bank of New Zealand (RBNZ) left the Official Cash Rate (OCR) unchanged at its first policy meeting of 2020 last week. The RBNZ now looks to have moved away from its 'easing bias' by shifting into the 'neutral' camp as it revised its track higher for the OCR in the coming months.

Overall the statement from the central bank was largely positive about the future economic prospects for New Zealand but it did note global risks like coronavirus were hard to quantify. Most economists now seem to have accepted the view and removed any expectations of OCR cuts for 2020 at least.

The unknown economic impact of the coronavirus is clearly causing some concern, albeit the markets appear quite comfortable to date that any economic impact will only be temporary. The impacts are, however, becoming an issue for education providers and tourism operators in New Zealand.

Figure 2. Official Cash Rate



Source: RBNZ, Forsyth Barr analysis

Global bonds lend a helping hand

In early 2019 we introduced the ability to use global bonds (hedged to NZD) via a fund managed by fixed income giant PIMCO. As a fixed income investor why would you consider a global bond fund? We believe there are numerous reasons why global bonds can be a prudent addition to a New Zealand fixed income portfolio.

Diversification. Most New Zealand investment portfolios are likely to contain a large exposure to New Zealand companies both via listed equities and debt. Adding some global bond exposure improves diversification and therefore reduces concentration risk.

Local market struggles. While the NZDX has grown in recent times the number of different issuers has not kept pace. There are issuers with multiple bond issues e.g. Infratil has 13 listed debt issues, ANZ has eight, and Auckland International Airport has five.

Performance. Over the long term (10 years) the performance of global bonds and New Zealand bonds are largely comparable, however, when things got difficult at the end of 2019, PIMCO's global bond fund's performance was vastly superior to New Zealand bonds – illustrating the flexibility and ability of the fund to find value in multiple markets.

The PIMCO GIS Global Bond Fund offers diversification from an over-reliance on New Zealand credit. The Fund, actively managed by PIMCO, is able to seek returns by managing investment exposures such as duration, credit and sovereign risk, and currency. The Fund's size and average credit rating (AA-), we believe, is superior to the majority of the available local bonds.

Research Worth Reading

New Zealand

The A2 Milk Company (ATM) – Upgrade to Buy

Citi upgraded ATM to Buy, as we see upside to ATM's 2H20 sales and margins because the coronavirus outbreak is reportedly leading Chinese consumers to stockpile infant formula. This pull-forward of future sales will benefit 2H20 sales but is likely to reverse in the medium-term. Margins could benefit from a reduced need for trade and outdoor marketing as consumers stay home and shop online amid the outbreak, and from reduced staff travel and consultant costs. Buy. (Published by Citi)

Arvida Group (ARV.NZ) – Getting Better with Age

ARV continues to steadily lift the quality of its retirement village product and aged care operation, and has future growth prospects centred on brownfield and greenfield expansion. ARV has a defensive earnings profile given its heavily needs-based portfolio, highly rated care facilities and wide geographic spread of operations. Relative to its listed peers, ARV has an attractive dividend yield and compares favourably on price/net asset value and earnings multiples. OUTPERFORM. (Published by Forsyth Barr)

SKYCITY (SKC) – 1H20 Result – Accounting Headache

Putting aside a plethora of accounting complexity, SKC's 1H20 result and FY20 EBITDA guidance was modestly below our expectations, principally due to a sharp contraction in the International Business with high rollers. SKC offers a solid yield and relative value versus the NZ market, but valuation metrics that are in line with (recently de-rated) casino peers & history, a lacklustre near-term EBITDA profile, and recently amplified complexity see us retain a NEUTRAL rating. (Published by Forsyth Barr)

Sky TV (SKT) – 1H20 – Paddling Upstream

Sky TV's (SKT) 1H20 result reinforces the colossal challenge it's facing from declining revenue and escalating costs in an intensely competitive environment for both subscribers and content. In our view, the risks to earnings and sentiment remain negative. UNDERPERFORM. (Published by Forsyth Barr)

Synlait Milk (SML) – FY20 Guidance – Spilt Milk

Synlait Milk (SML) downgraded FY20 profit guidance – with the rapid pace and magnitude of the change surprising both us and the market. The company's update leaves us with more questions than answers. It also provides a reminder of (1) the lack of external visibility for key drivers, (2) the pace at which the outlook can change, (3) SML's dependence on things outside of its direct control (e.g. customer decision making) and (4) leverage in the business, which is currently magnified by investment to support capacity growth. NEUTRAL. (Published by Forsyth Barr)

Australia

CSL (CSL.AX) – IG drives growth, CSL continues to gain market share

CSL's 1H20 was an excellent result and reflects both the positive plasma market dynamics and the reward for investments made early last decade – the expansion of plasma collection and fractionation, plasma product R&D investment, and the acquisition of the loss making flu vaccine business. Those historic investments are enabling the company to increase market share across its major product categories. Neutral. (Published by Citi)

Goodman Group (GMG.AX) – 1H20 Result: FY20 guidance lifted but remains conservative

1H20 operating profit was +6% ahead of Citi's forecasts, mainly driven by a better than forecast development result. Revised FY20 guidance appears conservative and Citi expects a beat in August along with a strong FY21 outlook. Scaling up the US pipeline will provide increased development options. Earnings visibility and certainty look to be improving. The outlook for GMG remains very supportive of 10%+ EPS growth given structural changes that are driving development activity, wholesale capital inflows into logistics and improving fundamentals. Buy. (Published by Citi)

James Hardie Industries (JHX.AX) – 3Q20 meets – NAM momentum accelerates, FY20 guidance raised

JHX reported a strong 3Q20 as the North America division's commercial and LEAN transformation accelerate. While Europe and Australia faced contracting markets, fibre cement penetration was encouraging. JHX's three year strategic plan continues to exceed expectations, in only its first year. In the near term, the US housing cycle continues to strengthen just as raw material cost tailwinds build. Buy. (Published by Citi)

National Australia Bank (NAB.AX) – Solid 1Q20 Update with Higher Capital

NAB reported 1Q20 cash earnings of \$1.65b, on track to meet Citi's 1H20E forecasts. Investors should be comforted that earnings are on track, and a capital surprise indicates that NAB is ahead of an "unquestionably strong" 10.5% capital ratio. The strategy on costs appears on track and should continue to be a differentiating factor as peers are experiencing strong cost growth. Buy. (Published by Citi)

International**Alibaba Group (BABA) – F3Q20 earnings review: significant impact from virus outbreak but business recovering**

While the impact from the Covid-19 outbreak is slightly larger than we expected, Alibaba's ability to call a recovery in its business should help investors size the impact. In the last two weeks following Chinese New Year, Alibaba saw improvements in logistics capacity and that should continue as more people return to work starting this week. UBS remains positive on BABA, and sees increasing monetisation of e-commerce traffic, further cost efficiencies, and demand from Chinese investors for the Hong Kong-listed Alibaba shares (9988.HK) as catalysts this year. Buy. (Published by UBS)

Applied Materials (AMAT) – Stay Long; Raise TP to \$76; DRAM to Drive Further EPS Upside

Citi remains positive on AMAT and other semiconductor equipment makers. Citi's recent checks indicate an improving balance of supply and demand for DRAM semiconductors, and consequently Citi semiconductor manufacturers to spend more on equipment in 2020/21. Management lowered the midpoint of earnings guidance by \$300m to account for the impact of the coronavirus, but commented that they expect the overall impact to be minimal for F20. Buy. (Published by Citi)

FedEx (FDX) – Express Becomes More Grounded in Ecommerce Reality

FedEx plans to launch a pilot program in March to move a selection of Express's less time sensitive residential packages through its Ground network. A bullish read of the announcement is that it marks a turning point in the company's approach to ecommerce and a willingness to be more innovative and cost-focussed. Buy. (Published by Citi)

Nike (NKE) – Feedback on Our Upgrade to Buy

The response from investors to UBS's upgrade note on NKE was very positive. Many agree that Nike's fundamental outlook is one of the best in the US consumer discretionary sector. It was surprising how many potential incremental buyers exist for this stock. UBS continues to believe the market will pay a much higher P/E for NKE as more investors realise how the changes to Nike's business model will make the company worth much more in the long-term. The market doesn't fully appreciate how Nike's investments are working in concert to drive industry growth, market share gains, and a beneficial shift in sales from retailers to online. Nike not only has the assets, scale, skill, and the strategy to thrive, but also an under-appreciated fortress balance sheet, which gives it great confidence to continue taking risks in uncertain times. Buy. (Published by UBS)

NVIDIA Corp (NVDA) – Love is in the Data Center; Top Product Cycle Play in 2020

Nvidia reported January-quarter revenue and earnings that were ahead of market expectations, delivering solid +33% quarter-on-quarter growth in sales to data centres. Citi expects the stock to outperform peers in 2020 due to: a) improving data centre demand for conversational artificial intelligence and recommendation engines; b) completion of the Mellanox acquisition; and c) the announcement of the next generation 7nm Ampere platform at the flagship GTC conference in March. Buy. (Published by Citi)

Calendar

Figure 3. Calendar

	New Zealand	Australia	International
17-Feb	<p>Migration Data Dec-19</p> <p>Property For Industry FY19 result</p>	<p>QBE Insurance Group FY19 Result</p> <p>Brambles 1H20 Result</p>	<p>JP: GDP (Provisional) 4Q19</p> <p>JP: Industrial Production (Final) Dec-19</p>
18-Feb		<p>BHP Group 1H20 Result</p> <p>Coles Group FY19 Result</p> <p>Cochlear 1H20 Result</p> <p>Ansell 1H20 Result</p>	<p>EU: ZEW Survey of Expectations Feb-20</p> <p>UK: ILO Unemployment Data Dec-19</p>
19-Feb	<p>Fletcher Building 1H20 Result</p> <p>Spark NZ 1H20 Result</p> <p>Vital Healthcare 1H20 Result</p>	<p>Wage Price Index 4Q19</p> <p>Wesfarmers FY19 Result</p> <p>Webjet 1H20 Result</p> <p>Domino's Pizza 1H20 Result</p> <p>Sonic Healthcare 1H20 Result</p>	<p>UK: CPI Jan-20</p> <p>US: Building Permits Jan-20</p> <p>Medtronic 3Q20 Result</p>
20-Feb	<p>Auckland Airport 1H20 Result</p> <p>EBOS Group 1H20 Result</p> <p>Precinct Properties 1H20 Result</p>	<p>Employment Data Jan-20</p> <p>Lendlease 1H20 Result</p> <p>Sydney Airport FY19 Result</p> <p>Santos FY19 Result</p> <p>Boral 1H20 Result</p> <p>Origin Energy 1H20 Result</p>	<p>US: FOMC Meeting Minutes</p> <p>UK: Retail Sales Data Jan-20</p> <p>Lloyds Banking Group FY19 Result</p>
21-Feb	<p>Genesis Energy 1H20 Result</p>	<p>CBA Composite PMI Feb-20</p>	<p>JP: CPI Jan-20</p> <p>EU: CPI Jan-20</p> <p>EU: Markit Manufacturing PMI Feb-20</p> <p>UK: Markit Manufacturing PMI Feb-20</p> <p>US: Existing Home Sales Jan-20</p> <p>Ping An Insurance FY19 result</p>

Black - Company events, Red - Economic events

Source: Forsyth Barr analysis

Analyst certification: For analyst certification relevant to any security recommendation in this report please refer to the most recent research report for that financial product.

Analyst holdings: For information about analyst holdings in a particular financial product referred to in this publication, please refer to the most recent research report for that financial product.

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