

Wealth Weekly

A Trans-Tasman Property Bubble

WEALTH MANAGEMENT RESEARCH

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Developed equity markets held their ground last week, but emerging markets fell as the pandemic's spread accelerated in Russia, Brazil and India. China's plan to impose a national security law on Hong Kong put an end to any notion that the Special Administrative Region's status as a financial centre makes it too valuable to mess with, sending that market into a -5.6% plunge on Friday. Locally, the May earnings season got underway with a solid result from Argosy Property.

Diversifying property across the Tasman

This week we reviewed the fundamentals of nine Australian Real Estate Investment Trusts (REITs) and compared them to our coverage of New Zealand Listed Property Vehicles (LPVs). Over the past year this group of nine Australian REITs substantially underperformed the NZ LPVs. On average the Australian REITs fell -23%, compared to an average -12% decline in the NZ LPVs. The result is that the **Aussie property stocks now offer more attractive valuation and growth fundamentals than the NZ property sector**. At an NZDAUD exchange rate of 0.93, we believe it makes sense to diversify property portfolios across the Tasman. Our preferred Australian property stocks are **Charter Hall Group, Goodman Property Group, GPT Group, Scentre Group and Lendlease**.

Themes of the week

Two Australian Model Portfolio stocks reported results last week. Slot machine maker and digital games provider Aristocrat Leisure reported a weak result because of unexpected costs and provisioning, but at the underlying operating level, revenue and cash flows were solid. Wall board maker James Hardie's result was in line with recent guidance. Its management has taken a number of actions to save costs amid the pandemic, while still reinvesting to expand its market.

Developed market governments and central banks have been bailing out companies and supporting financial assets through money printing, bond buying, negative interest rates and more exotic measures. The Reserve Bank of New Zealand (RBNZ) recently stated that lowering the Official Cash Rate (OCR) from 0.25% into negative territory remains an option (once the trading banks have updated their systems to allow it to be implemented).

These measures have softened the blow of the pandemic for current investors and for the economy. But they also have dark sides that will influence the investment environment and make it difficult to withdraw the stimulus in the years to come. Some investor hunting grounds that could remain relatively attractive in this environment include companies with attractive business models and innovative products that can expand even in low-growth conditions, and real assets that provide steady income streams and/or protect against inflation, like infrastructure stocks.

Looking ahead

Earnings season continues in New Zealand this week, with Tilt Renewables and Kiwi Property Group reporting on Monday, Arvida on Tuesday, Mainfreight on Wednesday, Goodman Property Trust and Sanford on Thursday, and Gentrack and Infratil on Friday. The RBNZ Financial Stability Report is due out on Wednesday, and business confidence data is expected on Thursday.

NZ and Australian Property

A Trans-Tasman Trade

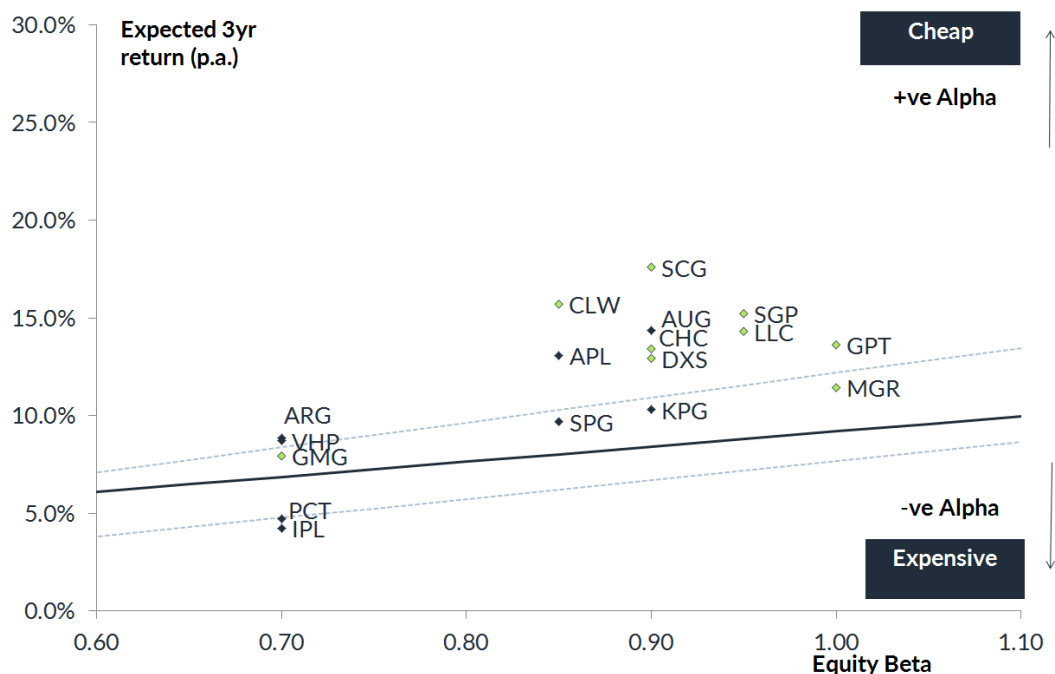
In our view, Australian REITs currently offer more attractive fundamentals than the New Zealand listed property vehicles:

- The average P/NTA ratio for the AU REITs is just 0.76x (a -24% discount) vs. the NZ LPVs average P/NTA of 0.95x (a -5% discount). This partly reflects NZ LPVs having already revalued assets lower.
- Although the NZ LPVs' median cash yield of 5.0% is slightly higher than the AU REITs' median after-tax dividend yield of 4.4%, the AU REITs offer a median forecast EPS growth outlook that is more than double that of the NZ LPVs.
- We project the median 3-year annual total return for the AU REITs at +13.6%p.a., versus +8.8%p.a. for the NZ LPVs (Figure 1 below).

Additionally, with the NZDAUD exchange rate at 0.93, we are attracted to the prospect of boosting NZD returns if the AUD were to appreciate against NZD.

Among the nine Australian REITs in our shortlist, we prefer **Charter Hall Group (CHC)**, **Goodman Property Group (GMG)**, **GPT Group (GPT)**, **Scentre Group (SCG)** and **Lendlease (LLC)** — a property developer). In combination these five companies provide diversified exposures across industrial, retail, office, residential, and development opportunities in Australia, and in the case of GMG and LLC, globally.

Figure 1. Potential 3-year return (p.a.) versus equity beta (return p.a. based on average of Dynamic PE framework and Analyst Target Price framework)



Source: Forsyth Barr analysis

Charter Hall Group (CHC) manages real estate investment funds and develops commercial, residential, and industrial properties. CHC's strategy is to access equity to invest/manage attractive properties alongside its capital partners, like CLW (CHC owns a ~20% stake) investing in a variety of property investment entities across various sectors: Office (38% exposure), Industrial (13%), Retail (28%), Diversified (14%) and Social Infrastructure (7%).

Goodman Property Group (GMG) is a global vertically-integrated industrial property company, with operations in Australia, New Zealand, Asia, Europe, and the UK. The company specialises in industrial property ownership, funds management, property development, project and development management, and property services. GMG's strategy of focussing on metropolitan developments and last-mile logistics properties is aligned with structural trends, such as eCommerce driving demand for logistics warehousing. GMG maintains a strong capital position and earnings growth is expected to be supported by strong performance fees reflecting accrued outperformance, lower financing costs, and future development opportunities.

General Property Trust Group (GPT) was Australia's first property trust, launched and managed by Lendlease from 1971 until 2005. Now it is an independent company managing a well-diversified and high-quality portfolio of retail, office and industrial property assets across Australia totalling over \$14bn. Part of the Group's property exposure is obtained through co-investments in GPT's funds management platform, with total FUM of over \$24bn. Income and asset revaluations are likely to be negative for retail and office property, combined these make up >80% of GPT's portfolio. However, this appears to be priced into the shares.

LendLease (LLC) is an international property and infrastructure company with operations in Australia, Asia, Europe and the Americas. LLC designs, develops, and manages property and infrastructure assets. Following the April 2020 capital raise LLC's liquidity and capital position improved, which helps secure near and medium term capital needs to fund the development pipeline as well as take advantage of other opportunities near term. LLC now has a development backlog of over ~\$100bn in end value, positioning the business well for the next 10–20 years.

Scentre Group's (SCG) centres and management platform are widely regarded as best-in-class and the group has a strong track record of retail developments. Although SCG screens as having relatively high demand risk as a result of COVID-19, its current share price implies a ~40% valuation downgrade across its portfolio, which we view as unreasonable. SCG is deferring capital projects, has suspended its buyback, may suspend dividends, and is planning to make sure it has enough liquidity to ride out the worst case scenario (SCG had \$1.8bn in liquidity as at the end of 2019).

Figure 2. Listed property fundamentals

Company Name	Code	Mkt Cap (Local bn)	Price (local)	12-mth Chg	NTA per share	P/NTA	Fcst 1 PE	Fcst 2 PE	EPS 3yr CAGR (FY20- FY23)	ROE	Div yld	Broker rating		
NZ												Forsyth barr		
Argosy Property	ARG	0.9	1.13	-17.8%	1.30	0.87x	16.2x	16.1x	+1.2%	5%	5.3%	Neutral		
Asset Plus	APL	0.1	0.39	-38.6%	0.57	0.68x	10.1x	13.3x	-4.5%	6%	5.3%	Underperform		
Augusta Capital	AUG	0.1	0.66	-34.8%	0.74	0.89x	10.3x	10.3x	-4.9%	3%	8.6%	Restricted		
Goodman Property Trust	GMT	3.1	2.24	+23.1%	1.73	1.30x	33.2x	33.7x	+1.7%	4%	2.9%	Neutral		
Investore Property	IPL	0.6	1.71	-0.6%	1.68	1.02x	22.6x	22.9x	+3.1%	6%	4.6%	Outperform		
Kiwi Property Group	KPG	1.5	0.93	-40.0%	1.24	0.75x	13.1x	15.7x	+1.0%	5%	5.6%	Underperform		
Precinct Properties	PCT	2.1	1.58	-4.8%	1.48	1.07x	25.7x	24.1x	+6.1%	3%	3.7%	Neutral		
Property For Industry	PFI	1.2	2.43	+18.5%	2.06	1.18x	28.9x	28.2x	+2.3%	5%	3.1%	Outperform		
Stride Property	SPG	0.5	1.50	-29.6%	1.97	0.76x	14.3x	15.4x	+1.3%	7%	5.8%	Neutral		
Vital Healthcare	VHP	1.1	2.47	+4.0%	2.36	1.05x	25.0x	24.8x	+5.8%	0%	3.6%	Outperform		
AU												Citi	Ords	UBS
Charter Hall Group	CHC	4.0	8.65	-17.9%	4.10	n.a.	12.9x	14.3x	+5.6%	20%	4.4%	Buy	Hold	Buy
Charter Hall Long WALE REIT	CLW	2.0	4.13	-8.4%	4.98	0.83x	14.6x	14.0x	+3.8%	6%	7.1%	Buy	Hold	Neutral
Dexus	DXS	9.5	8.68	-33.0%	11.42	0.76x	14.4x	14.3x	+4.2%	8%	5.8%	Neutral	Hold	Buy
Goodman Group	GMG	27.0	14.75	+7.6%	5.81	n.a.	25.6x	24.0x	+9.1%	14%	2.1%	Buy	Hold	Neutral
GPT Group	GPT	7.8	4.02	-32.0%	6.03	0.67x	12.7x	12.0x	+3.8%	5%	5.8%	Buy	Hold	Buy
Lendlease	LLC	7.6	11.51	-21.5%	11.17	1.03x	12.4x	14.8x	+8.5%	8%	3.0%	Buy	Buy	Buy
Mirvac Group	MGR	8.6	2.18	-29.4%	2.66	0.82x	13.5x	15.0x	+2.5%	5%	5.1%	Buy	Accumulate	Buy
Scentre Group	SCG	11.8	2.27	-41.6%	4.41	0.51x	14.6x	11.6x	+12.9%	6%	6.5%	Sell	Accumulate	Neutral
Stockland	SGP	7.2	3.03	-31.4%	4.09	0.74x	9.4x	10.1x	+0.3%	8%	8.0%	Sell	Accumulate	Neutral
NZ Median				-12.1%	1.58	0.95x	19.4x	19.5x	+1.5%	5%	5.0%			
Australian Median				-23.1%	4.98	0.76x	13.5x	14.3x	+4.2%	8%	5.8%			
							Median after-tax dividend yield				4.4%			
NZ/AU Median				-17.3%	2.36	0.83x	14.4x	15.0x	+3.1%	6%	5.3%			

Source: Forsyth Barr analysis

Themes of the Week

Equities

Australian Model Portfolio results

Last week we had results from two of our Australian Model Portfolio companies, **Aristocrat Leisure** (ALL) and **James Hardie** (JHX).

Aristocrat Leisure

ALL's 1H20 profit materially missed consensus expectations. However, the result was better than it first appeared given an in-line revenue performance and strong cash-flow. The 1H20 profit miss was largely driven by one-off cost items like the \$31m increase in bad and doubtful debt provisioning, a spike in legal costs, higher than expected Design and Development costs, and higher user acquisition spend in Digital. Digital was the clear standout in 1H20 and we expect this segment will outperform further in 2H20E, assuming a swing to profitability for the Raid game as user acquisition spend slows and play increases amidst lockdowns.

James Hardie Industries

JHX's management has taken a number of swift and decisive measures in response to COVID-19. The measures include permanent and temporary plant closures, delayed commissioning of the Prattville (Alabama) facility, and organisational restructuring. These actions are expected to generate a Group EBIT benefit of US\$20–30m in FY21. Although part of this gain stems from depreciation savings from the delayed commissioning of Prattville, the ability to achieve incremental benefits beyond that speaks to management's actions to reconfigure the business. Importantly, these benefits are in addition to JHX's previous LEAN cost savings targets. Given the company exceeded its FY20 LEAN target in North America, the business is well placed to deliver towards the upper end of the cumulative target in FY21. Reinvestment of these benefits will be redirected to product innovation instead of marketing, which is a strategy that should help the company expand its market over the medium-term.

Macro Snapshot

When everything is "Too Big to Fail"

Developed countries' central banks and governments are becoming ever more inventive in finding ways to directly or indirectly prop up an expanding swath of businesses and financial assets as a means of supporting the real economy. Such measures are easy to implement and work wonders for investors, as we have seen since late March. They might even soften the economic blow of the pandemic if the transmission mechanisms from money printing to the economy work the way that central bankers expect.

These policies look like the best of a bad bunch of alternatives in the short term. But a key lesson from the history of centralised control of financial markets and economies is that once we start down this path, it is very hard to reverse.

As investment strategists it's not our role to prescribe economic and central bank policies, but rather to judge whether they are positive or negative for financial assets in the future. So what are the long term investment implications of the centralisation of economies and of asset pricing that we are now seeing?

Popular and effective drugs — bailouts & money printing

The concept of "too big to fail" (TBTF) goes to the heart of the decoupling we have seen in recent months between the struggling real economy and the outstanding performance of financial assets. During the 2008 global financial crisis (GFC), governments bailed out most banks and other major financial institutions that were deemed too big to fail.

Now, the TBTF net has been cast a lot wider. Numerous industries are being bailed out, from oil to airlines. Quantitative easing (QE — money printing and bond buying) programmes have been extended from central government bonds to local government and corporate bonds. The government in New Zealand has turned the Inland Revenue into a finance company, bypassing the credit processes of banks and administering loans directly to small/medium businesses. The Reserve Bank of NZ (RBNZ) is threatening to take the official cash rate into negative territory. Bank regulators in Europe have told trading banks to not pay dividends.

The initial "high" — Safety net or bouncy castle?

From a financial markets perspective, these interventions have cushioned the blow of the pandemic. They have done so to such an extent that the March plunge in equities is barely discernible on long-term graphs of stock market performance, despite economies facing depression-era reductions in activity and increases in unemployment.

All drugs have undesirable side effects

It's not all roses though. Government and central bank enthusiasm for moderating the economic cycle comes with side effects.

Arguably, governments and central banks now influence a whole range of macro variables from interest rates, credit spreads, bond yields and equity values to wages — creeping a little closer in the direction of a central planning system. We know how that worked out for the Soviet Union, Eastern Bloc, Cuba and North Korea!

When you have centralised control of so many variables that the market used to determine, you tend to get mispricing of risk and resources, misallocation of capital, a proliferation of zombie companies, and a lack of regeneration across the economy. The result tends to be a long, drawn out, slowdown in trend growth and competitiveness. The situation is made worse by the ever increasing public sector debt burden that is required as private sector growth slows.

Negative interest rates and QE have their supporters and detractors. On one hand it's not clear if they ultimately work as intended, and on the other hand it seems likely that they distort consumer, business and investor behaviour.

Whether QE will stimulate inflation is an open question. Historically, money printing did lead to high inflation, particularly when combined with loose government spending. But the last decade of QE has failed to lift inflation even to the low target levels of most central banks, perhaps because the money flowed into banks and financial assets rather than stimulating demand in the real economy.

Withdrawal effects

It becomes difficult to climb out of debt-driven stimulus without disruption and pain. There was a reason New Zealand started down the track of the Rogernomics reforms in the 1980s: The economy had become sclerotic from central government control and New Zealand was close to default. The reforms were painful for many, but the shift of the economy to a less centralised, more market-based system made it stronger and more resilient in the subsequent decades.

Other examples where QE and debt-driven government spending have been difficult to reverse include:

- Japan being unable to exit QE after 25 years
- The weak growth of the UK, Greece, Italy, Spain and Portugal as their governments pursued austerity to reduce debt after the GFC
- The Eurozone suffering below-target growth and inflation for over a decade and still being unable to exit QE
- The US equity market having a taper tantrum in late 2018 as the Fed tried to unwind its balance sheet and raise interest rates.

Bottom line: This concoction of policies is an effective but addictive economic medicine

Market support from governments and central banks is likely to be with us for some time, which should continue to prop up financial asset valuations to abnormally high levels.

The watering down of the economic cycle suggests volatility will continue to flatten. Lower volatility begets lower risk premia. Future savers and investors will likely endure lower returns as a result.

Worthwhile investment hunting grounds

Some areas that could perform relatively well over the longer-term in an environment of unnaturally low interest rates and economic growth include the following:

- Industries with intrinsic growth drivers and that therefore aren't reliant on government support for their survival should do relatively better
- Some companies will continue to disrupt their industries, gain market share and create new markets irrespective of a low-growth economic environment
- Real assets like infrastructure, property and commodities like gold could continue to do well, supported by two factors: i) money printing raises fears of high price inflation, which these types of assets are thought to protect against; ii) low interest rates reduce the opportunity cost of holding low-risk/low-return assets, making them relatively more attractive
- Emerging markets face a grave threat from the pandemic in the short term. They have not yet resorted to the QE experiments of developed market central banks, and might eventually recover to be more productive and enjoy higher growth rates over the longer-term. Revenue from this region will be important for some global companies.

Fixed Interest

Negative interest rates on the way? Already here, actually

The prospect of negative interest rates is once again in the spotlight after the Reserve Bank of New Zealand (RBNZ) stated recently that lowering the Official Cash Rate (OCR) into negative territory was still an option (albeit not for a while yet). Central banks around the world are responding to the unprecedented economic conditions caused by COVID-19. One of their key policy tools is to lower their benchmark interest rates, the OCR in New Zealand's case, which filter through to lower retail borrowing costs for businesses and households.

The RBNZ has stated on numerous occasions that the OCR will remain at the current 0.25% at least until March 2021. This is because the banks' systems are not yet set up to operate with negative interest rates. Whether the OCR heads into negative territory will depend on the economic conditions at the beginning of 2021 and whether the RBNZ's forecasts warrant additional monetary policy stimulus.

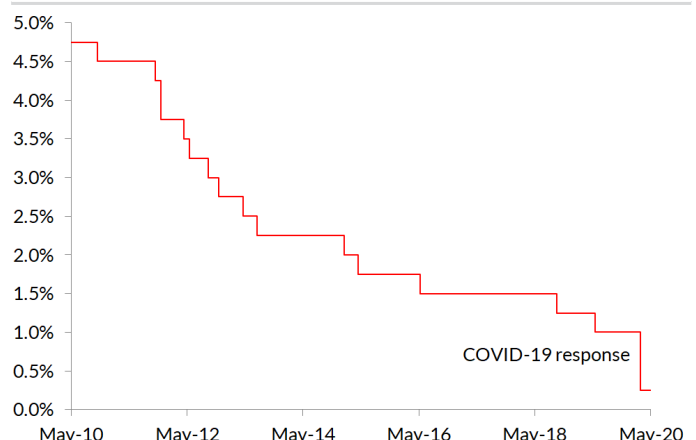
The theory is that if the OCR is negative, banks will decide against 'parking' so much cash with the central bank as it will actually cost them to do so and will instead lend it to consumer (businesses and households), keeping credit flowing through the economy.

Figure 3. Yield of the 2025 NZGB inflation linked bond



Source: Forsyth Barr analysis, Bloomberg, NZGB = New Zealand Government Bond

Figure 4. Official Cash Rate



Source: Forsyth Barr analysis, Bloomberg, RBNZ

Nothing new but success is limited

Negative interest rates are not new, with the Bank of Japan (BoJ), the European Central Bank (ECB), the Swiss National Bank and Sweden's Riksbank all implementing negative interest rate policies over the last decade. Retail depositors may see 0.01% rates, but negative retail interest rates for both depositors and borrowers are still very uncommon in countries that have negative central bank interest rates.

The success of negative interest rates is mixed, with many economists now believing that negative interest rates have had negative effects on economies. Some of the downsides are thought to include the following:

- Depositors choose to spend less because they aren't earning interest and they are reluctant to withdraw capital to fund any spending
- Negative rate policies assume that consumers and businesses have the capacity to borrow more, and that they have the confidence to spend and invest. But:
 - ▢ Borrowers can only take on a limited amount of debt before credit metrics become an issue
 - ▢ Negative interest rates signal that the economy is in trouble and that prices are set to fall, which hurts the confidence of businesses and consumers – limiting demand for loans even at low rates
- Negative rates fuel asset price increases
- Negative rates prop up inefficient businesses, which reduces the growth potential of an economy
- Negative rates could hurt fragile perceptions of the political independence and credibility of central banks.

Some food for thought before the RBNZ heads down this path.

Research Worth Reading

New Zealand

Argosy (ARG.NZ) – FY20 Result: Dividend Stays Afloat

ARG's FY20 result was in line with our expectations at the operating level. Despite FY21 results being impacted by a mix of rental abatements, vacancy increases, and development completion delays, ARG expects to maintain dividends per share at 6.25cps. Reduced portfolio weightings of retail and higher industrial placed ARG's portfolio well heading into this pandemic. However, these positives are tempered by high gearing. NEUTRAL. (Published by Forsyth Barr)

Arvida Group (ARV) – FY20 Preview: Care-Full Times

ARV will report its FY20 result on 26 May and we are expecting robust EPS growth of +12.5%, with strong growth in resales and new sales gains given the development and acquisition activity. Of interest will be comments on how the business is tracking in Level 2 and the outlook for sales and developments given the weak economic backdrop. OUTPERFORM. (Published by Forsyth Barr)

Mainfreight (MFT) – Quarterly reporting from peers

1Q results from MFT's global peers highlight continued robust margins despite sluggish revenue performance. Its peers highlighted an early impact of COVID-19, and cautioned that performance would deteriorate sharply through the second quarter. While we're wary of the impact of government restrictions on MFT's trading and the potential enduring economic effect, it is well positioned to strengthen its competitive position through the recovery, in our opinion. OUTPERFORM. (Published by Forsyth Barr)

Sanford (SAN) – 1H20 Preview – What's on the Line?

SAN will report its 1H20 result on Thursday, 28 May. We expect robust earnings growth as SAN cycles a weak prior period, albeit weighed down by headwinds flagged at its April update. The impact of COVID-19 is unlikely to be material in the period, with only six days of Alert Level 4 captured in 1H20. The key area of focus will be comments on recent trading and the outlook. OUTPERFORM. (Published by Forsyth Barr)

Transport Sector

The outlook for travel markets remains highly uncertain. Many variables are at play, with timing and scale of recovery extremely difficult to forecast with any precision. The margin for error on company forecasts remains high. The Trans-Tasman bubble opportunity has legs and will assist all players but Auckland Airport (AIA – UNDERPERFORM) more than Air New Zealand (AIR – NEUTRAL) and Tourism Holdings (THL – UNDERPERFORM). (Published by Forsyth Barr)

Australia

Aristocrat Leisure (ALL.AX) – 1H20 Result – Land-based drives earnings miss

ALL delivered NPATA of \$368m, down -13% YoY and -25% below Citi's estimate (\$488m). The miss vs Citi and consensus was driven by factors including: 1) Weak outright sales of slot machines in the Americas; 2) poor Australian earnings; and 3) a +\$31 million increase in bad and doubtful debt provisions. BUY. (Published by Citi)

James Hardie Industries (JHX.AX) – Fourth-quarter and FY20 results review

JHX reported a net profit of US\$86.6m for the fourth quarter of FY20 and US\$352.8m for the full year. Ord Minnett expects JHX to deliver market share gains in all regions, while retaining strong margins even during the current weak environment. Ord Minnett also believes the company's balance sheet is in a solid position with ample credit liquidity to manage through the current uncertain demand environment. BUY. (Published by Ord Minnett)

Lendlease Group (LLC.AX) – Capital raising

LLC has recapitalised by raising about \$1 billion in equity via a placement and security holder purchase plan. Ord Minnett notes this has reduced gearing to 10–15% by June 2020, defended its investment-grade credit rating and increased available liquidity to \$4 billion, and LLC has nearly no debt maturity through to the end of 2021. BUY. (Published by Ord Minnett)

Ramsay Health Care (RHC.AX) — Lifting of elective surgery restrictions

The National Cabinet has decided it is safe to reopen elective surgery, outlining a three-stage process to return volumes to normal. The timing will be left to each individual state. Ord Minnett will await news from the states before reviewing its forecasts, although given the backlog of cases, Ord remains confident of a rapid return to profitability once the restrictions are lifted. **ACCUMULATE**. (Published by Ord Minnett)

Sonic Healthcare (SHL.AX) — Can Covid-19 testing in the US offset the base business decline?

Citi presented scenarios in which SHL performs a varying percentage of all COVID-19 tests in the US for 1H21 (2H CY20), with varying profit impacts. This shows that COVID-19 testing could provide a significant cushion against a drop in the base business. **BUY**. (Published by Citi)

Sydney Airport (SYD.AX) — Traffic update

SYD reported total passenger numbers (PAX) declined -98% in April, with passenger numbers falling -98% for domestic and -97% for international. This was broadly in line with its disclosure on the first 16 days in April as part of its March traffic data. In Ord Minnett's view, SYD is a high-quality infrastructure asset that will recover, but it is facing extreme near-term revenue headwinds. **HOLD**. (Published by Ord Minnett)

Xero (XRO.AX) — FY20 result review

XRO reported an FY20 result that was broadly in line with Ord Minnett's below-consensus expectations. Growing cloud penetration globally is a structural tailwind, which should see the company grow through the COVID-19 pandemic. However, Xero is trading on a premium valuation at 15x FY21E sales, on below-median revenue growth versus global software-as-a-service peers. **LIGHTEN**. (Published by Ord Minnett)

International**Medtronic (MDT) — Well Positioned for the Other Side of This Pandemic**

MDT's FY4Q20 revenue decline of -25% was not surprising that its reporting cycle included April, the bleakest month of the pandemic so far. Management unsurprisingly suspended guidance but indicated it expects FY1Q21 to be worse than the FY4Q20 given it will absorb a full quarter of the pandemic instead of just 5-6 weeks. Management expects performance to improve sequentially beginning in the FY2Q21. More important is that the company is actively investing. **BUY**. (Published by Citi)

NVIDIA (NVDA) — Ampere Product Drives DC Upside; We Expect DC Normalization in 4Q; Secular AI Growth Story Intact; Remain Buy-Rated

NVDA reported better-than-expected April quarter results on strength in data centre, e-tail and gaming hours due to the stay-home effect. The Jul-Q guidance was as expected. After +50% gains ytd, the stock outperformance can slow down in 2H, in Citi's view. Citi believes the long-term outlook of 40%+ data center growth driven by Cloud and multiple waves of artificial intelligence remains intact. **BUY**. (Published by Citi)

Ping An Insurance (2318.HK) — Alert: Takeaways from Citi's Pan-Asia Regional Conference

Ping An's management noted that, while business is on the way back to normal after restrictions were removed, it does not expect a strong V-shape recovery as customers are still avoiding face-to-face meetings. Amid economic uncertainties, clients are cautious over large and long term payments including protection insurance products. **BUY**. (Published by Citi)

Walmart (WMT.US) — Appropriately Investing to Bring in (and Keep) the New Folks

It was a strong quarter for WMT, with comparable store sales growing +10% and operating cost leverage despite incremental COVID-19 related expenses. The company is making significant investments in its people, stores, and omni-channel services, and while Citi expects elevated investments to continue in the near-term, it believes the company is doing what it needs to do to attract and retain customers. Citi believes WMT is a long-term winner in the retail landscape, and this is its time to shine. **BUY**. (Published by Citi)

Calendar

Figure 5. Calendar

Date	New Zealand	Australia	International
25-May	Kiwi Property FY20 Tilt Renewables FY20		EU: German GDP (Q1) EU: German ifo Business Climate Index (May)
26-May	Exports Data (Apr) Imports Data (Apr) Trade Balance MoM & YoY (Apr) Arvida FY20 Napier Port 1H20 CDL Investments AGM Millennium & Cophthorne AGM	ALS FY20	
27-May	RBNZ Financial Stability Report Mainfreight FY20 Trustpower FY20	Construction Work Done (Q1)	US: CB Consumer Confidence (May) US: New Home Sales (Apr)
28-May	ANZ Business Confidence (May) NBNZ Own Activity (May) Goodman Property FY20 Sanford 1H20 Restaurants Band AGM	Building Capital Expenditure (Q1) PPE Capital Expenditure (Q1) Private New Capital Expenditure (Q1)	
29-May	Gentrak 1H20 Infratil FY20 Pacific Edge FY20	Housing Credit (Apr)	US: Core Durable Orders (Apr) US: GDP QoQ (Q1) US: Initial Jobless Claims
30-May	CFTC NZD Speculative Net Positions	CFTC AUD Speculative Net Positions	

Source: Bloomberg

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