BULLS vs BEARS

MPC Markets - Weekly edition

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MPC IN THE MEDIA

Jonathan joined Zach Riaz and Andrew on The Call on Tuesday to talk stocks. Topics discussed included Is this a bear market rally? and views about Commodities and in particular Gold. Jonathan saw the weakness in Gold as more of a rotation rather than outright selling in Gold. Investors have been taking profits on Gold and moving it into the more unloved areas such a Lithium, Battery Tech and Uranium. There were double buys on JBH and Life 360 and mixed views on the rest of the stocks

RISING BOND YIELDS

The U.S. 10-year Treasury yield climbed above 4.5% this week for the first time in nearly three months, driven by renewed inflation concerns, elevated interest rate expectations, and rising tariff risks. The yield has surged roughly 50 basis points since early April, when President Donald Trump announced sweeping tariffs on goods from nearly all major trading partners.

Market volatility has intensified as shifting rhetoric around tariffs—ranging from enforcement delays to tentative trade talks—has created uncertainty. Still, bond markets expect the Federal Reserve to remain on hold until the economic effects of tariffs are reflected in official data, keeping pressure on longer-duration government bonds.

The sell-off has been most pronounced in long-term yields. Since April 2, the 30-year yield has risen by 40 basis points, and the 20-year yield by 42 basis points—both reversing earlier declines since January. Although there is tolerance for 10-year yields near 5%, any sustained move above that level could become problematic unless underpinned by robust economic growth.

While tariffs may ultimately prove less inflationary than currently feared, uncertainty over their duration and impact has kept term premiums elevated. As a result, fixed income investors are currently favoring shorter-dated maturities and avoiding longer-term bonds, marking a shift from earlier recession-driven strategies.

HIGHLIGHTS OF THE WEEK

Life360 (ASX: 360) surged 20.4% to close at $27 on Tuesday, breaking out of a 24-week consolidation pattern with a $28 buy point and now trading above $30. The rally followed stronger-than-expected Q1 results, with the company posting adjusted earnings of 15 cents per share on revenue of $103.6 million, beating consensus estimates of breakeven earnings and $101.4 million in revenue. Despite reporting 83.7 million global monthly active users—slightly below the 84.5 million forecast—investors welcomed the company's continued shift toward higher-margin subscription revenue and improving operating leverage. Life360, which offers tracking services for families, pets, and valuables via its app and Tile-brand devices, is benefiting from reduced reliance on low-margin hardware. UBS reiterated its Buy rating and raised its price target from $55 to $57, citing long-term structural growth in recurring revenues.

GrainCorp (ASX: GNC) reported a 20% increase in 1H25 EBITDA to $202 million, supported by strong east coast crop volumes. Net profit after tax rose to $58 million, up from $50 million in 1H24. Agribusiness EBITDA lifted $40 million to $141 million, driven by a 4Mt rise in grain volumes handled to 29.5Mt and a lift in export volumes to 3.2Mt. The nutrition and energy segment saw steady canola crush volumes and a $1 million EBITDA increase, aided by the XFA feed acquisition, which outperformed expectations with $14 million EBITDA. CEO Robert Spurway highlighted strong Queensland and northern NSW yields and strategic growth in feed. Despite a $10 million loss from its Canadian JV, GrainCorp upgraded FY25 guidance to EBITDA of $285–$325 million and NPAT of $65–$95 million, citing positive rainfall trends and resilient global market positioning.

Appen Ltd (ASX: APX) surged 18% to $1.52 today following a positive guidance update at its AGM. CEO Ryan Kolln outlined an improved FY25 outlook, driven by more predictable project work from major U.S. tech clients, continued growth in China, and dynamic opportunities in generative AI. The company expects FY25 revenue between $235 million and $260 million, representing up to 10.9% growth from FY24's $234.3 million. Appen also anticipates a positive underlying EBITDA, following $7.8 million in FY24. Longer-term, management is targeting a three-year revenue CAGR above 20% and a circa 10% EBITDA margin by FY27. With a global contractor base exceeding one million across 200 countries, Appen is positioning itself as a key enabler of AI lifecycle services. The stock is now up 115% year-on-year, reflecting renewed investor confidence in its strategic direction.

Footlocker (FL) Dick's Sporting Goods has announced the acquisition of Foot Locker for $2.4 billion, aiming to expand its global footprint amid rising U.S. tariffs on footwear imports. Foot Locker will operate as a standalone unit, retaining its brands including Kids Foot Locker, Champs Sports, WSS, and atmos. The deal offers Foot Locker shareholders $24 per share in cash or 0.1168 shares of Dick's stock. CEO Lauren Hobart said the move will create a new global platform serving diverse customer bases through enhanced retail experiences. Foot Locker brings 2,400 stores across 20 countries and $8 billion in annual revenue. Analysts highlight the acquisition's potential to boost market share, unlock synergies, and enhance Dick's bargaining power with suppliers. The deal, expected to close in H2 2025, requires shareholder approval. Shares of Foot Locker surged 82%, while Dick's stock fell over 13% on the announcement.

Apple (AAPL) U.S. President Donald Trump has urged Apple CEO Tim Cook to halt the company's production expansion in India and instead prioritize manufacturing in the U.S. Trump, referencing Apple's $500 billion U.S. investment commitment, expressed dissatisfaction with Apple's plans to shift iPhone assembly to India, where it aims to produce 25% of global iPhones in the coming years. Trump emphasized that Apple should "build here" and not rely on foreign facilities, citing past leniency with the company's extensive operations in China. While Apple's partner Foxconn recently received Indian government approval to establish a semiconductor plant, Trump claimed Apple will increase U.S. production—though no details were provided. Experts argue domestic production would raise iPhone costs to $1,500–$3,500. Apple currently manufactures the Mac Pro and plans to produce AI servers in Texas. Trade tensions with India remain high amid reciprocal tariff negotiations.

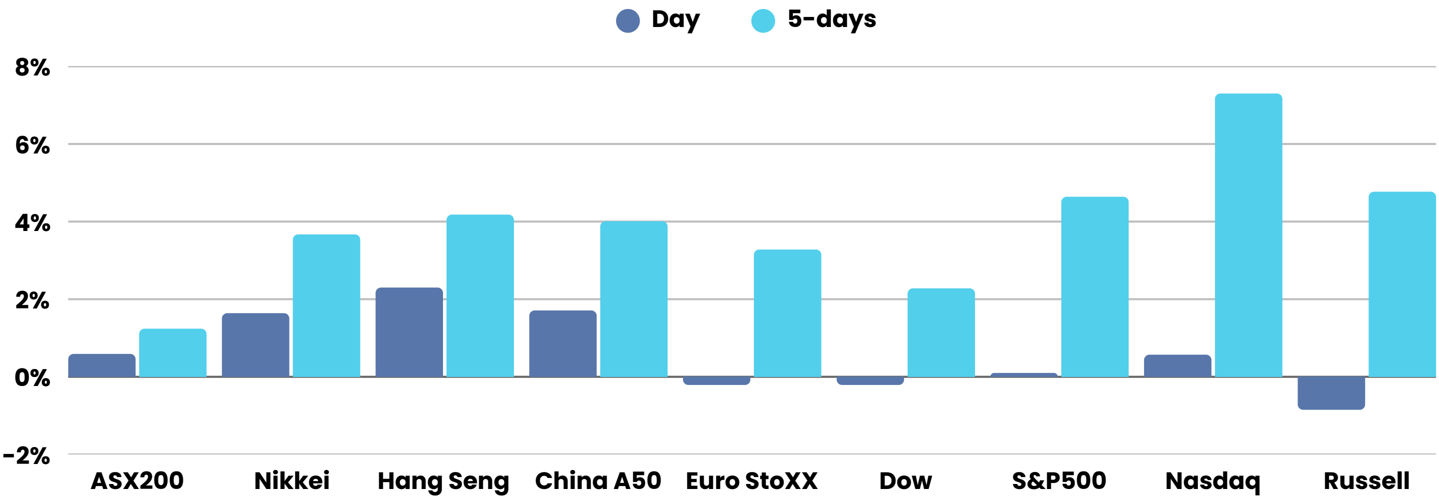
Coinbase (COIN) the world's third-largest cryptocurrency exchange, has disclosed a $20 million extortion attempt following an internal breach orchestrated by cybercriminals. According to a May 15 update, attackers bribed overseas customer support contractors to access internal systems and steal limited user account data—impacting less than 1% of monthly transacting users. No funds, passwords, or private keys were compromised. After demanding $20 million in Bitcoin, which Coinbase refused, the company instead offered a matching reward for information leading to arrests. In a related SEC filing, Coinbase estimated $180–$400 million in remediation costs to reimburse users targeted by phishing scams. CEO Brian Armstrong confirmed ongoing internal reforms, including relocating customer support operations. The incident highlights a broader issue: Coinbase was the most impersonated crypto brand in 2024, with social engineering scams costing users over $300 million annually

16th May 2025

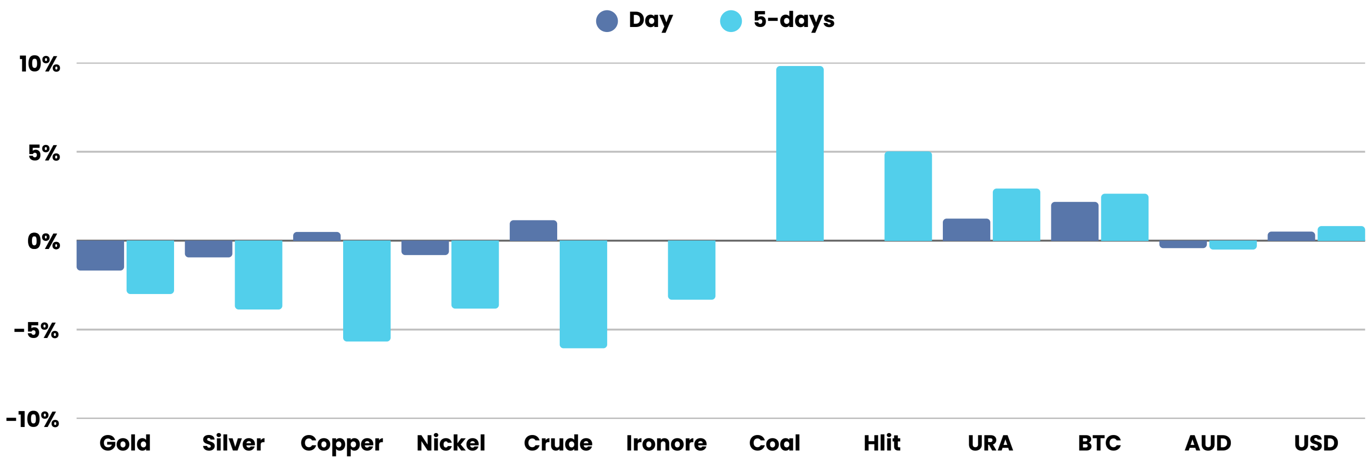
US STOCK NEWS

US Earnings and News

Weekly S&P500 heatmap



COMMODITIES & FX



Gold: Spot gold experienced significant volatility since Monday, initially dropping over 2% to around $3,195 per ounce due to a temporary US-China tariff agreement and a stronger US dollar. After the release of US inflation data showing moderating CPI, gold stabilized, trading near $3,222 by Friday, as investors weighed central bank policy and economic uncertainty.

Silver: Spot silver has traded lower since Monday, pressured by easing global trade tensions and reduced safe-haven demand. After opening the week near $32.98 per ounce, silver slipped below $32 on Thursday before stabilizing around $32.56 by Friday. Softer US inflation data offered some support, but overall sentiment remains cautious

Copper: Copper futures declined this week, falling from around $4.68 per pound on Monday to near $4.64 by Friday. Prices were pressured by ongoing global trade uncertainties and a sharply higher 2025 surplus forecast, as rising production and weaker demand weighed on market sentiment despite a temporary US-China tariff truce

Crude Oil (WTI): Crude oil futures fluctuated this week, rising from $61.39 on Monday to a high of $63.68 midweek, before easing to around $61.62 by Friday. Prices were supported by a US-China trade truce but capped by rising OPEC+ output, a surprise US inventory build, and prospects of increased Iranian supply

Bitcoin: Bitcoin traded in a tight range since Monday, opening near $104,000 and briefly dipping to $102,800 midweek before rebounding. By Friday, it hovered around $103,700, reflecting mild volatility as traders weighed macroeconomic signals and market sentiment, with no major breakout or breakdown during the period

US Bond Yields: US bond yields were volatile this week. The 10-year Treasury yield started around 4.45% on Monday, climbed to a high of 4.53% midweek, then fell back to 4.45% by Thursday and 4.43% on Friday. Softer US economic data and easing inflation pressured yields lower late in the week

Fed’s Powell cautions about higher long-term rates as ‘supply shocks’ provide policy challenges

Federal Reserve Chair Jerome Powell signaled that longer-term interest rates are likely to remain elevated, reflecting structural changes in the economy and a more volatile inflation environment. Speaking at the Thomas Laubach Research Conference, Powell stated that the Fed’s policy framework, last revised in 2020, must adapt to a landscape shaped by persistent supply shocks and shifting economic conditions. He emphasized that the era of near-zero rates is unlikely to return soon, despite inflation expectations aligning with the Fed’s 2% target.

Powell highlighted the need to reassess the Fed’s flexible average inflation targeting strategy introduced in 2020, which quickly lost relevance as inflation surged post-pandemic. The new framework review will examine how the Fed communicates policy, considers economic shortfalls, and ensures adaptability across diverse conditions. While Powell did not directly reference President Trump’s tariffs, he acknowledged the potential inflationary and growth impacts of protectionist measures.

Currently, the Fed’s benchmark rate stands at 4.33%, and Powell reiterated that future decisions will balance inflation control with employment support. The review, expected to conclude in the coming months, will also address the need for clearer communication amid economic uncertainty, aiming to build a more resilient and transparent policy framework for the years ahead.

Australia won’t join Trump trade war on China

Trade Minister Don Farrell has pushed back against U.S. pressure to curb trade ties with China, stating Australia will prioritise its national interest and economic relationship with its largest trading partner. Exports to China totalled $212 billion in 2023–24, nearly 10 times that of the U.S. at $37 billion. Farrell reaffirmed Australia’s patient approach to resolving U.S. tariffs on Australian goods, including 25% duties on steel and aluminium, noting negotiations will continue only if outcomes are favourable. Prime Minister Albanese also endorsed Indonesia’s bid to join the CPTPP, reinforcing Australia’s commitment to a multilateral, rules-based trade system. At a bilateral meeting with Indonesian President Prabowo, Albanese emphasised Indonesia’s strategic importance and reiterated support for its OECD membership. Meanwhile, the U.S. and China agreed to a 90-day pause on escalating tariffs. Australia continues to stabilise trade relations with China following the lifting of restrictions on $20 billion of exports including coal, wine, and barley.

Macro Movers: Global Stocks in Focus Amid Tariff Talks and Trade Breakthroughs

TENCENT MUSIC ENTERTAINMENT

lyft

Foot Locker

TRADE OF THE WEEK

Global Alpha: BUY Tencent Music (TME)

Tencent Music Entertainment Group (NYSE:TME) is riding high on a wave of analyst enthusiasm, with a consensus "Strong Buy" rating (1.44) and an average price target of $16.63—about 13% above its latest close.

- **Strong Buy consensus: 30 Buy, 2 Hold, 0 Sell ratings.**
- **Upside average: +17.4% (analyst target), with the broad target range from $13.04 to $19.17.**
- **Recent momentum: Shares are up nearly 28% year-to-date and trade just below their 52-week high of $15.77.**
- **Recent earnings beat: Q1 EPS and revenue both topped estimates, prompting multiple price target hikes.**

Trade Plan:

- **Entry: $14.00**
- **Stop-loss: $12.50**
- **Trim Zone: (optional) $17-20**

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