30th May 2025

BULLS vs BEARS

MPC Markets - Weekly edition

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MPC IN THE MEDIA

Jonathan joined Juliette on the COB on Wednesday to discuss the daily events. Main news was Woodside getting approval for the North West Shelf and its price action. Energy in general has been a tough sector for investors for the last few years but this news along with the recent positive price action meant that the tide has turned. Also discussed was Jonathans current Gold pick - Meeka Metals. Finally a discussion about the upcoming NVDA earnings, which Jonathan was positive about

INCREDIBLE BEAR MARKET RALLY

The current bounce in U.S. stock markets appears to be a classic bear market rally rather than the start of a new bull market. This surge follows a dramatic sell-off in early April 2025, triggered by unexpected tariff announcements that sent major indices into bear market territory, defined by a drop of more than 20% from recent highs. While recent gains have been impressive, with the S&P 500 rebounding nearly 18% from its lows and tech stocks leading the charge, several warning signs suggest this rally may be short-lived. Historically, bear market rallies are common during prolonged downturns, often fueled by oversold conditions, short covering, and bursts of optimism on specific news such as strong earnings from tech giants or temporary trade truces.

However, the underlying issues remain unresolved: tariffs are still in place, economic growth forecasts have been revised downward, and corporate earnings projections for the year have declined. Market valuations have also become stretched, with the S&P 500's price-to-earnings ratio now well above its historical average, making further gains harder to justify. Crucially, for a true market recovery, analysts agree that four conditions must be met: stabilization in economic data, improved earnings outlooks, resolution of trade tensions, and restored investor confidence. As none of these have fully materialized, the recent upswing is best viewed as a bear market rally—likely to fade as volatility returns and economic headwinds persist.

HIGHLIGHTS OF THE WEEK

Healthscope Secures $100m Lifeline as Sale Process Begins. Healthscope has secured $100 million in emergency funding from Commonwealth Bank and Westpac, providing temporary relief as the private hospital operator seeks a new owner. The company, which operates 37 hospitals across Australia, entered receivership on Monday after defaulting on rent and interest payments. Previously acquired by Brookfield Asset Management for $5.7 billion in 2019, Healthscope has now been relinquished to lenders. Health Minister Mark Butler ruled out a government bailout and expressed concern over future foreign ownership, signaling a tougher stance on offshore private equity bids under the Albanese government. Despite the financial turmoil, CEO Tino La Spina assured that operations for 19,000 staff and 650,000 annual patients will continue as normal. However, he did not exclude the possibility of selling hospitals individually if a whole-of-business buyer cannot be found.

REA Group (REA) Fee Hikes Spark ACCC Probe Amid Weakened Competition. REA Group's steep price increases are drawing regulatory scrutiny as its dominance in the property listings market deepens. The $33 billion News Corp-controlled company is under investigation by the ACCC following concerns raised by industry leaders, including Tim McKibbin of the Real Estate Institute of NSW. From July 1, REA will raise some agents' monthly fees by up to 110%, and property listing prices by as much as 14%. McKibbin says the move is driving vendors away from rival Domain, entrenching REA's market power and further reducing competition. Domain, majority-owned by Nine Entertainment, is being sold to U.S. conglomerate CoStar. REA has stated it remains committed to offering value and flexibility, and is cooperating with the ACCC's inquiry. McKibbin warns more competition is needed to curb REA's pricing power and restore balance in the listings market.

Woodside (WDS) Australia's newly elected Albanese government has approved a 40-year extension for Woodside Energy's North West Shelf gas project, triggering backlash from Pacific island nations and environmental groups. Environment Minister Murray Watt granted the long-awaited approval, allowing continued gas processing at Karratha in Western Australia through to 2070. The decision, praised by unions and industry, was condemned by Tuvalu and Vanuatu, who warned it endangers their national security and undermines Australia's climate credibility. Tuvalu's Climate Minister said the emissions "threaten our survival," while Vanuatu's Minister labelled the move "a slap in the face" to Pacific nations. Watt defended the approval as grounded in rigorous scientific review and subject to strict air emissions conditions. The move ends delays by former minister Tanya Plibersek, who twice deferred the decision. Australia's role as a potential climate summit host in 2026 may now face increased scrutiny from regional partners.

Nvidia (NVDA) Nvidia reported outstanding first-quarter fiscal 2026 results, with revenue reaching $44.1 billion, up 69% year-on-year and surpassing analyst expectations. Adjusted earnings per share were $0.96, beating forecasts despite a $4.5 billion charge related to China export restrictions. Data center revenue surged, reflecting robust AI demand. Following the earnings release, Nvidia's stock jumped over 4% in aftermarket trading, continuing its strong upward momentum for 2025. While the company warned of an $8 billion revenue impact from ongoing U.S. export curbs to China, investors remained optimistic due to strong forward guidance and product innovation, with shares trading near all-time highs and market capitalization exceeding $3.3 trillion

US Bonds (TLT) Treasuries Rally as Strong Auction Demand Eases Market Concerns. Investor demand for U.S. government debt remained strong for a third consecutive session, easing fears of a broad "Sell America" trend that could disrupt Treasury auctions. The U.S. Treasury's $44 billion offering of seven-year notes on Thursday was well received, with the notes pricing at a yield of 4.194%—notably lower than the 4.216% when-issued yield seen prior to the auction. This robust demand helped Treasuries extend their gains, driven earlier by data showing the U.S. economy contracted at the start of the year. The weaker growth outlook has reinforced market expectations for two Federal Reserve rate cuts by early 2026. The auction's strong bid-to-cover ratio and other metrics reflected heightened investor appetite, capping off a successful week of debt issuance. Earlier auctions of two- and five-year notes also drew solid interest, highlighting continued demand for U.S. debt even amid broader concerns around longer-duration bonds globally.

Costco (COST) Costco reported strong fiscal third-quarter results, with net sales rising 8% year-over-year to $61.96 billion and earnings per share climbing 13% to $4.28, narrowly beating analyst expectations. Comparable sales grew 5.7%, while e-commerce surged nearly 15%. Despite the earnings beat, revenue slightly missed forecasts, and shares dipped about 0.4% after hours, reflecting cautious investor sentiment amid broader market volatility. The stock remains up 10% year-to-date and trades near all-time highs, supported by robust membership fee growth and resilient consumer demand. Analysts remain optimistic, citing Costco's ability to navigate tariff headwinds and inflation through its scale, strong supplier relationships, and value-driven business model, positioning it well for continued growth

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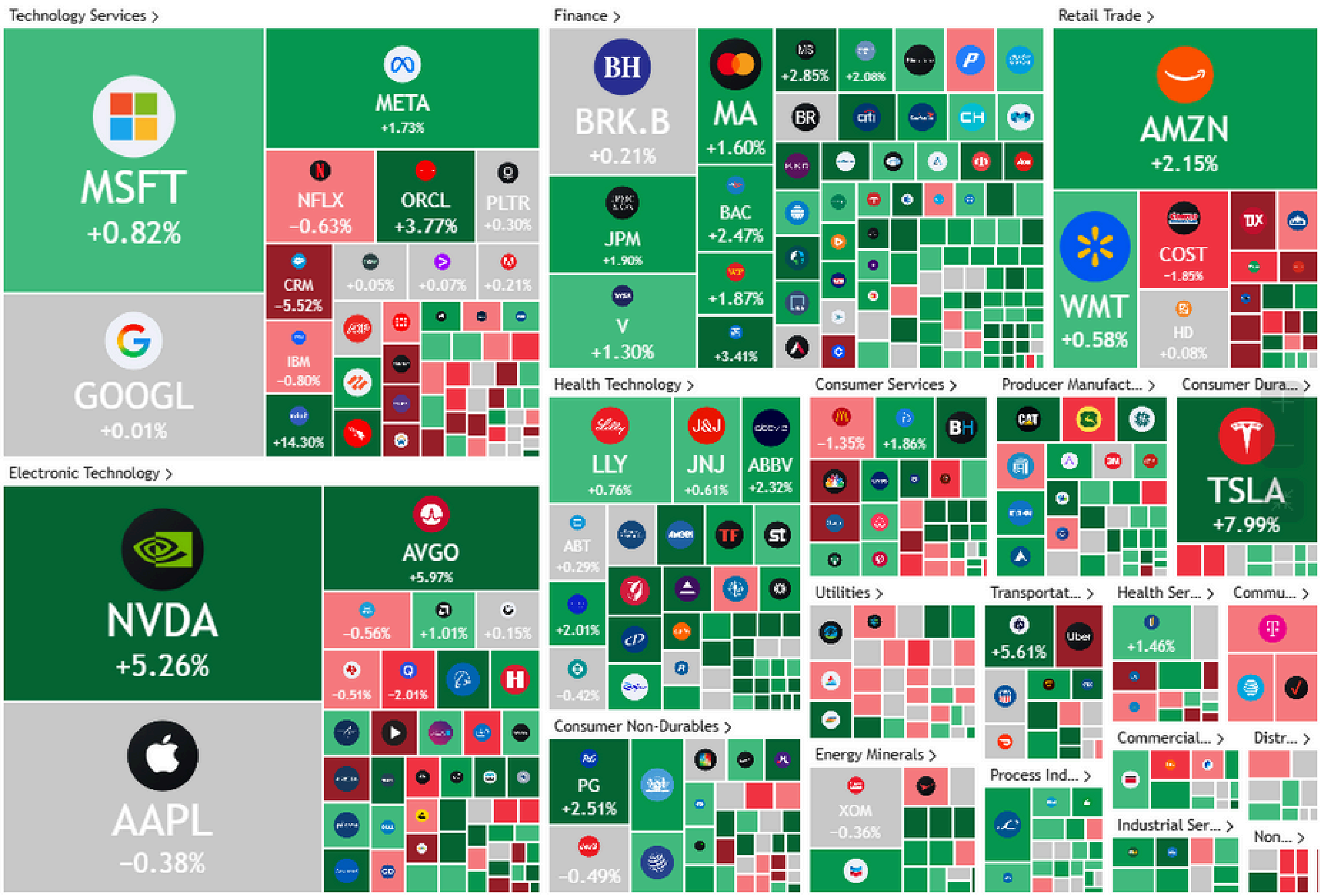
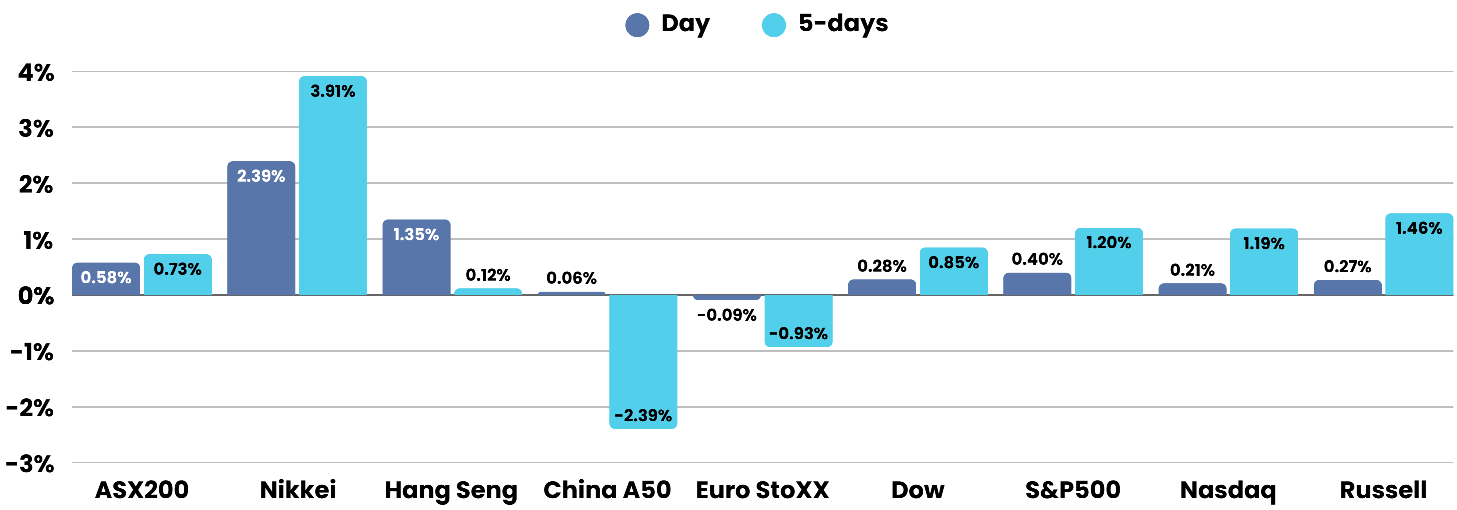
US STOCK NEWS

US Earnings and News

Weekly S&P500 heatmap





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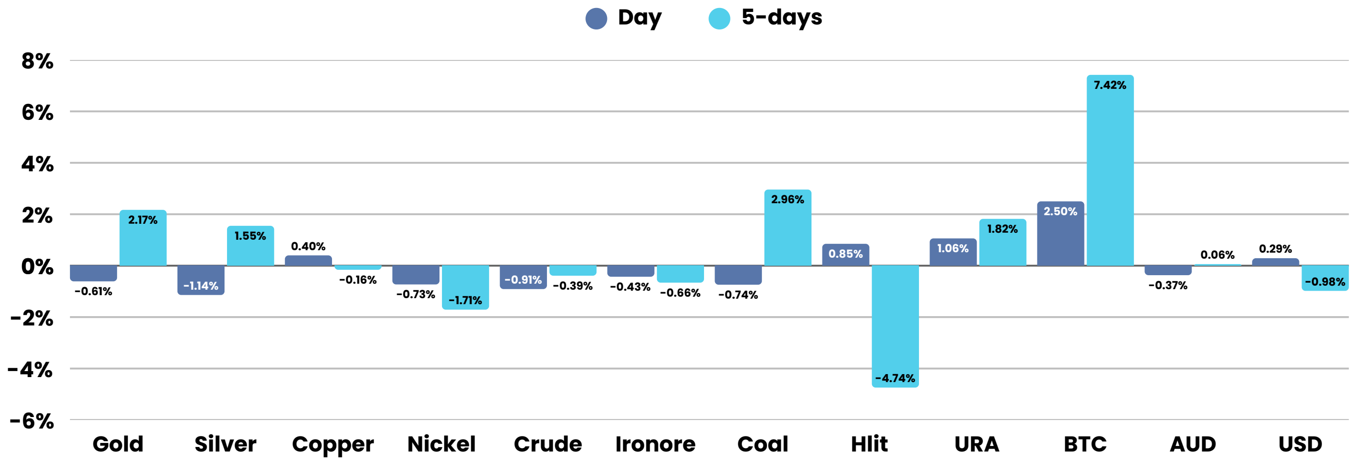
COMMODITIES & FX



Gold: Spot gold traded around $3,300 per ounce since last Friday, initially dipping to multi-day lows before rebounding midweek to two-day highs near $3,330. The price action was influenced by a weaker US dollar, geopolitical tensions, and shifting risk sentiment, resulting in a modest weekly gain of about 0.5%

Silver: Spot silver has traded near $33.40 per ounce since last Friday, experiencing modest fluctuations. Prices briefly tested three-week highs above $33.10 midweek, supported by strong industrial demand and geopolitical tensions, before settling slightly lower. Overall, silver posted a small weekly decline of about 0.1% amid volatile trading conditions

Copper: Copper futures declined from around $4.81 per pound last Friday to approximately $4.67 by this Friday. The market saw early-week losses amid concerns over demand and rising supply, partially offset by midweek rebounds linked to Chinese stimulus. Overall, copper posted a weekly loss of about 3% in volatile trading

Crude Oil (WTI): Crude oil futures traded sideways to lower since last Friday, starting near $62 and slipping to around $60.90 per barrel. Price action was marked by volatility amid shifting geopolitical risks and rising US inventories. Overall, crude posted a modest weekly decline of about 1.7% in choppy trading conditions

Bitcoin: Bitcoin traded between $107,800 and $111,500 since last Friday, initially climbing to a weekly high above $111,500 before retreating. The price action was volatile, with a net weekly decline of about 3%. This is the first bit of weak price action since it bounced in mid april, so we could see a test of the $100k level next week. BTC Bitcoin remains up over 55% year-on-year despite this recent pullback

US Bond Yields: US bond yields rose this week, with the 10-year Treasury yield climbing from around 4.45% to 4.54%, and the 30-year yield briefly exceeding 5% before settling near 4.92%. The move reflected persistent inflation concerns, reduced Fed rate cut expectations, and ongoing trade and fiscal uncertainties

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ECONOMY & POLITICS

Trump Tariffs and Court Decisions. This week, President Donald Trump's sweeping tariffs faced major legal turbulence. On Wednesday, the U.S. Court of International Trade ruled that Trump had overstepped his authority by imposing broad tariffs under the International Emergency Economic Powers Act (IEEPA), blocking most tariffs enacted since January—including the high-profile "Liberation Day" tariffs and duties on China, Mexico, and Canada. The court found that only Congress, not the president, has the power to regulate foreign commerce, dealing a significant blow to Trump's trade agenda. Markets initially rallied on the news, with gains in sectors previously hurt by tariffs, such as automotive and luxury goods. However, uncertainty quickly returned after the Trump administration appealed the decision. By Thursday night, a federal appeals court granted a temporary stay, allowing the tariffs to remain in effect while the case is reviewed. This reversal means the fate of the tariffs—and the broader U.S. trade policy—remains uncertain, with the possibility of further escalation if the case proceeds to the Supreme Court. The legal back-and-forth has left U.S. businesses and global trading partners in limbo, as they weigh the risk of future tariffs and consider their next moves. While some specific tariffs—such as those on steel, aluminum, and certain Chinese goods—remain unaffected because they were enacted under different statutes, the broader tariff regime now hangs in the balance. The coming weeks will be critical as courts and policymakers determine the future direction of U.S. trade policy.

Elon Musk Resigns from Trump Advisory Role Over Tax Bill Deficit Concerns. Elon Musk has stepped down from his position as head of the Trump administration's Department of Government Efficiency (DOGE), citing concerns over the fiscal impact of President Trump's proposed tax legislation. The "One Big, Beautiful Bill Act," which aims to extend tax cuts for high-income earners by a decade, has drawn criticism for potentially adding up to $US3–4 trillion to the U.S. federal deficit over the next ten years. In an interview with CBS, Musk said the bill undermines DOGE's objective of reducing government spending, calling the move "disappointing." The bill passed the House and is now under Senate review. President Trump responded by saying aspects of the bill are under negotiation, though he remains broadly supportive. Musk announced his departure via social media platform X, stating his term as a Special Government Employee had concluded. While he thanked the president, he did not reference the tax bill directly, marking a clear step back from public policy involvement.

Macro Movers: This Week's Stock Standouts: Highs & Lows

TRADE OF THE WEEK

Alpha Recommendation - Buy Meeka Metals (MEK)

Meeka Metals is a compelling small-cap gold developer with 100%-owned assets across tier-one mining jurisdiction Western Australia. The company offers near-term production upside through its flagship Murchison Gold Project, where development is progressing ahead of schedule, and exploration success continues to enhance the resource base and mine plan.

MEK has not run like some of the Gold producers in the recent Gold Miners bull market, so it is a bit of an undervalued play at the moment. With the first scheduled pour due in roughly 5 weeks, it is a chance to buy MEK before production news hits the market, which should hopefully improve the narrative on the stock and a possible re-rate. . MEK tends to move in a non volatile manner compared to most of its peers, so this is more suitable to those with a longer term bullish view on Gold miners

Buy MEK up to 15c

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