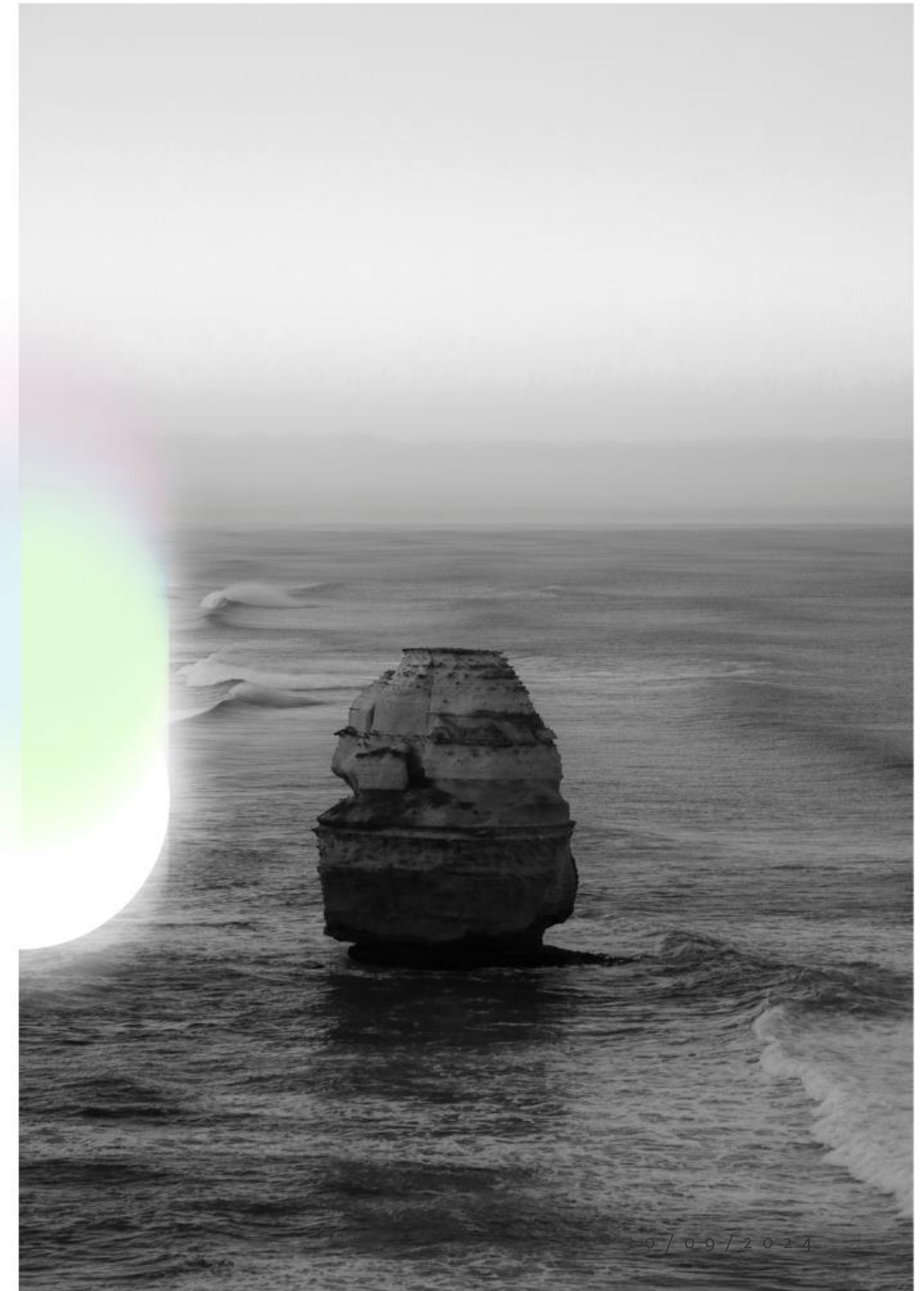


# MONTHLY MARKETS WITH INFINITY

## REPORTING SEASON WRAP & AUSTRALIAN MARKET OUTLOOK

SEPTEMBER 2024



# REPORTING SEASON WRAP & AUSTRALIAN MARKET OUTLOOK

Forward Looking

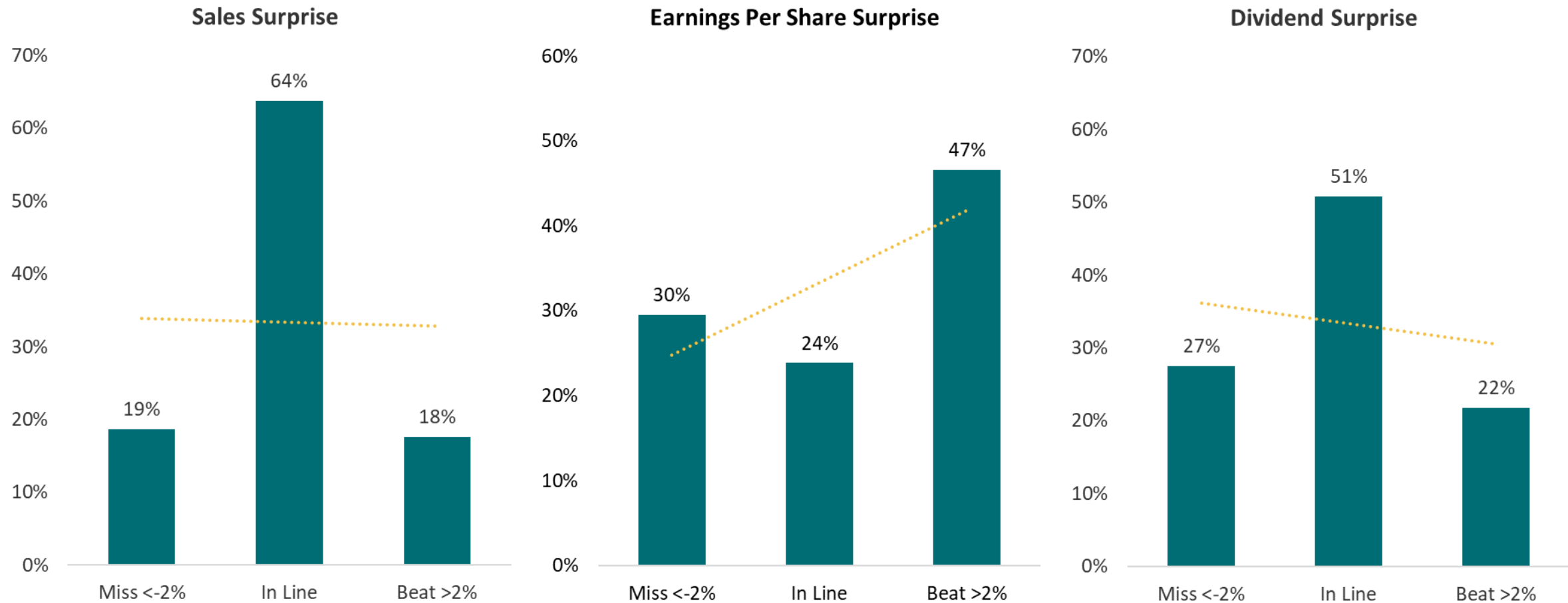
Beats & Misses	Guidance	Earnings Revisions	Key Themes	Market Outlook	Portfolio Positioning
How did ASX company results compare to market expectations?	Were outlook statements positive or negative?	Following the results, have companies received upgrades or downgrades?	What were some of the key themes to emerge and/or be reaffirmed?	Given the recent rally and record highs, where to from here?	How are we position our portfolios to benefit in the medium & long-term?



Source: Bloomberg, Company Reports, Infinity Asset Management

# BEATS & MISSES

ASX companies once again delivered a solid set of results in the August reporting season with FY24 positive earnings surprises driven by better-than-expected margins as companies delivered stable pricing and/or cost controls in a challenging environment of higher for longer rates and slowing demand. Dividends were however on the softer side versus market expectations.

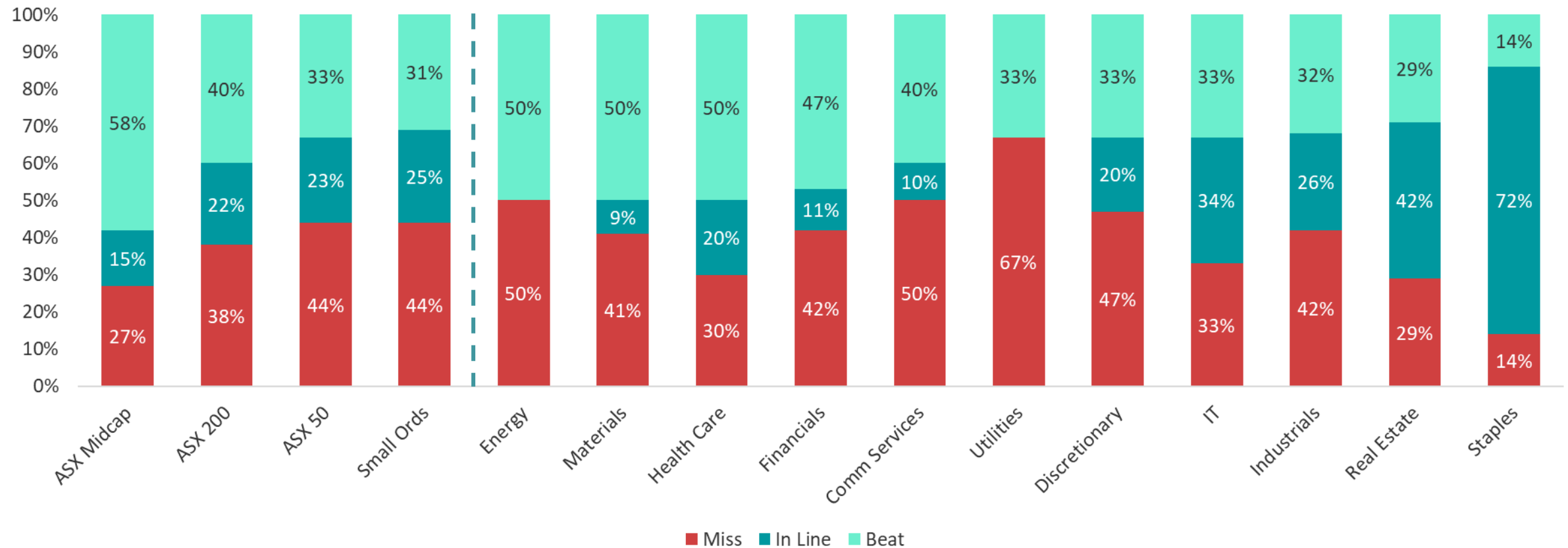


Source: Bloomberg, Infinity Asset Management

# BEATS & MISSES

There were some clear winners across the various market segments and sectors, with mid caps delivering a higher proportion of beats versus large and small caps thanks to greater exposure to consumer discretionary and industrial sectors, where retail was a standout on the back of a resilient consumer while industrial margins improved thanks to cost and productivity gains.

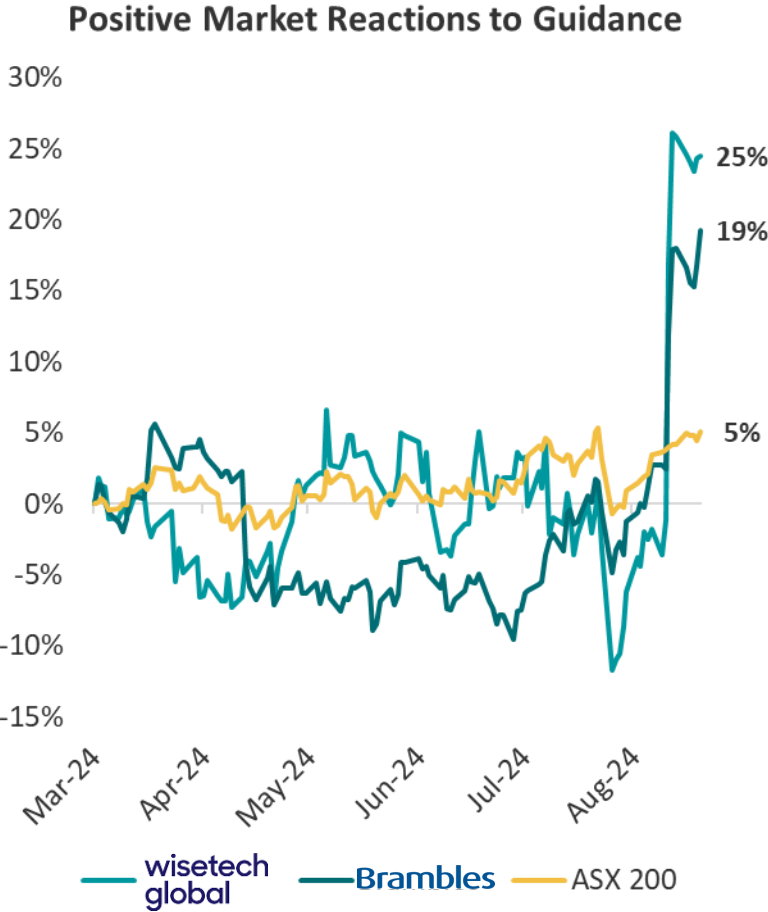
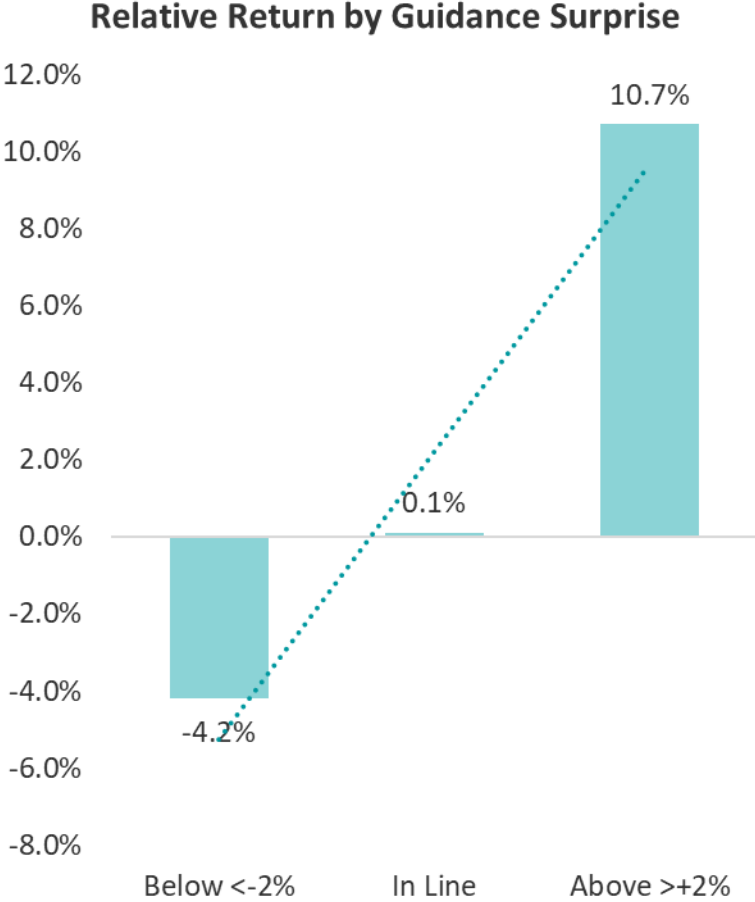
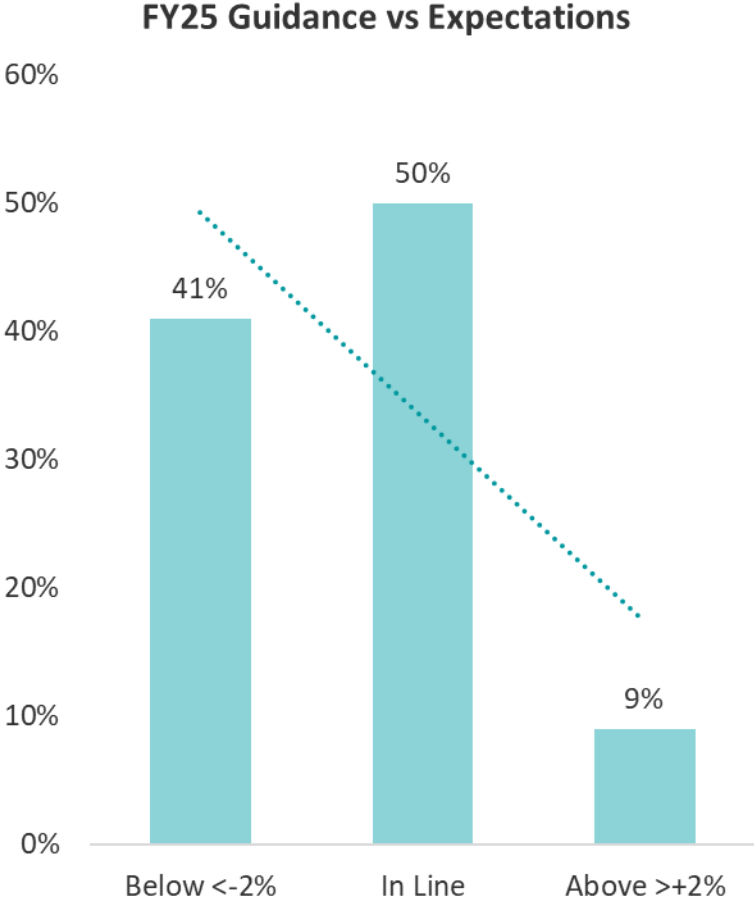
EPS Beats vs Misses by Segment & Sector



Source: Bloomberg, Infinity Asset Management

# GUIDANCE

Guidance was relatively subdued from company management teams. However, this was largely as expected given uncertainties surrounding rates, the outcome of the US election and global growth. As a result of the generally soft guidance, the market reacted very positively to those rare companies like WiseTech and Brambles that did surprise with positive guidance.

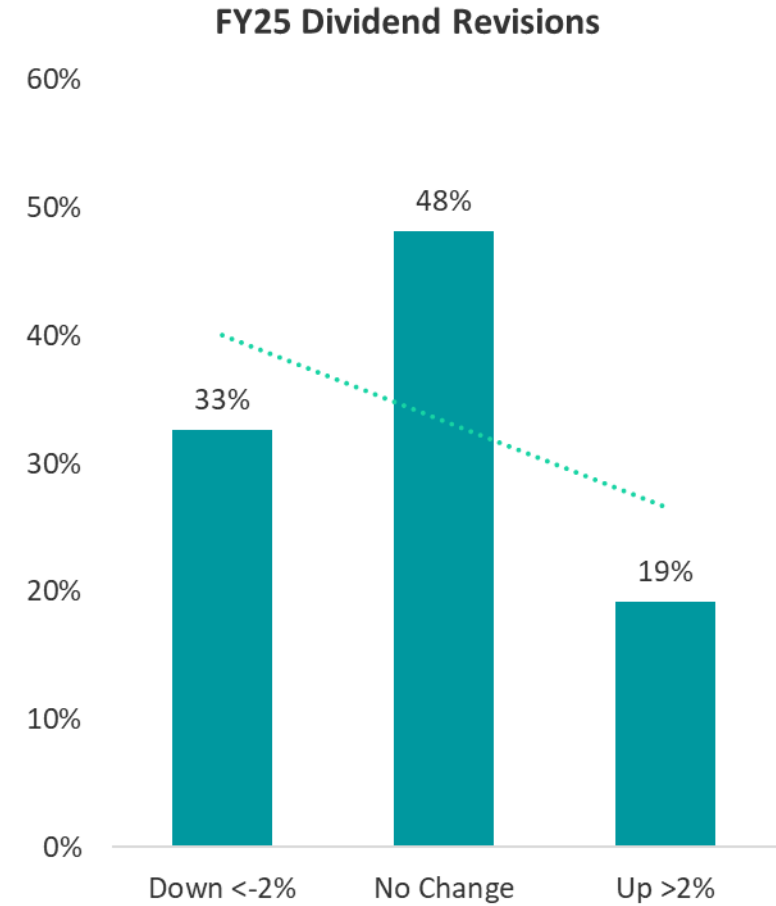
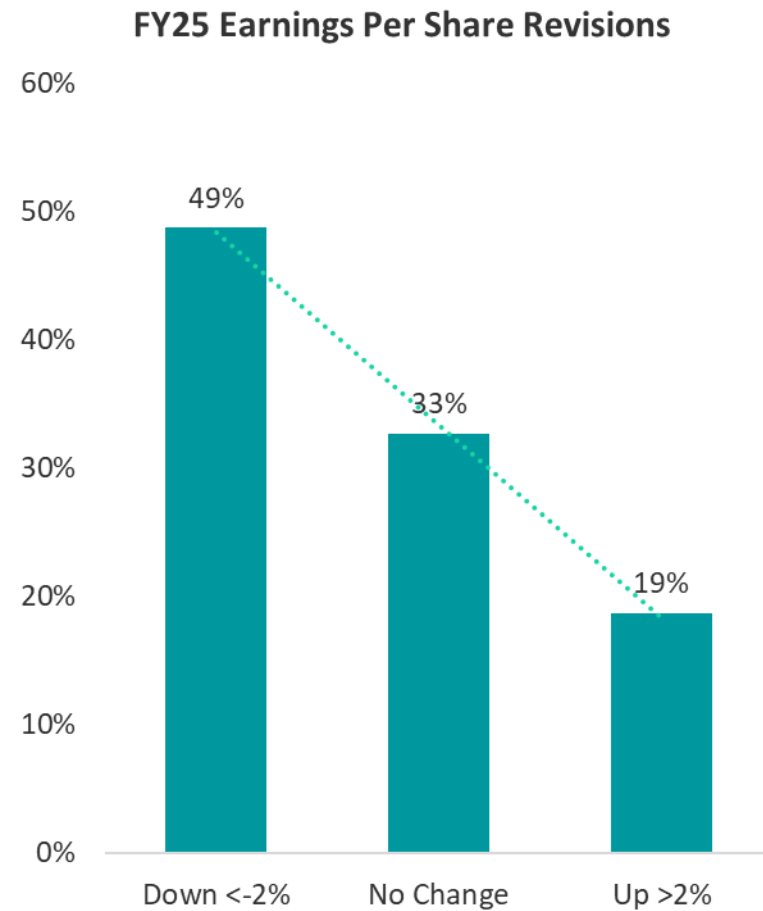
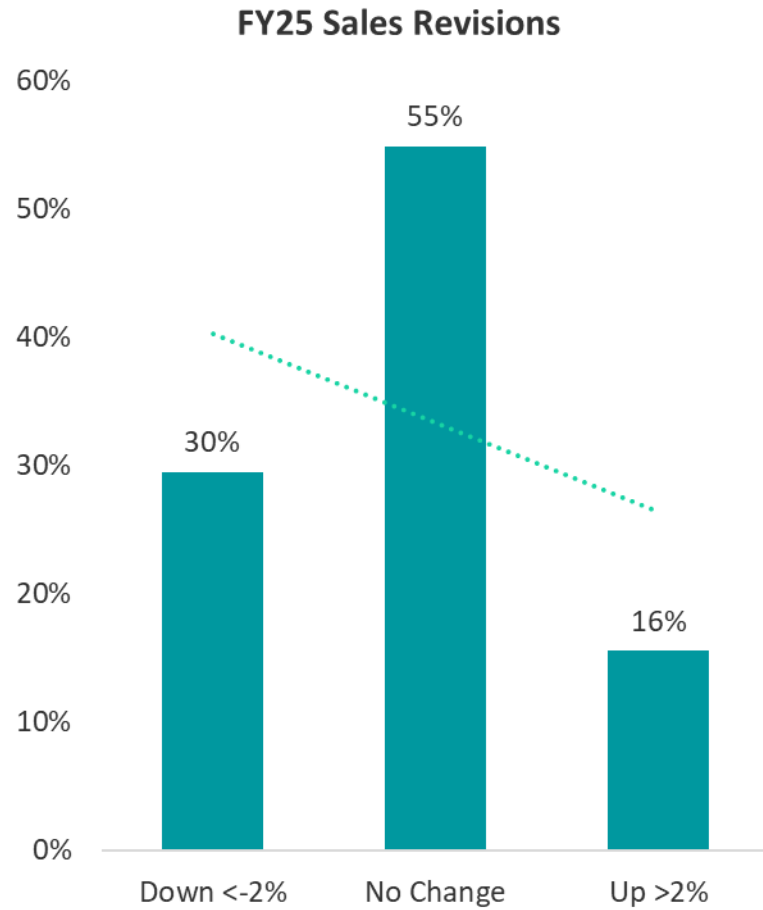


Source: Bloomberg, Infinity Asset Management



# EARNINGS REVISIONS

Partly due to the subdued guidance as well as some macro uncertainties we did see more downgrades across sales, earnings and dividends for FY25 than we did see upgrades. However, we believe that if the cycle doesn't get materially worse from here and we avoid a US and domestic recessions, the market could be primed for some upgrades over the next 6 months.



Source: Bloomberg, Infinity Asset Management



# REVISIONS

While banks were the only segment of the market to receive upgrades to FY25 estimates in August, downgrades were significantly more concentrated and pronounced across the resources sectors. The broad-based downgrades do suggest we're in a slowdown phase of the economic cycle, however this isn't necessarily bad for stocks, particularly if we start to see rate cuts come through shortly.

### EPS Revisions by Sector

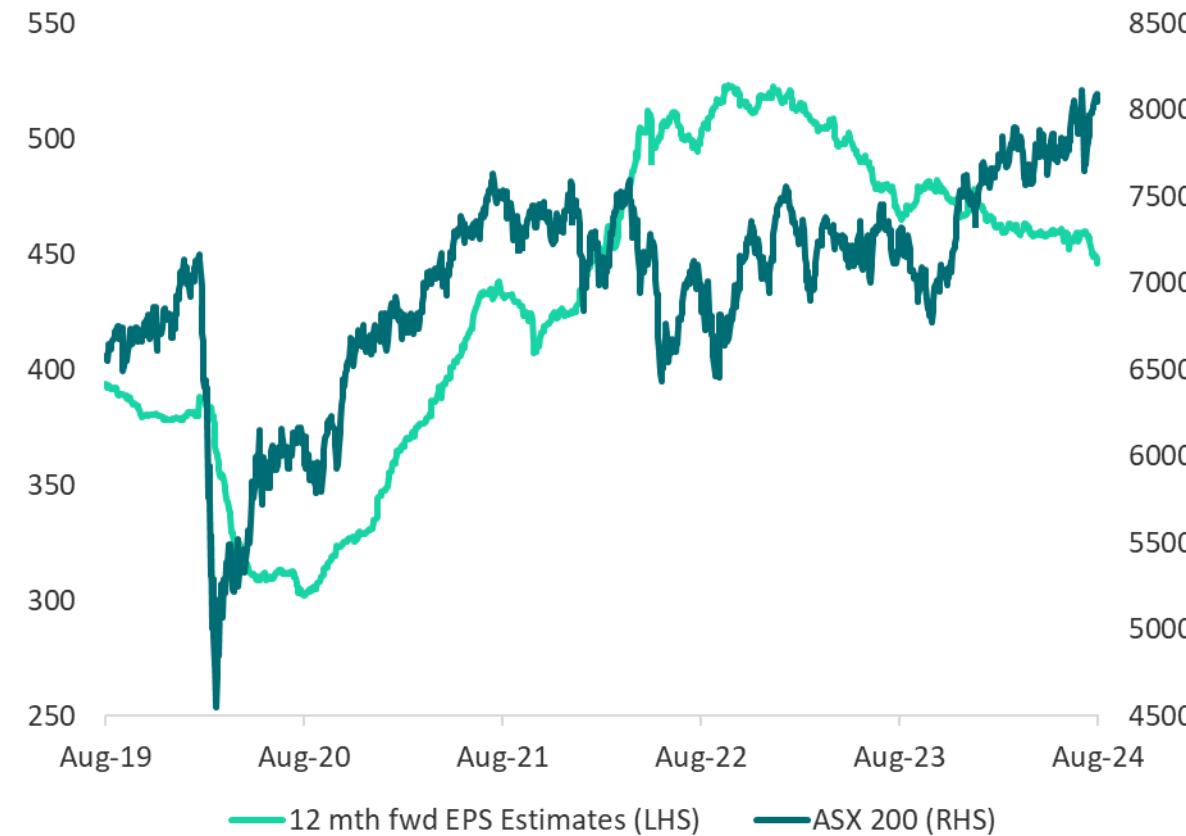


Source: Bloomberg, Goldman Sachs, JPM, Infinity Asset Management

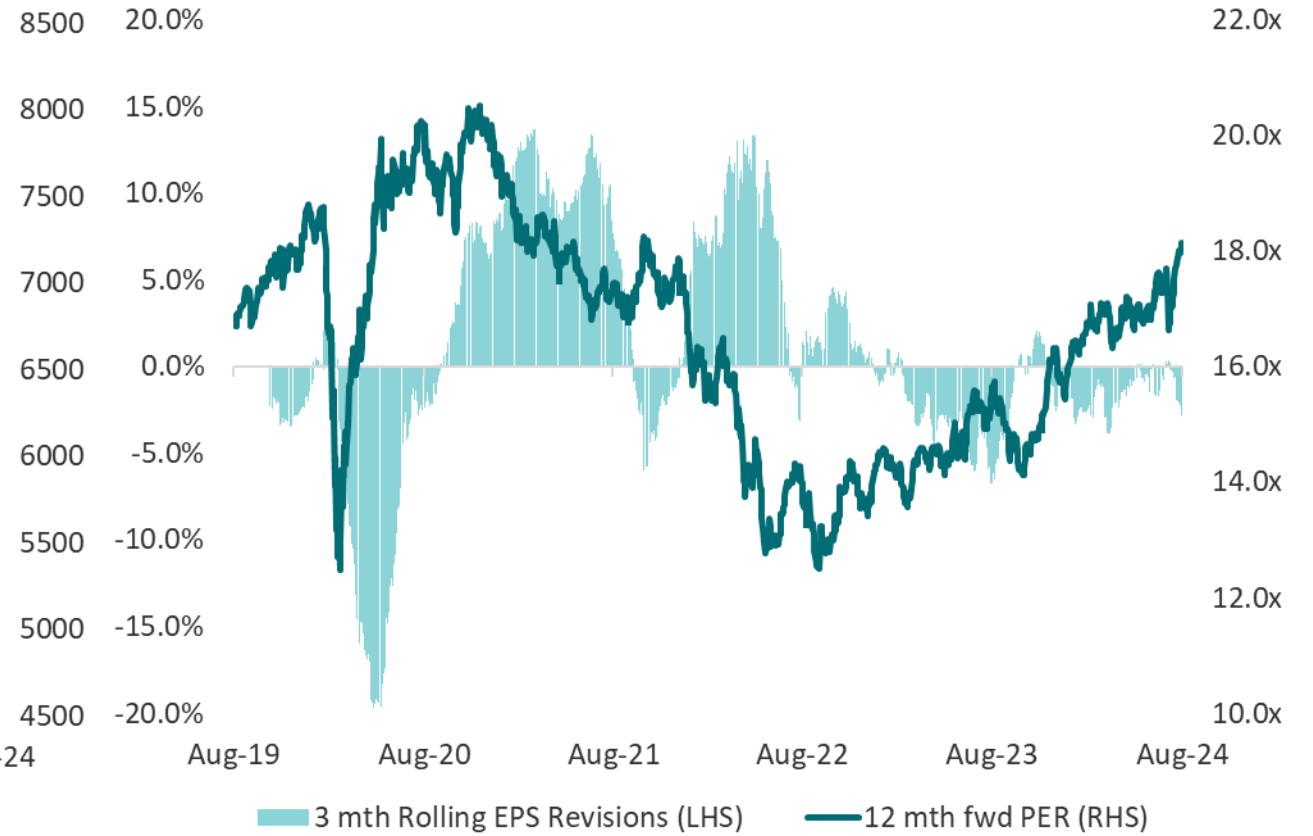
# REVISIONS

Forward earnings expectations are usually a good indicator for the trajectory of the ASX, however given the market's focus has been on more macro factors of late, this relationship has temporarily dislocated since early 2024 and could lead to a period of consolidation before we start to see rate cuts and some potential upward revisions to FY25 growth expectations.

**12 Month Forward EPS Estimates vs ASX 200**



**3 Mth Earnings Per Share Revision Momentum**



Source: Bloomberg Infinity Asset Management



# KEY THEMES

## AI, Data & Tech

*High demand & increasing applications*



- NXT – rising demand
- GMG – high barriers
- TLS – intercity cable
- WTC – product launches
- JBH – replacement cycle
- 360 - monetisation

## Cost of Living Pressures

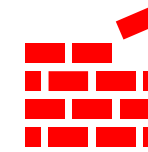
*Remains persistent & widespread*



- CBA – unevenly felt
- WES – challenging market
- WOW – pressured

## Housing & Construction

*Remains challenged*



- BSL – soft housing
- CBA – subdued mortgages
- JHX – competitive bidding
- TCL – softer traffic
- WES – DIY subdued

## Retail Resilience

*Consumer resilient but uneven*



- JBH – July momentum
- NCK – offshore expansion
- BLX – trade pick up
- SCG – increased rents
- WES – Bunnings slowing
- WOW – shopping value
- CBA – rising credit arrears

## Labour Supply

*De-pressurising, but also slowing*



- TLS – high applications
- QUB – shortages easing
- NST – tightly managed
- SVW – constrained
- BXB – rates remain high

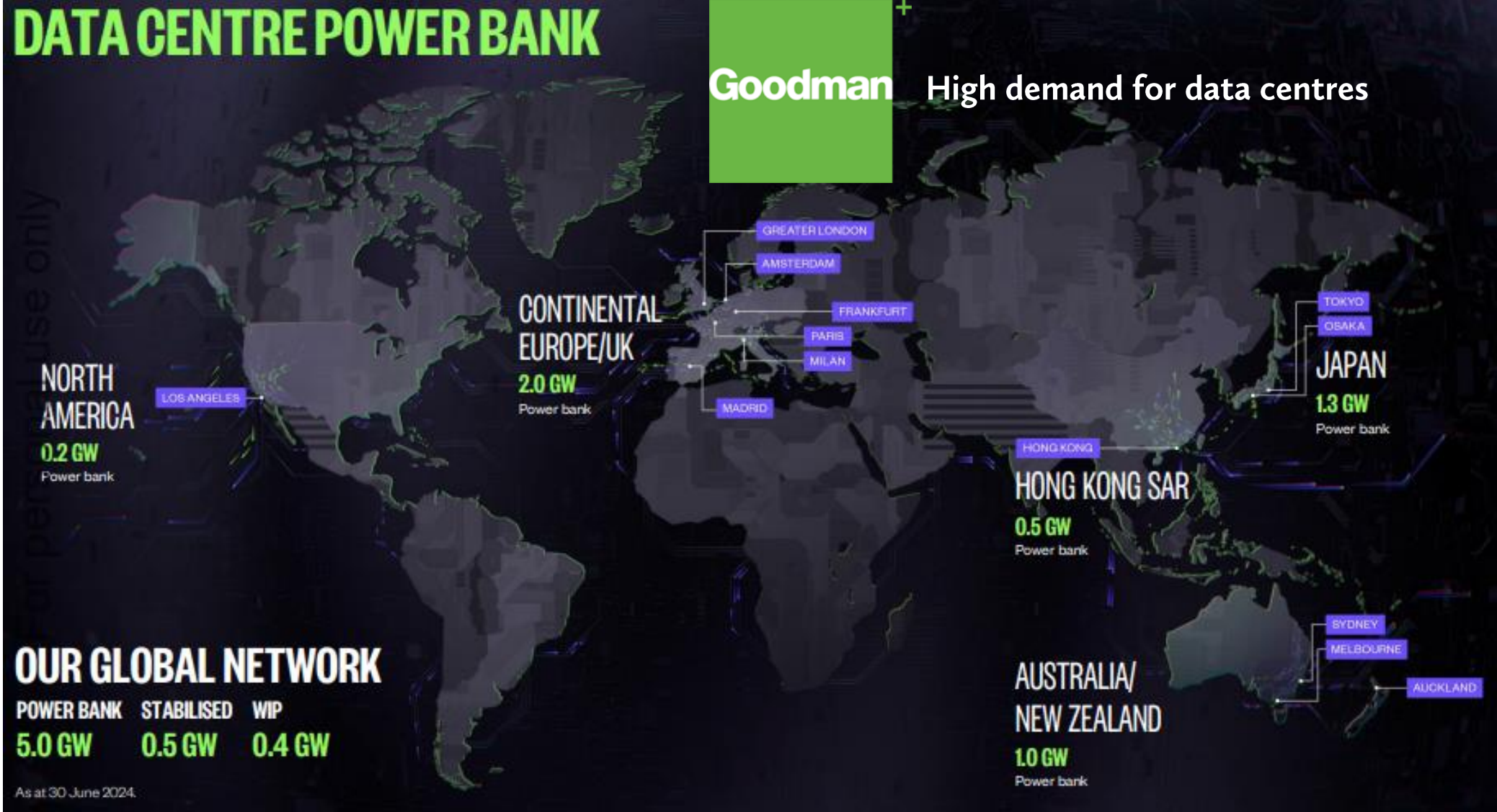
## China & Commodity Demand

*Recovery hopes have faded*



- BHP – China volatility
- BSL – oversupply
- MIN – falling spot
- WDS – transition unclear

# AI, DATA & TECH – HIGH DEMAND & INCREASING APPLICATIONS



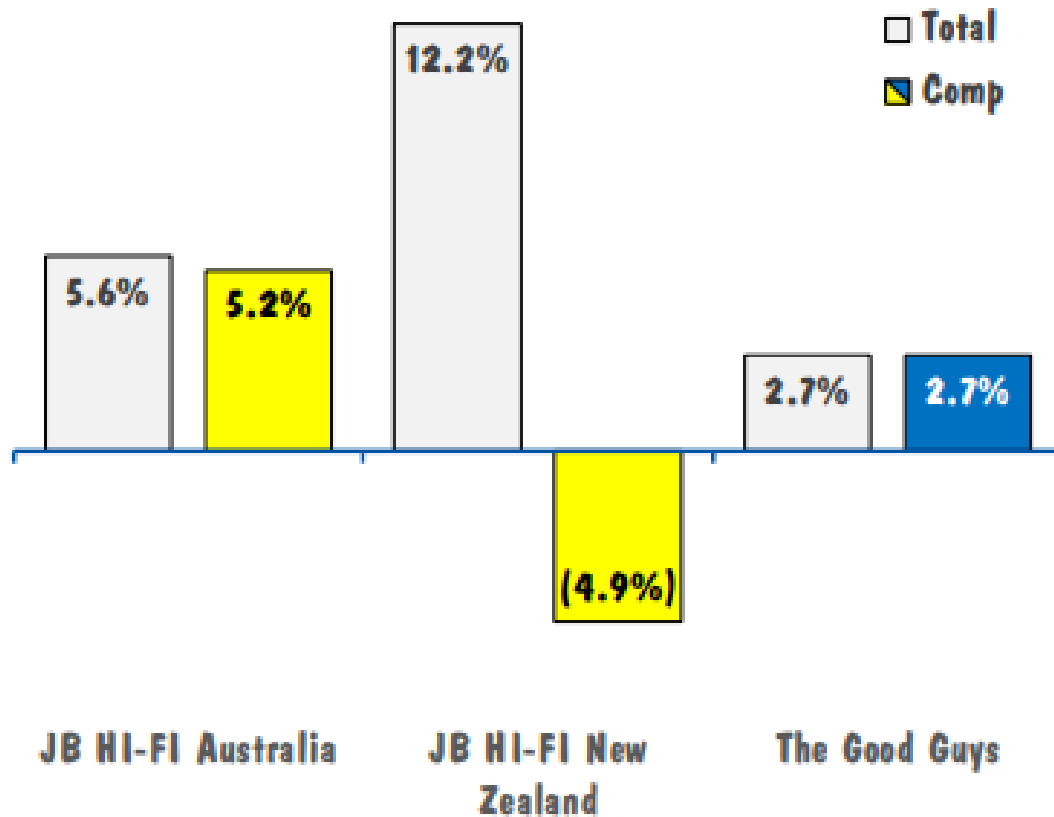
Source: Bloomberg, Company Reports, Infinity Asset Management

# RETAIL RESILIENCE – CONSUMER RESILIENT BUT UNEVEN



Positive sales momentum in July

## JULY SALES GROWTH



Consumers shopping for value

## Percentage of Customers<sup>1</sup> using 'Ways to Save' (%)

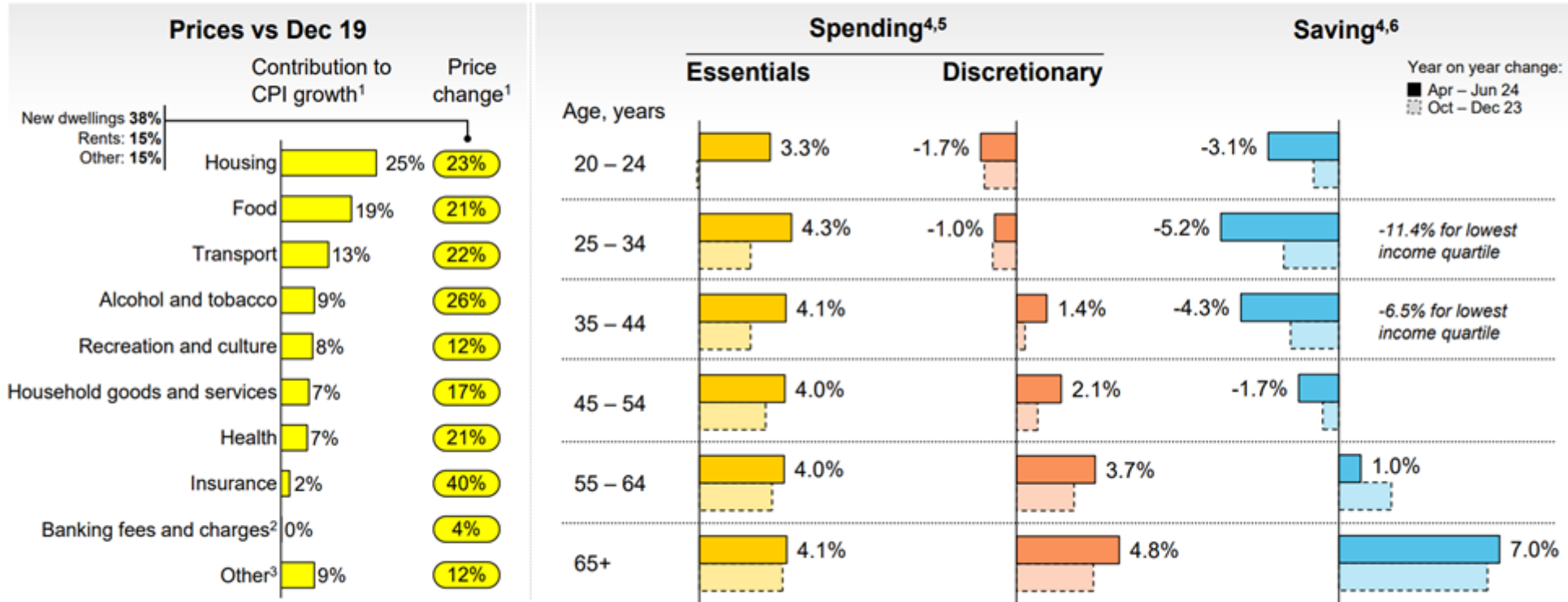


Source: Bloomberg, Company Reports, Infinity Asset Management

# COST OF LIVING PRESSURES – REMAINS PERSISTENT & WIDESPREAD

## Cost of living impacts unevenly felt

Last six months even tougher for younger customers



1. Source: ABS, as at June 2024. 2. Reported by ABS as deposit and loan facilities (direct charges). 3. Including education, stamp duty and conveyancing, clothing and footwear, communication.  
 4. Per customer. For spending 13 weeks to end of quarter, for saving the average balance as at end of quarter. Consistently active card customers and CBA brand products only. 5. Spending based on consumer debit and credit card transactions data (excluding StepPay). 6. Includes all forms of deposit accounts (transaction, savings and term) and home loan offset and redraw balances. Trimmed mean excluding top and bottom 5% of customers within each age band. Income quartile calculated across all ages based on customers with income payments to CBA accounts in the 13 weeks to 30 June 2024, considering salary, wages and government benefits.

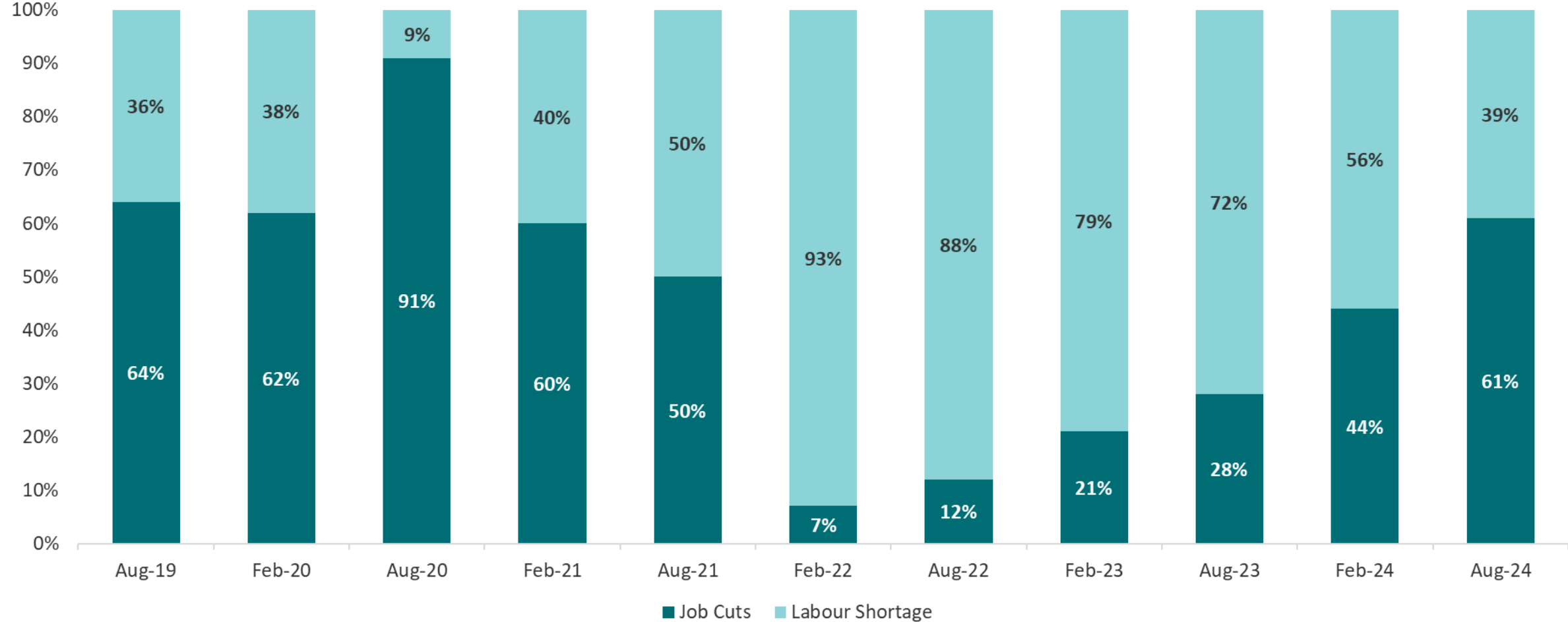
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Source: Bloomberg, Company Reports, Infinity Asset Management

# LABOUR SUPPLY – DE-PRESSURISING, BUT SLOWING

Mentions of "job cuts" vs "labour shortage" in Company Transcripts

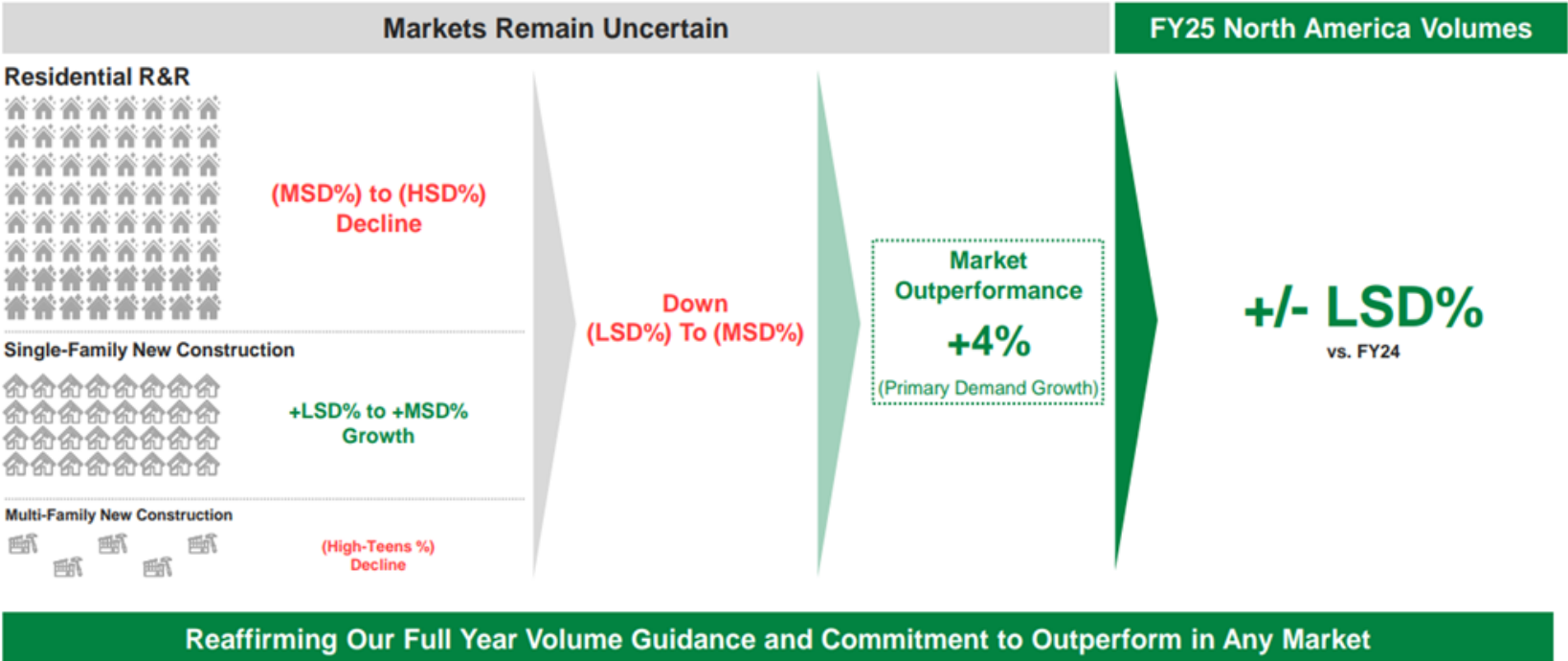


Source: Bloomberg, Company Reports, JPM, Infinity Asset Management

# HOUSING & CONSTRUCTION – REMAINS CHALLENGED



## FY25 North America Volume Outlook



Note: Outlook and guidance represent management's market and North America volume expectations for growth or decline in FY25 vs. FY24.

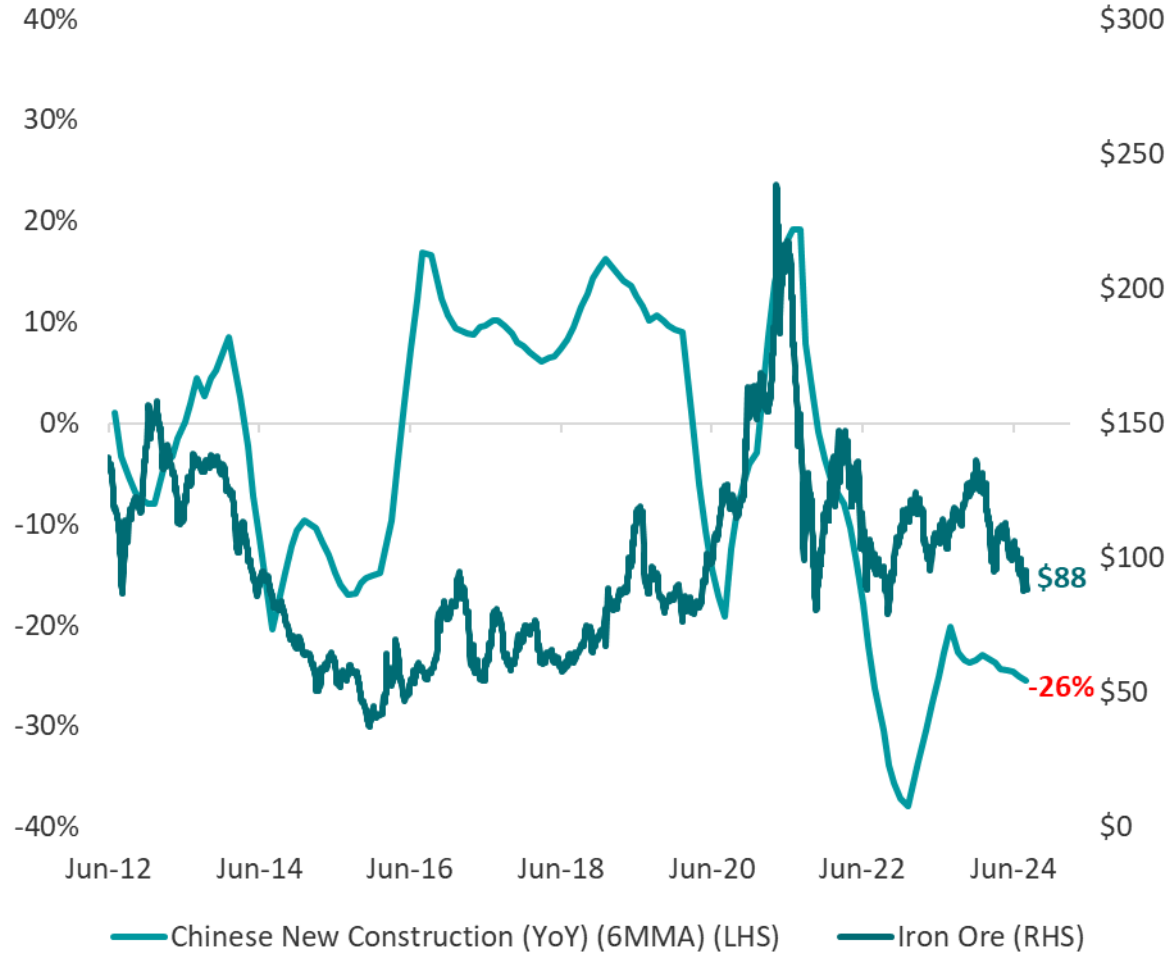


Source: Bloomberg, Company Reports, Infinity Asset Management

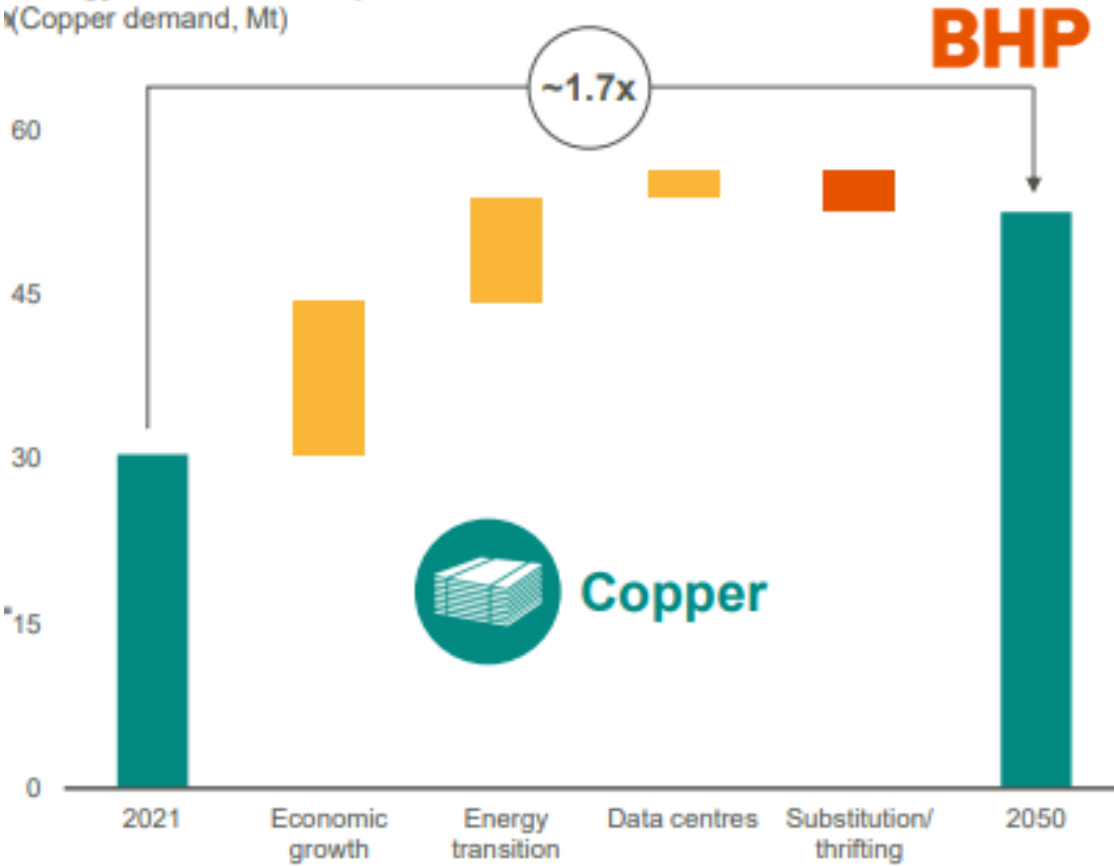


# CHINA & COMMODITY DEMAND – RECOVERY HOPES HAVE FADED

New Chinese Construction Work vs Iron Ore



Energy transition is expected to continue to add to traditional demand...



Source: BHP analysis.

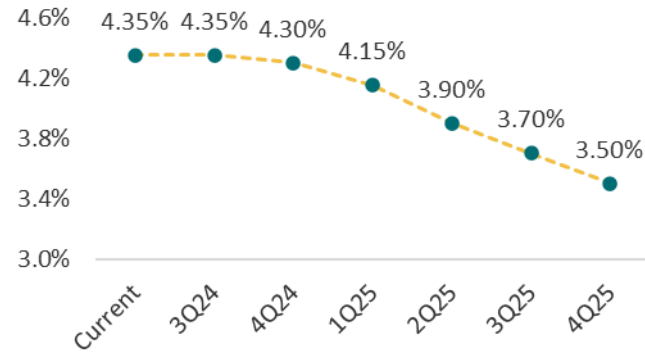


Source: Bloomberg, Company Reports, Infinity Asset Management

# MARKET OUTLOOK – CAUTIOUSLY OPTIMISTIC

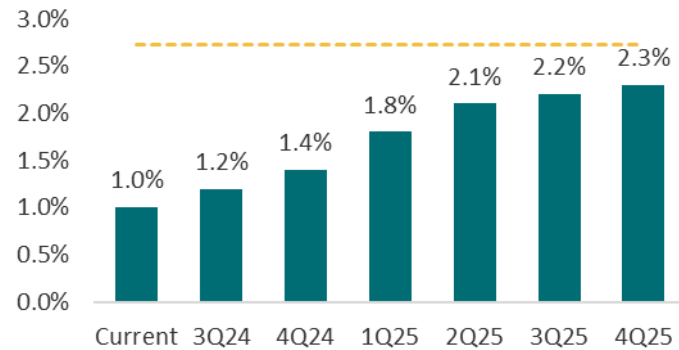
## Rate Environment

### RBA Cash Rate



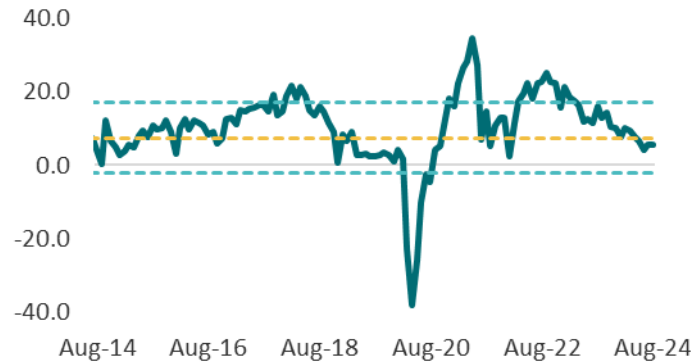
## Domestic Growth

### Australian GDP



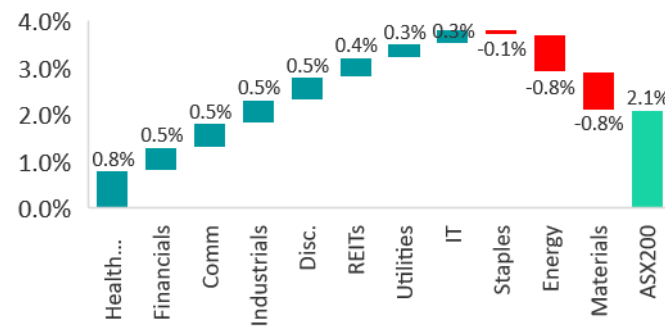
## Business Conditions

### Australian Business Conditions



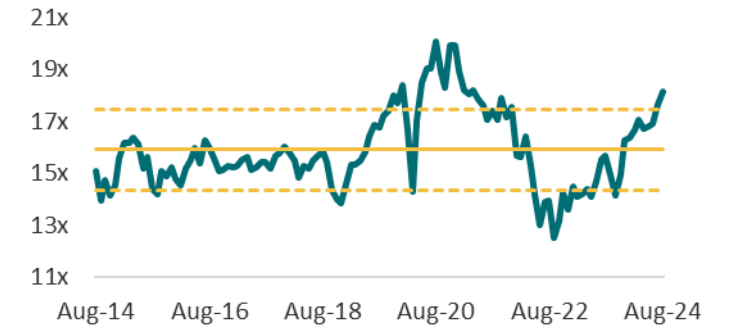
## Earnings Growth

### FY25 Forecast EPS Growth

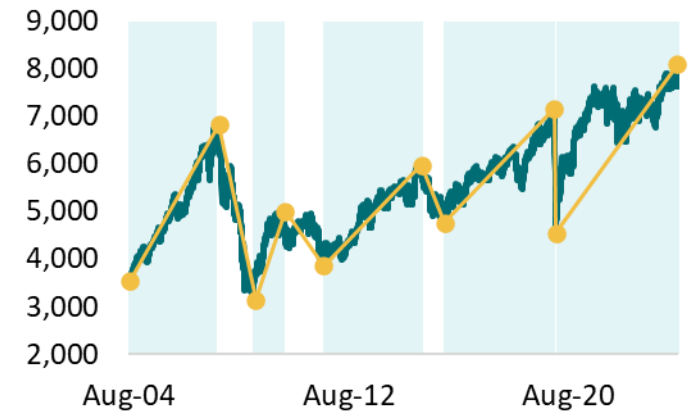


## Valuations

### Foward P/E



## Market Cycle





# MARKET OUTLOOK – CAUTIOUSLY OPTIMISTIC

## Health Care - Overweight



## Industrials - Overweight



## Banks - Underweight



## Tech - Overweight



## REITs - Neutral



## Resources - Underweight

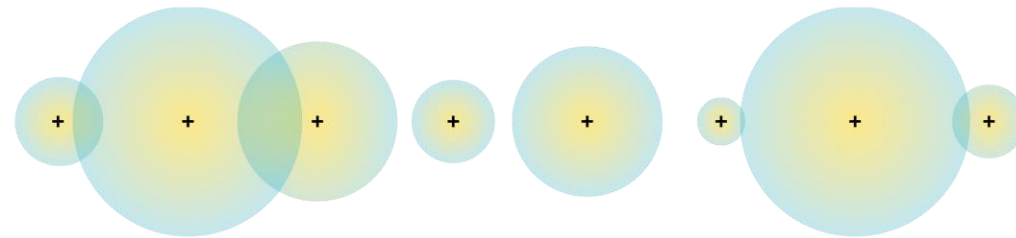


Source: Bloomberg, Company Reports, JPM, Infinity Asset Management

# KEY TAKEAWAYS

Beats & Misses	Guidance	Earnings Revisions	Key Themes	Market Outlook	Portfolio Positioning
Solid FY24 with more beats than misses	Subdued company guidance given uncertain environment	Earnings have been revised lower, but primarily a result of commodities	What were some of the key themes to emerge and/or be reaffirmed?	Given the recent rally and record highs, where to from here?	How are we position our portfolios to benefit in the medium & long-term?

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