Transcript: Predictions of shrinking profits as reporting season kicks off for Australia's top listed companies

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**[00:00:02]** the doubt was down more than a thousand

**[00:00:04]** points driven by uncertainty about the

**[00:00:06]** from record highs to Market meltdown in

**[00:00:09]** less than a week Australia's major

**[00:00:11]** companies will be reporting their

**[00:00:13]** profits against this backdrop so expect

**[00:00:15]** some big Falls in their share price if

**[00:00:18]** they fail to meet investors lofty

**[00:00:20]** expectations what we're going to see is

**[00:00:23]** a ranger sectors across the Australian

**[00:00:25]** Equity market report earnings

**[00:00:27]** contractions versus the year before

**[00:00:29]** whether it's the energy companies the

**[00:00:31]** miners consumer staples and also Banks

**[00:00:35]** they're coming off what were record and

**[00:00:38]** unsustainably high profit levels a year

**[00:00:40]** or two ago back then interest rates

**[00:00:43]** weren't as high as they are now and

**[00:00:46]** consumers on average had a bit more

**[00:00:48]** money saved

**[00:00:49]** up I think we're almost empty when it

**[00:00:52]** comes to the savings buffer across

**[00:00:54]** certain demographics and so that has to

**[00:00:57]** come to the FL and come through earnings

**[00:00:58]** at some point

**[00:01:00]** companies like JB highi Lissa and flight

**[00:01:03]** center will come under intense scrutiny

**[00:01:07]** consumers discretionary will hold up

**[00:01:09]** better than what others expect and

**[00:01:11]** Australians are still buying technology

**[00:01:12]** they're still upgrading their phones

**[00:01:14]** they're still buying televisions or

**[00:01:16]** computers when they need

**[00:01:17]** to many retailers have had to lure in

**[00:01:20]** Shoppers with sales that never seem to

**[00:01:22]** end but these discounts will eat into

**[00:01:24]** their profits and probably their

**[00:01:26]** dividends and given concerns about the

**[00:01:28]** broader Market being over valued it

**[00:01:30]** wouldn't take much to trigger a selloff

**[00:01:33]** and when we look at earnings growth it's

**[00:01:35]** looking relatively mediocre at best it

**[00:01:37]** might be 3 to 4% I would say is a

**[00:01:41]** bullish scenario and valuations are high

**[00:01:45]** the drag on overall uh earnings for the

**[00:01:48]** Australian Equity Market will be the

**[00:01:50]** energy sector in particular where

**[00:01:52]** there's been a big step down in profit

**[00:01:55]** and there are a lot of analysts who say

**[00:01:57]** shares of Commonwealth Bank which have

**[00:01:59]** surged 25% over the past year are ripe

**[00:02:02]** for a fall and it's certainly one of the

**[00:02:05]** most expensive banks in the world and

**[00:02:08]** look to keep up this uh valuation its

**[00:02:11]** earnings would need to grow and it's

**[00:02:13]** been quite flat in terms of its earnings

**[00:02:16]** companies like helius and Sonic

**[00:02:18]** Healthcare whose profits were boosted by

**[00:02:21]** millions of covid tests may also come

**[00:02:23]** under pressure it is a thematic that I

**[00:02:26]** would really like to like at this point

**[00:02:28]** in the cycle but when I look at the

**[00:02:30]** stocks available to us we just don't see

**[00:02:32]** any that really scream opportunities

**[00:02:36]** opportunities may also be slim for

**[00:02:38]** mining profits as demand for Commodities

**[00:02:41]** from our biggest trading partner slows

**[00:02:43]** down what we've seen emerge over the

**[00:02:46]** last 3 to six months in in China are the

**[00:02:50]** baby steps towards a debt deflation

**[00:02:53]** spiral and it explains why some

**[00:02:55]** companies like BHP are seeing their

**[00:02:58]** share price down 20% year today

**[00:03:00]** [Music]

**[00:03:01]** despite the Gloom insurance is one

**[00:03:03]** sector that almost everyone agrees will

**[00:03:05]** report Mega profits it is offering

**[00:03:09]** really strong growth at res valuations

**[00:03:11]** and that is quite hard to come by it

**[00:03:14]** also helps that insurance premiums have

**[00:03:16]** shot up dramatically far above inflation

**[00:03:20]** and it's not a service people can easily

**[00:03:22]** opt out of now looking ahead all eyes

**[00:03:26]** are on the US tech sector and whether

**[00:03:28]** the artificial intelligence boom which

**[00:03:31]** has driven Global markets to record

**[00:03:33]** highs can keep going Nvidia in

**[00:03:36]** particular is seen as a barometer for

**[00:03:38]** Market exuberance since January its

**[00:03:41]** share price has doubled taking its

**[00:03:43]** market value up to 3.7

**[00:03:47]** trillion we think possibly that the AI

**[00:03:50]** theme could be nearing an exhaustion

**[00:03:52]** Point big Tech has had such a huge run

**[00:03:55]** since the start of the year so there's a

**[00:03:57]** lot of focus on Mega cap Tech ear

**[00:03:59]** earnings in the US um and any downgrades

**[00:04:02]** there will certainly impact the market

**[00:04:04]** in Australia and the us but the biggest

**[00:04:08]** source of volatility is likely to be the

**[00:04:10]** race to the Oval Office

# Full Text (without timestamps)

the doubt was down more than a thousand points driven by uncertainty about the from record highs to Market meltdown in less than a week Australia's major companies will be reporting their profits against this backdrop so expect some big Falls in their share price if they fail to meet investors lofty expectations what we're going to see is a ranger sectors across the Australian Equity market report earnings contractions versus the year before whether it's the energy companies the miners consumer staples and also Banks they're coming off what were record and unsustainably high profit levels a year or two ago back then interest rates weren't as high as they are now and consumers on average had a bit more money saved up I think we're almost empty when it comes to the savings buffer across certain demographics and so that has to come to the FL and come through earnings at some point companies like JB highi Lissa and flight center will come under intense scrutiny consumers discretionary will hold up better than what others expect and Australians are still buying technology they're still upgrading their phones they're still buying televisions or computers when they need to many retailers have had to lure in Shoppers with sales that never seem to end but these discounts will eat into their profits and probably their dividends and given concerns about the broader Market being over valued it wouldn't take much to trigger a selloff and when we look at earnings growth it's looking relatively mediocre at best it might be 3 to 4% I would say is a bullish scenario and valuations are high the drag on overall uh earnings for the Australian Equity Market will be the energy sector in particular where there's been a big step down in profit and there are a lot of analysts who say shares of Commonwealth Bank which have surged 25% over the past year are ripe for a fall and it's certainly one of the most expensive banks in the world and look to keep up this uh valuation its earnings would need to grow and it's been quite flat in terms of its earnings companies like helius and Sonic Healthcare whose profits were boosted by millions of covid tests may also come under pressure it is a thematic that I would really like to like at this point in the cycle but when I look at the stocks available to us we just don't see any that really scream opportunities opportunities may also be slim for mining profits as demand for Commodities from our biggest trading partner slows down what we've seen emerge over the last 3 to six months in in China are the baby steps towards a debt deflation spiral and it explains why some companies like BHP are seeing their share price down 20% year today [Music] despite the Gloom insurance is one sector that almost everyone agrees will report Mega profits it is offering really strong growth at res valuations and that is quite hard to come by it also helps that insurance premiums have shot up dramatically far above inflation and it's not a service people can easily opt out of now looking ahead all eyes are on the US tech sector and whether the artificial intelligence boom which has driven Global markets to record highs can keep going Nvidia in particular is seen as a barometer for Market exuberance since January its share price has doubled taking its market value up to 3.7 trillion we think possibly that the AI theme could be nearing an exhaustion Point big Tech has had such a huge run since the start of the year so there's a lot of focus on Mega cap Tech ear earnings in the US um and any downgrades there will certainly impact the market in Australia and the us but the biggest source of volatility is likely to be the race to the Oval Office