KALKINE MAGAZINE

November 2021

- GLOBAL ENERGY CRISIS
- WILL RBA CHANGE TUNE ON CASH RATE
- CHINA TAIWAN TUSSLE
- ECONOMICS OF CHRISTMAS

ABOUT KALKINE GROUP

Kalkine Group is a prominent name in the subscription & media sales line of business. A renowned equity market research, investor relations and media house firm, Kalkine caters to the share markets of Australia, the UK, Canada, United States, and New Zealand. The Company is also eying the growing Ireland market.

Kalkine Media provides trending and live news articles about listed companies belonging to diverse sectors and market commentaries. Interestingly, Kalkine Media also operates on the model of Advertiser – a Publisher firm under its B2B umbrella, providing a dedicated platform to the subscribed clients to leverage various offerings like exclusive banners, sponsored article coverages, videos, and podcasts.

Periodic investor focused events and webinars provide a crucial platform for several listed players/ private companies to
present their business vision amidst broader industrial landscape and to interact with core audience including Brokers, Fund Managers/SMSF Investor Managers, Sophisticated Investors, Senior Business Executives and Retail Investors.firm.

TEAM KALKINE

Team Kalkine comprises specialists including equity, currency, commodity, and economic analysts providing in-depth and unbiased up-to date analysis. The team of analysts, sector-specific journalists and editors have hands on experience in developing industry breaking and trending equity and economic news. The team strives to work on the vision of establishing a strong foothold, primarily as a reliable media firm.

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KUNAL SAWHNEY

Founder & CEO

Kunal Sawhney is the Founder & CEO at Kalkine Group and is a richly experienced and accomplished financial professional with a wealth of knowledge in the Australian Equities Market. His knowledge, skillset and vision provided all the perfect ingredients required to start one of the fastest growing equity market research firms across Australia. This was further supported by the aim of channelising energy and enthusiasm towards the stock market into a leading Media Research Firm.

KALKINE FOOTPRINT

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NOTE FROM THE EDITOR

"The Year 2021 has flown by and to say that this has been a year like no other is the understatement of the century. The Covid-19 pandemic has cast a long shadow and we are still not free from its far-reaching ramifications. There are so many things to process and reflect on this year that it can be overwhelming. So, the November issue of Kalkine Magazine focusses on all the major headlines and stories that made an impact.

Economies across the globe have been witnessing energy crises since the 1970s. Energy markets around the world are facing headwinds. The global energy demand shot up after China and other leading economies began making a solid recovery from lows of the COVID-19 pandemic. In the issue, get an insight on how global energy crisis is affecting economies.

The November issue touches upon the burning issue of China-Taiwan tussle. China's state and foreign policies are stringent. So much so, many would consider them to be hyper nationalist. Nevertheless, the country, also the second-largest economy of the world, has grown to be the biggest manufacturer globally. Apart from trade, China has captured enormous power in terms of geopolitical relations, military, etc.

The COVID-19 pandemic has forced the luxury market to shift its focus to e-commerce platforms. Luxury brands have been making a rapid shift to developing an online infrastructure to retain customers. A change in consumer behaviour towards online shopping has been seen across the world. According to a report by Global Industry Analysts Inc., the global market for luxury goods is estimated at US$224.8 billion in the year 2020, which is expected to soar to US$296.9 billion by 2026. Know more about a zero-debt company in the luxury market delivering staggering returns in the issue.

Not to be missed is the special feature on Kalkine Media's Clients – Hallmark Business Sales and Jaaims. Buying or selling a business can be a tricky thing as there are several aspects that require professional expertise. A little help from a professional business broker can help you save time and effort while allowing you to focus on other aspects of the business. Know how Hallmark Business Sales helps ease your business sale journey.

An increasing number of millennials across the globe are getting their feet wet in the stock market. Moreover, trading in the stock market can prove to lucrative. This requires a disciplined approach as trading carries a lot of risks. Know how

Jaaims provides advanced AI-powered solution to your trading problems

Wall Street stocks are on track to post gains for the month of October (as per the S&P 500's measure), thanks to strong corporate earnings that eased nerves about inflation. The Standard & Poor's 500 Index, which features 500 of the top US publicly traded companies, has emerged as one of the top-performing indexes among major economies. This was a sharp turnaround from a 4.8% loss in the previous month, which was the first monthly fall since January this year and was also the worst since the beginning of the pandemic (March 2020). US stocks have been mostly positive in recent times despite persistent concerns about rising inflation, rollback of economic stimulus by the Federal Reserve, looming fears about the debt ceiling, as well as the spread of the more contagious delta variant of COVID-19. The contagion risks from the potential default of Chinese developer Evergrande also unsettled investors in the US stock market. Get insights on whether this earnings season will push S&P 500 index to record high?

Lastly, with the much-awaited holiday season approaching nearer, market experts are contemplating how the economics of Christmas will take shape in 2021. Economists and stock market experts across the globe often wait for the Christmas cheer to spread across the markets, which results in a massive rally in equities and the overall economy. Christmas celebrations are often accompanied by a subsequent bump-up in the GDP, backed by a record increase in consumer spending during the season. Consumers often shell out large chunks of their income to buy gifts for their loved ones and themselves. Additionally, many retailers sell out their products at a discount, giving additional incentive to consumers to flock to the markets. Australian consumers and retailers have mirrored this global trend over the years, paving the way for record spending and sales during the season. Know how will the economics of Christmas shape up this year?

We will constantly strive to beat our own high standards and continue to bring you reliable content that is easily understood. Hope you enjoy the November issue as much we enjoyed compiling it for you.

Happy Reading!

Team Kalkine

TABLE OF CONTENTS

01

How global energy crisis is affecting economies

Energy markets around the world are facing headwinds with the global demand for energy witnessing a spike.

02

The burning issue of China-Taiwan tussle

The ongoing China-Taiwan tussle is raising eyebrows once again.

03

Will NZ interest rate hike prompt RBA to change tune on cash rate?

The RBA's decision to delay a cash rate hike could potentially heat up the already steaming housing market.

04

A zero-debt company in the luxury market delivering staggering returns

One company that is making strides in the online sale of luxury products is Cettire Limited's (ASX: CTT).

05

Editor's pick

Top ten online kids' games

06

Insights from a few B2B clients

A sneak peek at the recent developments of a few of our exclusive clients.

07

Will earnings season push S&P 500 index to a record high?

Wall Street stocks are on track to post gains for the month of October (as per the S&P 500's measure).

08

Merry or scary? How will the economics of Christmas shape up this year?

With the much-awaited holiday season approaching nearer, market experts are contemplating how the economics of Christmas will take shape in 2021.

HOW GLOBAL ENERGY CRISIS IS AFFECTING ECONOMIES

Economies across the globe have been witnessing energy crises since the 1970s. Energy markets around the world are facing headwinds. The global energy demand shot up after China and other leading economies began making a solid recovery from lows of the COVID-19 pandemic.

Asian and European gas prices have surged to record highs. Coal prices have zoomed to multi-year highs on the back of energy shortages in China, Germany, and India. Cold weather conditions in Europe have depleted gas reserves in the country and a long spell of still days squeezed the output of the wind power supply. Additionally, energy prices in Asia and the US are also shooting up significantly. According to the Organization for Economic Cooperation and Development, energy prices in the developed nations have increased by 18% in August the fastest pace since 2008.

Source: © Sofiaworld | Megapixl.com

RISING ENERGY PRICES IN THE US

Gas prices have zoomed more than 47% in the US, relative to the beginning of August. Rising gasoline prices have forced the country to use its emergency oil stash to cool down motor fuel prices. The country has also urged OPEC and its allies to increase the output after the rising fuel prices.

EUROPEAN GAS PRICE RALLY


Source: © Krisdog | Megapixl.com

Wholesale electricity prices in Europe soared to more than 200% during the initial nine months of 2021. The UK has announced various emergency measures to cap company profits and energy prices.

SOARING COAL PRICES IN CHINA

A crunch in the gas market has encouraged countries, including China, to use coal for the generation of electricity and its utilisation in industries. Thermal coal prices in Asian markets keep hitting record high levels.

Source: © Bakhtiarzein | Megapixl.com

A cold winter coupled with a solid recovery after the pandemic has led to greater demand from China, which is the main cause for the current electricity crisis in the country. The country has been facing an acute shortage of electricity. Various companies in the country have been told to limit electricity consumption, and authorities in Guangdong have banned the usage of lifts in office buildings.

CHINESE COAL DRAMA

A crunch in the gas market has encouraged countries, including China, to use coal for the generation of electricity and its utilisation in industries. Thermal coal prices in Asian markets had surged to the record high levels during the first week of October.

A cold winter coupled with a solid recovery after the pandemic has led to greater demand from China. The country had been facing an acute shortage of electricity. However, coal prices tumbled to the three-month low levels by the beginning of November. The prices have plummeted nearly 40% from the record high levels after the Chinese authorities stepped up to boost the output, ahead of the winter season.

INDIAN ELECTRICITY CRISIS

Coal stocks in power plants in India have plummeted to record low levels. The country has asked power producers to import up to 10% of the overall coal needs. The country's ministry has directed power companies to boost the electricity supply to the country's capital – New Delhi, which is facing a potential power crisis. At the local level, electricity boards are deploying scheduled power cuts to balance the electricity consumption.

With more energy companies going bust amid the ongoing surge in prices, the common man will suffer the most and face the brunt of higher costs, and particularly the lowest income group is the most vulnerable to fall into the trap of poverty.

Source: Copyright © Shutterstock.com

Energy supplies will remain stressed for some time now as producers have said they would gradually boost their output despite global pressure. The world is facing an acute energy crisis due to a rapid rise in energy demand amid a solid economic recovery after the pandemic and progressing winters in the northern hemisphere.

THE BURNING ISSUE OF CHINA-TAIWAN TUSSLE

China's state and foreign policies are stringent. So much so, many would consider them to be hyper nationalist. Nevertheless, the country, also the second-largest economy of the world, has grown to be the biggest manufacturer globally. Apart from trade, China has captured enormous power in terms of geopolitical relations, military, etc.

Image source: © Peterhermesfurian | Megapixl.com

China's controversial stances on issues like its border clash with India and Taiwan, the "one country, two systems" policy for Hong Kong, the South China sea clash, its statements about the Taliban, have impacted the world economy year after year.

WHAT'S THE NEW GAME CHINA IS PLAYING?

With enormous power in the hands of the Communist country, the world keeps its eyes keenly on China as its foreign and state policies and actions make heavy transformations in the global economy and peace.

The China-Galwan valley clash was followed by the issues emerging in the South China Sea, followed by China's unique stand for the Taliban. And now the daily news is overflowing with the recent incursion by Chinese aircraft into Taiwan's military region.

The China-Taiwan tussle has been a prominent part of the news for several years. Everyone is quite aware of China's intentions for Taiwan as Beijing has been actively trying to capture the country. However, the issue of Taiwan's independence is now not limited to just two countries: instead, it's a matter of global peace now.

WHY IS CHINA AFTER TAIWAN?

China is a country where nationalism is a significant part of culture and trade. The government follows a policy of "One country, two systems" with Hong Kong. And it wants to implement the same approach in Taiwan.

Taiwan has been independent since 1949. The island of over 23 million people actively celebrates its independence. However, Beijing has repeatedly asserted that it wanted Taiwan to be a part of its territory.

Image source:© Kchungtw | Megapixl.com

Tsai Ing-wen, the current president of Taiwan, has said that she wanted Beijing to keep its eyes off Taiwan's independence. Additionally, Taiwan currently runs under a democratic system of elections through voting. However, the previous party was not entirely against the One China principle; but the current government adamantly believes in Taiwan's sovereignty.

China believes in the One China policy and wants to implement the same regime in Hong Kong. However, following the recent breakdown of human rights in Hong Kong, the Taiwanese people are strictly against the idea of "One country, two systems."

THE GLOBAL IMPACT

China, being a world power, has a strong influence on the international economy and peace. Its role is such that even the United Nations doesn't recognise Taiwan as a separate country. In a recent development related to the pandemic, as the WHO didn't include Taiwan in its public health forums, the Group of Seven (G7) countries called for the country's inclusion in WHO forums.

The Taiwanese government strictly opposes Taiwan's exclusion from all internal forums and committees. Leading world powers, including the United States, are also proposing to include Taiwan in global forums and recognise it as a country separate from China.

China's obsession with the unification of Taiwan with mainland China is growing tremendously. Surveillance aircraft, cyberattacks into the Taiwanese government systems, forceful exclusion of Taiwan from world committees, trying to control Taiwanese media outlets, are among many efforts that China has been making to take control of the country.

However, an overwhelming majority of the Taiwanese people reject the idea of unification with mainland China. Unfortunately, Taiwan is stuck in a complex situation as its biggest trading partner is China. So, in the end, it's a situation of Catch 22 for Taiwan.

WILL NZ'S MOVE TO RAISE INTEREST RATES PROMPT RBA TO CHANGE STANCE ON CASH RATE?

After much speculation, the New Zealand central bank recently embraced an interest rate hike while paving the way for further monetary policy tightening in the future. With other economies actively moving on the path to recovery, experts are suspicious if the rate hike contagion would spread also to Kiwiland's neighbour - Australia.

Image Source: Copyright © 2021 Kalkine Media

The unconventional move by New Zealand had long been anticipated amidst its successful fight against the coronavirus pandemic and its robust containment measures. Nevertheless, the Delta variant delayed New Zealand's rate hike process, which was slated to begin in August this year. While the Reserve Bank of New Zealand (RBNZ) had given early signs of a potential rise in interest rates, the Reserve Bank of Australia (RBA) has maintained a firm stance against a cash rate hike.

The Australian central bank expects the interest rate to remain low until at least 2024 despite growing expectations of the domestic jobs market's swift revival from coronavirus-related lockdowns and an avalanche of cheap money being pumped into the nation's economy.

WILL INCREASED CONSUMER SPENDING SPUR CHANGE?

Speculations are rife that the Australian economic recovery will strengthen in the December quarter amid increased spending during the Christmas holiday season. Moreover, with rapidly increasing vaccination rates, enhanced economic activity is expected alongside the re-entry of the workforce in the market. This may prompt the central bank to ponder over an interest rate hike in the near future, much like New Zealand.

Image Source: Copyright © 2021 Kalkine Media

Meanwhile, investors and experts remain hopeful that a cash rate hike by the RBA could bring down boiling hot property prices seen across the nation. However, the RBA is looking up to Australian Prudential Regulation Authority (APRA) to tackle the ongoing house price surge. In fact, APRA has recently used a masterstroke while increasing the minimum interest-rate buffer that lenders need to account for when assessing home loan applications to calm the haywire property market.

The route taken by APRA could prevent the economy from any unprecedented shocks, allowing prices to simmer down gradually.

WOULD A LOWER INFLATION TARGET SOLVE THE PROBLEM?

Many experts are urging the RBA to revise their inflation rate target set for a rate hike. Experts suggest that the target should now be brought below 2-3%, as the housing sector is already functioning in high gear. On the contrary, the RBA has held back its decision to increase cash rate, which would be unfair to a large number of owner-occupiers who have contributed to the housing price boom.

The central bank is determined to not raise interest rates until actual inflation is sustainably within a target range of 2-3%. Meanwhile, the RBA is concerned about wage and price pressures that remain subdued while playing down concerns of an inflation breakout.

In a nutshell, the RBA's decision to delay a cash rate hike could potentially heat up the already steaming housing market. It would be interesting to see if the macroprudential measures to tighten lending standards would bear desired results or not.

A ZERO-DEBT COMPANY IN THE LUXURY MARKET DELIVERING STAGGERING RETURNS

The COVID-19 pandemic has forced the luxury market to shift its focus to e-commerce platforms. Luxury brands have been making a rapid shift to developing an online infrastructure to retain customers. A change in consumer behaviour towards online shopping has been seen across the world.

According to a report by Global Industry Analysts Inc., the global market for luxury goods is estimated at US$224.8 billion in the year 2020, which is expected to soar to US$296.9 billion by 2026. The sale of luxury apparel and other goods have also been fostered by e-commerce platforms, especially after the coronavirus pandemic.

One company that is making strides in the online sale of luxury products is Cettire Limited's (ASX:CTT). This zero-debt company is one of the leading online destinations for a range of luxury fashion products. With products from over 500 designers, including world-renowned brands such as Balenciaga, Gucci, Prada, etc., it has successfully made its presence felt in the industry. Its offerings include apparel, shoes, bags, other luxury accessories such as wallets, sunglasses, etc.

STOCK PERFORMANCE

The soaring business of the company and its forecast-beating performance in FY21 has also been reflecting in its share price. The company is a fairly new listing on the ASX and hasn't completed a year yet. For the calendar year 2021, Cettire's shares have rallied by a massive 576.6%, as of 19 October 2021, last closing at AU$3.19. Consequently, the market capitalisation of Cettire has also bolstered to over a billion dollar this year, at AU$1.1 billion.

Image Source: Thomson Eikon

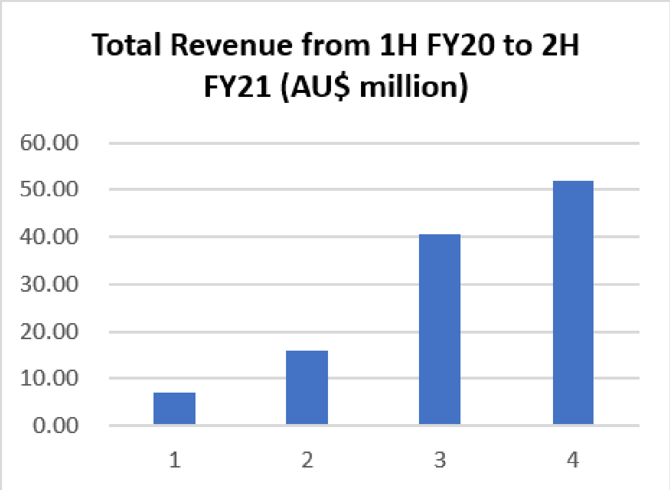
However, during the same time frame, Australian benchmark index, the ASX 200 has delivered a year-to-date return of 12.09%.

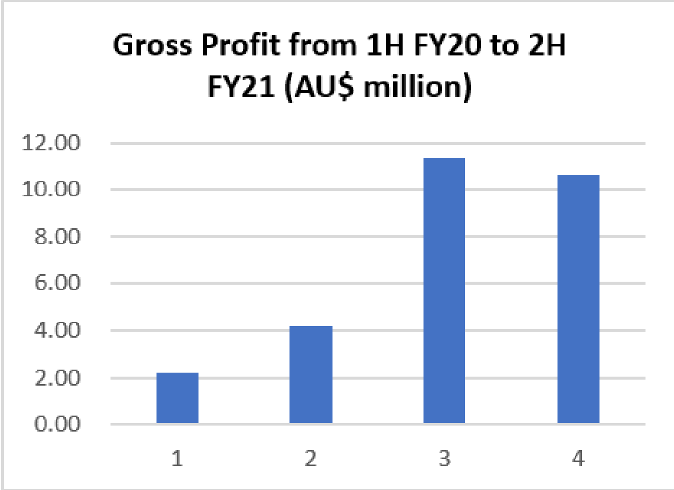
The peer analysis is difficult to make as the ASX-listed company does not have any direct competitor in this niche space.

FY21 RESULTS BEAT FORECAST

The company has delivered exceptional FY21 results, beating its own forecasts. The management implemented a number of strategies in different verticals such as entry into the children's wear segment, expanding its addressable market, etc., which has proven to be fruitful.

In FY21, the number of customers increased by a massive 285% to 114,830, depicting the company's progress in customer retention and acquisition strategies. Repeat customers for FY21 accounted for 40% of gross revenues, up from 26% last year.





2-year total revenue (Left) & gross profit (Right) of CTT, Data Source: Refinitiv Eikon

The gross revenue surged over 333% to AU$124.5 million, primarily driven by new customer acquisition, strong order growth and an uptick in revenue per customer. The soaring revenues were also supported by the appreciation of the Australian dollar during FY21.

Coming to product margins, the company witnessed a growth of 307% to AU$33.8 million, while in constant currency terms, the growth was 408%. At the end of the reporting year FY21, the company had a net cash balance of AU$12.7 million, up from AU$5.5 million in FY20. The balance sheet also had zero debt.

Sales revenue for FY21 stood at AU$92.4 million, comfortably surpassing the forecast of AU$70 million, while an estimate of 116K orders was also beaten by 47% to 170K. The company estimated a conversion rate of 1.14% but achieved 1.22% in FY21.

OUTLOOK FOR FY22

The company's positive momentum has continued in FY22 as well. In July 2021 alone, the company witnessed unaudited gross revenue growth of 181%, over the same period last year. The company would primarily be focusing on incremental growth opportunities by tapping the global revenue potential.

Cettire will continue to invest in technology enhancements, customer acquisition & retention and building organisational capability. The main goal of the company going forward is to strengthen its market position.

EDITOR'S PICK

TOP 10 ONLINE KID'S GAMES

Source: Copyright © freepik.com

With little or no option to play outside amid the ongoing pandemic, the world of online games has become the prime source of entertainment for children.

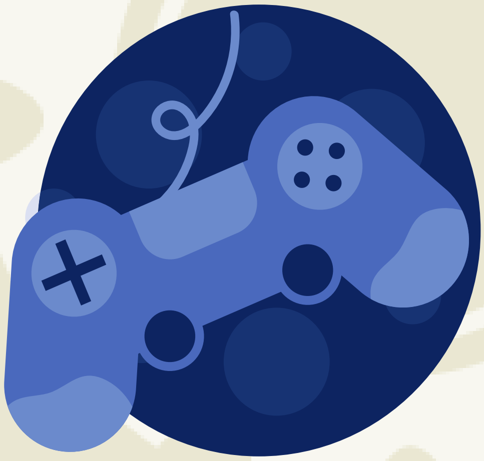
While gaming does have its downsides, it is not as bad as you think. Nowadays, games are prepared while keeping in mind some basic education lessons and at times help teach team building.

HERE ARE THE MOST POPULAR ONLINE GAMES AMONG CHILDREN:

Switch Zoo

Mix and match animal game

https://switchzoo.com/



Wild Life

Wildlife adventure game

https://www.mightykingdom.com/wild-life

Doodly

Social sketching game

https://www.doodly.com/

Source: Copyright © freepik.com

Shopkins World vacation

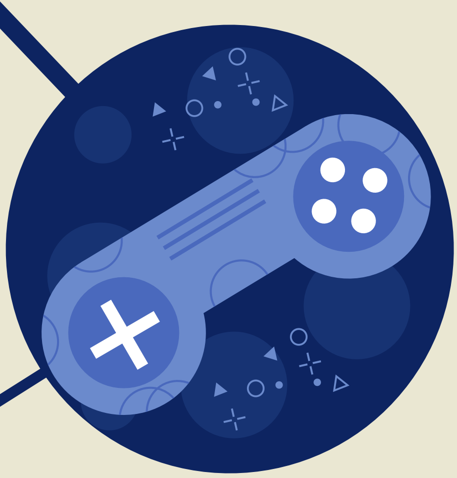
World tour game using game money

https://www.mightykingdom.com/shopkins

Heartlake Rush

Role play mission game

https://www.lego.com/en-us/themes/friends/games/heartlake-rush



Lego

Build and make category games

https://www.lego.com/en-au/kids/games

Peter Rabbit Run

Adventure game

https://www.mightykingdom.com/peter-rabbit-run

Source: Copyright © freepik.com

Pop Tropica

Role playing game

https://www.poptropica.com/

Starfall

Reading and phonetics game

https://www.starfall.com/h/

Danger Days

Adventure survival game

https://www.mightykingdom.com/danger-days

5 BENEFITS OF INDULGENCE IN ONLINE GAMING:

Gamer kids develop the following skills earlier than their peer group-

- ***Social Skills*** - Children learn to interact online and on voice over internet calls.
- ***Better Listening*** - Hearing interactive game stories makes them better listeners.
- ***Motor Skills*** - Hand-eye coordination helps them develop motor skills.
- ***Problem solving ability*** – It develops with online puzzles and quizzes.
- ***Sharper memory*** – Ability to recognize and remember things quicker.

Source: Copyright © freepik.com

INSIGHTS FROM B2B CLIENTS

Source: Copyright © shutterstock.com

HOW HALLMARK BUSINESS SALES HELPS EASE YOUR BUSINESS SALE JOURNEY

Buying or selling a business can be complex as there are several aspects that require professional expertise. A little help from a professional business broker can help you save time and effort while allowing you to focus on other aspects of the business.

A suitable exit strategy forms the core of any business selling process. The level of effectiveness of this exit strategy governs the success of a business sale.

Source: © Ivzfoto | Megapixl.com

HALLMARK – THE NAME IN SELLING BUSINESSES

Hallmark Business Sales Pty Ltd is one of the earliest players in the Australian business brokerage space with more than 25 years of experience.

A professional business broker service provider, Hallmark believes that the correct way to build a business exit strategy is to plan for the future and begin maximising the value from the outset.

Source: Copyright © 2021 Kalkine Media

Keeping the numbers real

Most owners will maximise income and minimise expenses in their business. Some expenses will be discretionary depending on the requirements of the owner. For example, the owner may want to drive the top of the Mercedes where a Toyota would suit the business needs. Discretionary expenses are adjusted out of the Earnings Before Interest Tax & Depreciation in order to normalise earnings. There are a number of expenses that are normalised and other non-cash expenses are adjusted.

Buyers of businesses not only pay for the assets but also pay a goodwill factor for the profits that will be generated in the future.

When to begin planning the exit?

The day you purchase the business.

Of course, an exit strategy does not mean that a business has to be sold tomorrow. It simply means that you are planning for an eventual sale of the business, which may be many years down the line. This is because an exit strategy would require many things to be taken into account, including the owners' requirements for the future, the purchase of another business or retirement.

Irrespective of these objectives, you can start planning to sell your business right now and not leave everything to chance at any time in the future.

Bottom Line

Engaging with Hallmark Business Sales for selling a business will be a rewarding experience as the Company has over 25 years of experience. Business owners looking to sell their business can get more information and tips by contacting Hallmark **here**.

JAAIMS: AN ADVANCED AI-POWERED SOLUTION TO YOUR TRADING PROBLEMS

Source: © Forbritballanimate | Megapixl.com

An increasing number of millennials across the globe are getting their feet wet in the stock market. Moreover, trading in the stock market can prove to lucrative. This requires a disciplined approach as trading carries a lot of risks.

Moreover, the process of trading has evolved a lot over the years, with unmatched convenience for traders to enter and exit a trade and monitor their performance. This, however, might not help the traders to escape all the risks in the stock market, especially the risk associated with emotions while making trading decisions.

Besides this, a lot of work and time is required in analysing a single stock manually. However, technology can play a key role here.

AI IN STOCK TRADING

Artificial Intelligence (AI) is one of the most exciting areas of technology that has helped in advancing and adding value to various aspects of human life and businesses.

Jaaims is an automated online trading application that is powered by a sophisticated AI algorithm that analyses, forecasts, and makes calculated trades on behalf of the trader.

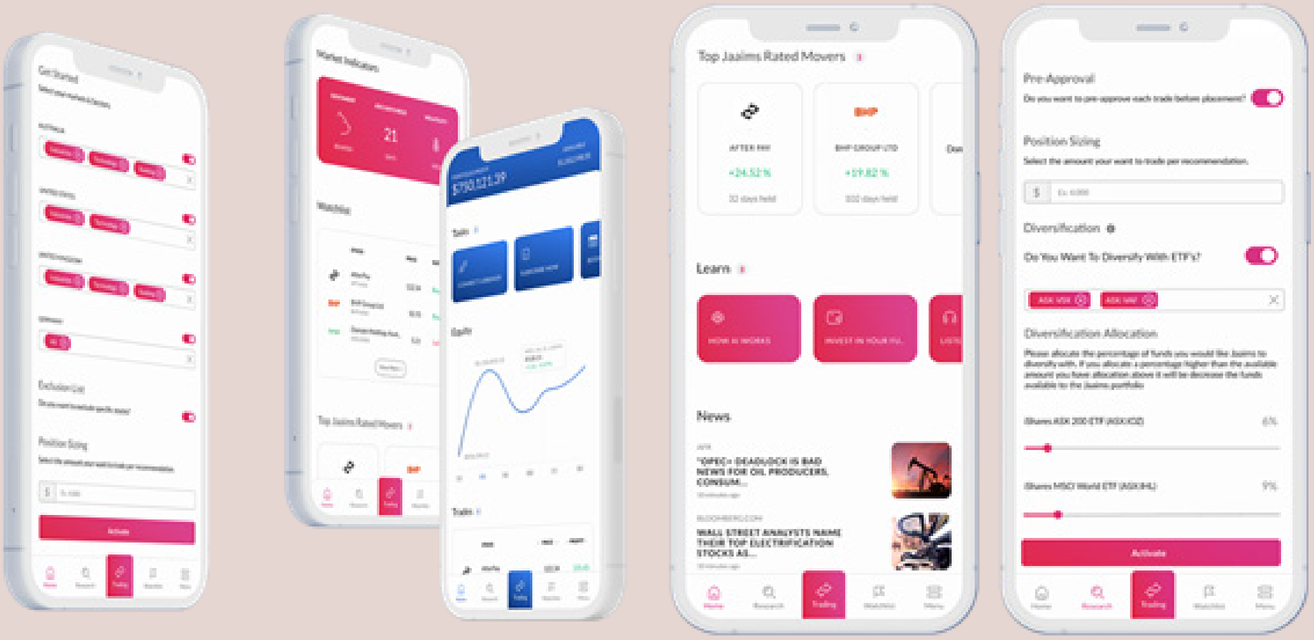
Jaaims is a first to market, fully automated trading application that allows its users to invest like a pro with speed, sophistication and control. Moreover, investors can leverage the capabilities of artificial intelligence and algorithmic technology through Jaaims.

The AI-enabled platform analyses a stock in only 73 seconds as compared to a human analyst, who might take weeks for the same task.

KEY FEATURES OF JAAIMS

Here are some of the key benefits offered by Jaaims.

1. Jaaims' AI adviser works 24/7 with no breaks and updates recommendations every 15 minutes.
2. 24/7 availability of AI technology keeps on scanning the internet and collecting the latest news and financial data for users.
3. Users get the ultimate control over their share portfolio according to their preferences, which can be set with just a few clicks.
4. When allowed, the app can automatically execute recommendations, eliminating the need to constantly watch markets while users have total control.
5. Users can access every stock analysed by Jaaims across share markets in Australia, the US, UK and Germany through Smart Portfolio with a Professional Subscription.
6. Actively managed market timing risk as funds are kept safely in cash if the AI doesn't see any opportunities. Cash is again deployed to work as soon as new opportunities are identified.



Source: Jaaims Website

Interestingly, subscriptions in Jaaims are a fixed fee, and users do not have to pay a percentage of their investment. Moreover, users also get to try the free version of Jaaims.

The sign-up process for Jaaims now takes seconds as users can use their mobile number as Jaaims ID to create and log in to their account, and the account is verified by Jaaims through an SMS.

Further, users can connect with a broker account immediately via the custom integrations of Jaaims with the largest brokers across the globe.

Undoubtedly, technology is playing a pivotal role in advancing ways of trading by automating the buying and selling decisions while allowing users to have complete control.

The Jaaims website gives a complete and concrete idea about the various functionalities of the application. Users can find useful information and even book a meeting to understand more about Jaaims, besides having a free trial.

WILL EARNINGS SEASON PUSH S&P 500 INDEX TO RECORD HIGH?

Wall Street stocks are on track to post gains for the month of October (as per the S&P 500's measure), thanks to strong corporate earnings that eased nerves about inflation. The Standard & Poor's 500 Index, which features 500 of the top US publicly traded companies, has emerged as one of the top-performing indexes among major economies, surging over 2.5% during the fortnight ended October 15, 2021. This was a sharp turnaround from a 4.8% loss in the previous month, which was the first monthly fall since January this year and was also the worst since the beginning of the pandemic (March 2020).

The S&P 500 hit a fresh 52-week high of 4,545.85 on September 2, 2021, while it touched its 52-week low of 3,233.94 on 30 October 2020.

US stocks have been mostly positive in recent times despite persistent concerns about rising inflation, rollback of economic stimulus by the Federal Reserve, looming fears about the debt ceiling, as well as the spread of the more contagious delta variant of COVID-19. The contagion risks from the potential default of Chinese developer Evergrande also unsettled investors in the US stock market.

ALL EYES ON CORPORATE EARNINGS AS US STOCKS LOOK FOR NEW TRIGGER

Better-than-expected quarterly earnings reports from major companies may give a further boost to the US stock market. The S&P 500 index delivered a 2% gain during the week ended October 15, which was the best weekly performance in nearly three months.

The market rally was driven by robust earnings reports by American investment banks - Goldman Sachs, Bank of America Corp, Wells Fargo & Co., and Citigroup Inc. The strong earnings by trucking giant J.B. Hunt Transport Services as well as aluminum producer Alcoa Corp also injected positivity in the market.

The September quarter earnings season picked up pace last week with several big banks and large US companies releasing their financial results. While the last week was dominated by banks, the coming weeks will see earnings reports from across the sectors.
As many as 80 S&P 500 companies including – Netflix, Tesla, Intel, Procter & Gamble, and American Express – are scheduled to announce financial results during the week ended October 22.

As per the Refinitiv data, the S&P 500 companies are expected to report a gain of 32%, based on actual and anticipated third-quarter results. The data showed that major banks, such as Citigroup, Goldman Sachs, and Bank of America, registered solid earnings in the September quarter, beating market expectations by 15.6%, compared to the long-term average of 4%. The reported earnings, however, were lesser than the last four quarters' average of 18.4%.
Energy companies are expected to be the biggest gainers, posting a whopping gain of 1,500% on record-high crude oil prices. The utilities sector is estimated to be the worst performer with just 0.2% gain in quarterly profits.

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MERRY OR SCARY? HOW WILL THE ECONOMICS OF CHRISTMAS SHAPE UP THIS YEAR?

With the much-awaited holiday season approaching nearer, market experts are contemplating how the economics of Christmas will take shape in 2021. Economists and stock market experts across the globe often wait for the Christmas cheer to spread across the markets, which results in a massive rally in equities and the overall economy.

Christmas celebrations are often accompanied by a subsequent bump-up in the GDP, backed by a record increase in consumer spending during the season. Consumers often shell out large chunks of their income to buy gifts for their loved ones and themselves. Additionally, many retailers sell out their products at a discount, giving additional incentive to consumers to flock to the markets. Australian consumers and retailers have mirrored this global trend over the years, paving the way for record spending and sales during the season.

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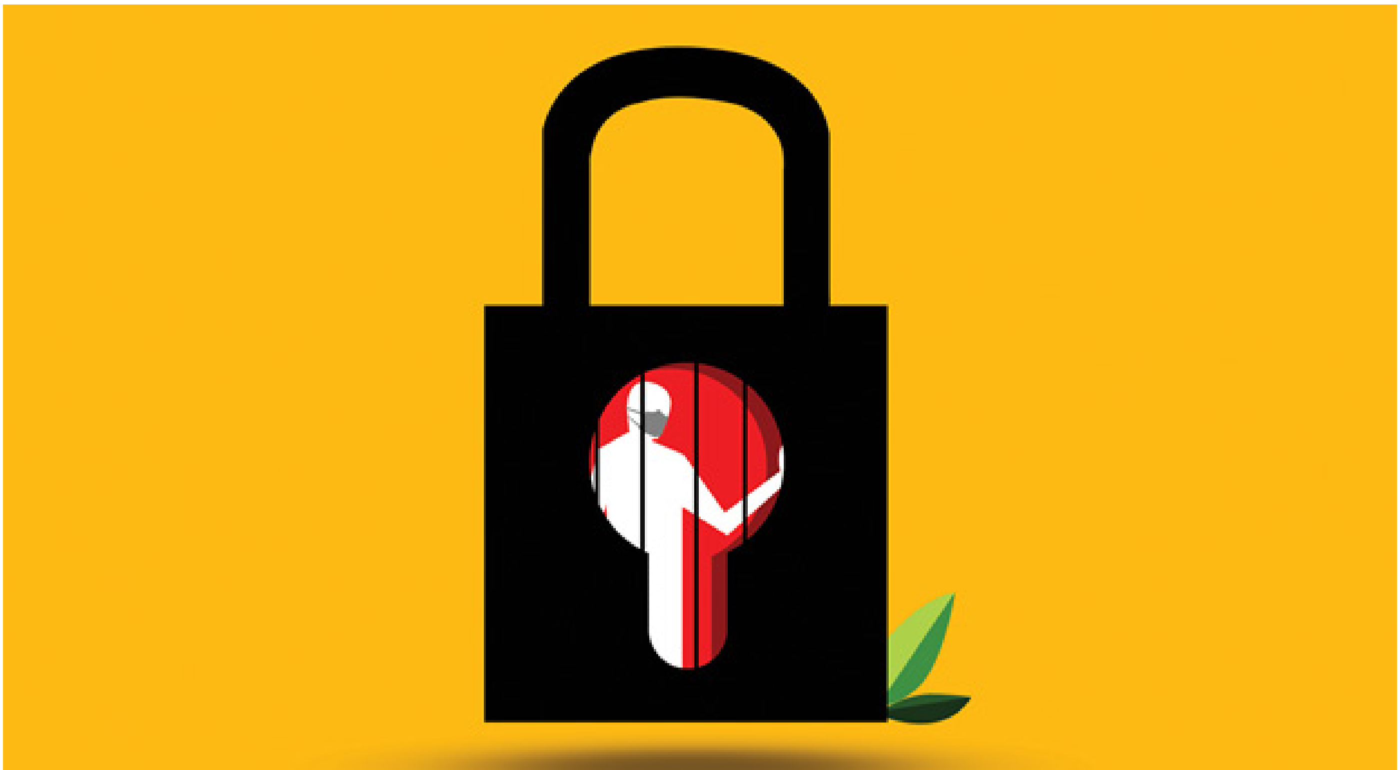
Even in 2020, when the COVID-19 pandemic shook the world, the month of December saw a significant increase in economic activity, much like any other year. While pandemic woes have not yet ended, high hopes of economic rebound are attached to the upcoming holiday season.

Generally, the increased economic activity from the holiday season seeps into the stock market as companies procure large revenues and consequently see their share prices shooting up. However, economic pundits predict that this year's supply constraints could hold back the equity market from reaching its usual highs.

GLOBAL SUPPLY CHAIN CONCERNS

Lockdowns across the world and closed international borders have been exerting pressure on the global supply chain in the virus crisis. Consequently, economic recovery has been slow and gradual, laden with hindrances, like the shortage of transportation drivers, unavailability of a global vaccine pass and changing mobility restrictions.

In the wake of supply chain concerns, Australia's international trade has been disrupted with China and other trading partners. Meanwhile, Australia's exports to China have taken a huge hit with the latter grappling with massive power outages as well as shocks to its real estate sector. Given the current situation, speculations of a goods shortage during Christmas have sprung up.



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However, things are expected to remain stable on the demand side as consumers' sentiment remains buoyant. This year's Christmas spending is expected to occur majorly through online retail spending, as seen throughout the pandemic. However, ongoing supply constraints would mean that consumers would have to be quick enough to acquire the goods they desire.

Given the volatile context under which global supply chains are currently operating, a price rise in the retail industry can be expected. Part of this phenomenon can be observed across the Australian meat industry, where prices have reached all-time highs due to pandemic restrictions.

All in all, the month of December is expected to provide further clarity on Australia's recovery path. Major developments, like the re-opening of international travel and talks of an FTA (free trade agreement) with India, are likely to pave the way for greater economic activity. However, experts predict that a supply shortage could interfere with the rising demand, consequently resulting in higher inflation.

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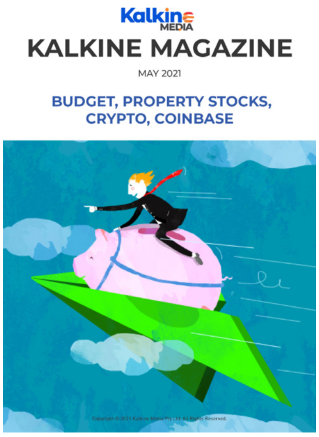

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