KALKINE MAGAZINE

JANUARY-FEBRUARY 2021

DECODING THE NEWS, TRENDS AND STOCKS THAT RULE THE MARKET

VACCINE UPDATE- CYCLICAL STOCKS- EMERGING MINING TRENDS- SPAC- IPOS

ABOUT KALKINE

Kalkine group is a renowned name consisting of entities, some of which are engaged in equity market research and some operate as investor relations and media house firms. Kalkine caters to the share markets of Australia, the UK, Canada, and New Zealand. The Company will soon spread its wings in the American share market and has also set its eyes on 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, email direct marketing campaigns (EDMs), videos and podcasts.

Periodic Investor 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.

TEAM KALKINE

Team Kalkine comprises of specialists including equity, currency, commodity, and economic analysts who provide in-depth and unbiased up-to date analysis. The team of analysts, sector-specific journalists and editors has 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.

KUNAL SAWHNEY

Founder & CEO

Kunal Sawhney is the Founder & CEO of 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.

Hina Chowdhary is Director, Equity Research at Kalkine Group with extensive experience in the area of Research and Equities Research. She has hands-on experience in developing industry breaking equity news, company specific investment themes/ ideas, and other equity research-related products.

KALKINE FOOTPRINT

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WHAT IS THE LATEST NEWS ABOUT COVID-19?

Exactly one year after the COVID-19 outbreak started its ambush, the world is witnessing a mass vaccination drive against the pandemic. Therefore, if 2020 was associated with the gloom, there will be optimism in 2021.

- Israel begins COVID-19 vaccination for all teachers and educational workers. In the first phase, vaccine will be administered to the teachers who work regularly during the country's ongoing full lockdown.
- Bharat Biotech International Limited aims to manufacture almost 700 million doses of its COVID-19 vaccine COVAXIN in 2021. The vaccine candidate received emergency use authorization from India's drugs regulator on 3 January 2020.
- On 31 December 2020, the World Health Organization (WHO) listed the Comirnaty COVID-19 mRNA vaccine for emergency use. With this development, Pfizer/BioNTech COVID-19 vaccine has become the first to obtain emergency validation from the WHO. The Emergency Use Listing (EUL) by the WHO opens the door for nations to accelerate their own regulatory approval processes to import and administer the vaccine.

Image Source: © freepik.com

Healthcare outlook 2021

Scientists and experts believe that the coronavirus is here to stay at least for the next couple of months and potentially for up to a few years. However, after the launch of COVID-19 vaccines, efforts are being made for their equal distribution. In 2021, more COVID-19 vaccines and treatment are to be launched as companies are moving progressively with the developments.

COVID-19 vaccine distribution

Right on the heels of the emergency use authorisations, companies began distributing doses of their COVID-19 vaccine. Now, it will be a monumental task for logistics partners to distribute the COVID-19 vaccines, and for healthcare workers, to administer shots to hundreds of millions of people, as the coronavirus continues to spread rapidly.

For the distribution of COVID-19 vaccine, states and localities have formulated their distribution plans. The governments in every country are focusing to provide vaccines first to the healthcare workers and long-term healthcare facility residents.

Besides, the WHO also emphasises the need for equitable global access to COVID-19 vaccines.

New COVID-19 treatments in 2021

The US Food and Drug Administration (FDA) has so far approved only one treatment for COVID-19, called remdesivir, which has shown to reduce recovery time in patients hospitalised with the illness.

Moreover, there is a lot of research and development going on for the COVID-19 treatment to determine if other antiviral drugs that stop the virus from replicating in the body could be more effective against COVID-19.

Image Source: © freepik.com

ARE CYCLICAL STOCKS GOING TO BE WINNERS IN 2021?

Cyclical Stocks are on the radar of many investors currently. An investor betting on economic recovery is likely to be overweight on cyclical stocks. With vaccines already being administered in some countries, policymakers' emphasis will now shift to boosting the recovery in economy.

An economic recovery crystallised with vaccines will also instigate earnings recovery in industries walloped by the pandemic. These industries include airlines, multiplexes, hotels, tourism, travel, commodity, adventure etc.

Initial green shoots of the early phase of the business cycles are visible as commodity demand is returning. As investment spending rises across countries, the need for industrial commodities will likely pick up.

The fiscal and monetary stimulus over the last year will likely show its impact in the near term. Economically sensitive sectors may do well in the near term; these include financials, real estate, consumer discretionary, industrials, information technology, and materials.

Image Source: © Kgtoh | Megapixl.com

The financial sector will likely benefit from the credit growth and recovery in bad loans. The pandemic's initial stage had caused banks to take a fatalistic view of the economy, leading to colossal loss loan provisions.

Image Source: © Hubenov | Megapixl.com

Diversified financials, including asset managers, brokers, insurers etc., may return to earnings growth as demand picks up and activity returns to normal. An expected rise in the global bond yields due to economic recovery, will also bode well for insurers and banks.

Real Estate sector specifically residential real estate, will benefit from low-interest rates. The impact of lower interest rates is visible in residential sectors of many countries. The outlook for commercial real estate, mainly shopping centres and offices, will be more apparent when the vaccine rollout gains momentum.
There have been quite concerns around the shopping centres and office, primarily due to the online shopping and remote working culture. Whether these changes are structural or not will be evident over the near term. Moreover, the outlook for commercial real estate remains uncertain.


Image Source: © Sasinparaksa | Megapixl.com

Consumer discretionary sector is a large sector and includes various industries, including automotive, consumer electronics, furniture and homewares, retailing. Consumer spending is the primary driver of this sector.

An economic recovery comes with rising employment and growing wages, which are the backbone of consumer spending. Increasing employment, rising wages, and lower interest rates provide a floor for consumer spending.

Image Source: © Imtmphoto | Megapixl.com

Industrials and materials are heavily linked with consumer, corporate and public spending. The stimulus provided by the governments will likely aid corporate capital expenditure over the near term. Simultaneously, governments have opened their purse, specifically in infrastructure spending to aid economic recovery.

Image Source: © Tupungat | Megapixl.com

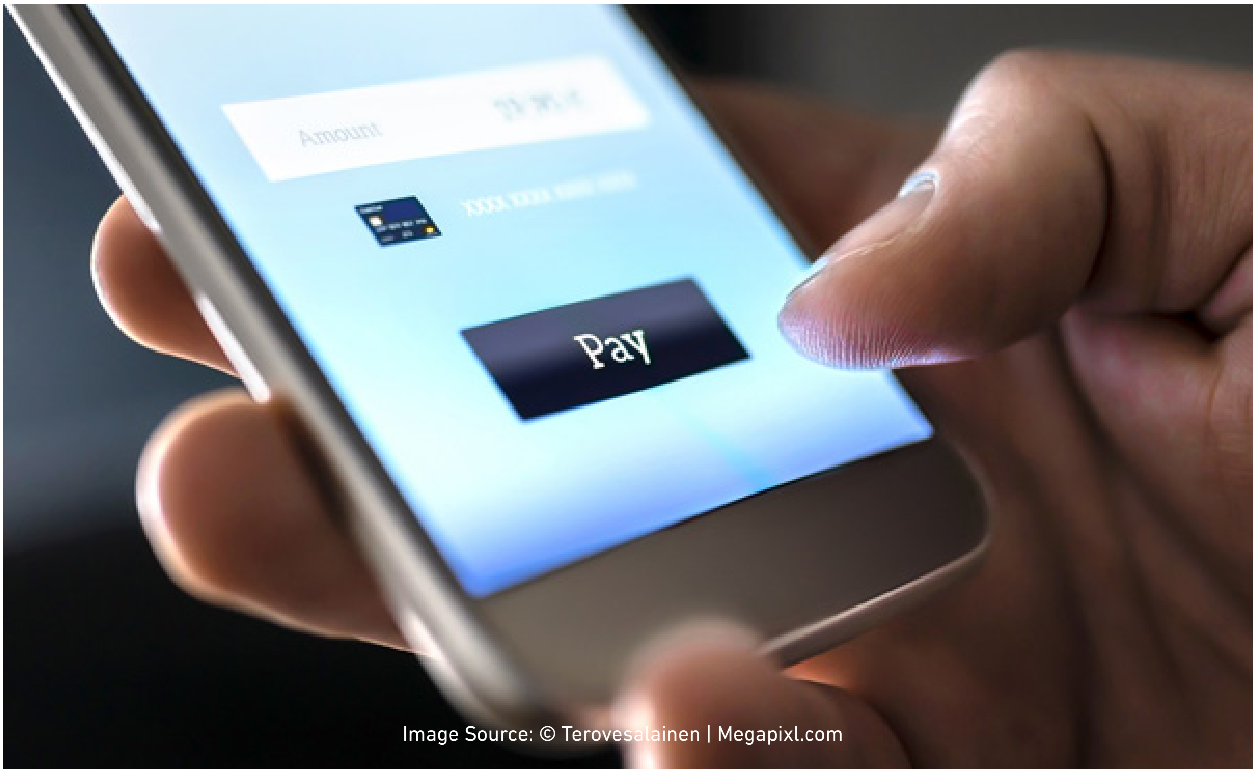


Image Source: © Terovesalainen | Megapixl.com

Information technology sector encompasses the businesses that have seen significant benefits from the pandemic. The sector is likely to depict resilience over the near term as spending would rise from corporates and consumers.

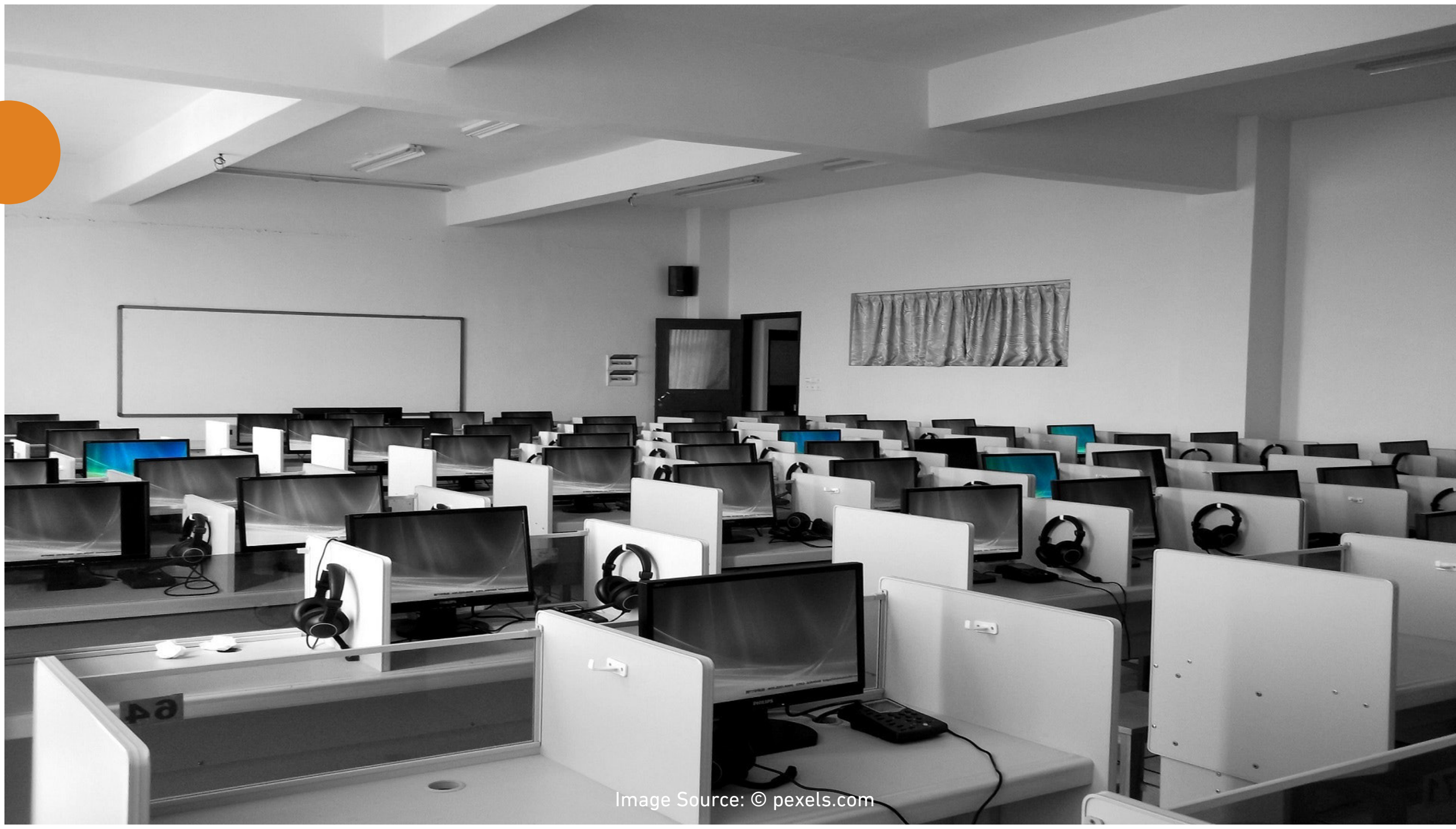


Image Source: © pexels.com

REDUCING CARBON FOOTPRINT AN INEVITABLE TASK FOR THE AUSTRALIAN MINING SECTOR?

Ever since the civilization began, the modern man has depended on mining activities to extract and utilise minerals directly, or to create value added products. The respectable antiquity of the mining industry dates back to over 2.6 million years, when man began searching for stones to make tools. Australia spearheads the modern mining industry and has efficiently produced minerals. The country still offers attractive investment opportunities for mining players and its stakeholders.

Image Source: © Serjedi | Megapixl.com

Australian mining industry

As confirmed by the Fraser Institute's survey 2020, almost all provinces of Australia lead the investment attractiveness and policy perception indices. Despite facing its fair share of challenges, including ore grade decline and commodity price fluctuations, the mining industry remains one of the promising industries of the future while it sits on the 'goldmine' of opportunities.

- As per the Australia resource and energy quarterly, the Australian resources industry accounted for 60% of the country's exports, earning $291 billion in 2019-20.
- The spectrum of the mining industry alone is the largest in the country and accounts for 10.4% of the economy.
- As per the Minerals Council of Australia, the mining industry employs (direct and indirect) roughly 1.1 million people, around 10% of the total Aussie workforce.
- The mining industry directly employs over 250,000 people.
- Australia is the largest producer of Iron ore, bauxite, and Lithium, and remains a leading producer of gold, silver, coal, zinc, manganese, copper, uranium, and zinc.
- Australia anticipates overtaking China as the world's largest gold producer in 2021.

Australia is already facing the dire impacts of global warming and, with increasing emission, the nation has been witnessing a rise in ocean temperatures by around 1 degree Celsius since 1910. The impact of the rise in the ocean temperatures could be seen in the falling rate of rainfall, increased frequency of extreme heat cases, severe droughts, increased events of extreme fire, etc.


Image Source: © shutterstock.com

The path to decarbonisation

As per the Great Barrier Reef Marine Park Authority, the climate change remains the most substantial threat to the Great Barrier Reef and coral reefs. As per the IPCC, a temperature spike of as little as 2-degree Celsius can imperil around 99 per cent of the formation.

Among many aspects that decide the quality of mining firm, one is the environmental responsibility shared by the miner.

Image Source: © Andyamamaryq | Megapixl.com

Investors to not bank on fossil fuels projects

Industry experts state that over 78 per cent institutional investors now consider ESG, among other things within their investment strategies, and over 51 per cent institutional investors have witnessed return enhancement by incorporating ESG in their investment strategies.

Image Source: © pexels.com

- In October 2020, ANZ Bank announced no involvement in the thermal coal projects through lending or any investment whatsoever from 2030. Earlier, ANZ Bank was the only one among the major 4 Australian banks, to have addressed investment proposals for thermal coal projects.

- Blackrock has backed off from investing in any coal project that has the potential to add to global warming.

- Investors have asked HSBC to stop lending to fossil fuel companies, especially those in the highly polluting coal sector. The investors will vote on the resolution during April's AGM. At least 75 per cent of investors should vote on the resolution to bring in a change in the company policy.

Image Source: © pexels.com

Image Source: © pexels.com

How are mining players cutting on emissions?

The global mining activities account for a substantial carbon footprint. Apart from the mining activities, the end usage of raw material produced by the mining companies, makes up a significant portion of the global greenhouse gas emission, which is known as the value chain emission or the Scope 3 emission.

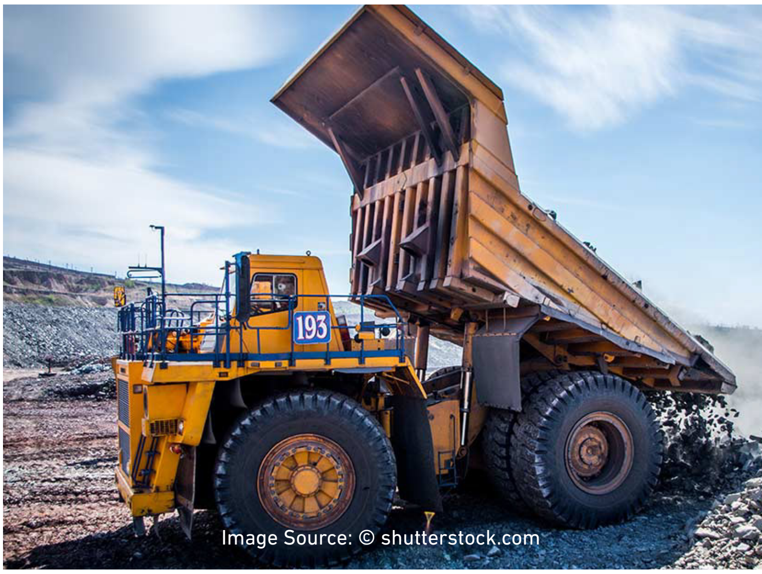


Image Source: © shutterstock.com

- Fortescue Metals Group Limited (ASX:FMG) announced an industry-leading-emissions-reduction goal to achieve net carbon neutrality or net-zero operational emissions by 2040. By 2030, FMG aims to limit its Scope 1 and Scope 2 emissions of existing operations by 26 per cent from 2020 levels.

- Glencore plans to reduce its carbon footprint by at least 30 per cent by the year 2035, without setting any targets or deadlines.

- Newcrest Mining Limited (ASX:NCM) has inked a 15-year renewable Power Purchase Agreement (PPA) for the Cadia mine. Newcrest anticipates that the current Power Purchase Agreement in conjunction with the forecast decarbonisation of NSW electricity generation would reduce GHG emissions by ~ 20 per cent.

INSIGHTS FROM SOME OF KALKINE'S B2B CLIENTS

Boab Metals Limited (ASX:BML)

Australian exploration and development company, Boab Metals Limited (ASX:BML), earlier known as Pacifico Minerals Limited (ASX:PMY), has been in the spotlight for exhibiting remarkable ability to advance exploration initiatives over the past few years.

Significantly, the Company's 75% owned Sorby Hills Lead-Silver project in East Kimberley region of Western Australia, remained at the heart of its exploration endeavours, as it looks to become a significant Lead-Silver producer by 2023.

Image Source: © shutterstock.com

What's in store for Boab Metals in 2021?

Boab Metals' Resource estimate at Sorby Hills witnessed an exponential growth curve while it achieved key milestones lately. The Company accomplished significant deliverables last year, carving out the road to progress for 2021:

- Released the compelling Pre-Feasibility Study which highlights strong project economics and a very short payback period.
- Advanced to the Due Diligence Phase (third stage) of the four-step debt funding assessment process undertaken by NAIF (Northern Australia Infrastructure Facility).
- A very significant Mineral Resource Upgrade at the Sorby Hills Project.
- Commenced a fully funded Definitive Feasibility Study is underway, with Boab Metals holding $14.9m of cash on hand. It has set the stage for further developments and project growth.

This brings us to the question, what is so exciting about the Sorby Hills Joint Venture that is accelerating the progress of Boab Metals undertakings? In view of this, the secret sauce of impressive developments at Sorby Hills deserves closer attention.

An extensive resource base

Australia's largest undeveloped, near-surface Lead-Silver-Zinc deposit known as Sorby Hills offers significant excavation potential by hosting 44.1Mt of 4.5% Pb. In 2020 Boab announced its maiden or reserve at Sorby Hills of 13.6Mt at 4.6% Lead equivalent, which is already adequate to support initial mine life for a decade.

Large shallow resources comprise mildly dipping Pb-Ag deposits and well-defined geology that together ensure smooth sailing of drilling programs.

Classification	Mt	Pb (%)	Pb (kt)	Ag (g/t)	Ag (Moz)
Proved	6.8	4.1	275	53.0	11.5
Probable	6.9	3.2	219	27.6	6.1
Total	**13.6**	**3.6**	**494**	**40.2**	**17.6**

Reported at cut-off of 1.5% Pb

Source: PMY ASX Update, 9 December 2020

Robust project infrastructure

Sorby Hills is jointly held by Boab Metals and Henan Yuguang Gold & Lead Co. Ltd, which is the largest Lead smelter and Silver producer of China. Its presence in the Tier 1 Mining Jurisdiction of Western Australia ensures low-risk operation to fast-track the development.

The project is located close to the existing infrastructural foundations such as Kununurra and Wyndham, with an opportunity to access grid power. This simultaneously unlocks a number of alternatives for the Company to conveniently advance the developments.

Impressive project economics

The low-risk nature of the project and its well-defined large-scale Mineral Resource is also accompanied by remarkable economics that appears to foster seamless project growth and early discussion with lenders.

Average Life of Mine EBITDA is $75 million annually, which would include **$127 million each year, over the initial two years of production.**

Value-Adding potential

The project holds opportunities in the foreseeable future to scale up and grow by adding significant value Mine Life upside by increasing resource size and confidence. The advanced opportunities continue to enhance the project, while the fully funded Definitive Feasibility Study (DFS) remains underway.

Imugene Limited (ASX:IMU)

From a market capitalisation of A$18.7 million in 2015 to ~A$474 million in 2020, cancer immunotherapies developer Imugene Limited (ASX:IMU) has surely come a long way. Over the last few years, the Company's share price has grown exponentially from a little under 2 cents in 2015 to about 11.5 cents at present.

So, what explains this remarkable success story? Imugene has observed a substantial change and growth in its deep product pipeline, backed by a highly experienced management team that holds significant clinical development expertise. Besides, the Company's field of cancer research – immunotherapy- that was earlier looked upon as the last resort therapy in the treatment of cancer, is now at the frontline.

To help transform and improve cancer treatment, Imugene is developing a range of novel immunotherapies that can activate the immune system of cancer patients to eradicate and treat tumours. The Company is actively progressing with the planned clinical trials of its B-cell immunotherapies – PD1-Vaxx and HER-Vaxx.

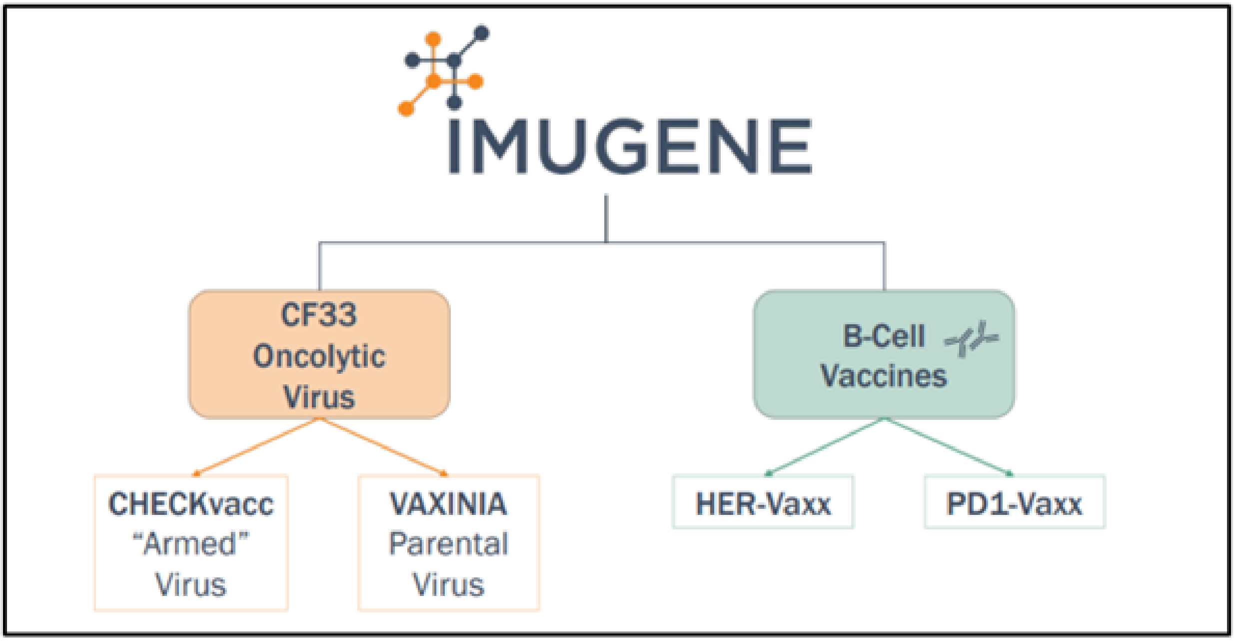


Image Source: IMU AGM Presentation (24 November 2020)

HER-Vaxx providing results well above expectations

Imugene is proceeding with the Phase 2 trial of HER-Vaxx to test the immune response, safety, and efficacy in gastric cancer patients with Her-2/Neu overexpressing metastatic gastric cancer.

The study is being undertaken at sites across India and Eastern Europe where patients and clinicians encounter problems in accessing existing treatments like Herceptin® - marketed by Roche Holding AG. Also, there is a greater prevalence of gastric cancer in many of the nations selected for the trial.

Notably, Imugene has completed the recruitment of patients under its ongoing HER-Vaxx Phase 2 clinical trial. Besides, the first and second IDMC (Independent Data Monitoring Committee) reviews of HER-Vaxx Phase 2 study have already been completed.

Lately, the Company has received promising interim data from its ongoing Phase 2 trial of HER-Vaxx, which has outclassed its wildest hopes.

The interim analysis demonstrated a statistically significant overall survival Hazard Ratio (HR) of 0.418 with a 1-sided p-value of 0.083 (80% 2-sided CI: 0.186, 0.942). Moreover, the median overall survival for patients obtaining HER-Vaxx plus chemotherapy was found to be 14.2 months, relative to 8.8 months in patients being treated with chemotherapy alone.

In a nutshell, the results confirmed that HER-Vaxx plus chemotherapy will always extend the patient's life longer than chemotherapy on its own.

High hopes from PD1-Vaxx

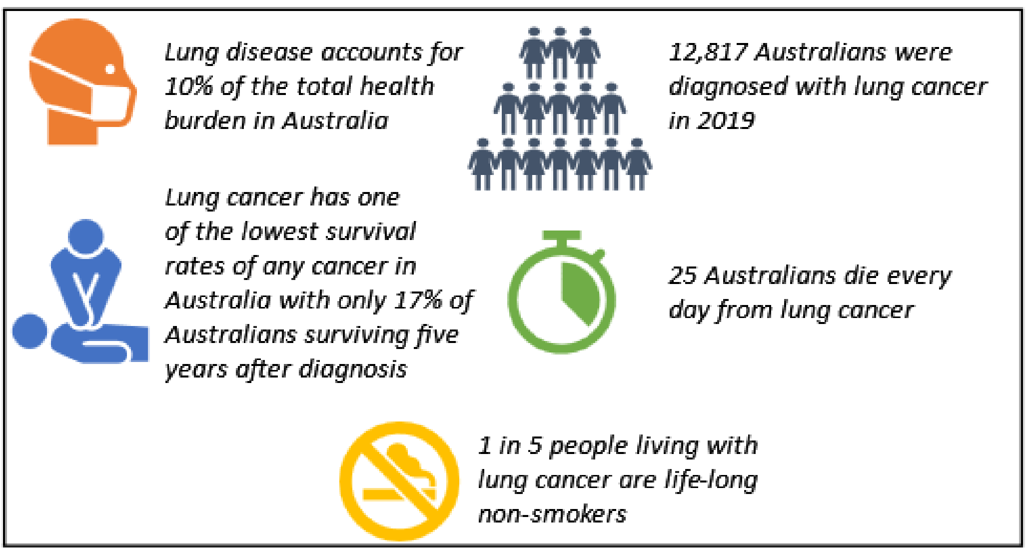
Imugene is also continuing with the Phase 1 dose escalation trial of PD1-Vaxx immunotherapy that has been designed to target lung cancer tumours. The Company has already completed enrolment of the first cohort, comprising three non-small cell lung cancer patients in Phase I clinical study of PD1-Vaxx.

Imugene has also obtained ethics approval from Independent Review Boards in the USA and the Human Research Ethics Committee in Australia to proceed with Phase 1 trials. Furthermore, the Company holds coveted US FDA IND (Investigational New Drug) approval to embark on Phase 1 trials of PD1-Vaxx.

With PD1-Vaxx, Imugene intends to bring new options and treatments for lung cancer, which accounts for a major health burden in Australia.

According to the Australian Lung Foundation, about 12,800 Australians get diagnosed with lung cancer disease each year in Australia. Unfortunately, this type of cancer has one of the lowest survival rates of any cancer in Australia, with just 17% of Aussies surviving 5 years after diagnosis.

Lung Cancer Statistics – Australia (2019)



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Imugene is tapping lucrative opportunities emerging in the lung cancer market via PD1-Vaxx that can produce an anticancer attack, similar to what Keytruda® and Opdivo® offer in the transformational treatment of a wide array of cancers. Meanwhile, with the development of HER-Vaxx, the Company intends to support medical professionals seeking treatments for advanced gastric cancer patients who have very few medical options.

In addition to HER-Vaxx and PD1-Vaxx, Imugene also plans to proceed with the clinical development of CF33 that has been developed in CHECKvacc and VAXinia constructs. The Company is on track to commence Phase 1 clinical trials of both these constructs, with CHECKvacc study based on triple negative breast cancer and VAXinia on advanced solid tumours.

IOUpay Limited (ASX:IOU)

Fintech and digital commerce software solutions provider IOUpay Limited (ASX:IOU) strives to emerge as a leader in the digital transaction processing space to cater to the sprawling cashless economies of South East Asia.

The business divisions of IOU comprise Mobile Banking, Digital Payments and Digital Services that serve the top 20 banks in Malaysia as well as large telcos and corporates across Malaysia and Indonesia.

It is to be noted that the fintech player currently processes more than 18 million transactions a month in Malaysia and Indonesia.

The Company has been working against the clock to develop new wrinkles in the process of enhancing its offerings. The enhancements are aimed at gaining an edge in the high growth and highly competitive fintech space.

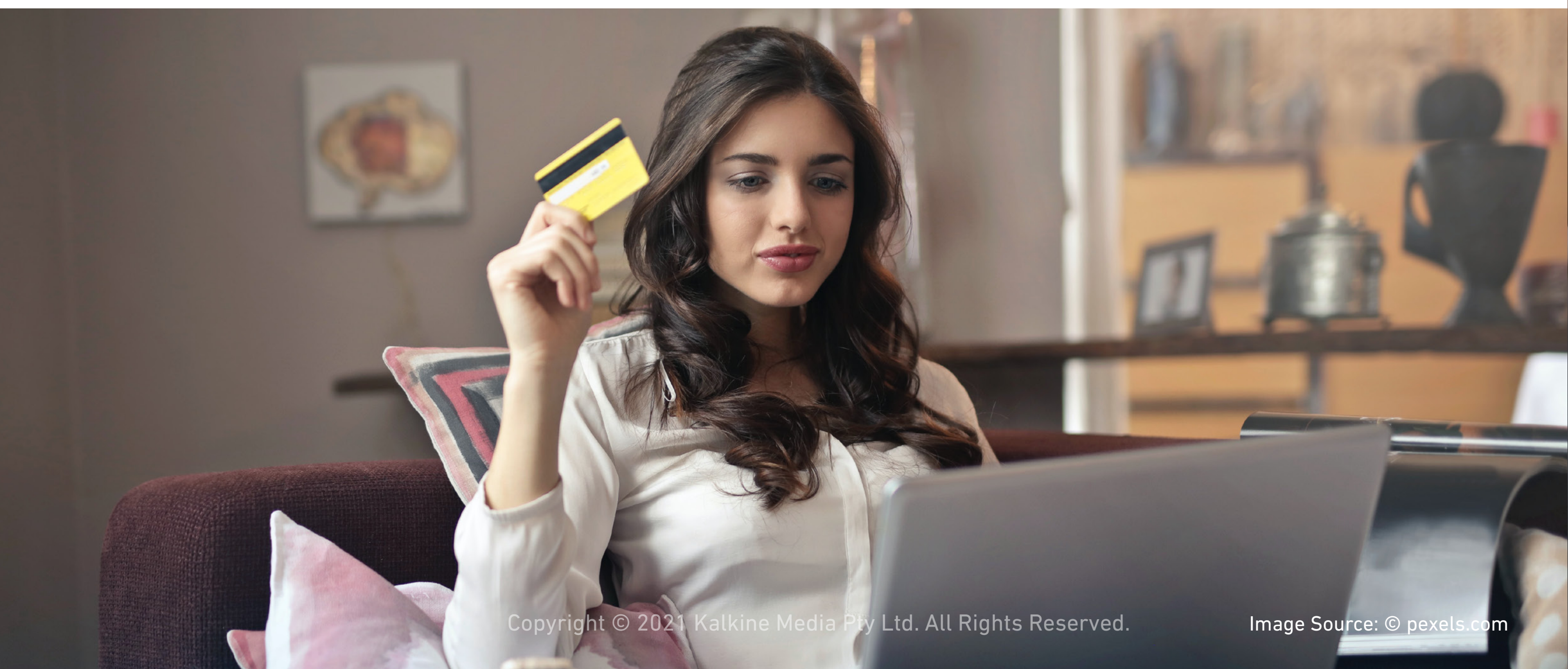

Image Source: © pexels.com

IOU bags multiple MSAs

IOU has recently secured Merchant Service Agreements (MSAs) with two payment gateway providers. Other than this, an MSA has been inked with a leading Malaysian bank in order to enable support for BNPL transactions of its customers through credit and debit card payments.

Furthermore, IOU has bagged agreements from five leading independent credit data service providers, concerning identity and financial information verification. This also marks the completion of preliminary build of its proprietary credit processing system.

Enhancements to the IOU pay platform

IOU is focused on expanding its flagship platform to position itself as a fully integrated financial service provider for big brand merchants and their customers in Malaysia and Indonesia.

Lately, the Company concluded various enhancements to the IOU Pay platform and architecture.

- IOU remained on schedule for the development and testing of core system functionality and interoperability of its BNPL transaction processing platform and service offering.
- The enhancements include essential as well as proprietary system access and security, user feature sets and interface.
- Improvements also covered the processing, administration, **compliance and reporting functionality.**

Image Source: © pexels.com

Better positioning through capital raise

The Company is well cashed-up to accelerate its endeavours towards achieving the numero uno status in the South East Asian digital payments sector.

In early November 2020, IOU successfully raised more than AUD 10 million via placement to sophisticated and institutional investors.

IOU looks to expand its existing as well as new product offerings through this capital raising, which ticked off another significant milestone in its roadmap.

IOU outlook

IOU looks to capitalise on the enormous opportunity that the South Asian market presents by way of increased digital purchase and payment volumes and values that are expected to grow further.

Moreover, COVID-19 movement restrictions have resulted in increased online bill payments and e-commerce volumes. Given this backdrop, IOU believes that this demand-driven market economics presents a favourable outlook for the digitally driven Company.

IOU strongly believes that it now has a clear roadmap and advanced commercial pipeline. Further the Company is suitably positioned to extend its Mobile Banking and Digital Payments businesses. This is backed by improved market positioning, additional funding, new product development opportunities and strong additions to the leadership team of IOU.

Image Source: © shutterstock.com

3 CHIEF EXECUTIVES WHO SHINED IN A GLOOMY 2020

The resistance and recovery period of the unprecedented COVID-19 pandemic taught us that change is simply something we must anticipate, tolerate, and accept. There have been a few outstanding winners, who not only dealt and coped with the unwanted changes brought in by the pandemic but continued to leverage from trends that have evolved from it.

1. Elon Musk- Always in pursuit of his larger purpose!

- Chief executive of Tesla & SpaceX
- Net worth of ~USD 186.6 billion (as of 28 Jan 2021)

Image Source: © Mikephotos | Megapixl.com

Perhaps the biggest names in the business world today, Musk's wealth has increased by more than USD 150 billion over the past 12 months. He is an expert in leading multiple companies under extreme pressure all at once - SpaceX, Tesla, Hyperloop, and SolarCity. Business experts opine that Musk operates differently than most other successful people today.

A vibrant personality, Musk always envisaged the future of all-electric cars, and today Tesla is pioneering the acceleration of the world's transition to sustainable energy with electric cars, solar and integrated renewable energy solutions. He is a staunch leader at SpaceX, which has been winning contracts for the lunar lander and environmental satellite launches.

On 7 January 2021, Musk surpassed Amazon Chief Executive Jeff Bezos as the world's wealthiest person.

His ingenious response- "How strange. Well, back to work."

2. Eric Yuan – Practises what he preaches!

- Chief executive of Zoom
- Net worth of ~USD 16.3 billion (as of 28 Jan 2021)

Image Source: © Danielconstante | Megapixl.com

As a college freshman, Yuan regularly envisioned Zoom. He finally emigrated in America from China in the 1990's because of the internet -- the wave of the future.

After working at WebEx and Cisco, Yuan finally launched the Zoom platform in 2012 -- the saviour of 2020's work-from-home as well as meet-and-greet culture. So much so, the majority of the Fortune 500 companies uses Zoom today.

In Q120, Zoom was downloaded ~ 80 million times, as per a few media reports. In Q220, it became the most downloaded App, with over 300 million downloads. And why not? It provided customers with a 3-in-1 package: H.D. video conferencing, mobility, and web meetings -- all at costs as low as USD 9.99. Impressively, most services have been free of cost unlike Zoom's competitors like Skype and Microsoft.

The videoconference software has taken the world by storm, giving rise to an immigrant billionaire. Zoom is the perfect fit in connecting everybody at a time when separation is so important.

3. Nick Molnar- Australia's youngest self-made billionaire!

- Chief executive of Afterpay
- Net worth of ~USD 2 billion (October 2020)

Image Source: © Arturszczybylo | Megapixl.com

The 30-year-old attained the title of Australia's youngest self-made billionaire after buy-now-pay-later fintech company Afterpay Limited triumphed in the pandemic. In FY20, Afterpay surged under a coronavirus-induced shift to e-commerce and growing demand for digital payments. This supercharged its stock price 1,300%, propelling Molnar's billionaire status.

Since its launch in 2014, Afterpay has grown into a global company, expanding into Canada, and surpassing 5 million active users in the US market, in 2020 alone.

Molnar started Afterpay along with Anthony Eisen to support Millennials who prefer to spend their money responsibly after having heard the stories of the 2008 financial crisis.

2020: THE YEAR OF SPAC BOOM

No doubt, the COVID-19 pandemic initially pushed the equity markets into a tight spot, freezing the world of investments. However, market participants were left stunned as stock markets transitioned from bearish to bullish hues in 2020. Interestingly, Special Purpose Acquisition Companies (SPACs) reaped the rewards of this spectacular shift.

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More and more companies dodged the traditional IPO process to get cheaper and faster access to public markets amidst COVID-19.

While the rage for SPACs has been evident among US-based companies over the last few years, the concept of blank-check company began to dawn on Australians since 2015. It happened when the Australian SPAC Arowana raised US$72 million in an IPO by offering 7.2 million units of shares at US$10 per share in May 2015.

Decoding SPACs

- While SPACs were first created decades ago, they did not gain much prominence among blue-chip investors until recently.

- Also known as 'blank-check companies', SPACs are created with the intention of merging with or acquiring a private entity to make it

- SPACs are generally established by a group of investors, termed as sponsors, who have a solid background in a specific business sector or industry.

- These sponsors raise funds from other investors to acquire an existing private company, taking it to public via an IPO.

- Importantly, an average SPAC needs to finalise an acquisition within two years of market debut. Otherwise, the SPAC is liquidated, and funds need to be returned to investors.

Advantages of SPACs over IPOs
• Involves streamlined disclosure requirements that save both money and time
• Target companies can negotiate the price of their stock with the SPAC sponsor
• Fewer people are involved in a SPAC – often just the sponsor and the target company
• Offers a swift route for young, fast-growing firms to hit the markets
• Provides better price transparency

Why are SPACs gaining popularity?

With more high-profile entrepreneurs, banks and blue-chip private equity companies forming SPACs now, owners of private entities are increasingly exhibiting interest in creating SPACs. The SPAC boom over the last few years has seen the involvement of major companies like Goldman Sachs, Churchill Capital Corp. and TPG Capital.

Moreover, SPACs offer key benefits over IPOs - like greater flexibility, easier access to capital and more market certainty- that seem to be driving the blank-check wave. Experts believe that less effectiveness of virtual roadshows amidst the COVID-19 pandemic has also made the SPAC route more appealing for companies planning to go public.

Two investors who made it big in 2020

Leading the 2020 SPACs wave, Social Capital Founder Chamath Palihapitiya launched five new SPACs during the year. Palihapitiya's first SPAC bought Virgin Galactic (NYSE:SPCE) in October 2019, while two of his SPACs struck deals with Opendoor (NASDAQ:OPEN) and Clover Health (NYSE:IPOC) in 2020.

Interestingly, finance start-up SoFi is set to go public in 2021 through a merger with Palihapitiya's SPAC - Social Capital Hedosophia Holdings Corp. V.

Besides Chamath Palihapitiya, **American hedge fund manager and investor Bill Ackman** also made headlines in 2020 by raising US$4 billion to launch the largest SPAC IPO to date - Pershing Square Tontine Holdings Ltd. Significantly, Ackman's Pershing Square fund earned a 70.2% return in 2020.

In a nutshell, 2020 saw an unmatched slew of SPAC mergers on Wall Street, and the trend is expected to continue in 2021. With SPAC becoming the new hot route to take companies public, investors now have more avenues to tap growing new age companies.

THE IPO LANDSCAPE IN 2021

Buoyed by the arrival of COVID-19 vaccines and the hope that the pandemic could soon be on its way out, investor enthusiasm soared towards the end of 2020. Joe Biden's resounding victory in the US elections and low-interest rates added to the optimism among investors.

As a new year of hope and optimism begins, market participants do not want to sit on the sidelines and miss out on new opportunities to embellish their investing portfolios.

The overall investing enthusiasm has helped drive up public valuations that made it cheaper to raise capital on the public market compared to the private one. Companies are likely to make a beeline and take advantage of a red-hot market.

In January 2021, Chimeric Therapeutics (ASX:CHM) listed on the ASX after being swamped by investor support. The IPO raised AUD 35 million, giving the Company a market capitalisation of AUD 66.1 million upon listing.

Image Source: © irekpiekarski.com

Here's a sneak peek at the hottest names that may stir the IPO market this year-

- Media reports suggest that Stripe, a tech company building economic infrastructure for the internet, seeks to raise funds via selling stakes, valuing it between USD 70 and USD 100 billion. Will this fast-rising fintech innovator deliver one of the biggest IPO in 2021? Time will tell!

- Robinhood Markets, the no-commission online broker could be another top IPO of 2021, valued at USD 20 billion or more. Notably, the Company may sell shares directly to its users. Will the IPO grab the attention of amateur retail investors, particularly millennials and Gen Z? This is the crowd which is so attracted to the Robinhood platform that the term "Robinhood investors" has become a common market jargon.

- San Jose-based Zoom Video Communications has also announced a new USD 1.5 billion secondary share sale, leveraging a share price that is now 10x its value in the platform's 2019 IPO. Notably, the total market for Zoom could exceed USD 47 billion by 2024, the Company states.

Upcoming IPOs on the ASX

Name	Ticker	Core business	Date	Issue Price
Bike Exchange Limited	BEX	Tech-driven online marketplace connecting consumers with retailers of bicycle products & accessories	9 Feb 2021	AUD 0.26
3D Metal Forge Limited	3MF	Additive manufacturing company	12 Feb 2021	AUD 0.20

THE MISSING BULLET HOLE STORY

If chasing the winners' trail was the only secret sauce of success, the world would have been packed with highflyers. Nevertheless, people continue to idolise the achievers while choosing to ignore the mistakes of those who never made it to the record books.

So why do we not bother estimating the odds of our actions to deliver a smashing hit? More often than not, we enjoy living in fool's paradise clouded by myopic vision of success stories.

The need to stay motivated is a human instinct, making growth-fuelling inspirations immune to downturns. However, this psychological protection mechanism can backfire, spawning 'Survivorship Bias' wherein people cherry-pick only the successful instances for consideration and overlook the futile ones.

Image Source: © Sculpies | Megapixl.com

Once upon a time during the world war

A similar case unfolded during World War II when the US fighter planes were succumbing to enemy's onslaught. So, the Navy analysed and highlighted the areas where the aircraft showed the maximum concentration of bullet holes.

They suggested a solution to add armour only on such sections of the survivor planes. It would not only best protect the aircraft but also ensure that a limited amount of armour is maintained for the planes to maintain balance.

Image Source: © Icholakov | Megapixl.com

Statistical Research Group was given the task to figure out the optimal balancing solution to add armour at each of the frequently impacted spots. However, while working on the problem, a Jewish Mathematician Abraham Wald identified a serious loophole in the data set. The Navy considered only those planes which had survived as it did not have other planes that were either lost at sea or in enemy territory.

Image Source: © Mehaniq | Megapixl.com

The flaw of judgement, today called as 'Survivorship Bias', obscured the identification of all those plane locations where the attack meant no survival. Wald thus technically identified such areas that were actually most vulnerable to hits from German air defence. So, the military heeded the suggestion of Wald and applied armour on areas defined through the technical work rather than cladding the most-hit areas.

And guess what? The plan hit the bull's eye, thereby increasing the survival rate of the planes. Thus, hundreds of aircraft members were saved.

The above-mentioned story could be relevant in different walks of life when the dazzle of successful events could overshadow the judgment. Be it composing a music hit to making a successful investment, we are so lost in the glitz and glamour of successful events that we fail to notice the warning signs held by its poor cousin.

Of course, those victories depict which checkboxes have to be ticked off, yet one must not forget that they highlight merely the tip of the iceberg. The focus should be to learn from the mistakes of others in order to avert falling into same traps.

However, it is not just the Achilles heel that contribute to the real-world failures but also many ignorant mistakes which could only be highlighted by accounts of underachievers.

Image Source: © Shutter2u | Megapixl.com

TWO TRADING STYLES THAT CALL FOR SERIOUS TRADER'S ATTENTION

Trend trading and mean reversion trading are probably the two most popular and widely adopted trading techniques. Both forms of style are being adopted by some of the best traders around the world. So which technique is the better one?

Well, no style is superior to other and each caters to different kinds of markets. So, it all boils down to identifying the right type of market first and then using the appropriate trading style to reap the maximum profit.

Let's have a brief look at both the trading styles with the pros and cons of each.

Trend Following

Trend following in its basic essence means following the market's direction; in short, going long when the market is rising and going short when it is falling. The trader tries to bet on the market's strength in each direction and follows the trend until it bends.

It is often believed that the market trends for only 1/3 of the time, therefore this trading style would only be effective in this period. This leads to a low accuracy and most of the time the trader gets whipsawed by the market when it is not trending.

Image Source: © Dakolix | Megapixl.com

However, the best part of the trend following is that one major trend can cover up the small losses incurred during many whipsawed trades. The risk to reward ratio (R:R) of this strategy can often be quite high as there are no predefined targets. This characteristic helps to overcome the low accuracy of this trend following style.

To put it simply, a trader with R:R of 1:5 with an accuracy as low as mere 20% would still **"NOT LOSE MONEY"**.

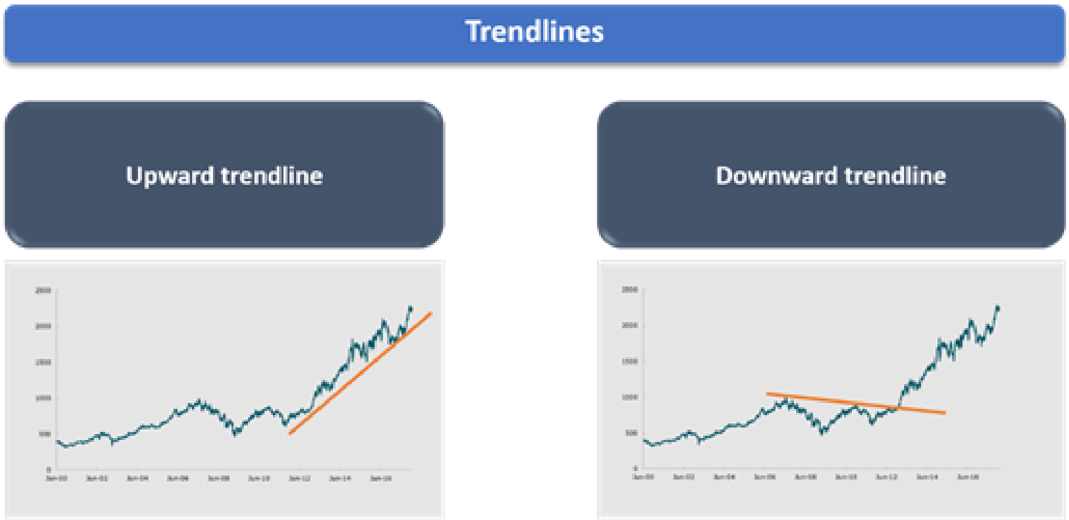
Tools and indicators for trend following strategy

One of the best tools available with a trader is trendline, which is used to anticipate a trend reversal and often gives an entry signal at the very early stage of a new trend.

A trader can also use some trend following indicators such as the classic moving average or Supertrend to ride the existing trend.

An indicator such as ADX can be looked upon to gauge the strength of the trend. Rising ADX shows strengthening of a trend and a falling ADX shows weakening of the trend.

The indicators can be used to anticipate a new trend, gauge its strength, and ride it till it bends.



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Mean reversion

In mean reversion trading, the trader tries to buy a falling market and sell the rising market (opposite to Trend Following). Most of the time, the market moves in a range and the price swings around its mean. Therefore, when the market deviates from its mean value, it is assumed that it will revert to its mean, giving the opportunity of a counter trade.

This technique's accuracy is relatively high compared to trend following because it is best suited for a non-trending market, which is the most common state of market movement.

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For ex. if a stock moves in a range of $10-$20, a trader can go long around $10 and sell around $20. He may keep doing this until the market breaks out of the range, after which it might catch a trend.

As it is a counter trading strategy, there are predefined targets (around the mean) to book profits and not sit for too long as the trend is against the trade. This quick and agile profit booking leads to very low reward, compared to the risk taken.

In other words, to be profitable with R:R of 1:1, a trader needs to maintain an accuracy of above 50%.

Tools and indicators available for a mean reversion strategy

For the Mean Reversion technique, one needs to gauge whether the market is too far from its mean. Here the concept of Overbought/Oversold kicks in which states that the market has risen/fallen too much within a specified period. Oscillators like RSI, CCI, Stochastics etc. can be looked upon which objectively define these extreme zones.

Another concept that is used for mean reversion is the Standard deviation. Bollinger Bands® is the most commonly used indicator for trading based on Standard deviation. Like a typical mean reversion technique, the trader tries to go long around the lower band and short around the upper band of the Bollinger bands® which essentially represents -2/+2 SD levels of a 20-day mean of the market.

Cautions to be maintained

It is to be noted that mean reversion trading does not work in a trending market. For instance, if the market is in a bull run, the oscillator might show overbought readings, but that shouldn't be taken as a sell signal. Similarly, oversold readings in a bear market shouldn't be taken as a signal to buy.

Also, there should be a trending market to reap the benefits of trend following, else in a non-trending market, many whipsaws would be encountered.

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