KALKINE MAGAZINE

APRIL 2021

ECONOMIC RECOVERY, FITNESS FOCUS, OIL & TECH STOCKS

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 providing in-depth 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.

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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NOTE FROM EDITORIAL COMMITTEE

‘Unprecedented’ is the word that we keep hearing every now and then during these trying times. We all are working towards keeping things normal uncertain of how the ‘new normal’ is going to be. Fear of the pandemic has subsided because we have been living with it for the past one year, but it has still not vanished. Vaccination programs across the world are gaining pace as we all fight towards snuffing out the existence of the virus completely.

Amidst all the progression, people’s muffled voices and half-hidden expressions through masks are saying we have had enough. The masses seem to have accepted the existence of a threat as that is not the only threat we are living with. Meanwhile, all of us are working towards reaching a point at which the virus can no longer find new hosts to infect, and the pandemic comes to an end. Till then, let us all be safe and cautious as we step out.

The April Issue of Kalkine Magazine is an attempt to touch upon the economic recovery as it is happening. Australian economy has marked an impressive V-shaped recovery with bright spots lighting up the economy. With prospects of further improvements in the Australian economic recovery, effective rollout of the vaccine is what the government is strenuously working on. The country’s earning season has also come to an end; so in this issue, we discuss the road ahead.

In the Coronavirus times, fitness has taken the centre stage in all households. From the White House to the house next door, health has become the top-most priority of all citizens. Owing to the new vigour, innovations in the fitness market are gaining pace. With COVID-19 vaccines on right track, fitness seems to be the new and handy vaccine, which all of us must work towards. In the issue, since it is also the World Health Day on April 7, we give you a glance of the kind of innovations that the fitness market is working on and how can you make the most of it.

From the client side, the April issue features Suda Pharmaceuticals – an emerging player in the oro-mucosal drug delivery space, along with Platina Resources Limited and Renegade Exploration Limited – both of which are mineral exploration and development companies.

Talking about the pandemic's impact on different sectors, the technology sector emerged as a winner during the crisis amid growing reliance on digital platforms. On the other hand, the oil industry crashed with a sharp fall in demand for crude oil amid disrupted travel plans and halted business operations. In the issue, the tale of two reverse trends during the spread of COVID-19 is a piece worth reading.

With the investment world considering Warren Buffet as their all-time messiah, we also acquaint you with one man whose psychological comprehensions of economic theory make him the next big messiah. Know more about him in an interesting piece gathered by the Kalkine Team.

The April Issue is bursting with content that would keep you abreast with all the latest developments during the pandemic recovery phase. Hope you enjoy reading it as we at Kalkine enjoyed developing it for you.

Do write to us at info@kalkinemedia.com for any comments, suggestions, or feature.

Happy Reading!

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1. V-SHAPED RECOVERY PAINTS A ROSY OUTLOOK FOR AUSTRALIAN ECONOMY

Weathering the COVID-19 pandemic better than its peers, the Australian economy has marked an impressive recovery from a once-in-a-generation recession. Thanks to the nation's early success in curbing the virus spread and timely fiscal plus monetary stimulus, the economy expanded at a better-than-expected pace in the December 2020 quarter.

The latest statistics from the Australian Bureau of Statistics (ABS) reveal that the economy grew by 3.1% in Q4 2020 as against market forecasts of a 2.5% surge. Considering the fall of 7% in Q2 2020 and the subsequent increases of 3.4% in Q3 and 3% in Q4, the economy is exhibiting a V-shaped recovery from the COVID-19 storm.

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Bright Spots Lighting Up the Economy

In addition to the GDP, the recently released ABS results on several other economic indicators are beating the drum for Australia's unprecedented revival from the virus crisis:

- In Q4 2020, property prices observed their strongest quarterly growth since the December 2019 quarter (3%), with all cities reporting a rise in residential property prices.
- The unemployment rate tumbled to 5.8% in February 2021 as improving sentiment from fiscal & monetary stimulus, combined with a vaccine rollout, accelerated the economic recovery.
- Preliminary retail turnover noted a Y-o-Y growth of 8.7% in February 2021 on pre-pandemic spending. However, sales fell by 1.1% on an M-o-M basis amid fresh lockdowns in Victoria & WA.
- The nation recorded the biggest ever trade surplus of AUD 10.1 billion in January 2021 amid a considerable growth in household spending.
- Australia's household wealth surged to a record high level of AUD 12,033.5 billion in December 2020 quarter, marking a rise of 4.3%. Household wealth hit the highest quarterly growth rate seen since the December 2009 quarter.

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Factors Driving the Economic Boom

There is no single weapon driving Australia's recovery from the coronavirus pandemic, but a multitude of factors, as summarised below:

- Central bank's unprecedented quantitative easing programme targeting longer-dated securities.
- Government's massive fiscal stimulus support of about AUD 251 billion since March 2020.
- Safe reopening of the economy after bringing COVID-19 cases down to a trickle.
- Low interest rate environment making borrowing cheaper.
- Record low mortgage rates inducing a surge in house prices.
- Optimism around the successful rollout of COVID-19 vaccine boosting consumer confidence.

Reserve Bank of Australia's Quantitative Easing Programme

The Reserve Bank of Australia (RBA) took the revolutionary decision to opt for the unconventional quantitative easing policy in March 2020 to prevent economic damage from COVID-19. The central bank is operating an AUD 200 billion quantitative easing program targeting longer-dated securities to help keep a lid on the Australian currency. RBA doubled the size of its daily bond purchases from AUD 2 billion to AUD 4 billion in early March 2021 following an exponential surge in bond yields. The central bank has further indicated that it may increase its overall quantitative easing programme if needed to keep government bond yields low and market interest rates under control.

What to Expect Ahead?

While the economic recovery is well underway in Australia, the Reserve Bank of Australia (RBA) does not anticipate an increase in an interest rate until at least 2024. This is because the wages are not growing fast enough to boost inflation, leaving considerable spare capacity in the labour market.

The Australian central bank is on the hunt for a much tighter labour market, which could accelerate the wage growth needed to achieve an inflation target of 2% to 3%. The better-than-expected fall in the unemployment rate during February indicated that the nation's economy is moving in the right direction.

The RBA has provided the following projections in the central scenario, where Australia does not witness further massive coronavirus outbreaks and the subsequent lockdowns:

- GDP is anticipated to grow by around 3.5% over both 2021 and 2022.
- The unemployment rate is likely to remain at around 6% and 5.5% at the end of 2021 and 2022, respectively.
- Inflation is expected to remain at 1.25% over 2021 and 1.5% over 2022.

Notably, the prospects for Australian economic recovery have improved considerably over the last few months amid substantial fiscal and monetary support from the policymakers. However, the nature and speed of the ensuing phase of the economic recovery seem to rely on the effective rollout of coronavirus vaccines.

2. AUSTRALIAN EARNINGS SEASON IS OVER, WHAT CAN WE EXPECT?

Corporate Australia finished its reporting earnings season in February. It has been surely one of the best reporting seasons in a long time. There were relatively lesser companies that disappointed investors during this reporting season.

Australia-listed firms were mainly benefitted from the government subsidies, which lowered the operating expenses for companies. Last year, ASX firms cancelled or deferred dividend payments after the February reporting season.

Later in the August reporting season, the dividend payments recovered but not as much as they had in February this year. In many cases, companies have also raised dividends, which reflects their stronger performance during the six-month period.

Going into the reporting season, investors also did not have much clarity on the possible outcomes because most of the companies had chosen not to give any forward guidance. As a result, companies have surprised investors on the upside.

Agility is the king

Agile companies have certainly performed well during the coronavirus pandemic-infected year. It is the agility that allows firms to rapidly adapt to the business environment. At the peak of initial lockdowns, companies knocked markets for capital as they rushed to shore up headroom to act decisively.

The state of cash flows of a business directly impacts its growing concern. Therefore, it was important for firms to have sufficient cash at a time when cash flows were impacted heavily due to lockdowns and seizure of the economic activity.

Consumer spending was robust

Government stimulus and policies have also ensured that consumers have money to spend. In the second half of 2020, the discretionary spending bounced back very strongly, and Australians splashed on consumer electronics, furniture, fittings, and hardware, etc.

The Reserve Bank policies and lower interest rates made sure that Aussie companies had access to low-cost funding, and households to lower interest rates on mortgages. The current state of housing markets, which have largely recouped the pandemic losses, reflects households that have lapped up dwellings.

Cyclicals in focus

Since 2021 is going to be the recovery year, investors are showing positive interest in cyclical stocks, which largely includes financials, consumer discretionary, industrials, materials, and information technology. These sectors are closely linked with economic activities, which are expected to recover in 2021.

Cyclical sectors also benefit from the rising spending by households, government, and privates. The government is also provided incentives for capital expenditure, which will drive investments from privates. Besides, the government is also keen to accelerate infrastructure spending. Industrial companies are announcing contracts wins, which basically reflects the investment cycle has begun.

What is next?

In the initial three months of 2021, we witnessed a significant rise in long-term bond yields. It also reflects that investors are pricing a better economic picture, which is driven by vaccinations and expectation of a rapid recovery.

While all the good things may be priced by investors, they should also consider any potential unexpected outcomes (tail risks). If the recovery does not turn out to be as expected, there remains a possibility of dislocation in markets.

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3. FITNESS IS THE NEW VACCINE FOR CORONAVIRUS

The Fitness Market worldwide finds new vigour during the pandemic and will continue to see growth in the next ten years.

We all are fighting a battle that the pandemic has induced upon us since last year. It is during these tough times that medical science has come to our rescue and cutting-edge ideas and innovations have taken birth. As it is rightly said that 'Prevention is better than cure', hence from government and healthcare giants to a common man – all are working towards healthcare innovations.

From predictive analytics, telehealth, business intelligence analytics, smart wearables to precision medicine – health has now become the topmost priority of all humans worldwide and hence a flurry of innovations happened in these areas in the past one year. Healthcare professionals saw the need of foresight and preparing for the worst during the COVID-19 spread. Therefore, innovative ways to predict the location and severity of the coronavirus became the priority worldwide. Hospitals created predictive analytic tools to forecast how and where COVID-19 will surge.

Healthcare systems across the US made investments in business intelligence analytics to understand patients and their needs and hence provide them with tailor-made services. Analytics in healthcare has worked wonders and created a great consumer and user experience as it also helps in follow-ups and patient identification trend analysis.

Telehealth is one area which emerged strongly and was a saviour during the lockdown phase. From urgent care, primary care, check-ups, medication, follow-ups to COVID-19 screenings - digital platforms like Zoom and Facetime became the lifeline.

With an emphasis on remote care, tools to deliver real-time insights of patients gained more traction. From smart wearables to biometric monitoring, innovations continue to see disruption in this area.

Amidst all these technological innovations, home fitness is one area that has taken the centre stage. As per the latest report by Global Market Insights, the fitness equipment market size was valued at USD 12 billion in 2019 and is anticipated to grow at 4% CAGR between 2020 and 2026. The global industry shipments are projected to exceed 14 million units by 2026. Rising awareness about health and well-being among consumers is driving the market growth.

The global home fitness equipment market size is poised to grow by USD 657.43 million during 2020-2024, progressing at a CAGR of over 3% throughout the forecast period, according to the latest report by Technavio on Global Home Fitness Equipment Market. With consumers understanding the importance of staying fit at home, this market is poised for a growth.

As per the report, the major home fitness equipment market growth came from offline distribution channel segment. North America was the largest home fitness equipment market in 2019, and the region will offer several growth opportunities to market vendors during the forecast period.

Key players in the home fitness market, such as Johnson Health Tech, Amer Sports, and NordicTrack, continued to perform well during the lockdown and beyond. Most companies made strategies to work smart during the pandemic and make the most of it by embracing digital and virtual fitness, combining fitness with high-technology products and biggest of all adapting to the changed market and consumer lifestyle.

The Johnson Health Tech brand, which includes Matrix, Horizon Fitness, Synca Wellness and Tempo Witness, is the key player in the home fitness market and a market leader. They are manufacturers of cardiovascular training equipment and home fitness machines and witnessed a surge in equipment sales during and after lockdown.

An American manufacturer of treadmills, strength training equipment, exercise bikes, incline trainers, and more – NodicTrack reported that sales were up 600% in May 2020. Two of the most popular stationary bicycles are NordicTrack and Peloton. The NordicTrack S22i is one of their most popular options which witnessed huge demand.

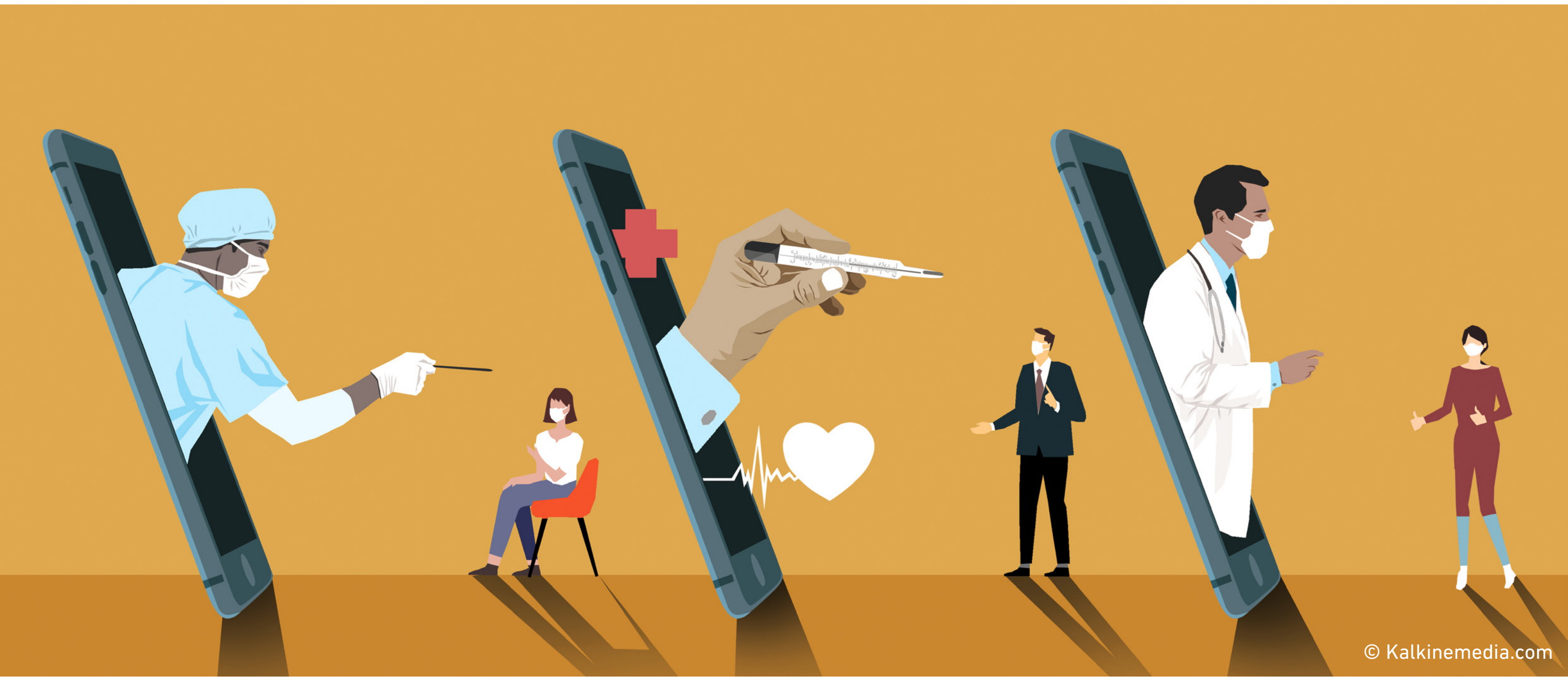
One of the world's largest commercial gym suppliers – Precor is a good example of a company that adapted as per the market need. The company is offering free online home workouts to its customers so that in the long-term, they can bounce back more efficiently.

On the other hand, Nautilus Inc that sells directly to the customers saw an 11% increase in its revenue in May 2020.

Another company that did smart adaptation is the active wear brand Lululemon, which brought an interactive home fitness brand Mirror to keep up with consumer demand during the pandemic.

Mobile fitness apps too had a massive part to play during these tough times. Apps like TrueCoach and Strava saw a huge demand and continue to see more sales and customers. Workout and nutrition app Tone & Sculpt also saw an 88% increase in growth in April 2020.

UK's clothing brand Gymshark became the new 1-billion-pound start-up and continues to see massive sales.



According to the "Physical Fitness Equipment - Global Market Trajectory & Analytics" report - the Physical Fitness Equipment market worldwide will grow by a projected 3.2 billion US dollar, during the analysis period that is 2020-2027, driven by a revised compounded annual growth rate (CAGR) of 3.7%. Cardiovascular Training, one of the segments analysed and sized in this study, is forecast to grow at over 4.1% and reach a market size of 8.2 billion US dollar by the end of 2027.

Therefore, healthcare innovations around data and population surveillance, testing, communications, therapeutics and vaccine development, and the supply chain will definitely see a boost in the coming years.

With cure for coronavirus just a vaccine away, fitness at home has become a way of life for many. Right from the US President to the couple next door, no one wants to give up virtual classes for the next few years. With masses accepting uncertainty as a way of life, personal hi-tech healthcare market along with its innovations is the future.

4. INSIGHTS FROM A FEW KALKINE CLIENTS

SUDA Pharmaceuticals Limited (ASX:SUD)

The ASX-listed drug development company SUDA Pharmaceuticals Limited (ASX:SUD) is striving to emerge as a leader in the oro-mucosal drug delivery space via its unique technology platform.

SUDA is focused on the reformulation of existing billion-dollar drugs into an oral spray using its unique OroMist® technology. Delivery of a drug through an oral spray results in faster absorption and improved onset of treatment than a tablet or capsule.

The Company is progressing with the commercialisation of ZolpiMist® and the development of anagrelide, which offer lucrative opportunities in insomnia and cancer markets, respectively.

ZolpiMist® to cater to global insomnia market

SUDA holds the rights to supply and market ZolpiMist® in all countries outside of North America, while Aytu Bioscience holds the rights to distribution in North America.

The Global Insomnia Market Research Report published by Market Research Future in March 2020 stated that North America accounts for 45 per cent of the global insomnia market. The global insomnia therapeutics market is estimated to be worth USD 4.093 billion in 2016, which is anticipated to grow beyond USD 5 billion by 2023. This signifies a large addressable market for ZolpiMist® over the coming years.

SUDA is also looking to secure a distribution partner in Australia following the grant of the Therapeutics Goods Administration's (TGA) approval in July 2020. Once a partner has been secured, SUDA can initiate production and sales in Australia, kicking off a revenue stream for the Company.

Furthermore, there is an opportunity for the Company to licence ZolpiMist® in other countries as well on securing distribution partners and regulatory approvals in several jurisdictions.

Targeting solid cancer market via anagrelide

SUDA has been working to develop an oral spray formulation for anagrelide, which when administered as a capsule is limited due to cardiovascular side-effects observed post administration.

The anagrelide reformulation is targeted to be used as an adjunct therapy for the treatment of solid cancers where patients also have high platelet levels. As per the World Health Organization, cancer is the second leading cause of death worldwide and was responsible for an estimated 10 million deaths in 2020. This offers a substantial market opportunity for anagrelide, which could be used in conjunction with immunotherapy treatments and chemotherapy drugs to treat solid cancers.

A recently completed canine pharmacokinetic study by SUDA indicated that an oral spray version of anagrelide could be more safely administered to cancer patients, potentially leading to fewer cardiovascular side effects.

Eyeing an Action-Packed 2021

- SUDA plans to secure new technologies in the future which align with its current focus areas (oncology and central nervous system) to expand its existing portfolio.
- The Company will continue working with its existing partners to help them with their regulatory submissions and commercialisation efforts for ZolpiMist®.
- The pharma company also plans to complete the pre-clinical toxicology studies before embarking on clinical trials for anagrelide.
- Additionally, SUDA intends to manage costs, maintain shareholder communications, and focus on investor confidence in 2021.

With a rejuvenated board and management team coupled with a strong capital position, SUDA seems well placed to generate shareholder value from its portfolio of assets in the future.

Platina Resources Limited (ASX:PGM)

2020 witnessed border closures and travel restrictions all around the world due to the global pandemic. However, when the business environment was fraught with massive uncertainty due to the prolonged crisis, the yellow metal proved again why it is called the safe heaven.

It is no secret that this precious metal was one of the best-performing assets of 2020. Gold prices skyrocketed amid the unprecedented situation, as a result, creating extremely favourable conditions for gold-related projects.

Amid the changing business environment, Platina Resources Limited (ASX:PGM) was quick to foresee the emerging trends and upcoming opportunities. Consequently, the company revised its strategy and decided to focus on gold assets in its homeland Australia.

Platina Resources is a mineral resources exploration and development company, engaged in managing an impressive portfolio of precious, specialty and base metal projects. The company is focused on creating shareholder wealth by unlocking value from its projects in the tier 1 mining jurisdictions of Australia.

Gold Projects in Proven Gold Province

Challa Gold Project -

PGM wholly acquired the Challa Gold Project in 2020, marking the company's entry into a top-class gold province.

The project sits 500km north-east of Perth, located in between the prolific gold-producing districts of Mt Magnet and Sandstone in Western Australia. Since the 19th century, Yilgarn Craton has been a prodigious gold producing province. Moreover, it is home to several successful mining operations.

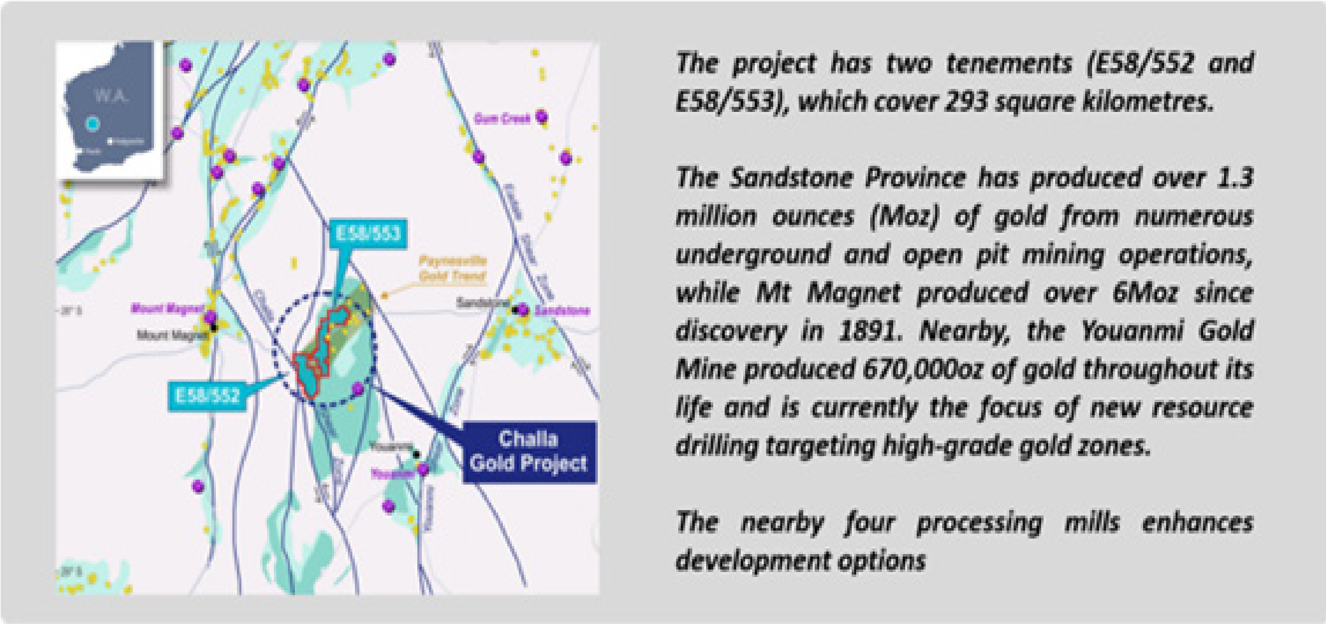


Image Source: Going for Gold, Platina Resources – Investor Presentation, Aug. 24, 2020.

Last year, the company conducted soil sampling at the project, indicating that future exploration activities would be more cost-effective than estimated earlier. The initial sampling also confirmed many highly prospective zones.

In January this year, Platina Resources unveiled its intention to perform follow-up soil sampling at the project.

The company is awaiting a go-ahead for its Plan of Works (POW) from the Western Australian Mines Department, post which it intends to employ air core drilling to identify gold anomalism.

The company plans to undertake diamond drilling (DD) or reverse circulation (RC) on deeper gold targets identified by soil sampling and future air core drilling.

Mt Narryer Project –

PSP Amid Promising Scandium Outlook

Platina Resources wholly owns the Platina Scandium Project (PSP) in NSW. Being one of the world's largest and top-grade scandium deposits, the project holds the potential to emerge as the country's first scandium metal producer with nickel and cobalt credits.

Just like gold, the price of this metal is also on the higher side, on the back of rapidly expanding EV market. Amid the renewed interest in the scandium industry, Platina Resources has strategically decided to unlock value from its speciality metals business.

A Definitive Feasibility Study (DFS) in late 2018 demonstrated the opportunity to build long-term and sustainable value for the shareholders from the project. The company has planned to update this study to understand the new opportunities and market trends.

At this stage, the company is seeking offtake agreements to enable funding options. Additionally, it is focused on finalising the required permits to begin construction.

Munni Munni Project -

Platina Resources also controls a 30% interest in the Munni Munni project, which hosts one of Australia's largest undeveloped palladium deposits with credits of platinum, gold, and rhodium.

Palladium and rhodium have also experienced significant boom in their prices, and the market conditions are expected to remain positive for further opportunities.

With strategic focus towards precious metals amid robust prices and an experienced leadership team, Platina Resources seems well positioned to unlock value from its portfolio of early-stage metal projects.

Renegade Exploration Limited (ASX:RNX)

Minerals exploration and development company Renegade Exploration Limited (ASX:RNX) has been following its strategy to pursue progress and development across its portfolio of projects.

Primarily, RNX aims to generate long-term value for its shareholders through emerging into a mid-tier resource company through identification, procurement, and advancement of mineral deposits.

The Company utilises modern and innovative approach to identify opportunities within the resource sector and employs prudent technical as well as economic assessment to make sure that all prospects are obtained on commercial terms that boost long-term value for the shareholders and the Company as a whole.

RNX delivers impressive returns

One of the key attractions of RXN has been the growth in its share price over the period that has gained significant attention from investors. The RNX stock has delivered 200% growth to its shareholders over the last year till 17 March 2021.

RNX has a market capitalisation of AUD 5.18 million and its growth over the year is supported by the key developments across its project portfolio.

Encouraging results at Yandal East Project

Lately, RNX had concluded a ground sampling program at its Yandal East Project that delivered positive Nickel values of up to 1,470 ppm in the Baxter-Andrews Prospect area.

The sampling program was conducted in January 2021 and the Company has now initiated a ground geophysical program on the above as well as Riches Prospects.

Presently, RNX is advancing discussions with drilling contractors regarding the maiden nickel drilling campaign for drilling the new targets identified at all the prospects.

Furthermore, RNX is highly optimistic about the sampling program that is helping in identifying thrilling targets for a future drill program.

Acquisition and sale of project interests

Further, RNX had inked a Letter of Intent with Scarfe Holdings Inc in October and later finalised a Sale and Purchase Agreement in November in relation to the sale of its Yukon Base Metal Project located in Canada.

RNX has received a payment worth AUD 250,000 upon completion of on documentation and signing while remaining amount of around AUD 1,400,000 is scheduled to be received over the period of three years till 30 November 2023, with a provision to pay the outstanding tranches at any time in advance.

In another key development, RNX has agreed to acquire the interest held by Sovereign Metals Limited in the Carpentaria Joint Venture Agreement (initially formed in 2001). The consideration to be paid by RNX to acquire the JV interest of Sovereign Metals, comprises AUD 100,000 paid on completion of the acquisition, AUD 100,000 to be paid on completion of one year, AUD 150,000 to be paid on completion of 2 years.

Near-term optimism

In the short-term, RNX aims to explore highly prospective targets to discover additional resources while having the opportunity to discover and procure fresh value accretive opportunities. Over the years, RNX has transformed into a lean and flexible organisation that has been undertaking exploration cost effective manner while quickly responding to fresh opportunities.

Moreover, RNX's approach of targeting less explored areas via contemporary techniques is backed by an extensively experienced team in the international resource industry. Moreover, the diverse knowledge and experience of the Board members shall help the Company to achieve its overall objectives.

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5. A TALE OF TWO REVERSE TRENDS: HOW COVID-19 IMPACTED OIL & TECH STOCKS

The black swan event of COVID-19 initially wreaked havoc on the global economy, stimulating losses worth trillions of dollars across businesses and increasing unemployment numbers worldwide.

With people confined to their homes during virus shutdowns, the demand for services requiring face-to-face interaction plummeted while demand for remote services expanded.

Consequently, the technology sector emerged as a winner during the virus crisis amid a growing reliance on digital platforms. On the other hand, the oil industry crashed with a sharp fall in demand for crude oil amid disrupted travel plans and halted business operations.

Notably, the green shoots emerging on the economic front this year seem to be turning the tide for these COVID-19 winners of 2020.

Bond Yields Weighing on Technology Sector

The ongoing rollout of coronavirus vaccines and the US President's massive USD 1.9 trillion stimulus package seem to be fuelling hopes of a better-than-expected economic recovery. The UN Conference on Trade and Development recently made an upward revision in the global economic growth forecast to 4.7% in 2021 from its earlier projection of 4.3%.

With growing optimism over economic growth, investors have been betting on a rise in inflation levels, causing a sharp rise in the Treasury yields over the recent months.

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The spiking bond yields have accelerated investors' rotation out of the technology stocks into cyclical and value stocks, which are poised to gain from the economic recovery. Tech stocks are specifically sensitive to increasing bond yields as their value leans heavily on future earnings that are discounted at greater length when bond returns shoot up.

While tech stocks have been exhibiting their vulnerability to 'rise in bond yields' and 'fears of mounting inflation and interest rates', the Central Banks in their March Meet have hinted at not expecting a surge in interest rate anytime soon.

Oil Industry Making a Comeback

The anticipations of a recovery in the global economy and rebounding oil demand have been inducing a rise in oil prices in 2021. Growing at a steady clip, the West Texas Intermediate (WTI) Crude Oil price soared by approximately 25 per cent this year by March.

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Oil prices have been following an upward trend for several months on the back of the supply constraints by Organization of the Petroleum Exporting Countries (OPEC) and its allies' decision to cut production and settle the oil market.

The Brent crude oil prices reached as high as USD 70 per barrel in early March 2021 on supply concerns after Saudi's Ras Tanura port was attacked by Yemen-based groups. The Saudi Aramco facility at Ras Tanura is crucial to petroleum exports.

Surging oil prices have ruled in favour of ASX-listed energy stocks like Oil Search Ltd (ASX: OSH), Woodside Petroleum (ASX: WPL) and Santos Ltd (ASX: STO).

Stocks	YTD Return*
Santos Limited (ASX: STO)	11%
Oil Search Limited (ASX: OSH)	9%
Woodside Petroleum (ASX: OSH)	4%

Copyright © 2021 Kalkine Media Pty Ltd. Data source: ASX pricing (*As on 30 Mar 2021)

Suez Canal disruptions also delivered a much-needed push to oil prices in March 2021. The oil prices rose after a large cargo ship wedged across Suez Canal, blocking the path of several other ships waiting to cross through on both sides.

Although the ship has been partly refloated, the potential delay in the return of operations in the Suez Canal to normal levels could further give a leg up to the oil prices.

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On the flip side, some market turbulence was casting dark shadows over the oil prices in late March, putting the recovery of fuel demand under pressure. Renewed lockdowns in Europe, signs of softening physical demand and the unravelling of long positions painted a bearish picture for the oil market.

Oil Price Outlook

While Suez Canal is just a temporary shipping issue for oil, fresh lockdowns could hamper the demand-supply equation for a relatively long period. Moreover, oil producers may cash in by boosting their output, pushing the oil prices down to some extent.

Despite some headwinds, the oil demand is expected to bounce over the long run on the back of stimulus packages, economic revival and easing pandemic measures.

The continuing wider vaccine rollout could further send the oil prices higher amid a strong reboot in demand for oil used in transportation. Besides, OPEC+ is likely to have an important say in the working of the oil super cycle. If OPEC+ rolls over their existing supply curbs into May in the upcoming meeting, oil prices may get a decent push over the coming days.

- The U.S. Energy Information Administration (EIA) anticipates crude oil prices to rise till April 2021 amid lower crude oil production from OPEC members and partner countries.
- The International Energy Agency expects the world's oil demand to exceed pre-coronavirus levels within the next two years, without clean energy moves.

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6. THE PARADOX OF TRADING: RANDOM OUTCOMES, CONSISTENT RESULT

Every successful and experienced trader knows this for a fact that the outcome of any trading methodology or a strategy in the financial markets is often times random in nature. This is generally viewed as a critical factor that leads to the failure of the masses.

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However, if a trader looks at the business model of a casino, he/she would find the environment quite familiar, with its dynamics being precisely similar to that of trading. A casino makes consistent profits time after time, relying solely on the random outcomes of the games it offers the customers to play.

So how come a series of random outcomes produces a consistent result for a casino but not for a trader in the financial markets? What traders fail to realise is that for the edge to playout they have to participate in a large number of trades.

To illustrate this, let's have a look at the game of blackjack. In blackjack, the casino has an approximately 4.5 per cent edge over the gamblers who come to play. This means the casino might lose in a few games, but over a number of say 1000 games, a casino would walk away with 4.5 cents on every dollar wagered on the game.

This 4.5 cents profit takes into consideration all the big winners and losers, and every small hand played in between. This statistical edge is present in every game that a casino offers and that is why the saying goes “The house always wins”.

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The successful traders have the same thinking, also known as "probabilistic thinking". Because they know the next outcome would be completely random in nature and would have no significance with respect to any past event, they don't place any extraordinary importance on any single trade. As a result, it becomes easier to focus on the next series of trades and not just the next trade.

To sum it up, a successful trader is "the house" while an unsuccessful trader is the "gambler".

7. MOVE OVER BUFFET, KAHNEMAN COULD BE YOUR NEW INVESTMENT MESSIAH

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The internet is awash with ample wisdom about the traits of a good investor or things you should do to become a good investor. There are countless stories about people making a fortune out of their investments in the stock market. But do they all have the secret sauce to be a good investor?

Around the year 2000, Warren Buffet did not invest in tech stocks saying that he felt that he did not understand the business so well and was not very clear on the future earnings of these companies.

Once you set out in search of strategies to become a good investor, you would come across so many biases, one of the biggest being 'to have a great IQ'. Other biases would compel you to acquire the vast knowledge pertaining to the technical know-how of the market.

On the other hand, many would simply follow the style of a successful investor like Warren Buffet to become a good investor without even knowing the difference in their investment objectives and mindset.

However, none of the above can guarantee that you will become a good investor. As said by Warren Buffet himself:

"The good news I can tell you is that to be a great investor you don't have to have a terrific IQ."

According to Warren Buffett, a person does not need a very high IQ in investing; rather if one has got an IQ of 160, then he/she should consider selling 30 points to someone else. Buffett emphasises on having the right temperament and the ability to detach yourself from the views of others or the opinions of others.

This means that an investor must hone the skills that may help him/her to rationally take decisions, and sometimes minor behavioural changes may yield great results rather than relying only on technical know-how. Human emotions and psychology play a vital role in making investment-related decisions and is believed to do wonders for potent investors.

Eminent psychologist Daniel Kahneman was awarded Nobel Memorial Prize for his revolutionary work in applying psychological comprehensions to economic theory, especially in the areas of judgment and decision-making under ambiguity.

Pioneering researcher and Nobel Prize winner Daniel Kahneman developed what is called the prospect theory, investigating evident irregularities and inconsistencies in human behaviour. His book - Thinking Fast and Slow (2011) addresses an important aspect, which is how humans make decisions.


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Kahneman provided amazing insights into how the human brain works and how people make decisions. He further shed light on why humans sometimes make errors in judgement and introduced the idea of 'system one' (thinking fast) and 'system two' (thinking slow) of the human mind.

System 1 involves the gut reaction, a way of thinking and making decisions that form first impressions and often compel us to jump to conclusions. System 2 is the critical thinking mode in which the decisions are made via reflection, problem-solving, and analysis.


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Often people spend more time engaged in System 1 and jump to the conclusions depending on a very less amount of information or focus on existing evidence and ignore intangible evidence. Moreover, people may make numerous prospective errors in judgment when they over-rely on thinking fast.

Overall, an investor may learn and consider all that is there to see on the surface, which may result in the formation of a quick judgment or impression because of cognitive ease. For an investor, jumping to conclusions with a limited set of information might not be a good thing to go with.

Therefore, it is not the technical knowledge or higher IQ that always helps an investor to make better decisions and become a good investor. Rather, significant emphasis needs to be placed on the behavioural side of decision-making.

In the light of the above, if you are aiming to rake in a fortune, Danial Kahneman could be your messiah.

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