G’day investors!

Welcome to Wilma Wealth Management , I'm White Green, your most trusted investment companion!

Today, in the statement from the RBA, it was noted that core inflation is slowing, the labour market is tighter than anticipated, and wage growth has exceeded sustainable levels. These positive signals have contributed to a continual rise in the Australian economy, indicating ongoing improvements.

The sharemarket, often seen as a barometer of the economy, tends to perform well when the economy does well. So, will the broader market continue its rebound trend? I will provide a simple analysis and explanation tonight.

The Chair of the Fed, Jerome Powell, has made it clear that the Fed will not increase rates further, meaning the momentum supporting a strong US dollar is weakening, and a cut in US interest rates is just a matter of time; thus, in the medium to long term, a weakening US dollar is inevitable.

Additionally, the world’s second-largest economy, China, has been negatively impacted by a real estate crisis, and its economic recovery has not been as optimistic as expected. However, China is vigorously developing new energy sources, and there has been a significant adjustment in the structure of the Chinese economy.

So, how do we seize the opportunities brought about by the adjustments in China’s economic structure and a weakening US dollar?

Tonight, we will delve into the impact of the Chinese real estate crisis on its current economic status and explore investment opportunities in the Australian market against the backdrop of a weakening US dollar through a special seminar. This will be the focus of our stock portfolio discussion this week. I hope that tonight’ s session will help you better understand these complex economic relationships and make informed investment decisions based on this knowledge.

Investors, are you all set for tonight?

As of 2024, China's share of Australian exports has dropped to 29.5%. This marks the first time since 2015 that China's proportion of Australian exports has fallen below 30%. Despite the decline, China remains the largest single export market for Australia among its trading partners. Aside from China, Australia's other major export markets include Japan, South Korea, India, and Taiwan, which have seen increases in their shares, indicating a trend towards trade diversification in other Asian markets. Although China's share has decreased, it remains one of Australia's most crucial trading partners. Tonight, we will explore and discuss the current state of the Chinese economy amidst its real estate crisis and the investment opportunities still present in our trade sectors with China.

In fact, China's real estate sector is currently facing significant challenges that have impacted the global economy, including Australian resource companies. This crisis began around 2020, driven by high developer debt, leading to construction project delays and a decline in property sales, deepening the crisis. Major developers like Evergrande defaulting due to heavy debts have exacerbated the situation. This has led to a reduction in demand for building materials, including Australian-supplied commodities like iron ore and copper.

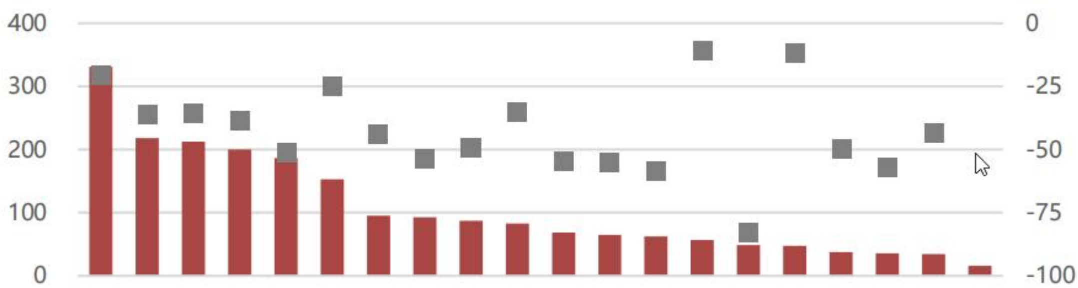
The real estate sector, a major contributor to China's GDP, has seen a downturn in investment and construction activities. As China is a primary market for Australian mining products, this slowdown directly impacts the demand for Australian goods. Analysts have noted that the negative trend in China's real estate construction is continuing, which could further suppress demand for Australian raw materials, thereby affecting the performance of Australian resource companies.

Additionally, various measures taken by the Chinese government to stabilise the real estate industry, such as lowering mortgage rates and down payment requirements, have yet to make a significant positive impact on the overall market. This ongoing crisis poses risks to global economic stability, particularly affecting countries like Australia that heavily rely on exporting raw materials to China.

This chart: Monthly sales volume of China's top 100 real estate developers (in billion RMB)

April 2024 China Real Estate Sales Data Commentary:
China's sales volume in April decreased by 12.9% month-on-month and fell 44.9% year-on-year, with transactions in key 30 cities dropping by 17% month-on-month. In April 2024, the Top 100 developers recorded a sales volume of 3121.7 billion RMB, which is a 44.9% decrease compared to April 2023, and a 27.5% decrease from April 2022; there was a 12.9% decrease compared to March 2024.

This chart: Total sales volume and year-over-year comparison for the top 20 real estate developers by market value in China.



April total sales in China (billion yuan)

Year-on-year (%), right axis

The Chinese real estate companies represented in the chart, from left to right, are: Poly Real Estate, China Overseas Land & Investment, China Resources Land, Vanke, China Merchants Shekou, Greentown China, CIFI Holdings, Binjiang Group, Longfor Properties, Yuexiu Property, China Railway Construction, China Jinmao, Gemdale Corporation, Poly Developments and Holdings, Country Garden, Greenland Group, Xincheng Holdings, Huafa Industrial Shares, Joy City Property, and China Railway Group.

From the above chart, we can observe that market supply and demand have slightly decreased month-on-month compared to March, and the sales thresholds for each tier have decreased year-on-year.

In April 2024, among the top 20 developers by full-calibre sales rankings in China, Poly Development, China Overseas Land & Investment, and China Resources Land ranked the top three with sales of 33.1 billion RMB, 21.8 billion RMB, and 21.27 billion RMB respectively; in terms of year-on-year monthly sales volume, all top 20 real estate developers showed negative growth. Seven developers experienced a year-on-year decline of over 50%, with Country Garden down by 83.02% and Gemdale Group by 58.43%.

Overall, the cumulative year-on-year trend in China’s real estate market is declining. As the potential for inventory depletion wanes, the absolute transaction volume in April was better than the average monthly volume in Q1. The year-on-year decline and cumulative year-on-year decline in first-tier cities were both around 40%, which was less than that in second and third-tier cities. In April 2024, Chengdu, China specifically announced that housing transactions city-wide would no longer require a review of purchasing qualifications, fully relaxing purchase restrictions and further optimising real estate market policies. However, the effect of these regulatory adjustments has not met expectations, with a sales rebound weaker than anticipated. In the short term, the Chinese real estate market is expected to continue its weak trend.

Although the Chinese real estate market is sluggish, the rise of new energy in China in recent years has been particularly strong. The 2024 government work report in China has mentioned the automotive industry several times, with a notable highlight being that in 2023, the production and sales of new energy vehicles in China accounted for more than 60% of the global share. In 2023, the sales of Chinese domestic brand passenger cars surpassed joint venture cars for the first time, and their export volume exceeded Japan, ranking first in the world. As an important pillar industry of China's national economy, the new energy vehicle industry has become a new hallmark of Chinese manufacturing.

In 2023, the penetration rate of new energy vehicles in China reached 31.55%, rising from 5% to over 30% in just four years. The China Passenger Car Association is relatively optimistic about the market growth prospects of new energy vehicles, expecting the penetration rate to reach 40% in 2024.

According to data from the International Energy Agency, the global sales share of electric vehicles in 2022 was 14%, with Europe at 21% and the USA at only 7.7%, with China far exceeding these countries (regions). As of the first three quarters of 2023, China's new energy vehicle penetration rate was the highest among the top 10 global economies (other economies lacking fourth quarter data), and its production and sales volume has been the world's first for nine consecutive years.

In our previous lesson, we rarely discussed the resources sector, mainly because resource giants like BHP and Rio Tinto have shown modest performance recently, not offering exciting investment opportunities. However, with the rapid development of the new energy vehicle industry in China, I believe it is time to adjust our perspective. Despite resistance from Western countries towards China's new energy vehicle industry, it has become one of the bright spots in Chinese manufacturing, indicating a trend towards industrial upgrading.

Especially now, with the Chinese real estate market showing signs of weakness, new energy vehicles have become a new engine for economic development. The Chinese government's support for investment and research in new energy vehicles remains strong, aiming to maintain its global leadership in the market. Consequently, the demand for power batteries—the core component of new energy vehicles, where the cost of the power battery accounts for about 40% of the total vehicle cost—is expected to continue growing. Currently, lithium iron phosphate (LFP) batteries dominate the installation volume in China, accounting for 67.23% of the total new energy vehicle battery installations in 2023, which is double the figure from 2019.

According to forecasts by the China Association of Automobile Manufacturers, by 2024, the production and sales volume of new energy vehicles in China is expected to reach 11.5 million units, an increase of about 20%. This forecast is based on a comprehensive analysis from industry enterprises and research institutions. Although further verification is needed, overall, this represents a credible market expectation.

Therefore, I believe that in the resources sector, particularly in segments related to new energy vehicles such as the lithium battery material supply chain, there are areas that deserve our close attention and in-depth study.

Amidst the global surge in demand for new energy vehicles, the need for lithium resources has increasingly grown. Against this backdrop, two Australian companies stand out due to their close cooperation with China:

Firstly, Pilbara Minerals, Australia's largest listed lithium mining company, which is a leader in the development and production of hard rock lithium mines. Its flagship project, Pilgangoora, is located in some of the world's most significant lithium belts. It boasts two processing plants primarily producing spodumene concentrate and tantalum concentrate. This project is not only massive in scale but also of strategic significance.

Secondly, Mineral Resources, a key company in Western Australia that operates both iron ore and hard rock lithium mines. This company collaborates with global lithium industry giant Albemarle to jointly manage the Mount Marion and Wodgina lithium projects. These projects form the core of its lithium business and play a crucial role in meeting the global lithium demand, particularly for the Chinese market.

PLS and MIN are significant global players in lithium resource development, maintaining close cooperative relationships with the world's leading lithium chemical manufacturers and lithium raw material processing companies. Specifically in the Chinese market, the main partners for these companies include:

Sichuan Yahua Industrial Group: As a renowned lithium chemical manufacturer in China, Sichuan Yahua has signed a crucial spodumene supply agreement with PLS, ensuring a stable supply of raw materials.

Ganfeng Lithium Group: Not only is Ganfeng Lithium one of the world's largest producers of lithium chemicals, but it is also a long-term partner of PLS. This partnership includes annual supplies of spodumene, supporting Ganfeng’s leading position in the global lithium market.

Chengxin Lithium Group: Also a giant in lithium chemical manufacturing in China, Chengxin Lithium maintains a robust supply chain cooperation with PLS, ensuring a steady supply of raw materials for its production lines.

With the rapid development of China's new energy vehicle market, the demand for lithium resources is increasingly growing. This trend not only provides significant growth potential for PLS and MIN in the lithium market but also brings unprecedented development opportunities for these companies. Therefore, strengthening cooperation with Chinese lithium chemical manufacturers not only solidifies their market position but also expands their influence within the global lithium supply chain.

During today's trading session, I communicated through my assistant a sell recommendation for AGL shares. The reason for selling is not due to AGL's poor performance, but because I've identified another stock with greater growth potential, expected to deliver returns of over 30% within two months. This presents a good opportunity to optimize our investment portfolio and enhance capital efficiency. I hope everyone can appreciate the importance of this strategic adjustment.

Additionally, I've previously discussed with you the strategies institutions use to accumulate shares, one of which is by releasing news that impacts stock prices. This is not limited to the accumulation phase but also applies during the main upward trend, where institutions use positive news to drive stock price increases. As seen with AGL today, its price rise was mainly driven by improvements in the company's fundamentals, which parallels the way institutions use news to influence stock prices. Through such cases, we can gain a deeper understanding of market dynamics, supporting our investment decisions.

Why do the stocks I recommend often make money? It's because I possess a broader global investment perspective and a more comprehensive knowledge system, allowing for deeper insights into the investment market. Therefore, if you wish to succeed in investing, you need to continually learn and enrich your knowledge. Of course, while learning, I recommend that you pay attention to and buy small amounts of the stocks I suggest. This way, we can not only accumulate valuable knowledge but also gain actual financial benefits during the process.

In tomorrow night's lesson, I will focus on sharing stocks that our research team, after thorough field research, believes have the potential to grow by more than 30% in the next two months. This will be a learning and investment opportunity not to be missed. Friends, are you looking forward to it? I reckon that next Thursday or Friday, the S&P/ASX 200 index will undergo a technical correction, at which point we'll have the chance to buy in at a more reasonable price. Thus, with this 30% potential for appreciation, next Thursday or Friday looks like a cracking good buying opportunity.

That concludes tonight's discussion. Thank you all for your active participation.

Have a good night! investors！