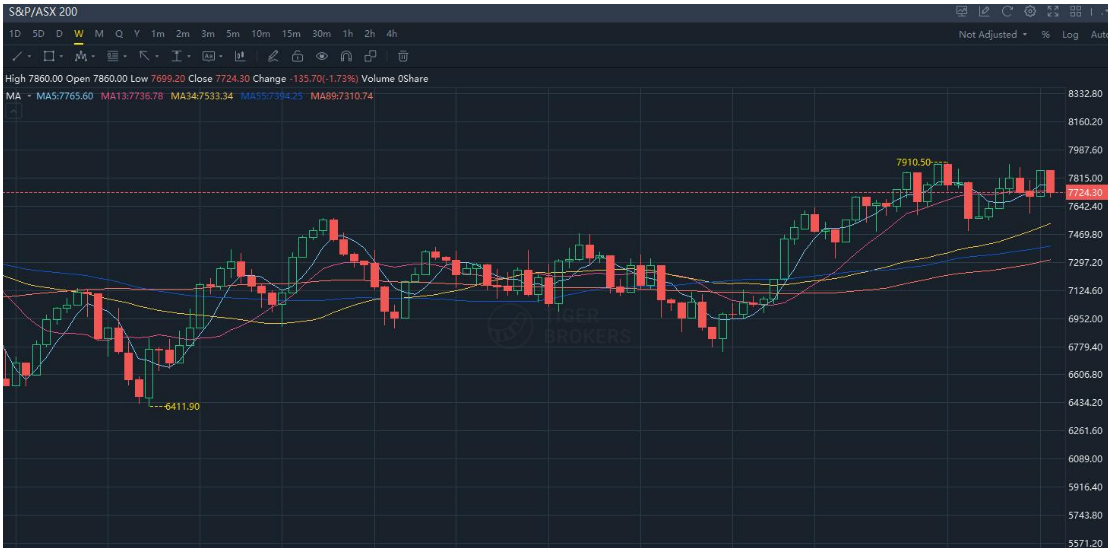
G’ day investors!
Welcome to Wilma Wealth Management, I am White Green, your most trusted investment companion!

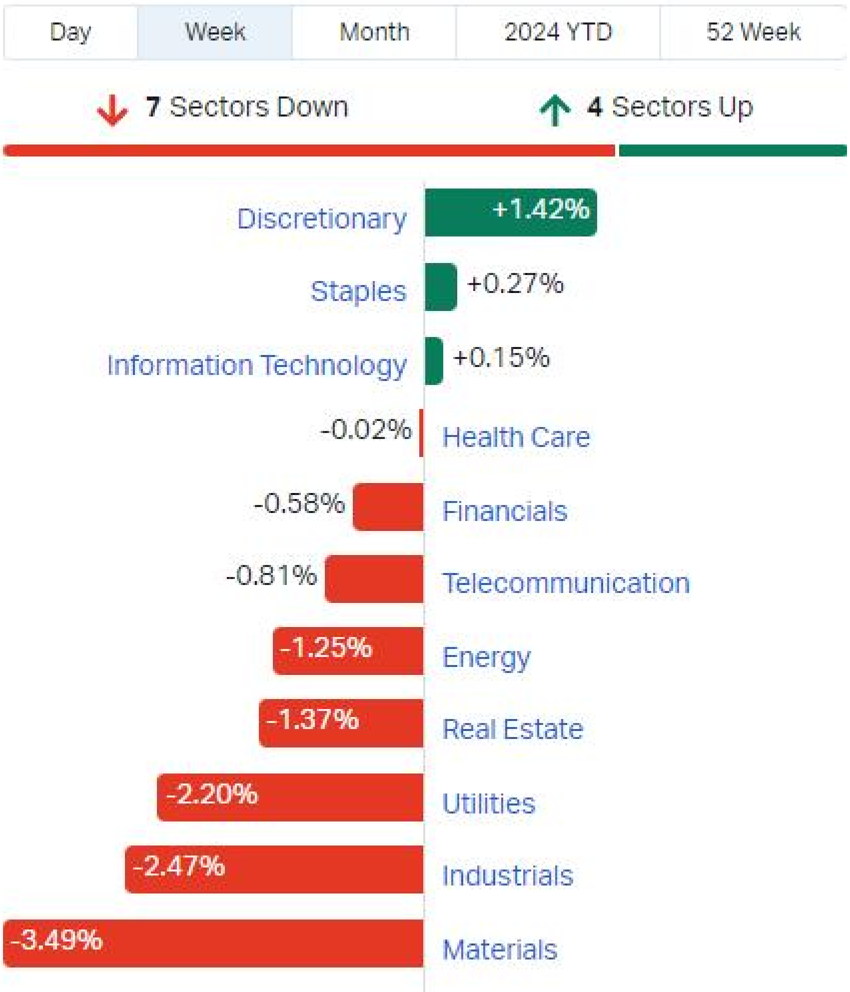
In tonight's session, here is an overview of the content:
1: Summary of this week's market review
2: How to identify market risks and understand your own risk profile
3: Analysis of significant changes in today's IEL/PLS market

In today's trading, the three major indices of the ASX all exhibited a weak and fluctuating downward trend. In the early session, the indices declined due to the continued weakness in the resources sector and adjustments in the financial and real estate sectors. Although a minor rebound in the healthcare and real estate sectors in the afternoon brought a brief recovery to the market, the overall bearish market sentiment prevented these gains from being sustained, resulting in the three major indices remaining at lower levels and experiencing narrow fluctuations throughout the day.

From the overall performance of today's market, it is evident that market activity was low, and the profit-making effect was poor. Among the 11 major industry sectors, the healthcare sector led with a 0.21% increase, showing some resistance to decline. Following this, the consumer discretionary and real estate sectors also showed slight gains. In contrast, the industrials, telecommunications, and information technology sectors recorded the largest declines, highlighting the market's divergent trend.



This week, the XJO Index fell by 135 points, a decline of 1.73%. With the market closed on Monday, Tuesday saw active trading in response to last Friday's U.S. non-farm payroll data, which led to market adjustments. On Wednesday, the market continued the downward trend from Tuesday, with the index seeking lower support levels. On Thursday, although U.S. CPI data and Australia's seasonally adjusted employment changes for May provided some uplift to global sharemarkets, resulting in a brief rebound, the market's upward movement was not sustained due to weak buying interest and adjustments in heavyweight sectors. Today, the three major indices showed narrow-range downward fluctuations, driven by the weakness in heavyweight sectors.



Have you noticed that since May, the market's profit-making effect has significantly weakened? Although the index rose by 2% overall last week, many investors' accounts did not show corresponding gains. This is mainly because the market's rise was driven by major banks and leading real estate stocks, while other industry sectors generally experienced adjustments. This has led to a phenomenon where the index gains, but investors do not see actual profits.

This week's situation is equally unpromising. Except for the consumer discretionary sector, which saw an increase of over 1%, other sectors such as resources, industrials, and utilities experienced declines of more than 2%. This poor profit-making effect in the market has further weakened investors' willingness to go long.

In this week's market summary, we observed significant downward adjustments in the resources, industrials, and utilities sectors, with the resources sector consistently leading the decline. Notably, the resources sector has been the worst-performing sector among the 11 major industry sectors for four consecutive weeks, with its sector index falling from the upper to the lower Bollinger Band. After such a deep correction, the market's downside potential seems to have become limited.

Although the current market's profit-making effect is not ideal, we have not reached the stage of a full-scale bear market like in 2022. However, the recent performance of the resources sector bears many similarities to 2022. In this environment, barring any significant external risks, resource stocks are likely to show signs of stabilisation and rebound next week. Therefore, I recommend investors pay special attention to resource stocks next week and look for potential bottom-fishing opportunities.

In our investment portfolio, IEL demonstrated positive market performance today. The stock price remained stable above the MA5 moving average and used it as support, briefly testing the resistance at the MA13 moving average during the trading session. In terms of trading volume, following yesterday's mild consolidation on lower volume, today's price exhibited a positive trend with a moderate rebound as the volume increased. Additionally, the MACD indicator showed a decrease in the red momentum bars, indicating that IEL's bottom has stabilised and the signs of a rebound are very clear.

Tomorrow, with the Chinese Premier visiting Australia, business and education will be key topics of discussion. This high-level visit could bring new market speculation opportunities for IEL. Combined with the strong technical trend, even a slight catalyst from the news could see IEL exhibit an accelerated upward trend next week.

Next, let's discuss PLS in our investment portfolio. Today, an investor mentioned that some institutions predict PLS's stock price will fall to AUD 3, and some are considering selling their shares. When I heard this, I felt very regretful. You are responsible for your funds, not the so-called institutional forecasts. I have emphasised many times that real investment opportunities often emerge during market panic, while risks typically arise during times of greed.

PLS has undoubtedly been hit hard during the recent market correction, but this is mainly due to an overreaction to weak Chinese demand and a broad sell-off in resource stocks, which is not unique to PLS. In fact, industry giants like BHP and Rio Tinto have experienced similar declines. However, the World Bank recently raised its forecast for China's economic growth from 4.5% to 4.8%, indicating optimistic expectations for a recovery in the second half of the year. This raises a question: Given the improved outlook for China's economy, does the significant prior adjustment in resource stocks represent an unjustified sell-off by the market? Particularly for resource stocks with strong fundamentals, could they be poised for a substantial rebound?

From a technical analysis perspective, resource stocks have experienced over a month of continuous adjustment, leaving limited downside potential. Even in the context of overall poor industry performance, there is a technical need for a rebound. Specifically for PLS, despite the market's attempts to fill these gaps, the successive gap-down openings indicate that bearish momentum is weakening.

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Therefore, I ask you, investors, do you think it is reasonable to sell your PLS shares under the current market conditions and price levels? For those who hold or are considering increasing their holdings in PLS, I recommend following my analysis and continuing to execute our strategy. I am confident in our judgment and believe we will not disappoint your trust and expectations.

Many investors are concerned that PLS carries too much risk and that its stock price will continue to decline significantly. Today, let's discuss market risk. When we understand the sources and types of risk, we can then learn how to mitigate it. After that, we can reassess whether the stocks we hold currently carry significant risk.

1. What is Investment Risk?

Risk refers to the possibility of incurring losses on an investment. Generally, the greater the uncertainty about the future, the higher the risk. In investment, risk is often used to describe the likelihood and extent of potential losses.

2.There are six main sources of investment risk: company risk, market risk, interest rate risk, purchasing power risk, political risk, and liquidity risk.

3. Investment risk can be divided into two major categories based on its sources: systematic risk and unsystematic risk:

A. Systematic risk, also known as market risk, refers to the uncertainty factors affecting the entire investment market, such as war, political events, and economic depression. These risks often impact all investment products and assets, making them relatively difficult to diversify.

B. Unsystematic risk refers to the risk associated with individual or specific series of investment products and personal factors. Examples include issues in company management and operations, changes in traditional industries, the ease of product liquidity, personal trading techniques, and the mindset of chasing gains. These unsystematic risks can be avoided through assessment, selection, and skill enhancement. Moreover, risk can be dispersed through asset allocation.

In our investment journey, understanding and managing risk is crucial. Risk is an inseparable part of investing, and while we cannot completely eliminate it, we can take measures to minimize it as much as possible.

Firstly, we must recognize that market risk always exists. Why are some investors able to earn substantial profits in the market, while others seem to always buy at the highs and sell at the lows? The core difference lies in individual capability and market perception. The opportunities to make money in the market are directly proportional to your understanding of the market, and your investment ability determines how much profit you can earn from the market.

Therefore, continuous learning and enhancing personal cognitive abilities are key to reducing market risk. This not only includes improving the ability to analyze and assess investment products but also involves developing a strong investment mindset that enables you to make accurate judgments in complex market environments. Through ongoing practice and refinement, we can develop investment strategies that suit us, avoid unnecessary risks, and achieve stable investment returns.

Furthermore, having a global perspective and a comprehensive knowledge base will enable you to identify investment opportunities beyond the sharemarket, such as the significant rise of Bitcoin, the impact of the Ukraine crisis on the gold and oil markets, and the effect of climate and geopolitical tensions on agricultural futures. These complex global events form part of systematic risk, and thorough knowledge and deep insight are our best tools for mitigating these systemic risks.

By enhancing our abilities and knowledge, we can not only better understand market dynamics but also predict and adapt to its changes, thus maintaining a competitive edge in an ever-changing market. This is the key to achieving long-term success in the financial markets.

As an analyst focused on macro-strategic investments, I often discuss with investors how to achieve profitability in unpredictable market environments. Imagine you are the owner of an umbrella shop. You face a choice: should you stock only rain umbrellas or only sun umbrellas?

Clearly, this depends on the weather, but we cannot predict the weather for each day in the future.

However, a wiser strategy is to stock both rain umbrellas and sun umbrellas. This way, regardless of how the weather changes, your business can remain profitable. On rainy days, rain umbrellas sell well; on sunny days, sun umbrellas are in demand. This strategy fully leverages market uncertainty, ensuring stable income.

Applying this concept to the investment field is akin to seeking investment opportunities in a bull market while shorting underperforming stocks. This approach can yield profits even when the sharemarket is down, showcasing the power of risk hedging. With this strategy, we can profit from market upswings and protect our investments during downturns. This is the essence of reducing unsystematic risk through asset allocation. By employing this method, we can remain competitive in any financial market condition, ensuring the health and profitability of our investment portfolio.

When discussing investment strategies, a crucial point is the diversification of asset allocation. Let’s use the umbrella-selling story to better understand the importance of asset allocation in reducing risk. Imagine an umbrella seller who sells sun umbrellas on sunny days and rain umbrellas on rainy days. But what if there are consecutive overcast days? In such a case, umbrellas might have no market at all. If he also sells entirely different products, such as cookies, he can still earn some income even if the umbrellas don’t sell.

This simple example illustrates why we should not invest solely in a single market or asset class. Investing exclusively in the sharemarket does not effectively diversify risk. An ideal asset allocation should be like selling both umbrellas and cookies, covering multiple markets and diverse investment types. We should not put all our funds into the sharemarket, just as the umbrella seller should not rely entirely on umbrella sales. By broadening our investment horizon, exploring opportunities in different investment vehicles, and allocating funds wisely, we can not only reduce risk but also seek profits in various markets.

I always emphasize the importance of combining theory with practice. In my recent courses, I have not only shared in-depth knowledge of the stock and cryptocurrency markets with the students, but I have also actively built and managed my personal investment portfolio in these markets. Despite the poor performance of the stock market recently, my cryptocurrency investments have achieved significant returns, with a profit of over fifty thousand dollars just yesterday. This is the advantage of diversified asset allocation, which not only stabilizes my portfolio but also provides a potential hedge against risks. In this way, we can ensure the preservation and appreciation of assets through other channels even when certain markets face challenges. Such an asset allocation strategy is truly reasonable and optimal, making us more competitive and adaptable on the global investment stage.

Reassessing our holding in PLS stocks, we can see that, currently, in the Australian market, systematic risk is almost non-existent. For the individual stocks in our portfolio, unsystematic risk is also not a major issue. The greater challenge actually comes from ourselves — our understanding of the market and our mindset. Therefore, given PLS's current market position and price, there is no need for excessive worry.

Instead, we should utilize our educational platform to continuously improve our financial knowledge and expand our financial horizons. By adopting a global strategic perspective, we can effectively mitigate the risks associated with a single market downturn, thus progressing more steadily in the financial market.

Due to the limited time, our discussion is now at an end.

Tonight's quiz:
1.What are the two main types of investment market risks?
2.How can you reduce non-systematic risk?

Please share your answers to these questions with Liliana. Whether your answers are correct or not, you will receive 20 points for participating.

In addition, investors who want to know their risk tolerance can contact Liliana over the weekend!
I hope tonight's lesson has sparked some thought and helped you develop a more comprehensive investment decision-making perspective.
Finally, I want to leave you with this thought: Knowledge changes fate, learning achieves financial dreams!

Have a great weekend, and see you in class on Sunday!