



Yuck, another war

The Hamas attack on Israel and abduction of military personnel and civilians has already seen the loss of thousands of lives; undoubtedly many thousands more to come.

The Prime Minister of Israel has already stated, "this war will take time. It will be difficult".

The timing is clever, as the US government is already stretching itself supporting Ukraine in their war against Russia, as Putin literally threatens the West with global annihilation.

The success of Russia in Ukraine, or at the very least, its preparedness to fight on and on and on has motivated Iran to dismantle all of the US foreign policy in the Middle East. A bankrupt and completely unfocused US Govt with a drunken Captain asleep at the wheel is a less formidable adversary.

The US is in a financial and political pinch. The US Govt is printing trillions of USD as it struggles to raise new debt- debt ceiling debacle aside. They've already spent \$100bn in Ukraine, and due to depleting resources and waning support have withheld \$6b recently, are refusing to defend their own southern border as hundreds of thousands of illegal immigrants' storm across and now have unsurprisingly committed to defending Israel.

US debt will continue to spiral, the Ukraine war looks set to continue for goodness knows how long, the domestic US political tribal rhetoric is building as we move towards next year's election. It all feels horrible. There are no winners here.

Western society's left versus right fight wages on, and here in Oz, we're set to vote on yet another divisive issue.

We are a strange species.

The ramifications for the market are the usual; energy prices and gold will rise, defensives will be steady, everything else will fall. Stay long all types of energy related businesses.

Speaking of being a strange species

Barrons recently reported on the new weight-loss drugs which look set to change millions of lives, stating the impact on the stock market is only beginning.

Developed by Novo Nordisk in 2012, Wegovy and **Ozempic** are antidiabetic medications used for the treatment of type 2 diabetes and to combat obesity.

Wegovy and Ozempic have already turned Denmark's Novo Nordisk into a \$400 billion company, briefly becoming Europe's biggest listed firm last month. Eli Lilly will soon enter the market with its weekly injection, called tirzepatide.

Why do I say we're strange? All this effort so we don't have to eat properly or exercise.

Show me the incentive and I'll show you the outcome. \$\$\$\$\$\$ (Charlie Munger)

But Barrons are looking at this from the perspective of the many business that benefit or lose out.

"The effects aren't felt just by the drugmakers and aren't all positive for stocks. For example, Novo Nordisk this week stopped trials of Ozempic to treat kidney problems early because it was already successful. That hammered shares of German dialysis services firm Fresenius Medical Care.

PepsiCo tried hard to get around the elephant in the room with earnings on Tuesday. With shares falling the past few weeks, the company told analysts that the drugs haven't really hit sales so far, but it's keeping an eye on them.

If weight-loss drugs can, in fact, end the decades long obesity epidemic and make people healthier and live longer, the ripple effects are only going to get bigger.

It would start by upending the junk food industry and hurting programs such as Weight Watchers. If the drugs are given by injection, it could boost healthcare companies that, for example, make syringes. Clothes companies could see a boom as consumers refresh their wardrobes. Airline margins could improve on fuel savings from flying lighter airplanes.

Of course, it's possible that weight-loss drugs are overhyped. The side effects could be worse than they appear now, and they're unlikely to work for everyone."

The intricate and tightly woven web of business.

Locally, Resmed (RMD), the sleep apnoea and respiratory business, has fallen from \$34 in August to less than \$22 (down 35%) as obesity, which causes considerable sleeping issues, may potentially be on the decline. Even CSL, which manufactures products for kidney and heart related diseases via the brand Vifor, which accounts for a mere 7% of revenue, has fallen from \$310 in June to as low as \$230 today (down 26%- a fair bit more than 7%, but they did also have an FX related downgrade).

NB: In the Research Monitor below is a great summary of the actual hormone itself, Glucagon Like Peptide-1 (GLP-1).

Carbonxt Inc (CG1)

Trading update

On Thursday this week CG1 updated the market on their progress to date:

- Receipts from Customers expected to be \$5.3m for the September quarter, up 124% on the prior quarter and 5% on the comparable period in FY23.
- Projected quarterly increase reflects strong demand for CG1's Powdered Activated Carbon (PAC) products during the northern summer months from client utilities, along with the recovery of deferred revenue from the June quarter – in line with the Company's forecasts in the previous quarterly trading update.
- Construction of the flagship Activated Carbon (AC) production facility in Kentucky, USA continues to progress on schedule with final delivery of production equipment expected to be completed later this month.
- Along with a projected quarterly increase in sales, the Company also expects to demonstrate cost savings following its decision to streamline operations at its existing AC facility in preparation for the ramp up of construction.
- Located in eastern Kentucky, the proposed plant is expected to initially produce 10,000 tons per annum of high-grade AC products.
- As part of the targeted removal of forever chemicals (PFAS) in US water supplies, AC products will play a key role in water treatment and air purification processes for multiple sectors. The new production facility is expected to expand and consolidate CG1's position in this fast-growing market.
- This wretched line of 70 million shares being sold down is almost done, and I expect a fairly rapid turnaround in the share price once it stops weighing on the share price.

Elanor Commercial Property Fund (ECF)

In a further sign of the weakness in both capital markets and specifically office property, ECF, who had announced the divestment of two assets (Nexus Centre and Limestone Street, for net proceeds of \$65m), informed the market on Thursday that the buyer was unable to raise sufficient capital to fund the purchases.

Noting that the capital raising was to be completed in mid-November, the early interest must have been uninspiring.

It's tough out there in property land.

ECF have confirmed their distribution of \$0.085 p.a.

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Financial Services

THE RESEARCH MONITOR

DECEMBER QUARTER 2023

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[Click on the link below to read](#)

[The Research Monitor – December Quarter 2023 - 12 Oct 2023](#)



Have a good weekend,

Ben and the team.

This report has been prepared by Ben Morrissey

Shaw and Partners, Morrissey Wealth Management
Level 36, 120 Collins Street
Melbourne VIC 3000

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