Weekly Wrap 2 June 2023 –

Why is AI the term of the week?

Good morning this Friday the 2nd June, I'm Grady Wulff, a Market Analyst with Bell Direct.

The Artificial Intelligence or AI revolution has been dominating headlines and conferences over this past week and is the driving force behind investors regaining appetite for technology stocks in 2023. For the week the technology sector on the local index rose 4.6% following Nvidia, a global leader GPU creation and driver of advances in AI, gaming and autonomous vehicles, becoming the first semiconductor company to hit the trillion US dollar market cap club, joining the likes of Apple, Alphabet and Amazon. While many investors believe technology is the major beneficiary of advances in AI, there are other sectors that will see incredible transformations from utilising AI within operations.

The two key reasons for introducing AI into operations are for enhancing operational efficiency and output, and to enhance the customer experience with a company.

Understanding that, let's dive into some of the other key sectors that are investing in AI to achieve these outcomes.

In the healthcare sector over recent weeks we have seen key developments in the expansion of AI through acquisitions and funding allocated to introduce AI into key systems. AI use in healthcare is extensive, from reshaping the way patients are diagnosed to earlier diagnosis, to enhancing drug development and more, it is proving to drastically change the way healthcare companies operate. Telix Pharmaceuticals (ASX:TLX) is one name venturing into the AI space through its recent acquisition of Vienna-based Dedicaid GmbH, a spin-off of the Medical University of Vienna. Telix's acquisition bring on board Dedicaid's core asset, the clinical decision support software (CDSS) AI platform which is capable of rapidly generating indication specific CDSS applications from available datasets, for use with positron emission topography (PET) and other imaging modalities. What this means is the CDSS application is trained to predict outcomes such as the severity of a disease, risk to the patient and/or inform treatment decisions according to Telix.

With retail spend declining as the cost of living pressures grow with every rate hike announcement, it's been a tough time for consumer discretionary stocks in 2023. Some are using this time to invest in AI to improve the online customer experience, while others are utilising AI to consolidate mundane human processes to allow retail employees to focus on customer relationships rather than tedious, time consuming tasks. Temple & Webster (ASX:TPW) revealed in its May trading update that it sees 'significant potential for AI to drive both conversion and customer benefits along with productivity gains to lower its overall cost of doing business'. The online furniture retailer said to accelerate the use of AI in operations, it recently increased its investment in Renovai, and Israeli AI startup focused on digitising the interior design process. The integration of ChatGPT also now powers all pre-sale product enquiry live chats, and TPW has used AI to generate enhanced product descriptions across all 200,000+ products on site.

We are even seeing the mining giants delve into AI utilisation to optimise process, cut CAPEX, reduce carbon emission and eliminate human error-driven incidents. Resources giant BHP (ASX:BHP) invested millions into Brisbane-based AI scanning technology company Plotlogic in the series A funding round back in 2022, while lithium giant Pilbara Minerals (ASX:PLS) employed Plotlogic's OreSense technology in 2023 to improve identification and reduce dilution of ore and waste materials leading to an increased production of lithium at the mine. The use of OreSense also helps to reduce a miner's carbon footprint through more precise mining of resources without harming the environment.

With this in mind, when investing in AI, it is important to remember it is not just used in the technology sector, but is operating in almost every sector on the local and global markets. For those companies not investing in AI, retaining market share may become a challenge in the near future.

Locally from Monday to Thursday the ASX200 fell 0.61% as investor sentiment was dampened by local and global economic data and events. On the global front, the slow progression and challenging passing of the US debt ceiling agreement through the House caused heightened investor concerns this week, while locally a rise in inflation to 6.8% annually for April led investors to fear potential further rate hikes from the RBA as inflation remains sticky. This caused investors to flee consumer discretionary stocks this week, while healthcare and technology stocks rallied.

Gold mining stocks led the charge this week with Capricorn Metals topping the ASX200 gains, up 8.8% over the four days, while De Grey mining added 8.5% and Northern Star Resources rallied 6.06%.

On the losing end of the market, IDP Education tumbled almost 21% after Canada announced it would accept other language tests for student visas, a market that IDP Education previously held full monopoly over testing in. Sayona Mining fell 14.3% from Monday to Thursday and Imugene lost 9.09%.

On the broader market, the All Ords fell 0.6% from Monday to Thursday. Audio Pixels jumped almost 60% after the company streamed a demonstration of its technology at its AGM. Appen rallied over 33% this week amid strength and interest in AI listed stocks. Hastings Technology Metals fell 30.24% on the other end of the All Ords, while Dreadnought Resources lost 14.3%.

The most traded stocks by Bell Direct clients from Monday to Thursday were Deep Yellow (ASX:DYL), IGO (ASX:IGO), Computershare (ASX:CPU), InvoCare (ASX:IVC), Alumina (ASX:AWC), and Allkem (ASX:AKE).

Clients also bought into Pilbara Minerals (ASX:PLS), while taking profits from Fortescue Metals Group (ASX:FMG), Whitehaven Coal (ASX:WHC) and Brambles (ASX:BXB).

Looking at diversification, the most traded ETFs by Bell Direct clients this week were SPDR S&P/ASX200 ETF, Vanguard US Total Market Shares Index ETF AUD and Global X Fang+ ETF

OPEC+ meeting on Sunday may cause some volatility in oil prices next week as the group meets to discuss production policy following the production cut announced in April.

All eyes will be on the RBA rate hike decision out on Tuesday, with the forecast for a pause in the cash rate to remain at 3.85% for June, however following the stronger-than-expected CPI print of 6.8% that came out on Wednesday, a shock rate hike may be announced.

The all-important Australian GDP growth rate data is also out for the first quarter on Wednesday next week with the forecast of a drop from 0.5% growth in Q4 to 0.4% growth in Q1.

Australia's trade balance is also out on Thursday with the expectation for a decline in Australia's trade balance from $15.27bn in March to $14.4bn in April.

Overseas, US ISM Services PMI for May is out on Tuesday with the forecast of a rise to 52.1 points from 51.9 points in April.

- Grady Wulff, Market Analyst