
Support / Potential "buy" levels
\$8,738.
Resistance
\$9,019.
KEY TAKEAWAYS
Australian Market Edges Lower on Mixed Sector Moves – Recommendation: AMC: Sell

Today we are issuing a **SELL** rating on Amcor (ASX: AMC) with a target price of A\$12.36, as integration risks from the Berry Global acquisition weigh on earnings and margins. While the deal offers \$650 million in expected synergies and FY25 net sales rose 11% to USD 15.0 billion, Amcor posted a GAAP net loss of USD 39 million and gross margins slipped to 18.9%. High leverage of USD 14.1 billion in debt further limits flexibility, leaving upside constrained despite an undemanding valuation.

Market Movers: Australian stocks ended slightly lower Wednesday, with the ASX 200 down 0.04% as Metals & Mining, Resources, and Consumer Discretionary losses offset gains in select names. DroneShield and Westgold Resources hit record highs, while lithium players Lontown and Pilbara dragged. The Australian dollar eased as manufacturing growth slowed, and the RBA stayed hawkish. Global sentiment remained cautious amid US shutdown risks, softer commodity prices, and mixed Chinese manufacturing data.

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OUR LATEST RECOMMENDATION

Amcor (ASX: AMC) Struggles with Integration Risks Despite Global Scale: Sell Rating on AMC


Key Takeaways:

Amcor's recent Berry Global acquisition, completed in April 2025, brings scale and \$650 million in expected synergies but has increased integration costs and operational complexity. In Q4 FY25, the company posted a GAAP net loss of \$39 million and gross margins fell to 18.9%, while full-year net sales rose 11% to USD 15.0 billion and adjusted EPS reached \$0.71. Free cash flow came in at USD 926 million, but high leverage, with total debt of USD 14.1 billion, a debt-to-equity ratio of 1.28, and net debt at 123.5% of equity, limits flexibility. While a forward P/E of around 10x FY26 earnings looks attractive, near-term upside is constrained if Berry integration and margin recovery face delays. We therefore issue a SELL rating with a target price of A\$12.36.

Amcor CDI (ASX:AMC) is one of the world's largest packaging companies, spanning over 40 countries with more than 400 locations. Its core business is Flexible Packaging, which drives about 90% of earnings, while Rigid Packaging remains centred on beverages in the Americas. This global reach and diversified product offering should be strengths, but the sheer complexity of its operations has been amplified by the recent acquisition of Berry Global.

Berry Global Acquisition Brings Scale, but Short-Term Pain

The Berry Global deal, completed in April 2025, is expected to deliver \$650 million in synergies, making it one of the most significant acquisitions in Amcor's history. However, integration costs are already weighing heavily. In Q4 FY25, Amcor posted a GAAP net loss of \$39 million, while gross margins compressed to 18.9%. For the full year, net sales rose 11% to \$15.0 billion (ex-currency), but adjusted EPS

only edged up to \$0.71, reflecting modest earnings power against mounting expenses. Free cash flow came in at \$926 million, within guidance but tight when measured against dividends and debt service.

Valuation and Recommendation

Ambitious Guidance for FY26 Looks Difficult to Achieve

Management has guided for 12–17% adjusted EPS growth and \$1.8–1.9 billion in free cash flow for FY26. On paper, this would mark a sharp rebound in profitability and cash generation. But given the challenges of integrating Berry, ongoing cost inflation, and the execution risks inherent in capturing synergies, we view these targets as optimistic. If synergy benefits are delayed or diluted, earnings forecasts may face downward revisions.

Leverage and Balance Sheet Constraints Limit Flexibility

Amcor's balance sheet remains stretched, with several key figures underscoring the risks:

- **Total debt: \$14.1 billion** – a heavy burden that constrains capital flexibility.
- **Debt-to-equity ratio: 1.28** – reflecting a still-elevated level of leverage.
- **Net debt to equity: 123.5%** – down to a five-year low, but leverage remains high.
- **Interest coverage ratio: 3.8x** – suggests obligations can be serviced, though limited room for shocks.

Taken together, these figures highlight a company that can meet its debt obligations but has little flexibility to accelerate deleveraging, pursue further acquisitions, or invest aggressively without stretching its balance sheet.

Valuation Screens Cheap, but We See a Value Trap

At first glance, Amcor's forward P/E of around 10x FY26 earnings looks attractive compared to historical levels. But we caution that the market is already pricing in successful execution of the Berry integration. With free cash flow only just starting to improve, and margins under strain, the stock could remain stuck near its 52-week lows. Technical

resistance is likely to cap any rebound until Amcor proves it can deliver on its ambitious guidance.

Amcor remains a global packaging powerhouse with a strong commitment to sustainability, including its goal for 100% recyclable, reusable, or compostable packaging by 2025. But right now, the integration challenges, high leverage, and earnings volatility outweigh the positives. We believe the market is overestimating near-term execution, leaving limited upside from current levels. We therefore issue a SELL rating with a target price of A\$12.36 per share, reflecting our cautious stance over the next 12–18 months.

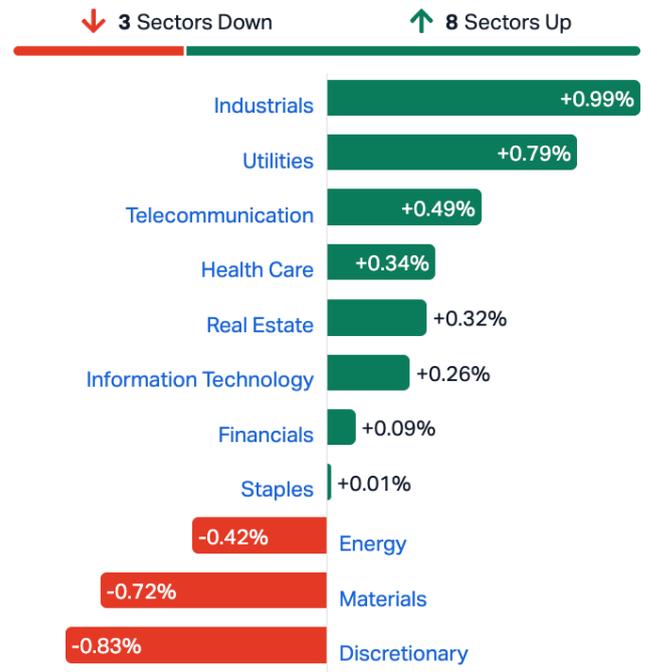
MARKET MOVERS

Australia's equity market closed fractionally weaker on Wednesday, as losses in Metals & Mining, Resources, and Consumer Discretionary weighed on sentiment, leaving the ASX 200 marginally in the red.



The index slipped 0.04% at the close in Sydney, extending a period of subdued performance as investors grappled with domestic headwinds and uncertainty from abroad. Despite the broader index's weakness, several individual stocks provided bright spots. DroneShield surged to an all-time high, soaring nearly 22% on strong investor interest in its defence technology offerings, while Westgold Resources also hit record levels with a 10% gain, supported by resilient gold prices and demand for safe-haven assets. Austal joined the day's top performers with a 6% advance, benefiting from sustained optimism around its shipbuilding operations. On the flip side, lithium-exposed Lontown Resources sank over 10%, highlighting ongoing volatility in the battery metals sector. Pilbara Minerals followed lower with a more than 6% slide, reflecting pressure on lithium markets and investor caution on future demand. Block Inc also weighed on the index, retreating over 5% amid profit-taking and concerns tied to global fintech valuations. Market breadth was broadly balanced, with 579 stocks advancing against 553 decliners, while 404 finished unchanged.

Volatility remained muted, with the S&P/ASX 200 VIX falling to 10.64, suggesting steady investor sentiment despite a heavy backdrop of macroeconomic uncertainty.



Currency markets reflected a more cautious tone, as the Australian dollar edged back toward 0.660 after three consecutive sessions of gains.



Crosses	Price	Day	Year	Date
AUDUSD	0.66099	▼ 0.00007 -0.01%	-3.98%	14:26
EURAUD	1.7798	▲ 0.0046 0.26%	10.92%	Oct/01
GBPAUD	2.0372	▲ 0.0037 0.18%	5.72%	Oct/01
AUDNZD	1.1382	▼ -0.0025 -0.22%	3.51%	Oct/01
AUDJPY	97.2340	▼ -0.6000 -0.61%	-3.57%	Oct/01
AUDCNY	4.7098	▼ -0.0028 -0.06%	-2.77%	Oct/01
AUDCHF	0.5245	▼ -0.0020 -0.38%	-10.34%	Oct/01
AUDCAD	0.9202	▼ -0.0003 -0.03%	-1.02%	Oct/01

Weak economic releases dented momentum, with Australia's manufacturing sector showing slower growth in September and broader industrial activity still stuck in contraction. Weak demand, persistent labour shortages, and rising input costs have left firms under pressure, even as some hiring continues to offset backlogs. The Reserve Bank of Australia's steady policy stance added to the complexity, with the central bank striking a hawkish note on inflation despite keeping rates on hold. Traders have now pared back expectations of near-term easing, pricing in limited prospects of a November cut and pointing instead to a cautious wait for upcoming Q3 inflation data.

Commodity markets also played into the day's narrative. The RBA's Index of Commodity Prices fell slightly year-on-year, marking the 31st consecutive month of decline, though the pace of the downturn has moderated considerably. While thermal coal, coking coal, and LNG remained under pressure, gains in gold, iron ore, and rural commodities helped offset the weakness. In local dollar terms, the drop was sharper, but monthly data pointed to a modest rebound, with broad-based gains across rural, non-rural, and base metals categories. This offered some relief to resource-heavy sectors, though not enough to lift the index higher overall. At the same time, global signals remain mixed. S&P Global's Australia Manufacturing PMI eased to 51.4 from 53 in August, showing slower expansion as production growth lost pace and new orders weakened. Optimism among manufacturers cooled, and inflationary pressures persisted, with both input costs and output prices rising further. Foreign demand weakened as well, partly on the back of US tariffs, which have dented orders from American and other major trading partners. Ai Group's separate industry measures pointed to similar challenges, with the broader Industry Index slipping deeper into contraction, reflecting soft demand, rising costs, and project delays.

The international picture provided some context but little clarity. In China, equity markets were modestly higher before the Golden Week holiday, supported by slightly better manufacturing data and ongoing investor enthusiasm for technology sectors such as semiconductors and artificial intelligence.

Gains in Shenzhen's tech-heavy index underscored how Beijing's industrial policies are influencing sentiment, even as global trade headwinds persist.

Meanwhile, US markets presented a split screen for global investors. Futures slipped on Wednesday amid mounting concerns over a possible government shutdown, with Congress yet to agree on a funding bill.



Indexes	Price	Day	Month	Year	Date
US30	46107	▼ 291 -0.63%	1.77%	9.24%	14:27
US400	3,263.62	▲ 2.30 0.07%	0.73%	5.46%	Sep/30
US2000	2,436.48	▲ 1.23 0.05%	3.58%	10.90%	Sep/30
US500	6639.62	▼ 48.84 -0.73%	3.49%	16.29%	14:27
Trade Desk	49.01	▼ -0.63 -1.27%	-9.54%	-54.92%	Sep/30
US100	24481	▼ 199 -0.81%	5.36%	23.60%	14:27
USVIX	17.21	▲ 0.93 0.93%	1.09%	-2.05%	Oct/01

The standoff has added uncertainty ahead of key US economic data, including Friday's nonfarm payrolls report, which could influence the Federal Reserve's late-October policy decision. While the Dow, S&P 500, and Nasdaq had ended the previous session higher, the risk of delayed data releases and a cooling labour market has left traders recalibrating their outlook.

Commodity markets were equally restless. WTI crude oil edged higher to just above USD 62.5 per barrel, stabilizing after a two-day slide as traders balanced falling US crude inventories against speculation over potential OPEC+ production increases.

Reports of a possible supply hike were later softened by denials from the cartel, leaving uncertainty in play.



	Price		Day	Month	Year	Date	
Crude Oil	62.716	▲	0.346	0.55%	-4.35%	-10.51%	14:27
Brent	66.442	▲	0.412	0.62%	-3.87%	-10.06%	14:27
Natural gas	3.3703	▲	0.0673	2.04%	12.07%	16.84%	14:27
Gasoline	1.9290	▲	0.0115	0.60%	-5.54%	-4.18%	14:27
Heating Oil	2.3248	▲	0.0007	0.03%	-2.06%	5.82%	14:27
Coal	106.20	▼	-0.55	-0.52%	-3.37%	-25.55%	Sep/30
Ethanol	1.96	▼	-0.0275	-1.38%	-3.80%	22.27%	Sep/30
Urals Oil	62.28	▼	-0.76	-1.21%	-0.03%	-6.26%	Sep/30

	Price		Day	Month	Year	Date	
Gold	3867.61	▲	8.47	0.22%	9.44%	45.41%	14:27
Silver	47.118	▲	0.458	0.98%	15.14%	47.90%	14:27
Copper	4.8031	▼	0.0248	-0.51%	4.86%	4.37%	14:27
Steel	3,057.00	▲	52.00	1.73%	-0.62%	-9.29%	Oct/01
Lithium	73,550.00	▲	0	0%	-7.67%	-3.86%	Sep/30
Platinum	1,583.40	▼	-12.40	-0.78%	12.00%	57.52%	Oct/01
Iron Ore	105.29	▼	-0.06	-0.06%	2.69%	-3.17%	Sep/30

Gold, meanwhile, continued to hover near record highs at around USD 3,870 per ounce, buoyed by safe-haven demand amid US political tensions and looming macroeconomic risks.

Investors remained highly sensitive to signals around monetary policy, with rising expectations of a Fed rate cut later this month and potentially another by year-end. The combination of a fragile domestic economy, volatile global commodities, and external political uncertainty ensured that risk appetite across Australian markets stayed restrained.

For now, the ASX's subdued close reflects the push and pull between sectors benefiting from strong commodity and defence-related momentum, and those weighed down by weaker consumer and resources-linked demand. The balance of risks leans toward caution, as inflationary pressures at home, political gridlock in the US, and mixed signals from China keep investors on edge. With volatility still subdued but fundamentals less supportive, Australian equities remain delicately poised as markets await the next set of data to clarify the growth and policy outlook.

Regards,
 Mark Elzayed
 Investor Pulse

MARKET DATA
ASX Top 20

 CBA ^D Commonwealth Bank	167.06 +0.16 +0.10%	 WOW ^D Woolworths	26.47 -0.23 -0.86%
 BHP ^D BHP	41.47 -1.06 -2.49%	 TLS ^D Telstra	4.85 +0.03 +0.62%
 CSL ^D CSL	198.80 +0.60 +0.30%	 GMG ^D Goodman Group	32.98 +0.20 +0.61%
 WBC ^D Westpac Bank	38.74 -0.23 -0.59%	 TCL ^D Transurban	13.83 +0.03 +0.22%
 NAB ^D National Australia Bank	44.01 -0.14 -0.32%	 SQ2 Block Inc	
 ANZ ^D ANZ	33.28 +0.07 +0.21%	 ALL ^D Aristocrat Leisure	69.56 -0.42 -0.60%
 FMG ^D Fortescue Metals	18.94 +0.26 +1.39%	 NCM Newcrest Mining	
 WES ^D Wesfarmers	90.81 -1.21 -1.31%	 REA ^D REA Group	229.35 -1.71 -0.74%
 MQG ^D Macquarie Group	219.69 +0.36 +0.16%	 WDS ^D Woodside Energy	22.85 -0.18 -0.78%
 RIO ^D Rio Tinto	122.58 +0.55 +0.45%	 XRO ^D Xero	158.39 +0.89 +0.57%



Commodities & Forex

 TIO1! IRON ORE		 AUDUSD Australian Dollar / U.S. Dollar	0.66138 +0.02% +0.00
 GC1! GOLD		 AUDGBP AUSTRALIAN DOLLAR / BRITISH POUND	0.4904 -0.16% -0.0008
 SI1! SILVER		 AUDEUR AUSTRALIAN DOLLAR / EURO	0.5613 -0.34% -0.0019
 HG1! COPPER		 AUDNZD Australian Dollar / New Zealand Dollar	1.13799 -0.21% -0.00
 ZW1! WHEAT		 AUDJPY Australian Dollar / Japanese Yen	97.253 -0.55% -0.53
 CL1! CRUDE OIL		 AUDCNY AUSTRALIAN DOLLAR / CHINESE YUAN	4.7082 +0.04% +0.0018
 NG1! NATURAL GAS		 AUDTHB AUSTRALIAN DOLLAR / THAI BAHT	21.397 -0.16% -0.034
 NCF1! COAL		 AUDIDR AUSTRALIAN DOLLAR / INDONESIAN ...	11,006.1 -0.24% -26.8
 LTH1! LITHIUM			



Economic Calendar

		Actual	Forecast	Prior
				
October 1				
19:15	  ADP National Employment ∨		50 K Person	54 K Person
21:00	  ISM Manufacturing PMI ∨		49 Index	48.7 Index
October 2				
16:00	  Unemployment Rate ∨		6.2%	6.2%
19:30	  Initial Jobless Clm ∨		223 K Person	218 K Person
October 3				
15:30	  S&P GLOBAL SERVICE PMI ∨	54.2 Index (diffusion)	53.6 Index (diffusion)	51.8 Index (diffusion)
19:30	  Non-Farm Payrolls ∨		50 K Person	22 K Person
	 Unemployment Rate ∨		4.3%	4.3%
20:45	  S&P Global Comp PMI Final ∨	54.6 Index (diffusion)		55.1 Index (diffusion)
21:00	  ISM N-Mfg PMI ∨		51.7 Index	52 Index
October 6				
15:30	  S&P Global CONSTRUCTON PMI ∨			45.5 Index (diffusion)
October 7				
15:00	  FX Reserves (Monthly)* ∨			3.322 TIn \$
October 8				