

## Futures Markets

<b>SFE 200 Futures (8.30am AEDT)</b>	6502	21	<b>0.32</b>
DJIA Futures	26086	0	0
S&P 500 Futures	2889	14	0.5
NASDAQ Futures	7516	96	1.29

## Local Markets Commentary

After the 3-day weekend for the ASX, SPI Futures are suggesting that the ASX200 ought to add around 21 basis points at today's open. The data docket is looking relatively light for Australian markets today, with limited corporate and/or economic event risk. NAB Business Confidence data will be released and will be watched for any sign of a post-election bounce in business sentiment in the Australian economy.

The day's trade may well be dictated by pure catch-up to the weekend's events, before focus turns to a litany of global economic data as the week unfolds, as well as Thursday's highly anticipated Australian employment data.

## Overseas Markets

INDEX	CLOSE	+/-	%
<b>Dow Jones</b>	26063	+79	<b>+0.3</b>
<b>S&amp;P 500</b>	2889	+13	<b>+0.5</b>
<b>NASDAQ</b>	7823	+81	<b>+1.05</b>
<b>FTSE 100</b>	7376	+44	<b>+0.6</b>
<b>DAX 30</b>	12045	0	0
<b>Shanghai Comp</b>	2852	+24	<b>0.9</b>

## Overseas and Gold Markets Commentary

Gold prices are solidly lower in early-afternoon trading Monday, on a corrective and profit-taking pullback from recent gains. Bulls can argue today's pullback is actually

## Australian Stock Watch

**Australia and New Zealand Banking Group (ANZ):** ANZ failed to pass on last week's full RBA rate cut despite its mortgage lending going backwards, new analysis by global investment bank Morgan Stanley reveals. The bank's decision to cut interest rates by only 18 basis points for mortgage rates, less than the Reserve Bank of Australia's 25-basis-point cut to its benchmark cash rate, means higher variable rates could lose it more market share.

ANZ's lowest variable rate is 3.63 per cent, compared with Westpac's 3.78 per cent and CBA and NAB with 3.54 per cent, according to finder.com.au. ANZ also has 5 per cent of mortgages in negative equity, the most among major banks and more than three times Westpac Group. The bank's CEO, Shayne Elliott, said the increased costs of putting stricter lending rules in place following scrutiny from the Hayne royal commission contributed to his controversial call not to pass on all of the Reserve Bank's cash rate cut to borrowers, reports AFR.

**Australian Finance Group Ltd (AFG):** Mortgage broking group AFG is restructuring its executive bench to give more prominence to regulatory and industry engagement, after the intense scrutiny of the Hayne royal commission. The broking industry dodged a bullet with the re-election of the Morrison government, but AFG is mindful of a three-year review into the sector's commission payment model. In a statement to be released to the ASX today, AFG will announce general manager residential and broker Mark Hewitt moves to the newly created post of general manager industry and partnership development. The position will cover all lender and stakeholder relationships, reports The Australian.



healthy to keep the price uptrend in place longer.

Improved trader/investor risk appetite to start the trading week is also a negative for the safe-haven metals. A rebound in the U.S. dollar index today is also a bearish daily element for the precious metals. August gold futures were last down \$15.20 an ounce at \$1,330.50. July Comex silver prices were last down \$0.401 at \$14.63 an ounce. European and Asian stock indexes were mostly higher today. U.S. stock indexes are higher and have posted strong gains the past week and have bullish technical momentum on their side, to now suggest a test of the contract/record highs. That's a negative for the competing metals asset class.

Trader and investor attitudes are more upbeat to start the trading week after the U.S. and Mexico late Friday reached a deal on immigration that avoided the U.S. slapping trade tariffs on its southern neighbour. However, progress on the U.S.-China trade war front remains elusive amid no signs the world's two largest economies are coming closer to any agreement on trade matters. Discussions are ongoing, however. The key "outside markets" today see Nymex crude oil prices near steady and trading around \$54.00 a barrel. The U.S. dollar index is higher today on a corrective rebound from last week's downside pressure.

This dynamic was born on Friday night from much softer than expected US Non-Farm Payroll numbers, which revealed the US economy only added 75k jobs last month (against an estimate 177k), and annualised wage growth declined to 3.1 per cent. Markets are now pricing in a 77 per cent probability that the US Federal Reserve will cut interest rates in July, with 2-and-a-half cuts priced-in by year end.

**BHP Group Ltd (BHP):** A technology firm backed by investment banker John Wylie, Red Bubble founder Martin Hosking and the founders of KordaMentha has struck an expanded partnership with BHP. The multi-year deal gives Southern Innovation a steady source of income, a big boost for a company whose cashflows had risen and fallen in line with the irregular consulting and project work it has done in recent years. Southern Innovation has worked with the multinational miner for several years. *"It is not a retainer, but it is a constant source of funding,"* said Southern Innovation managing director David Scoullar. BHP's technology vice-president Rag Udd said the partnership was an example of how BHP was building capability in the sectors that supply to the resources sector, reports AFR.

**Commonwealth Bank of Australia (CBA):** Investors can now trade a blockchain-based bond in the secondary market, laying the foundation for a robust future market. It is understood this is the first time a blockchain-based bond has been traded in a secondary market. The Commonwealth Bank of Australia and the World Bank are behind the initiative. Bond-i, a debt instrument that uses distributed-ledger technology as its underlying structure, is the security being traded. It was issued in August last year. Previously, debt securities were traded in over-the-counter markets, requiring substantial manual intervention. Sophie Gilder, head of experimentation and commercialisation – blockchain, AI and emerging tech, from the CBA's Innovation Labs, says secondary market trading follows on from the bank's creation of a platform to facilitate a primary market for blockchain-based bonds, reports AFR.

**Evans Dixon Ltd (ED1):** The head of Evans Dixon's wealth unit has written to clients to assure them the firm has acted in their best interests when it has advised them to invest in in-house funds that have since slid sharply in value. On Friday evening

- **Trump issues fresh China tariff threat** - President Donald Trump has vowed to impose tariffs on all Chinese imports if Xi Jinping doesn't attend the G20 this month, renewed his attacks on the Fed and suggested a US ban on Huawei may be scrapped as part of a trade deal. In a rambling interview on Monday (Tuesday AEST), Mr Trump reignited several fires including by appearing to contradict his administration's long-held stance that Huawei is a national security issue. *"I do see it as a threat. At the same time it could be very well we do something with Huawei as part of trade negotiation with China,"* Mr Trump said, less than a day after his Treasury secretary insisted issues linked to the Chinese telecom giant are separate from trade, reports AFR.
- **President Trump to CNBC: China is going to make a deal because 'they're going to have to'** - President Donald Trump told CNBC on Monday he believes China will make a deal with the U.S. *"because they're going to have to."* In a wide-ranging telephone interview on *"Squawk Box,"* Trump defended his threats to slap tariffs on Mexico and China, which he said are putting the U.S. *"at a tremendous competitive advantage."* *"The China deal is going to work out. You know why? Because of tariffs,"* Trump told co-host Joe Kernan. *"Right now, China is getting absolutely decimated by companies that are leaving China, going to other countries, including our own, because they don't want to pay the tariffs."* Trump said China is *"going to make a deal because they're going to have to make a deal"*, reports CNBC.

Evans Dixon managing director of wealth advice Lyle Meaney emailed the 4800-odd clients of Dixon Advisory following a report in The Australian Financial Review that revealed a former client, 66-year old David Hall, had escalated his dispute with the company to the financial ombudsman. Following the report, the sell-off in Evans Dixon-linked securities accelerated. Shares in the Evans Dixon managed US Masters Residential Property Fund (URF) fell 7 per cent to 93¢, while shares in the parent management company plunged 9 per cent to 92¢, reports AFR.

**Jayex Healthcare Ltd (JHL):** Controversial company promoter Ross Smith could face jail time in New Zealand amid another wave of alleged online abuse and threats. Mr Smith, a consultant to medicinal marijuana hopeful Jayex Healthcare, an ASX-listed company backed by wealthy investor Michael Boyd, is facing prosecution under NZ's cyber-bullying laws after directing a barrage of abuse towards a host of NZ business people. The Australian has confirmed that New Zealand police are investigating the self-proclaimed *"Wolf of Weed Street"* over multiple emails and texts threatening to harm and kill people and use gang violence, reports The Australian.

**Longtable Group Ltd (LON), Woolworths Group Ltd (WOW):** Better-than-expected sales of a new Maggie Beer cheese range in Woolworths supermarkets offer a glimmer of hope to the struggling Longtable Group, which is trying to modernise the brand built by the celebrity chef. In 2017, the ASX-listed company tasked the former chief executive of infant formula group Bellamy's Australia, Laura McBain, with improving performance, and pulling the shares out of a worrying nosedive. But one fund manager claimed Millennial shoppers appear to have lost the taste for the storied brand. Longtable shares are languishing at 18¢, after being 33¢ on February 27. The slide has been even more painful over the past year, declining 75 per cent. The company owns the Maggie Beer products brand,



## International Economic Data

- **US EIA Natural Gas Stocks Change** - Working gas in storage was 1,986 Bcf as of Friday, May 31, 2019, according to EIA estimates. This represents a net increase of 119 Bcf from the previous week, reports EIA.
- **AU AIG Construction Index** - The Australian Industry Group/Housing Industry Association Australian Performance of Construction Index (Australian PCI) registered 40.4 points (seasonally adjusted) in May. This was down by 2.2 points from the previous month, indicating that the construction industry on aggregate declined more sharply in May, and at the steepest rate in six years, reports AI Group.
- **US Manufacturing Payrolls** - Manufacturing payrolls in the US manufacturing sector increased by 3 thousand in May 2019, following a revised 5 thousand rise in April and missing market expectations of 5 thousand, reports TradingEconomics.
- **US Non Farm Payrolls** - Nonfarm payrolls in the US increased by 75 thousand in May 2019, following a downwardly revised 224 thousand rise in April and missing market expectations of 185 thousand, reports TradingEconomics.
- **US Baker Hughes Oil Rig Count** - U.S. energy firms this week cut the oil rig count to the lowest since February 2018 as drillers follow through on plans to reduce spending with crude prices collapsing to a four-month low. Drillers cut 11 oil rigs in the week to June 7 in the biggest weekly decline since April, bringing the total count down

premium milk and yoghurt brand Paris Creek and is slowly building the Saint David Dairy operations, reports AFR.

**Perpetual Limited (PPT):** Perpetual Ltd investors could be forgiven for keeping a little cash stacked away. Because from what we understand, chief executive Rob Adams is dead serious about "the right inorganic opportunities" and has had his bankers running the numbers on a few targets. It is understood Adams is perhaps most serious about adding a certain US-based fund manager to its portfolio, in an effort to put a rocket under its global investment management goals. Sources said Adams has had investment bank Goldman Sachs helping with the deal preparations, including funding options which would require a \$300 million to \$400 million-odd equity injection should the deal get the green light, reports AFR.

**Rio Tinto Limited (RIO):** The AFP will not join Swiss and Mongolian investigations into the establishment of Rio Tinto's Oyu Tolgoi mine because of limits on its ability to work across borders with such agencies. A \$US5.3 billion (\$7.6 billion) expansion of the copper and gold mine is Rio's most important growth project, but the Mongolian venture has had a turbulent 18 months after decade-old corruption claims and the host nation's repeated efforts to win a greater share of the mine's wealth. In March last year, the Mongolian Anti-Corruption Authority sought information from the Rio subsidiary that directly owns the mine, Oyu Tolgoi LLC. Its investigation has focused on a 2009 investment agreement between the Mongolian government and the company that owned 66 per cent of Oyu Tolgoi LLC at the time, Ivanhoe Mines, reports AFR.



to 789, General Electric Co’s Baker Hughes energy services firm said in its closely followed report on Friday, reports Reuters.

- **CN Foreign Exchange Reserves** - China's foreign exchange reserves increased surprisingly by USD 6 billion to USD 3.101 trillion in May 2019 from USD 3.095 trillion in the previous month, while markets had expected reserves to drop USD 5 billion to USD 3.090 trillion, reports TradingEconomics.

- **CN Balance of Trade** - China's trade surplus soared to USD 41.66 billion in May 2019 from USD 23.42 billion in the same month a year earlier and easily beating market consensus of a surplus of USD 20.5 billion. Exports from China rose 1.1 percent year-on-year to USD 213.85 billion in May 2019, recovering from a 2.7 percent decline in the previous month and defying market expectations of a 3.8 percent fall. Imports to China plunged 8.5 percent from a year earlier to USD 172.19 billion in May 2019, reversing a 4 percent advance in April and compared to forecasts of a 3.8 percent drop, reports TradingEconomic.

**Commodities**

COMMODITY	CLOSE	\$US/	+/-	%
<b>Gold (NY) (Aug)</b>	<b>1331.9</b>	oz	-14.2	<b>-1.1</b>
<b>Silver (NY) (July)</b>	14.69	oz	-0.35	<b>-2.3</b>
<b>Gold (LON)</b>	1334.3	oz	-2.4	<b>-0.2</b>
<b>Platinum</b>	806	oz	-0.1	<b>-0.01</b>
<b>WTI Crude (July)</b>	<b>53.42</b>	bbl	-0.6	<b>-1.1</b>
<b>Brent Crude</b>	<b>62.36</b>	bbl	-0.9	<b>-1.45</b>
<b>Iron Ore (CHN port 62%)</b>	<b>99</b>	t	0	0



<b>Copper</b> (LME,3mth,PM)	<b>5879</b>	t	+80	<b>1.4</b>
<b>Nickel</b>	11640	t	+15	<b>0.9</b>
<b>Aluminium</b>	1779	t	+17	<b>0.1</b>
<b>Lead</b>	1884	t	+48	<b>2.6</b>
<b>Zinc</b>	2478	t	-5	<b>-0.2</b>
<b>Tin</b>	19215	t	-10	<b>-0.1</b>
<b>CBT Wheat (July)</b>	<b>5.05</b>	bshl	1	<b>0.2</b>

**Exchange Rates**

CURRENCIES	LAST	+/-	%
<b>AUD – USD</b>	0.696	0	0
<b>EUR – USD</b>	1.1313	0.0001	<b>0.01</b>

**International Data This Week**

Today **US JOLTs Job Openings**

- Today **AU NAB Business Confidence**
- Today **US PPI**
- Wednesday **US API Crude Oil Stock Change**
- Wednesday **AU Westpac Consumer Confidence Index**
- Wednesday **CN Inflation Rate**
- Wednesday **CN PPI**
- Wednesday **CN FDI**
- Wednesday **US Inflation Rate**
- Thursday **US EIA Crude Oil Stocks Change**
- Thursday **US EIA Gasoline Stocks Change**
- Thursday **AU Consumer Inflation Expectations**
- Thursday **AU Employment Data**
- Thursday **US Jobless Claims**
- Thursday **US Export/Import Prices**
- Friday **US EIA Natural Gas Stocks Change**
- Friday **CN Industrial Production**
- Friday **CN Retail Sales**
- Friday **US Retail Sales**
- Friday **US Industrial Production**
- Saturday **US Michigan Consumer Sentiment**
- Saturday **US Baker Hughes Oil Rig Count**

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