

**Futures Indices (Source: IRESS)**

INDEX	CLOSE	+/-	%
E-mini S&P 500 Futures	3167.5	24.5	0.78
E-mini Dow Futures	28129	205	0.73
E-mini NASDAQ 100 Futures	8465.25	59.75	0.71
SFE 200 Futures	6732	29	0.43

**Local Market Commentary**

The Australian share market is expected to open higher after Wall Street rallied overnight amid reports the US and China have reached an "in principle" deal to end their 17-month trade war.

The ASX200 is looking poised to absorb some level of the overnight bullishness, with the index expected to open around 29 points higher this morning. That's not an exuberant move, but goes some way to offsetting Thursday's 0.65 per cent loss. Along with the consequences of a stronger Aussie dollar, the ASX200 moved in a familiar range yesterday. It's been the one that's more or less confined the index within a roughly 50-point range for the better part of the week. As hopes build for a trade deal, perhaps a hard-and-fast confirmation of a US-China truce is needed before the market really gets moving.

**World Indices (Source: IRESS)**

INDEX	CLOSE	+/-	%
Dow Jones	28132.12	220.82	0.79
S & P 500	3168.57	26.94	0.86
NASDAQ	8713.9182	59.8676	0.69
FTSE 100	7273.47	57.22	0.79
DAX 30	13221.64	74.9	0.57
CAC 40	5884.26	23.38	0.4
Milan MIB30	23390.95	235.31	1.02
Nikkei	23424.81	32.95	0.14
Hang Seng	26994.14	348.71	1.31
Hang Seng China Enterprises	10614.76	112.23	1.07
Straits Times	3194.67	21.77	0.69
Shanghai Composite	2915.6983	-8.719	-0.3

**Australian Stock Watch**

**A2 Milk Company Ltd (A2M):** Outgoing chief executive Jayne Hrdlicka is poised to leave The a2 Milk Company by Friday. She shocked the market on Monday by stepping aside from the \$10.6 billion infant formula and milk producer amid simmering tensions with the board over her heavy investment in brand building and a personal family issue which meant she needed to cut back on a punishing travel schedule. Ms Hrdlicka has since been locked away with a2 Milk's interim chief executive, Geoff Babidge, in handover mode in Sydney, reports AFR.

**Aurizon Holdings Ltd (AZI):** Rail heavyweight Aurizon has become the latest corporate giant to fall afoul of Australia's underpayments plague, after discovering it owes more than \$3m to 3300 workers over a payroll glitch that went unchecked for six years. Aurizon launched an effort to contact former employees in September, sending a letter to their last known address asking former workers to touch base in order to collect lost wages — along with interest payments. The Queensland-based rail haulage company said it discovered the underpayments during a payroll system update, attributing the problem to faulty calculations when splitting annual salaries into 26 fortnightly payments — and a 27th every 11 to 12 years, reports The Australian.

**Centuria Industrial REIT (CIP):** Centuria Industrial REIT (CIP) has taken a big bite out of Arnott's property portfolio, after agreeing to acquire the iconic biscuit maker's Brisbane and Adelaide factories for \$236.2 million in sale and leaseback deals. The deals, struck with Arnott's private equity owner KKR on a yield of 5.9 per cent, will lift the value of the country's largest pure-play industrial trust's portfolio to more than \$1.5 billion. CIP will undertake a \$154 million fully underwritten institutional equity raising to partly fund the deal. Ross Lees, head of funds management at Centuria Capital, said appetite from investors for industrial assets was "pretty strong". "Industrial is the most preferable sector in listed real estate," he told the Financial Review, reports The Australian.

**Charter Hall Long WALE REIT (CLW):** No listed company has tried to make the most of investor appetite for longlife yield assets more than Charter Hall Long WALE REIT. The acquisitive property fund is expected to be back in front of investors as early as today seeking its fourth equity top-up in the past six months, as first reported by Street Talk. This time it'll be raising to buy the last asset in biscuit maker Arnott's property portfolio — the 63,000-squaremetre Sydney factory in Huntingwood near Blacktown, reports AFR.

**Commonwealth Bank of Australia (CBA):** The prudential regulator has whacked Commonwealth Bank's superannuation arm with additional licence conditions 17 months after it was



## Overseas Markets & Gold Commentary

**Gold prices are modestly down on a rollercoaster trading day that saw the yellow metal surge to a five-week high on gains of \$15.00 on the day, only to rapidly sell off and drop below unchanged on a tweet from President Trump.**

Gold prices started the U.S. day session moderately up, but then extended gains to session highs on some downbeat U.S. economic data. The latest producer price inflation report came in lower than expected, while jobless claims also rose more than forecast. On top of that, gold bulls were cheered when new European Central Bank President Christine Lagarde sounded dovish on ECB monetary policy by saying its bond-buying program would continue as long as it takes. However, the air quickly came out of the bullish tone in gold when President Trump tweeted that the U.S. and China wanted a trade deal badly, amid reports Trump and his aides are meeting to decide whether to add tariffs on Chinese imports on Sunday, Dec. 15. Traders deemed Trump's tweet as very positive for a partial trade deal being completed soon, or at least maybe the new tariffs won't be slapped on China. That put risk appetite back on the table as the U.S. stock market and the U.S. dollar index surged on the news and gold prices slumped.

**US stocks hit new record highs:** Activity surged across global financial markets irrespective of the trade talk stories' credibility, with some major market moves occurring. First and foremost, Wall Street stocks rocketed to new record highs. Bond yields tumbled, with the yield on the benchmark 10-year US Treasury note dropping almost 10 points. The Japanese yen rallied by over 1 per cent against the US dollar. The Australian Dollar managed to move higher despite the stronger greenback, and trade near the 69-cent level. Oil prices lifted by over 1 per cent, too, copper prices edged 0.25 per cent higher and gold lost around half a per cent, as traders moved to place bets on a global growth turnaround.

**The British election: will Boris get his Brexit mandate?** Awaiting official confirmation of a trade deal will probably be the market's highest priority today. But significant focus will remain on the UK general election today, as the Brits go to the polls in what's being treated as a proxy vote on Brexit. A Conservative Party win is looking highly likely, according to betting markets. The key issue though is a matter of margin: can Prime Minister Boris Johnson win a clear majority, and with it, a categorical mandate for his Brexit deal? The British pound will be the barometer as traders take a punt on a Tory majority government.

revealed to have charged dead customers financial advice fees at the Hayne royal commission in August last year. The Australian Prudential Regulation Authority said the punishment being dished out to CBA's subsidiary Avanteos Investments was unlikely to be the last, as it had identified other super funds that had done the same thing and was attempting to gauge the seriousness of the breaches. During the royal commission hearings, evidence was heard that after the bank discovered the problem it considered changing its product disclosure statement to alert customers that they could be charged for financial advice for up to three months after death, in a macabre bid to protect it from legal action, reports AFR.

**Evolve Education Group Ltd (EVO):** Evolve Education, the Australasian childcare group run by the former boss of ASX-listed giant G8 Education, is raising up to \$19 million in fresh capital to help drive more expansion. Chris Scott took over as managing director of Evolve in August and is overhauling the core business in New Zealand while making a series of acquisitions in Australia in the past few weeks, as more consolidation occurs in the \$9 billion sector. The stock went into a trading halt on both the New Zealand and Australian stock exchanges yesterday ahead of a placement to investors in NZ, Australia, Hong Kong, Singapore and the United Kingdom. Evolve wants to raise up to \$18.9 million, reports AFR.

**IOOF Holdings Ltd (IFL):** Bell Potter has retained its 'sell' recommendation on IOOF Holdings despite the company receiving regulatory approval to acquire the ANZ Wealth Pension and Investments (ANZ P&I) business. The broker increased its price target on the financial services company from \$4.00 to \$4.20, but its revised valuation remains almost 50 per cent below its Monday closing price of \$7.81. On Monday, the Australian Prudential Regulation Authority approved IOOF's bid to hold the controlling stake in OnePath Custodians and Oasis Fund Management, the final hurdle in finalising the ANZ P&I transaction, reports AFR.

**Lovisa Holdings Ltd (LOV):** Jewellery retailer Lovisa has emerged as the biggest winner from the recent Black Friday sales as customers chasing its discounted offers and promotions drove a 149 per cent spike in its online page views, although the raging success of the shopping event is likely to have pulled forward traditional Christmas sales. A report on the wash-up from the Black Friday and Cyber Monday sales from Citi analyst Sam Teeger has nominated Accent, Baby Bunting, Lovisa, Beacon and Michael Hill as the big winners among small-cap retailers, with all having made a positive start to the 2019 holiday trading season. "In our view, online engagement between retailers and consumers is key to driving online sales and preventing consumers from switching to pure-play online retailers such as Amazon," the report says, reports The Australian.

**McGrath Ltd (MEA):** A former McGrath female employee who complained about a sexual harassment incident involving sacked McGrath agent Adrian Bo last year received \$150,000 in compensation. In documents obtained by The Australian Financial



## International Economic Data

- **AU Consumer Inflation Expectations** - Inflation Expectations in Australia increased to 4 percent in November from 3.60 percent in October of 2019, reports TradingEconomics.
- **US EIA Gasoline Stocks Change** - Stocks of gasoline in the United States increased by 5405 thousand barrels in the week ending December 6 of 2019, reports TradingEconomics.
- **US EIA Crude Oil Stocks Change** - Stocks of crude oil in the United States increased by 0.822 million barrels in the week ended December 6th 2019, after a 4.856 million drop in the previous week and against market expectations of a 2.763 million decline, according to EIA Petroleum Status Report. Meantime, gasoline inventories went up by 5.405 million barrels after rising by 3.385 million in the previous week and compared with market consensus of a 2.533 million increase, reports TradingEconomics.
- **EU Industrial Production** - Industrial production in the Euro Area declined 1.7 percent from a year earlier in September 2019, following a 2.8 percent fall in the previous month and compared to market expectations of 2.3 percent drop. This was the 11th consecutive month of contraction in the industry sector, reports TradingEconomics.
- **US Core PPI** - Producer prices for final demand in the US rose 1.1 percent from a year earlier in October 2019, easing from 1.4 percent in September and beating market expectations of 0.9 percent. It was the smallest increase in producer prices since October 2016, reports TradingEconomics.

### Economic News This Week

- Friday **CN FDI**
- Friday **US EIA Natural Gas Stocks Change**
- Friday **US Retail Sales**
- Saturday **US Baker Hughes Oil Rig Count**

Review, the employee, who was represented by workplace lawyers Harmers, struck the deal with Mr Bo and McGrath entities MG Logistics and McGrath Sales, only months after she began working at McGrath's Coogee office run by Mr Bo. While no details of the allegation were outlined in the documents, the employee claimed she had suffered personal injury as a result of an alleged incident that *"had and would continue to affect her capacity to derive income from her personal exertion"*, reports AFR.

**MoneyMe (MME):** MoneyMe boss Clayton Howes expects the online lender – set to list on the Australian Securities Exchange this morning – to substantially boost customer numbers within a year as it attacks the major banks' personal lending books and the buy now, pay later sector. Perennial Value, Renaissance Asset Management and Ellerston Capital are among the institutional investors to have backed MoneyMe's initial public offering, which raised \$45 million at an offer price of \$1.25, representing a market capitalisation of \$210 million. MoneyMe is a personal lender and is expanding into *"virtual"* credit cards sent directly to customers' smartphone wallets after a five-minute application process. Its gross loan book of \$87 million at June 30 is forecast to increase by 63 per cent to \$142 million by the end of June 2020, reports AFR.

**Rio Tinto Ltd (RIO):** The takeovers panel has handed dissident uranium investor Richard Magides a moral victory over Rio Tinto, ruling the mining heavyweight's move to take control over Energy Resources of Australia was made in unacceptable circumstances, but ruling it could go ahead anyway. Mr Magides, through his privately owned vehicle Zentree Investments, was seeking to block a Rio-backed entitlements issue from ERA designed to fund its estimated \$925m rehabilitation obligations at the Ranger uranium mine in the Northern Territory. But the vehicle Rio offered up to meet its promise to bankroll the clean-up, underwriting a \$476m entitlements issue by ERA, would have diluted the company's minority shareholders into irrelevance — prompting a complaint by Mr Magides to the takeovers panel, The Australian.

**SEEK Ltd (SEK):** Search and venture capital business SEEK Limited has closed the books on its first \$150 million subordinated bond issue, which attracted demand said to be close to \$500 million. Lead managers HSBC, NAB and ANZ had been mandated by SEEK to distribute its inaugural subordinated bond issue at a spread of 375 basis points above the bank bill swap rate (BBSW) for an expected 3 1/2-year maturity. The surge in demand for the rare high-yield, or sub-investment grade, bond issue allowed SEEK to tighten the proposed spread by 5 basis points to 370 basis points over BBSW, reports AFR.

**Commodities (Source: IRESS)**

COMMODITY	CLOSE	+/-	%
<b>COMEX</b>			
Gold Feb 10	1474.4	-0.6	-0.04
Silver Mar 10	17.005	0.156	0.93
Copper Mar 10	2.8095	0.02	0.72
<b>NYMEX</b>			
Platinum Jan 10	948	8.5	0.9
Palladium Mar 10	1918.2	33.1	1.76
<b>LONDON METAL</b>			
Gold (AM Fix)	1468.05	3.6	0.25
Gold (PM Fix)	1466.8	1.85	0.13
<b>ENERGY</b>			
Light Crude Feb 10	59.16	0.51	0.87
Brent Crude Oil	64.33	0.47	0.74
<b>CBT</b>			
Wheat Dec 19	530.25	11	2.12
Soybeans Nov 19	912.75	4.75	0.52
Corn Dec 19	377.75	6.5	1.75
<b>OTHER</b>			
Iron Ore (China Port)	92.5	0	0
Coal (ICE-GC Newcastle)	68.77	0.45	0.66
<b>LME Indicative</b>			
Copper - Cash	6130.5	3.25	0.05
Copper - 3Mth	6161	18.5	0.3
Lead - Cash	1925.25	1.5	0.08
Lead - 3Mth	1925.5	-8.5	-0.44
Zinc - Cash	2262.5	44	1.98
Zinc - 3Mth	2259	34.5	1.55
Aluminum - Cash	1761.75	10.5	0.6
Aluminum 3Mth	1772.5	11	0.62
Nickel - Cash	14041.5	256	1.86
Nickel - 3Mth	14015	160	1.15
Tin - Cash	17273	-45	-0.26
Tin - 3Mth	17250	105	0.61

**AUD exchange Rates (Source: IRESS)**

CROSS	CLOSE	+/-	%
AUDUSD	0.6884	0.0006	0.09
AUDJPY	74.7985	0.135	0.18
AUDGBP	0.5216	0.0004	0.08
AUDCAD	0.9067	0.0007	0.08
AUDNZD	1.0457	0.0011	0.11
AUDHKD	5.3741	0.0043	0.08
AUDSGD	0.9345	0.001	0.11
AUDMYR	2.8653	0.0006	0.02
AUDEUR	0.6186	0.0007	0.11

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