

Local Indices (Source: IRESS)

INDEX	CLOSE	+/-	%
E-mini S&P 500 Futures	2882.75	1.75	0.06
E-mini Dow Futures	26028	16	0.06
E-mini NASDAQ 100 Futures	7479.75	6.5	0.09
SFE 200 Futures	6552	2	0.03

Local Market Commentary

ASX200 to open higher: The ASX200 ought to add 3 points at this morning's open, following what was an all but flat day for Australian stocks yesterday. It was really a rather negative day for global equities, especially in Asia, as concerns slowly build once more about the state of global economic growth. Volume was again quite high on the ASX, and breadth relatively strong, likely indicating a general resilience in Australian equities. But some large-cap stocks underperformed yesterday, stifling upward momentum in the ASX200: the banks underperformed, with financials sapping 15 points from the index, while CSL alone was responsible for a 7-point loss on the index. The materials sector was a major outperformer on the ASX yesterday, adding 24 points to ASX200 index. And of course, it was the sustained run-higher in iron ore that has fundamentally underpinned the gains.

Overseas Indices (Source: IRESS)

INDEX	CLOSE	+/-	%
Dow Jones	26004.83	-43.68	-0.17
S & P 500	2879.84	-5.88	-0.2
NASDAQ	7792.7195	-29.8464	-0.38
FTSE 100	7367.62	-30.83	-0.42
DAX 30	12115.68	-40.13	-0.33
CAC 40	5374.92	-33.53	-0.62
Milan MIB30	20463.25	-146.45	-0.71
Nikkei	21129.72	-74.56	-0.35
Hang Seng	27308.46	-480.88	-1.73
Hang Seng China Enterprises	10494.78	-125.35	-1.18
Straits Times	3207.74	-1.84	-0.06
Shanghai Composite	2909.3796	-16.3366	-0.56

Australian Stock Watch

Abacus Property Group (ABP): ASX-listed property investor Abacus Property Group has sold its Gold Coast investment in Varsity Lakes for \$14 million. A Gold Coast-based private buyer scooped up the 3364-square-metre, single-level office building at 169 Varsity Parade. The property sits on a 1.3-hectare site in front of Lake Orr at Varsity Lakes. The sale made a 17 per cent return for Abacus, which bought the property for \$12 million in 2007. Ray White's Brad Duncalfe and Sam Riley and Knight Frank's Mark Witheriff and James Branch handled the expression of interest sale. *"The property attracted a wide range of interest from various investment and development groups who identified the strong tenant profile,"* Mr Duncalfe said, reports AFR.

AGL Energy Limited (AGL), Vocus Group Ltd (VOC): AGL chief executive Brett Redman says he is not trying to turn the power generator and retailer into an infrastructure company, but rather a *"better energy company"*, through the acquisition of Vocus Group's fibre optic network. AGL was granted an exclusive four week due diligence period on Vocus after making an indicative and nonbinding offer to buy the troubled telecommunications company for \$4.85 per share. The offer values Vocus at more than \$3 billion and AGL has said the offer is based on the belief that energy and data streams were converging. Asked to provide a tangible example of how those streams were converging, Mr Redman pointed to AGL's plan to create a *"virtual power station"* by being the centralised controller of energy, reports AFR.

Charter Hall Group (CHC): Charter Hall has nominated Melbourne's office market as a key focus for development plays



Overseas Markets & Gold Commentary

Gold prices are moderately higher in early-afternoon U.S. trading Wednesday. At mid-week there is somewhat heightened trader/investor risk aversion, as evidenced by lower world stock markets today. However, gold prices did move down from their daily highs as the U.S. dollar index pushed higher today. August gold futures were last up \$5.20 an ounce at \$1,336.50. July Comex silver prices were last up \$0.01 at \$14.75 an ounce.

European and Asian stock indexes were mostly lower overnight. The U.S. stock indexes are weaker at midday. The U.S. indexes at mid-week have ended an impressive rally streak that lifted prices well up from the early-June three-month lows.

It appears that global economic growth and world trade concerns are more on traders' and investors' mind at mid-week, putting them in a mood for buying safe-haven metals and selling equities.

Today's U.S. consumer price index report for May came in at up 0.1% from April, which was right in line with market expectations. The CPI rose 0.3% last month. Very low worldwide inflation levels in major economies is giving central bankers more leeway to ease their monetary policies.

In overnight news, China's May consumer price index hit a 15-month high, at up 2.7%, year-on-year. The CPI was up 2.5% in April. Food prices led the rise in CPI, with pork prices up 18%.

as it readies projects that are pitched to the new wave of companies looking for space in the Victorian capital. The group has called out opportunities in the city as part of a wider update on its pipeline across the office, retail and industrial sectors. Offices are the largest element and the group has a \$4.68 billion development pipeline, including \$1.7bn of committed projects and a further \$2.97bn of uncommitted developments in planning approval or pre-leasing. More than half of its office pipeline is in Melbourne as it aims to develop in an environment where rents are about \$580 per square metre, well below Sydney's top end of about \$1150 per square metre, reports The Australian.

Coles Group Ltd (COL), Woolworths Group Ltd (WOW): Food and grocery suppliers have accused Coles and Woolworths of a "money grab" after being forced to pay more for promotions, marketing and new product launches while struggling to raise wholesale prices. Suppliers who have managed to raise prices have been asked to hand back some or all of the gain by spending more on discounts and rebates – only to see the retailers raise prices by more than the wholesale price increase, a practice known as price creep. Others have been asked to spend their entire co-op funding for the year – money set aside to help promote sales of their products – before the end of June. This could leave them short of money to support their products if sales are weak later in the year, reports AFR.

Cronos Australia: It's a case of puff, puff, passed (over). Medical cannabis hopeful Cronos Australia is weighing a second run at the ASX boards without former adviser Cannacord Genuity by its side. Street Talk understands that Cronos, which is linked to the Canadian giant of the same name that is listed on the Nasdaq, and Cannacord have gone their separate ways. Both parties "amicably and respectfully agreed to cease the IPO mandate," a source confirmed to this column on Wednesday. The broker was hired by Cronos Australia in November last year to help it consider an ASX



International Economic Data

US EIA Crude Oil Stocks Change - Stocks of crude oil in the United States increased by 2.206 million barrels in the week ended June 7th 2019, following a 6.771 million jump in the previous week and against market expectations of a 0.481 million decrease. Meanwhile, gasoline inventories went up 0.764 million, below a 3.205 million rise in the prior week and beating market consensus of a 0.743 million gain, reports TradingEconomics.

• **US EIA Gasoline Stocks Change** - Stocks of gasoline in the United States increased by 764 thousand barrels in the week ending June 7 of 2019, reports TradingEconomics.

• **AU Consumer Inflation Expectations** - Inflation Expectations in Australia decreased to 3.30 percent in May from 3.90 percent in April of 2019, reports TradingEconomics.

listing, which it hoped would raise \$200 million. But the ASX delayed the deal after raising a number of issues with the company. A big part of Cronos Australia's attraction was its links to Canada's Cronos Group, which was the first cannabis company listed on the Nasdaq, reports AFR.

DEXUS Property Group (DXS): Australia's largest office landlord, Dexus Property Group, has begun construction on a new \$170 million project with plans to rejuvenate the retail, dining and theatre components of the landmark MLC Centre in Sydney. The listed property giant, which now has full control of the 67-level commercial and retail tower in Martin Place after buying GPT's half-share for \$800 million in March, will redevelop 6000 square metres of retail space across four levels. Part of the offering will be luxury and premium retail tenancies fronting Castlereagh and King streets as well as a food plaza precinct opening onto Martin Place. A new entrance and lift lobby to the commercial tower will be built in Castlereagh Street with access to the level 7 retail arcade, and a lobby cafe will open on the podium above, reports AFR.

Evolution Mining Ltd (EVN): JPMorgan and Citi were seeking to offload 50 million shares in Evolution Mining last night. As first reported by Street Talk, the brokers were calling for bids into a bookbuild after market yesterday. The deal was underwritten at the \$3.74 floor price, which was a 6 per cent discount to the closing price, and the brokers sent a book message soon after saying the deal was "*covered at \$3.74 a share*". The stock was being sold for La Mancha, which owned 162 million shares or a 9.6 per cent stake, as part of a swap agreement with the two investment banks. The deal was worth \$189 million at the floor price and represented a 3 per cent stake in Evolution Mining, according to terms sent to potential buyers. The price was set at \$3.74 to \$3.92 a share and the brokers were taking bids in 2c increments from the floor price, reports AFR.

**Commodities (Source: IRESS)**

COMMODITY	CLOSE	+/-	%
COMEX			
Gold Aug 19	1337.3	6.1	0.46
Silver Jul 19	14.76	0.02	0.14
Copper Jul 19	2.649	-0.0225	-0.84
NYMEX			
Platinum Jul 19	810.4	-3.9	-0.48
Palladium Sep 19	1404.2	15	1.08
LONDON METAL			
Gold (AM Fix)	1322.65	-5.95	-0.45
Gold (PM Fix)	1324.3	-4.3	-0.32
ENERGY			
Light Crude Jul 19	51.66	-2.09	-3.89
Brent Crude Oil	59.82	-2.26	-3.64
CBT			
Wheat Jul 19	525	7	1.35
Soybeans Jul 19	875.5	16.25	1.89
Corn Jul 19	448	1	0.22
OTHER			
Iron Ore (China Port)	105	4	3.96
Coal (ICE-GC Newcastle)	73.67	-2.88	-3.76
LME Indicative			
Copper - Cash	5823	-34.5	-0.59
Copper - 3Mth	5852.5	-39	-0.66
Lead - Cash	1917.25	-29.25	-1.5
Lead - 3Mth	1889	-17	-0.89
Zinc - Cash	2627.5	-27	-1.02
Zinc - 3Mth	2509.5	-6	-0.24
Aluminum - Cash	1759.5	11.25	0.64
Aluminum 3Mth	1787	9.5	0.53
Nickel - Cash	11757	-50	-0.42
Nickel - 3Mth	11850	-60	-0.5
Tin - Cash	19530	245	1.27
Tin - 3Mth	19270	110	0.57

Exchange Rates (Source: IRESS)

CROSS	CLOSE	+/-	%
\$A/\$US	0.6928	-0.0032	-0.46
STG/\$US	1.2688	-0.0035	-0.27
\$NZ/\$US	0.6573	-0.001	-0.15
\$US/Yen	108.507	-0.013	-0.01
\$A/Yen	75.1805	-0.3575	-0.47
\$US/\$SD	1.367	0.003	0.22
\$NZ/\$A	0.9486	0.0029	0.3
STG/\$A	1.8314	0.0036	0.19

Facebook: Facebook has signed deals with the NRL, AFL and Cricket Australia to bring match highlights, original live shows and classic matches to its video service Watch, but has signalled it will not compete with broadcasters to be the major sports rights partner. The new deals with the NRL, AFL and Cricket Australia have been signed directly with the sporting codes, using the rights they own, rather than with broadcasters. As part of the deal, Facebook Watch will live stream all 36 matches of the women's Big Bash League Twenty20 tournament. Facebook Asia Pacific head of sports partnerships Joyee Biswas said the major sporting code content is extremely valuable to Facebook as it looks to build its Watch video on-demand platform locally, reports AFR.

Flight Centre Travel Group Ltd (FLT): Travel behemoth Flight Centre has followed the lead of Airbnb and other online travel agencies such as booking.com by removing booking fees from its websites. Flight Centre co-founder Graham Turner reported solid growth in online transactions on its online travel agency and leisure travel websites but said that by removing online booking fees it could ensure its fares were cheaper than those available on many other travel websites. The decision follows Airbnb's recent move to drop booking fees. "Our websites and apps are important sales channels within our overall travel offerings and we're seeing solid growth in both online transactions and interactions," Mr Turner said in a statement, reports The Australian.

Qantas Airways Limited (QAN): The Fair Work Commission has backed Qantas' sacking of a veteran employee for supporting an unprotected strike against the airline that disrupted dozens of flights and thousands of customers. Senior deputy president Jonathan Hamberger held former Q Catering cabin service attendant Loata Petronic's actions were "fundamentally inconsistent with the obligations she owed to her employer" and her 22-year history with the airline did not result in making her



Economic News This Week

- 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**

Vonex Ltd (ASX:VN8)

Oper8tor launch around the corner

Vonex announced today that third party unit and load testing of the group's proprietary communications App – Oper8tor – will commence on 17 June. Testing is expected to take two to three weeks, following which VN8 will announce a formal launch date of the App in Australia. On launch, Oper8tor will demonstrate features including call blast, cross-platform social media messaging including SMS, improved contact management as well as Oper8tor to Oper8tor message chat and voice calls.

Vonex SOTP Valuation: 29c per diluted share

Our estimated SOTP valuation for VN8 is A\$51m (A\$0.29 per diluted share) comprised of a DCF valuation of A\$46m (A\$0.26 per diluted share) for the Telco business and a nominal A\$5m (A\$0.03ps) for the - still early-stage - Oper8tor technology. However, we suggest that [this valuation may prove to be very conservative indeed.](#)

We note that social media platforms typically attract very high market valuations. Yelp, Snapchat, Twitter, have market caps of US\$3bn, US\$14bn, and US\$25bn respectively.

VN8 has a target for Oper8tor of 10 million active users. Assuming industry-average active user income of US\$10 per annum (~US\$0.80 per month), a 10 million user base could generate very substantial revenues for Oper8tor of US\$100m per annum.

dismissal harsh. He held Ms Petrunic was an active participant in a four-hour stoppage at Sydney airport last year and Qantas was justified in firing her and not other workers who were “*more or less herded*” into the action by union delegates, reports AFR.

Revolut: London-based neobanking unicorn Revolut will start switching on its digital wallet from Thursday for Australian customers, an indication the fight to win young, digital-savvy customers from the major banks has gone global. The Australian Securities and Investments Commission has allowed Revolut, which is valued at \$US1.7 billion (\$2.4 billion) and is one of the fastest-growing technology companies in Europe, to use its European “*electronic money licence*” (EMI) to support its beta launch in Australia. Revolut says for now it has no plans to take deposits; rather, it will offer a pre-paid transaction account, distinguishing its strategy from Volt Bank, which in January gained a licence from the Australian Prudential Regulation Authority to hold deposits, reports AFR.

Rio Tinto Limited (RIO): A tailings facility at the Ranger uranium mine in the World Heritage-listed Kakadu National Park is among facilities owned by Rio Tinto that present a potentially “*catastrophic*” risk of damage to people and the environment should they fail. The Ranger uranium mine is operated by ASX-listed Energy Resources of Australia, but Rio owns 68.4 per cent of the company's shares and it lists ERA as one of its subsidiaries. Rio last night assigned two of the tailings facilities at Ranger a “*high B*” rating, on a scale established by the Australian National Committee on Large Dams. The rating indicates the impact on the environment could be “*catastrophic*”, including a health impact on up to 10 people. Alternatively, the rating could indicate a failure could damage the health of up to 100 people and have a “*major*” impact on the environment, reports The Australian.



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