

Futures Indices (Source: IRESS)

INDEX	CLOSE	+/-	%
E-mini S&P 500 Futures	2894.25	3.75	0.13
E-mini Dow Futures	26153	30	0.11
E-mini NASDAQ 100 Futures	7493	14.75	0.2
SFE 200 Futures	6565	8	0.12

Local Market Commentary

The Australian sharemarket is poised for a positive start to the week, with futures pointing to an eight-point gain at the open. This comes on the back of day whereby the market added a narrow 0.18 per cent on Friday. The lower Australian Dollar ought to help the market slightly, as will progressively lower bond yields, as markets continue to boost-bets of an imminent RBA rate cut. The energy sector will remain one-to-watch, due to a continued lift in oil prices, amid ongoing fears about geopolitical stability around the Gulf of Oman. But the overall resources sector may be due for a pullback, in line with a small decline in iron ore prices. This dynamic in global currency markets weighed heavily on the Australian Dollar, in particular. The AUD/USD touched a new-low on Friday, trading at levels not experienced since January's notorious FX-market crash".

World Indices (Source: IRESS)

INDEX	CLOSE	+/-	%
Dow Jones	26089.61	-17.16	-0.07
S & P 500	2886.98	-4.66	-0.16
NASDAQ	7796.659	-40.471	-0.52
FTSE 100	7345.78	-22.79	-0.31
DAX 30	12096.4	-72.65	-0.6
CAC 40	5367.62	-8.01	-0.15
Milan MIB30	20612.45	-18.3	-0.09
Nikkei	21116.89	84.89	0.4
Hang Seng	27118.35	-176.36	-0.65
Hang Seng China Enterprises	10419.87	-52.57	-0.5
Straits Times	3222.63	1.97	0.06
Shanghai Composite	2881.9743	-28.7663	-0.99

Australian Stock Watch

Afterpay Touch Group Ltd (APT): For buy now, pay later juggernaut Afterpay Touch, cavalierly swatting away any concerns about its business model has become second nature. That, though, was prior to its critics including the Commonwealth's dedicated financial crimes authority, AUSTRAC. Buried on page 5 of its robust trading update of June 6 was the cutely worded concession that *"Afterpay is currently in dialogue with AUSTRAC regarding issues that AUSTRAC has raised regarding our [anti-money laundering/counter-terrorism financing] compliance, the outcome which is yet to be determined"*. Afterpay insisted, nevertheless, it had *"not identified any money-laundering or terrorism-financing activity via our systems to date"* – a meaningless assurance if ever there was one, reports AFR.

BOD Australia Ltd (BDA): In the nascent field of medicinal cannabis, research can make you money. And no, not in the normal way. Listed skin care and health products company Bod Australia last Wednesday announced a *"landmark"* 12-month medicinal cannabis trial this week, focusing on the plants' effects on PTSD treatment. The release contained the peculiar news that the trial will *"generate revenue"* while *"underpinning medical cannabis product sales for its Pharma business"*. Trade title Biotech Daily detailed the mechanics of this. Bod Australia – whose board is executive chaired by ex-Swisse director George Livery and also counts retail billionaire Brett Blundy's chief adviser Stephen Thompson as an executive director – is recruiting 300 PTSD sufferers who'll each pay \$25 to participate. That's along with *"standard treatment costs ... although they would be eligible for rebates through Medicare and, in some instances, private insurers"*, reports AFR.



Overseas Markets & Gold Commentary

The current economic and geopolitical environment which has been a primary catalyst moving gold prices higher still remain firmly intact, and if anything, are becoming more pronounced. The trade war between the United States and China is no closer to resolution as it was a month ago.

Both presidents of China and the United States ready themselves to meet at the G-20 meeting at the end of this month in Osaka Japan. While it is widely accepted that it will not be the leaders who are able to resolve the complex issues in our trade dispute but rather set the tone which will guide the negotiating teams following their meeting. The chasm between the two ideologies continues to widen and key issues continue to be locked in a stalemate.

The recent activity in the Gulf of Oman in which two oil tankers were brutally attacked will certainly add fuel to the fire of geopolitical uncertainty and turmoil. If in fact it was Iran that sanctioned this attack the real question will become whether or not the United States will take military action, and if they do what will be the extent of a measured response.

On a technical basis today's intraday high is extremely significant and represents a new level of major resistance. The fact that gold prices were able to match the recent yearly high at \$1361 is impressive, however the caveat is that once that price point was hit selling pressure entered the market quickly eroding the recent gains and moving prices back to \$1345. Which means that the record closing price of this year at \$1347 is still intact and unchallenged.

The climax of last week's trade was Friday night's US Retail Sales data release. As is well known, sentiment in the

Challenger Ltd (CGF): For a company that has pitched itself as safe and reliable, offering retirees the chance to future-proof their retirement by investing in annuities, Challenger's performance in the past 18 months has left a lot to be desired. The country's biggest annuities business managed to escape the glare of the Hayne commission but its performance hasn't. In 18 months, it has gone from being one of the top-performing companies in the financial services sector to one that has fallen into the ignominious camp of performing almost as poorly as the scandal ridden IOOF and AMP as investors abandoned the shares. At an investor day presentation to the market last Thursday, things took a turn for the worse when its relatively new chief executive Richard Howes cut some key financial targets and warned that its 2019 profit would be at the lower end of their guidance and 2020 looked worse, reports AFR.

Coles Group Ltd (COL): In a record deal, Singapore's Frasers Logistics and Industrial Trust has sold a half-stake in a Coles cold storage distribution centre at Parkinson, south of Brisbane, to global investment manager DWS for \$134.2 million. The deal, struck on a yield of about 5.6 per cent, represents the largest individual sale by value – taken at 100 per cent – to date for a cold storage facility. The distribution centre was purpose built for Coles in 2008 and is the grocery giant's only such facility in the state, servicing all of its Queensland supermarkets and its northern NSW outlets. The Singapore-listed Frasers trust acquired the asset as part of its initial public offering three years ago and was holding it on its books at a value of \$123.3 million, reports AFR.

Commonwealth Bank of Australia (CBA), Westpac Banking Corp (WBC): Australia's big banks are beginning to trickle back into the advertising market, but media buyers do not expect the big spending to return until financial institutions gear up home-loan marketing for the spring property season. Westpac and Commonwealth Bank of Australia have been the bigger bank spenders testing the waters so far this month. CBA had



market centres around concern for the state of the global economy.

As the biggest component, of the world's biggest economy, US consumption data was hotly awaited to test the thesis that the global economy is winding down for another cycle. As it turns out: right now, those fears are very slightly exaggerated, if the US Retail Sales data was anything to go by. Core Retail Sales came-in bang on expectations at 0.5%, taking the annualized figure to around 3.2 per cent. Solid-enough US Retail Sales data numbers tempered some of the enthusiasm for rate cuts from the US Fed. To be clear: imminent US rate cuts are still in the market. In fact, 25 basis-points of cuts remain implied for July's Fed-meeting.

International Economic Data

- **CN Industrial Production** - China's industrial production increased 5 percent year-on-year in May 2019, easing from a 5.4 percent advance in April and missing market consensus of 5.5 percent. That was the weakest yearly growth in factory output since early 2002 amid an escalating trade dispute between Beijing and Washington, as production rose at a slower pace for both manufacturing (5 percent vs 5.3 percent in April) and utilities (5.9 percent vs 9.5 percent). Meanwhile, mining output expanded faster (3.9 percent vs 2.9 percent). By industry, output rose less for power equipment and communication, while production growth accelerated for chemicals, non-metal minerals, ferrous metals, general equipment, transport equipment and machinery. In addition, textiles output rebounded. Considering the first five months of the year, industrial production grew 6 percent compared with the same period last year, reports TradingEconomics.

- **CN Retail Sales** - China's retail trade rose by 8.6 percent year-on-year in May 2019, following a 7.2 percent advance

advertising campaigns in print every day last week, including a front-page wraparound and full-page ads in The Australian Financial Review and AFR Weekend, and strap ads each day in The Australian's business section. Westpac increased its ad spend last week with a campaign it launched in March about its separation hub, and a new "*baker of Beirut*" ad it launched this month across free-to-air television and Foxtel, reports AFR.

Hub24 Ltd (HUB): Investment platform HUB24 is surfing an uptick in the flow of funds on the back of the election result, as the firm looks for new ways to service financial advisers in a post-Hayne environment. HUB24 managing director Andrew Alcock said the surprise election result had translated into a fillip for financial services companies in a month that already produced strong fund flows. *"We have seen greater activity, yes,"* Mr Alcock said. *"Things were slower and patchier before the election than they were after the election; it appears the stability in government might be driving some confidence."* HUB24 is one of a handful of an independent platform operators making the most of the battering that incumbent players, such as the big four banks, AMP and IOOF, received during the Hayne commission, reports AFR.

Kidman Resources Ltd (KDR), Wesfarmers Ltd (WES): Measured risks — that is the message Wesfarmers chief executive Rob Scott wants his shareholders to hear from his investment strategy. Increasingly though, risks for a public company CEO go well beyond the control of management: from government intervention to new pressure from big investors sitting on the register, including super funds. Scott is investing in digital across his retail assets, but electric vehicles are where he sees the blue sky for measured risk taking. Wesfarmers is buying lithium miner Kidman with a \$700 million commitment to develop a mine and lithium hydroxide facility with joint-venture partner SQM. *"In business today, as we get into new technologies, be it in the lithium space, or be it in the data and digital space, we need to be more open-minded to the prospect of partnerships"*, reports The Australian.



in April and beating market expectations of 8.1 percent, as automobiles sales rose for the first time since April 2018 (2.1 percent vs -2.1 percent). Additional upward pressure came from sales of garments (4.1 percent vs -1.1 percent); cosmetics (16.7 percent vs 6.7 percent); jewelry (4.7 percent vs 0.4 percent); home appliances (5.8 percent vs 3.2 percent); furniture (6.1 percent vs 4.2 percent); oil & oil products (3.1 percent vs 0.1 percent); and telecoms (6.7 percent vs 2.1 percent). Meanwhile, sales rose at a softer rate for both personal care (11.4 percent vs 12.6 percent) and office supplies (3.1 percent vs 3.6 percent). At the same time, sales of building materials fell further (-1.1 percent vs -0.3 percent). Considering the January to May period, retail sales advanced 8.1 percent from the corresponding period a year earlier, reports TradingEconomics.

- **US Retail Sales** - Retail Sales in the United States increased 3.20 percent in May of 2019 over the same month in the previous year. US retail trade rose 0.5 percent from a month earlier in May 2019, following an upwardly revised 0.3 percent growth in April and compared to market expectations of 0.6 percent. Sales rose for motor vehicles and a variety of other goods. Excluding automobiles, gasoline, building materials and food services, retail sales grew 0.5 percent after an upwardly revised 0.4 percent advance in April, reports TradingEconomics.

- **US Industrial Production** - Industrial Production in the United States increased 2 percent year-on-year in May of 2019, following a 0.9 percent rise in the previous month. US industrial output rose 0.4 percent from a month earlier in May 2019, reversing a 0.4 percent fall in April and beating market expectations of a 0.2 percent gain. That was the biggest increase in industrial production since November last year, boosted by a rebound in manufacturing and utilities output, reports TradingEconomics.

Rio Tinto Limited (RIO): Rio Tinto Group has published thousands of pages of contracts it signed with governments to explore for minerals and build mines, in the latest sign of the industry's push for transparency. The world's No. 2 miner on Friday released a compendium of contracts with countries from Guinea and Australia to Mongolia. Although much of the information will be of little interest to many, it can be highly informative for civil society groups and non-government organisations that want to hold governments to account. *"We believe that greater transparency and accountability helps build trust and credibility with our host communities, governments and other stakeholders,"* Rio said on its website. *"By disclosing our contracts, we can contribute to the responsible management of natural resources and help prevent corruption."* Earlier this year, miners including Rio issued more information on how they work with lobby groups. The sector is trying to clean up a reputation for murky dealings and shady practices that have long cast a shadow over the industry, reports AFR.

US Masters Residential Property Fund Unit (URF): Right now the sentiment towards the US Masters Residential Property Fund is about as bad as it can get. The URF, which was created in 2011 to snap up distressed properties in Hudson County, New Jersey, now owns \$1.3 billion of real estate in the area and its surrounds. But it has come under intense selling pressure as clients, who were recommended by Dixon Advisory to invest in it, are bailing. On Friday, the share price of the ASX-listed fund closed at 85¢ – a 54 per cent discount to the fund's stated net tangible asset value per share of \$1.57. Earlier last week, that widening discount prompted action from the manager, which said it would cut the dividend and sell down properties to begin repaying debt. Those steps are aimed at demonstrating that the stated valuations of the assets can be realised and restoring confidence within a group of investors who believe the trust is carrying too much debt., reports AFR.



• **US Michigan Consumer Sentiment** - The University of Michigan's consumer sentiment for the US dropped to 97.9 in June 2019 from 100.0 in the previous month, slightly missing market consensus of 98.0, a preliminary estimate showed. Consumer expectations deteriorated sharply due to concerns about tariffs as well as slowing gains in employment, reports TradingEconomics.

• **US Baker Hughes Oil Rig Count** - Crude Oil Rigs in the United States decreased to 788 in June 14 from 789 in the previous week, reports TradingEconomics.

Commodities (Source: IRESS)

COMMODITY	CLOSE	+/-	%
-----------	-------	-----	---

COMEX

Gold Aug 19	1345.2	1.5	0.11
Silver Jul 19	14.85	-0.042	-0.28
Copper Jul 19	2.63	-0.0275	-1.03

NYMEX

Platinum Jul 19	804.4	-7.3	-0.9
Palladium Sep 19	1461.5	20	1.39

LONDON METAL

Gold (AM Fix)	1335.8	-0.85	-0.06
Gold (PM Fix)	1335.9	3.55	0.27

ENERGY

Light Crude Jul 19	52.75	0.36	0.69
Brent Crude Oil	62.02	0.69	1.13

CBT

Wheat Jul 19	539.75	0.75	0.14
Soybeans Jul 19	921.25	6	0.66
Corn Jul 19	461.5	5.75	1.26

OTHER

Iron Ore (China Port)	109	2.5	2.35
Coal (ICE-GC Newcastle)	73	-0.68	-0.92

LME Indicative

Copper - Cash	5797.75	-32.75	-0.56
Copper - 3Mth	5810	-53.5	-0.91
Lead - Cash	1876	-21.75	-1.15
Lead - 3Mth	1873	-15.5	-0.82
Zinc - Cash	2562.5	-21.5	-0.83
Zinc - 3Mth	2455	-20	-0.81
Aluminum - Cash	1732.75	-23.25	-1.32
Aluminum 3Mth	1759.5	-27.5	-1.54
Nickel - Cash	11792	30	0.26
Nickel - 3Mth	11905	55	0.46
Tin - Cash	19356	-177	-0.91
Tin - 3Mth	19215	-135	-0.7

Village Roadshow Ltd (VRL): Centennial Asset Management's Matthew Kidman has joined a growing chorus of investors who are concerned Village Roadshow is failing to adhere to basic corporate governance standards and has called for the reappointment of executive talent firm Egon Zehnder to complete a search for a new chief executive. Village shareholders landed a victory last week, with Robert Kirby relinquishing his long-term grip on the chairman role, but some investors are concerned about the appointment of his son as CEO to replace retiring boss Graham Burke at the end of the year and the fact the company has abandoned a planned process to fill the role before a search had begun. Mr Kidman applauded the move for Village to appoint an independent chairman but said the board and new chairman should start the CEO search afresh, even if Clark Kirby, who was anointed on Thursday, ends up being the best candidate, reports AFR.

**Exchange Rates (Source: IRESS)**

CROSS	CLOSE	+/-	%
\$A/\$US	0.6874	-0.0001	-0.02
STG/\$US	1.2591	0.0006	0.05
\$NZ/\$US	0.6493	-0.0005	-0.08
\$US/Yen	108.54	0.035	0.03
\$NZ/\$A	0.9446	-0.0008	-0.08
STG/\$A	1.8317	0.0011	0.06

Economic News This Week

- Today **US NY Empire State Manufacturing Index**
- Tuesday **AU House Price Index**
- Tuesday **AU RBA Meeting Minutes**
- Tuesday **EA Inflation Rate**
- Tuesday **EA Balance of Trade**
- Tuesday **US Building Permits**
- Wednesday **US API Crude Oil Stock Change**
- Wednesday **AU Westpac Leading Index**
- Wednesday **US MBA Mortgage Applications**
- Thursday **US EIA Crude Oil Stocks Change**
- Thursday **US EIA Gasoline Stocks Change**
- Thursday **US Fed Interest Rate Decision**
- Thursday **AU RBA Gov Lowe Speech**
- Thursday **US Jobless Claims**
- Thursday **US Current Account**
- Friday **US EIA Natural Gas Stocks Change**
- Saturday **US Existing Home Sales**
- Saturday **US Baker Hughes Oil Rig Count**

Need More Information?

Contact your State One Stockbroking advisor on 08 9288 3388 or 1300 651 898, or by email, advice@stateone.com.au

Disclaimer / Disclosure / General Advice Warning / Confidentiality Notice

This market opener and its contents always remain the property of State One Stockbroking Ltd ("State One") and as such cannot be reprinted, distributed, copied, posted on the internet, in part or whole, without written prior approval from State One.

The contents of this document constitute General Advice and have been prepared without taking account of your investment objectives, financial situation or needs. Because of that you should, before taking any action to acquire or deal in, or follow a recommendation (if any) in respect of any of the financial products or information mentioned in this document, consult your own investment advisor to consider whether that is appropriate having regard to your own objectives, financial situation and needs.

While State One believes information contained in this document is based on information which is believed to be reliable, its accuracy and completeness are not guaranteed, and no warranty of accuracy or reliability is given or implied and no responsibility for any loss or damage arising in any way for any representation, act or omission is accepted by State One or any officer, agent or employee of State One. If applicable, you should obtain the Product Disclosure Statement relating to any relevant financial product mentioned in this document (which contains full details of the terms and conditions of the relevant financial product) and consider it before making any decision about whether to acquire the financial product.

The directors and associated persons of State One may have a long or short interest in the financial products discussed in this document and they may earn brokerage, commissions, fees and advantages, pecuniary or otherwise, in connection with the making of a recommendation or dealing by a client in such financial products. Additionally, State One may earn fees due to having been appointed advisors to or may be undertaking or about to commence research relating to, any of the companies mentioned herein.



|