

Futures Indices (Source: IRESS)

INDEX	CLOSE	+/-	%
E-mini S&P 500 Futures	2921	-0.75	-0.03
E-mini Dow Futures	26485	-10	-0.04
E-mini NASDAQ 100 Futures	7645.75	0.5	0.01
SFE 200 Futures	6614	39	0.59

Local Market Commentary

The S&P500 added over 1 per cent, driven by cyclicals and tech-stocks, with the USD lifting slightly. Commodities climbed on hopes for an improved global economic outlook, supporting a lift in the AUD. While the ASX200 is expected to leap this morning, with SPI Futures point to a roughly 40-point gain at today's open. Yesterday, local markets were preoccupied with the release of RBA minutes. Another interest rate cut from the RBA is "more likely than not". That was the key takeaway for financial market participants. It probably came as a (relatively small) surprise, judging by the price action in response to the news. That stubborn "spare capacity" issue in the Australian labour market was the core theme in the RBA's minutes. The other domestic and global risks confronting the Australian economy were touched-on; but overall, on those subjects, the RBA maintained a "glass-half-full" perspective. But the central challenge for the economy is ensuring the necessary conditions exists for continued jobs growth. And that won't come without a small nudge from lower interest rates, as well as (as the RBA pointedly expressed in its minutes) a concerted push from government, and other policy makers, to reform the economy and provide fiscal stimulus.

World Indices (Source: IRESS)

INDEX	CLOSE	+/-	%
Dow Jones	26465.54	353.01	1.35
S & P 500	2917.75	28.08	0.97
NASDAQ	7953.883	108.8587	1.39
FTSE 100	7443.04	85.73	1.17
DAX 30	12331.75	245.93	2.03
CAC 40	5509.73	118.78	2.2
Milan MIB30	21133.78	507.36	2.46
Nikkei	20972.71	-151.29	-0.72
Hang Seng	27498.77	271.61	1
Hang Seng China Enterprises	10507.65	79.13	0.76
Straits Times	3238.73	30.74	0.96
Shanghai Composite	2890.158	2.5359	0.09

Australian Stock Watch

Bank of Queensland Limited (BOQ): Mortgage brokers will be required to identify borrowers who are emotionally or physically violent under tough new rules being introduced by Bank of Queensland to protect "vulnerable" customers. From July 1 brokers will be required to sign a declaration they are aware of risks to vulnerable customers and confirm that there are no signs of financial or physical abuse by the proposed borrower, or related parties. But brokers claim they lack the professional training to detect telltale signs of abuse, particularly psychological, and are concerned about the openended legal liability of signing a declaration that it has not happened, or might not happen. Mike Felton, chief executive of the Mortgage and Finance Association of Australia, which represents mortgage brokers, said: "The declaration is premature. Brokers should not have to make a declaration about issues that they are not equipped to assess," reports AFR.

BHP Group Ltd (BHP): BHP is working on a plan to change the types of coal it produces in NSW in response to the Chinese import curbs that shocked coal markets earlier this year. China is the main buyer of export thermal coal from BHP's Mt Arthur mine in the Hunter Valley, but unofficial import restrictions on Australian coal shipments this year have prompted BHP to study ways to produce more of the coal specification demanded by Japanese customers. S&P Global Platts senior editor for Asia thermal coal Mike Cooper said there had been no sign of China relaxing the import restrictions on Australian coal that have typically manifested as lengthy customs clearance at Chinese ports. Aside from finding a more reliable customer for its thermal coal, the plan could enable BHP to access higher prices for the coal it exports from NSW while fitting with the company's broader



Overseas Markets & Gold Commentary

Risk is “on”: Risk appetite received a shot in the arm overnight – and from two sources. The first came from ECB President Mario Draghi, during a speech he delivered yesterday evening at the ECB Forum on monetary policy, in which he stated that his central bank would be prepared to cut-rates, or even deliver a new round of quantitative tightening, if Europe’s inflation target continues to be missed. The second, perhaps more significant, piece of news came courtesy of a Tweet from US President Donald Trump, which officially announced he would be meeting Chinese President Xi Jinping for an “extended” meeting at the upcoming G20 Summit.

Gold prices are moderately higher but down from session highs in midday U.S. trading Tuesday. Still, the yellow metal is poised to close at a four-month-high close today. Prices were supported from growing notions of more accommodative monetary policies from the world’s major central banks. Chart-based buying was also featured in gold as prices are in a near-term uptrend and not far below this year’s highs. Gains were pared on the day, however, by a stronger U.S. dollar index and a big rally in the U.S. stock market. August gold futures were last up \$7.60 an ounce at \$1,350.50. July Comex silver prices were last up \$0.171 at \$15.00 an ounce.

Traders and investors worldwide are on central bank alert this week. European Central Bank President

mission to reduce the carbon intensity of its business. The coal Mt Arthur sells to China typically contains 5500 kilocalories of energy per kilogram, reports AFR.

BlueScope Steel Limited (BSL): Steel maker BlueScope has warned that profit growth for 2018-19 will be slightly lower than expected because of pressure on steel margins in North America and softer market conditions for building products both in there and in Asia. But chief executive Mark Vassella said the fall in steel spreads in North America would have no implications for the company’s assessment of a potential \$1 billion expansion of its North Star steel mill in Ohio, in the US. Mr Vassella said the company was nearing a final decision and had spent \$50 million on a detailed design, engineering and critical paths study to assess whether the returns would be enough to justify expanding capacity by as much as 900,000 tonnes a year. He said the Ohio mill had been a star performer for BlueScope since it moved to full ownership in 2015, and the company would give a more comprehensive update on the expansion project on August 19. BlueScope warned on Tuesday that it now expected underlying earnings before interest and tax for 2018-19 to be about 6 per cent higher than last year, at \$1.35 billion, as it trimmed its previous guidance of a 10 per cent increase, reports AFR.

Coles Group Ltd (COL): Coles aims to restore profit growth by 2021 by slashing costs by \$1 billion over four years and increasing sales as fast as the broader market, says chief executive Steven Cain. Mr Cain, who took the helm two months before Coles’ \$20 billion demerger from Wesfarmers last November, has promised to deliver investors sustainable growth and satisfactory returns by winning back shoppers and finding smarter ways to sell amid unprecedented levels of competition. In a strategy update on Tuesday, Mr Cain unveiled plans to open fewer new supermarkets while expanding Coles’ online and convenience businesses, favouring everyday lower prices over discounting, tailoring ranges



Mario Draghi gave a dovish speech on monetary policy today by saying the ECB could cut interest rates and/or expand its bond-buying program (quantitative easing). Draghi's comments came as dour trade data was released from the Euro zone today.

The Federal Open Market Committee (FOMC) meeting began this morning and ends Wednesday afternoon with a statement. Most believe the Fed will not raise interest rates at this meeting, but FOMC members may lean toward a more dovish stance on monetary policy, to set the table for a rate hike in the coming few months. Many believe the ECB Draghi's dovish comments today give the FOMC more leeway to lower rates. The Bank of Japan also holds its regular monetary policy meeting this week.

International Economic Data

- **AU House Price Index** - House price index in Australia dropped by 3 percent quarter-on-quarter in the three months to March of 2019, worse than market expectations of a 2.5 percent fall and following a 2.4 percent decrease in the previous quarter. It was the biggest decline on record, as prices of properties fell in all capital cities, reports TradingEconomics.
- **EU Inflation Rate** - The annual inflation rate in the Euro Area fell to 1.2 percent in May 2019 from 1.7 percent in the previous month and matching a preliminary estimate and market expectations, reports TradingEconomics.
- **EU Balance of Trade** - The Euro Area trade surplus narrowed to EUR 15.7 billion in April of 2019 from EUR 17.1 billion in the same month of the previous year, still beating market expectations of a EUR 8.8 billion surplus. Imports rose 6.6 percent and exports increased at a softer 5.2 percent, reports TradingEconomics.
- **US Building Permits** - Building permits in the United States rose 0.3 percent from a month earlier to a seasonally adjusted annual rate of 1,269 thousand in May 2019, while markets were expecting a flat reading, reports TradingEconomics.

to better suit customers and using automation and technology to cut costs. *"We're trying to restore growth in profitability and give [investors] longterm shareholder value,"* he said, reports AFR.

Centuria Industrial REIT (CIP): JPMorgan's equities desk was in the market on Tuesday with a fully underwritten \$135 million block in ASX-listed Centuria Industrial REIT. As first reported by Street Talk, the broker was seeking buyers for the shares at \$3.02 each, which was a 4.1 per cent discount to the last close after market and a 5.6 per cent discount to the five-day volume weighted average price of \$3.20, according to terms sent to fund managers. It is understood the sale was on behalf of Asian real estate group ESR, which inherited the position when it acquired local fund manager Propertylink. Propertylink owned 44.9 million shares in Centuria Industrial REIT before it was acquired in April. Interestingly, Propertylink acquired the stake in a raid by JPMorgan at \$2.99 a share last September. JPMorgan was seeking buyers for the stock on Tuesday night, reports AFR.

Telstra Corporation Ltd (TLS): Telstra's plan to install thousands of new payphones with large digital advertising screens across Australia faces another hurdle as Sydney City Council moves to join Melbourne in a Federal Court challenge to the proposed national rollout. The council, which last month abandoned a tender to overhaul its street furniture, outdoor advertising and telecommunications services amid Telstra's payphone upgrades, is concerned about having significant revenue from its own outdoor advertising properties cut by the joint venture between the telco and French-owned JC Decaux. Sydney's action follows a letter of dispute to Telstra about the upgrades two months ago, and will see the council join City of Melbourne in the effort to prevent the project without council approval, reports The Australian.

Webjet Limited (WEB): Webjet's new travel blockchain solution, Rezchain, which has been under development by the Melbourne-

**Commodities (Source: IRESS)**

COMMODITY	CLOSE	+/-	%
COMEX			
Gold Aug 19	1350.2	7.3	0.54
Silver Jul 19	14.995	0.166	1.12
Copper Jul 19	2.7055	0.059	2.23
NYMEX			
Platinum Jul 19	803.2	8.6	1.08
Palladium Sep 19	1474.9	19.4	1.33
LONDON METAL			
Gold (AM Fix)	1333.2	-19.25	-1.42
Gold (PM Fix)	1341.3	-9.95	-0.74
ENERGY			
Light Crude Jul 19	54.27	2.1	4.03
Brent Crude Oil	62.24	1.27	2.08
CBT			
Wheat Jul 19	533.5	-9.25	-1.7
Soybeans Jul 19	940.5	1	0.11
Corn Jul 19	461.75	-6.75	-1.44
OTHER			
Iron Ore (China Port)	110.5	-2	-1.78
Coal (ICE-GC Newcastle)	70.55	-0.98	-1.37
LME Indicative			
Copper - Cash	5925	107	1.84
Copper - 3Mth	5956	111	1.9
Lead - Cash	1916	24.75	1.31
Lead - 3Mth	1917	34.5	1.83
Zinc - Cash	2630	42	1.62
Zinc - 3Mth	2513	44	1.78
Aluminum - Cash	1751.75	23.5	1.36
Aluminum 3Mth	1779	20.5	1.17
Nickel - Cash	11871	183	1.57
Nickel - 3Mth	11965	195	1.66
Tin - Cash	19230	138	0.72
Tin - 3Mth	19170	220	1.16

AUD exchange Rates (Source: IRESS)

CROSS	CLOSE	+/-	%
AUDUSD	0.6847	-0.0006	-0.08
AUDJPY	74.0905	-0.277	-0.37
AUDGBP	0.5468	0	0.01
AUDCAD	0.9187	-0.0005	-0.05
AUDNZD	1.0515	-0.0038	-0.36
AUDHKD	5.3638	-0.0048	-0.09
AUDSGD	0.9386	-0.0009	-0.09
AUDMYR	2.8598	-0.0044	-0.15
AUDEUR	0.6116	0.0008	0.12

based group for the past three years, has already attracted interest from several independent travel groups seeking to partner with it. Webjet's managing director, John Guscic, said the system solved customer service disputes, hence its popularity. He said he was not looking for funding for Rezchain, telling an Ord Minnet meeting yesterday morning Rezchain also reduced compliance costs and improved control. Mr Guscic said several of Webjet's investors were keen to learn about blockchain — hence the presentation at Ord Minnet. Mr Guscic described blockchain as a time-stamped series of immutable records of data managed by a cluster of independent computers not owned by any single identity in a peer-to-peer network that was very difficult to corrupt, reports The Australian.



Economic News This Week

- 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**

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