

Futures Indices (Source: IRESS)

INDEX	CLOSE	+/-	%
E-mini S&P 500 Futures	2928.75	-0.25	-0.01
E-mini Dow Futures	26527	-2	-0.01
E-mini NASDAQ 100 Futures	7672.25	-2	-0.03
SFE 200 Futures	6664	9	0.14

Local Market Commentary

Wall Street gets a boost thanks to a more dovish tone from the Fed, setting up the ASX for gains this morning. Yesterday, the ASX200 ran with North America and Europe's lead, to clock new 11-year highs, in its own burst of bullishness.

The sectors in the market that outperformed yesterday were those most sensitive to the emerging optimism surrounding global financial conditions and trade. Cyclical stocks rallied, with the energy sector leading the way, in line with a lift in oil prices, as did industrial stocks and materials stocks. Greater risk appetite manifested in a lift in the information-technology sector.

And of course, the banks added the most to the ASX200 in nominal. Though the leaders were clear, it was a bullish day for the ASX across the market: breadth was a solid 80 per cent, and trading volume was 16 per cent above the 100-day average.

World Indices (Source: IRESS)

INDEX	CLOSE	+/-	%
Dow Jones	26504	38.46	0.15
S & P 500	2926.46	8.71	0.3
NASDAQ	7987.3231	33.4401	0.42
FTSE 100	7403.54	-39.5	-0.53
DAX 30	12308.53	-23.22	-0.19
CAC 40	5518.45	8.72	0.16
Milan MIB30	21221.38	87.6	0.41
Nikkei	21333.87	361.16	1.72
Hang Seng	28202.14	703.37	2.56
Hang Seng China Enterprises	10764.7	257.05	2.45
Straits Times	3288.17	49.44	1.53
Shanghai Composite	2917.8029	27.6449	0.96

Australian Stock Watch

Afterpay Touch Group Ltd (APT): No flipping Afterpay. That's the instruction from Bell Potter ground control to its advisers this week, after handing them large parcels of underwater Afterpay stock. "Placement stock is now capable of being traded," went the allocation email message from Bell Potter HQ to the firm's advisers this week, to coincide with the stock landing in their brokers' and their clients' accounts. "However you are reminded that each person who accepted stock in this placement acknowledged that they had a current intention to hold the shares for 12 months." It's fair to say some advisers and their clients were shocked. Because there was no mention of any kind of escrow (apart from founder stakes) in Afterpay's presentation to the market. There were also "nil" general or additional undertakings attached to the placement stock, according to formal confirmation of bid letters clients were asked to sign and send back to their Bell Potter adviser last week. So while there are no formal restrictions of any kind, it seems Bell Potter is trying to strong arm its advisers and their clients to help out one of the broker's biggest bets, Afterpay. At best, it appears to be an empty threat and desperate stockbroking. At worst, it's manipulative and another stain on the murky book builds and allocation practices, at a time when ASIC is paying plenty of attention to who gets shares in equity raisings and why, reports AFR.

Coles Group Ltd (COL): Coles shares have risen another 4 per cent as analysts and investors breathe a sigh of relief the retailer has abandoned the supermarket "space race" and will not cut dividends as part of a five-year turnaround plan aimed at restoring profit growth and maintaining its market share. Coles shares rose 52¢ to a record \$13.73 on Wednesday, after gaining 3.4 per cent on Tuesday, when chief executive Steven Cain unveiled plans to restore profit growth and grow sales at least in line with the broader market by slashing costs by \$1 billion over four years, putting the brakes on new stores and building up Coles' online, convenience, health foods and export businesses. Analysts say the \$1 billion cost-out target was relatively modest compared with Coles' annual sales of almost \$40 billion but will help offset costs of doing business, which are rising by about \$150 million a year, and free up funds to reinvest in price, range, stores and service as competition increases from Woolworths, Aldi and newcomer Kaufland. UBS analyst Ben Gilbert raised his share



Overseas Markets & Gold Commentary

The US Federal Reserve came to the proverbial table with the goods, last night: without explicitly stating so, the American central bank stands poised to cut interest rates, in the expected event of a US economic slow-down. The Fed is no longer “patient”, nor are the pressures weighing on US inflation “transitory”.

Instead, as revealed by the bank’s “dot-plots”, interest rate cuts are expected in order to “sustain the (economic) expansion”. Needless to say, markets have reacted favourably to the Fed’s decision, and Fed Chairperson Powell’s subsequent press conference, on the hope that it can perform a famous “soft-landing” of the US economy.

Also, ECB President Mario Draghi’s suggestion that his central bank stood prepared to inject fresh stimulus into the European economy elicited excitement at the prospect of looser global financial conditions. In addition, US President Trump’s announcement of an official meeting between himself and Chinese President Xi Jinping at this month’s G20 bolstered hopes that the trade-war, and its stifling effect on global economic growth, may soon diminish.

Gold prices are posting moderate gains in afternoon U.S. trading Wednesday, in the immediate aftermath of a bullish FOMC statement from the Federal Reserve.

European stock indexes were mostly weaker Wednesday, while Asian shares were mostly up. Asian investors were encouraged by a tweet from President Trump on Tuesday that said he and Chinese President Xi had a good telephone conversation and they will meet at next week’s G-20 conference in Japan.

price target from \$11.30 to \$12.30 but retained his sell rating, saying that while Coles’ strategy was more customer-centric it was not without risk, would take time and would likely trigger a response from competitors, reports AFR.

Dacian Gold Ltd (DCN): Judgment calls don’t come much more binary than the one facing potential suitors for troubled ASX-listed gold miner Dacian Gold. Depending on who you ask, the company’s recent struggles are either a temporary blip creating an extraordinary buying opportunity, or proof that Dacian is travelling at high speed in a handbasket, bound for a rather fiery location. The Dacian data room is understood to open this week, with suitors expected to take particular interest in the underperforming ball mill at Dacian’s Mt Morgans mine. Contractor shortages were also blamed for successive production downgrades this year. Ross King of Treadstone Partners is running the show. Dacian’s difficult start to life as a gold producer shapes as a dodged bullet for the several Australian gold miners that cast an eye over the company in recent years, with St Barbara understood to have been interested before eventually buying Canada’s Atlantic Gold, reports AFR.

Origin Energy Ltd (ORG) & AGL Energy Limited (AGL): Australia’s two biggest electricity and gas suppliers have given a bleak assessment of the prospects for reining in energy prices, citing insufficient investment in new supply, delays in renewables projects and uncertainty on federal government energy policy and market intervention. Senior executives from both AGL Energy and Origin Energy told the Credit Suisse Australian Energy Conference on Wednesday of multiple obstacles that stood in the way of reducing prices for power and gas to the extent desired by politicians and customers. The advice comes as the country heads towards another tight summer in the electricity market, with no new generation capacity having been added apart from wind and solar, and with a major failure at a unit at AGL’s Loy Yang A plant that is expected to take until mid-December to repair. Last summer thousands of households in Victoria had blackouts during heatwaves in January as the supply system failed to keep up with demand. Average wholesale prices hit a record in Victoria and South Australia in the March quarter due to peak demand, reports AFR.

Paladin Energy Ltd (PDN): Paladin has strengthened its business ties with one of Papua New Guinea’s most powerful political families amid a local backlash against its \$423 million security contract on Manus Island, which is up for renewal at the end of next week. The Australian Financial Review reported earlier this year Paladin Solutions PNG had entered into an agreement with Peren Investment, a company controlled by brothers of PNG’s



International Economic Data

- **US API Crude Oil Stock Change** - API Crude Oil Stock Change in the United States decreased to -0.81 BBL/1Million in June 14 from 4.85 BBL/1Million in the previous week, reports TradingEconomics.
- **AU Westpac Leading Index** - The Westpac-Melbourne Institute Leading Economic Index in Australia dropped by 0.1 percent month-over-month in May 2019, the same pace as in the previous month. Meantime, the six-month annualized growth rate, which indicates the likely pace of economic activity relative to trend three to nine months into the future, rose slightly to -0.45 percent in May from -0.49 percent in April, reports TradingEconomics.
- **US MBA Mortgage Applications** - Mortgage applications in the United States fell 3.4 percent in the week ended June 14th 2019, following a 26.8 percent gain in the previous week, data from the Mortgage Bankers Association showed. Both applications to purchase a home and refinance dropped 3.5 percent. The average fixed 30-year mortgage rate went up by 2bps to 4.14 percent, reports TradingEconomics.
- **US EIA Crude Oil Stocks Change** - Stocks of crude oil in the United States decreased by 3.106 million barrels in the week ended June 14th 2019, down from a 2.206 million rise in the previous week and above market expectations of a 1.077 million decline. Meanwhile, gasoline inventories dropped 1.692 million, after a 0.764 million gain in the prior week and missing market consensus of a 0.935 million increase, reports EIA.
- **US EIA Gasoline Stocks Change** - Stocks of gasoline in the United States decreased by 1692 thousand barrels in the week ending June 14 of 2019, reports TradingEconomics.
- **US Fed Interest Rate Decision** - The Federal Reserve held the target range for the federal funds rate at 2.25-2.5 percent but dropped a promise to be "patient" in adjusting rates and signalled possible rate cuts of as much as half a percentage point later this year. The policymakers left economic projections for growth and unemployment mostly unchanged but the headline inflation was forecasted at just 1.5% for the year, down from the 1.8% projected in March, reports TradingEconomics.

parliamentary Speaker Job Pomat. New documents show shares were last month issued to Peren Investments in a company called Pomwan Paladin Security. That was previously controlled 70 per cent by Paladin and 30 per cent by Peren director Rodney Pokapin. It is now effectively a joint venture after the shares on issue were doubled to 200, owned half by Paladin and the other half by Peren and Mr Pokapin, with stakes of 40 per cent and 60 per cent respectively, reports AFR.

Qantas Airways Limited (QAN): Demand from sectors such as financial services, which softened before the federal election, is yet to rebound, says Qantas Airways chief executive Alan Joyce. Mr Joyce said the market remained a *"mixed environment"*, noting the resources sector was particularly strong and that he expected this to continue for some time. *"We think the next few years will continue to be another mining boom,"* he said. Qantas won't increase capacity in the first half of the next financial year, he said. The airline had previously planned to increase capacity by one per cent. *"Since the election we haven't seen a rebound in those segments that were slow; they are still the same level as before the election."* Mr Joyce made the comments after the airline said it had added 10 planes to its order from Airbus, to 109 aircraft. Qantas has also changed the mix of the order, which will now include as many as 36 Airbus A321 XLRs. These planes are longer and slimmer and can fly further, reports AFR.

Santos Ltd (STO): Santos has started to use solar power to drive its petroleum processing plant at Whyalla in South Australia, thanks to a 2.12-megawatt project installed by AGL Energy. The ground-mounted solar photovoltaic system, unveiled by Santos and AGL on Wednesday, extends the moves Santos has made over the past several months to lift its use of renewable power and storage as it follows European oil majors in adding a focus on low-carbon energy. The plant is expected to generate more than 3 gigawatt-hours a year of power, replacing more than 6 per cent of electricity used at Santos' Port Bonython oil and gas processing operation, reports AFR.

Sealink Travel Group Ltd (SLK): The chief executive of Sydney Harbour cruises and ferry company SeaLink Travel Group says the number of Chinese tourists has slowed but he expects the lower Australian dollar will encourage more visitors. Jeff Ellison said lower numbers of international tourists using its services in Sydney and Perth and the effect of uncertainty during the federal election campaign on domestic tourism had prompted an announcement to the ASX cautioning about softer trading conditions. *"The Chinese numbers generally have slowed but it is still growing,"* he told The Australian Financial Review yesterday. *"The pre-election period was also soft for us."* SeaLink, which

**Commodities (Source: IRESS)**

COMMODITY	CLOSE	+/-	%
COMEX			
Gold Aug 19	1364.3	13.6	1.01
Silver Jul 19	15.15	0.157	1.05
Copper Jul 19	2.6975	-0.005	-0.19
NYMEX			
Platinum Jul 19	812.2	10.2	1.27
Palladium Sep 19	1495.2	21.9	1.49
LONDON METAL			
Gold (AM Fix)	1344.55	11.35	0.85
Gold (PM Fix)	1341.35	0.05	0
ENERGY			
Light Crude Jul 19	54.39	0.28	0.52
Brent Crude Oil	62.2	-0.04	-0.06
CBT			
Wheat Jul 19	524	-11.5	-2.15
Soybeans Jul 19	929.25	-11	-1.17
Corn Jul 19	453.75	-9.25	-2
OTHER			
Iron Ore (China Port)	110.5	-2	-1.78
Coal (ICE-GC Newcastle)	69.68	-0.87	-1.23
LME Indicative			
Copper - Cash	5897	-28	-0.47
Copper - 3Mth	5901	-64.5	-1.08
Lead - Cash	1892.75	-23.25	-1.21
Lead - 3Mth	1903	-16	-0.83
Zinc - Cash	2594.5	-35.5	-1.35
Zinc - 3Mth	2466	-48	-1.91
Aluminum - Cash	1757.25	5.5	0.31
Aluminum 3Mth	1780	0	0
Nickel - Cash	12021	150	1.26
Nickel - 3Mth	12125	165	1.38
Tin - Cash	18955	-275	-1.43
Tin - 3Mth	18920	-250	-1.3

Exchange Rates (Source: IRESS)

CROSS	CLOSE	+/-	%
AUDUSD	0.6873	-0.0003	-0.05
AUDJPY	74.5145	-0.056	-0.08
AUDGBP	0.5463	-0.0013	-0.25
AUDCAD	0.9194	-0.0005	-0.05
AUDNZD	1.0533	0.0002	0.02
AUDHKD	5.3773	-0.008	-0.15
AUDSGD	0.9399	0	0.01
AUDMYR	2.8678	0.0013	0.05
AUDEUR	0.6135	-0.0008	-0.12

operates the Captain Cook cruises business on Sydney Harbour along with ferry services in Queensland and Western Australia and the Kangaroo Island ferry off South Australia, hadn't previously made a profit forecast for 2018-19. It took the unusual step of announcing to the ASX that it expected underlying net profit after tax for 2018-19 to be in the range of \$22 million to \$24 million, reports AFR.

Woolworths Group Ltd (WOW): Woolworths is under renewed pressure to get out of poker machines, with the NSW liquor and gaming regulator alleging staff illegally gave drinks to gamblers at two of its NSW pubs in 2017. Liquor & Gaming NSW has lodged complaints against Westover Tavern at West Ballina and South Tweed Tavern at South Tweed Heads – both owned by Woolworths' ALH hotels and gaming business – after a comprehensive investigation into ALH venues triggered by whistleblower allegations staff were plying gamblers with free drinks to keep them playing. Under NSW gaming laws, it is illegal to offer or supply free or discounted alcohol to induce gambling. Liquor and Gaming NSW said on Wednesday sufficient evidence to support the claims had been found at two hotels, and disciplinary complaints had been lodged. In the other two cases, which involved Sydney suburban hotels, there was insufficient evidence to proceed to a formal complaint. The regulator inspected more than 50 NSW hotels, focusing on four venues. It did covert surveillance, conducting coercive interviews of licensees, staff and other witnesses, reviewed CCTV footage and examined records and systems. The NSW Independent Liquor & Gaming Authority will now consider the disciplinary complaints. Hotels that breach gaming laws face penalties including formal reprimands, fines of up to \$110,000 and suspension or cancellation of licences, reports AFR.



Economic News This Week

- 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.