

Futures Indices (Source: IRESS)

INDEX	CLOSE	+/-	%
E-mini S&P 500 Futures	2952.5	2	0.07
E-mini Dow Futures	26702	5	0.02
E-mini NASDAQ 100 Futures	7758.25	6.75	0.09
SFE 200 Futures	6571	-17	-0.26

Local Market Commentary

The Australian share market is set for a negative start to the week after Wall Street slid lower on Friday. Friday night's US lead ought to manifest in a roughly 17-point fall for the ASX200 this morning, following a day on Friday in which the index shed 0.55 per cent during local trade.

The price action spoke of a market curbing its enthusiasm slightly, having hit new 11-year highs earlier in the week. The banks led the losses for the index, sapping from it almost 15 points, while a fall in CSL's share price dragged down the health care sector. Energy and materials stocks managed to contribute the greatest gains for the ASX200 on Friday, adding a combined 10 points to the index.

The Australian 10 Year sovereign bond yield is now trading at a new all-time low of 1.27 per cent – only 2 points above the current overnight cash rate – and at the shorter end of the curve, interest rate sensitive three-year Australian Commonwealth Government Bonds are yielding a paltry 0.88 per cent.

World Indices (Source: IRESS)

INDEX	CLOSE	+/-	%
Dow Jones	26719.13	-34.04	-0.13
S & P 500	2950.46	-3.72	-0.13
NASDAQ	8031.7071	-19.6333	-0.24
FTSE 100	7407.5	-16.94	-0.23
DAX 30	12339.92	-15.47	-0.13
CAC 40	5528.33	-7.24	-0.13
Milan MIB30	21388.63	27.19	0.13
Nikkei	21258.64	-204.22	-0.95
Hang Seng	28473.71	-76.72	-0.27
Hang Seng China Enterprises	10921.47	-0.92	-0.01
Straits Times	3321.4	6.89	0.21
Shanghai Composite	3001.9802	14.8616	0.5

Australian Stock Watch

A2 Milk Company Ltd (A2M): The A2 Milk Company boss Jayne Hrdlicka has downplayed worries that new Chinese regulations will hurt its position in the biggest formula market in the world, which is seeking to support local players as it looks to become more self-sufficient. The news on June 3 wiped \$1 billion off the market capitalisation of the \$9.7 billion company over the following two days. On Friday the stock fell a further 2.4 per cent to \$13.22 after Beijing outlined measures to ensure successful implementation of the e-commerce legislation, which came into effect in April. The legislation and Thursday's late after-market announcement relate to all goods and services transacted via e-commerce platforms, including infant formula, vitamins and cosmetics, which are often purchased by daigou personal shoppers outside China. Chinese authorities are hoping to reboot confidence in the country's recovering domestic industry. Key measures outlined by the regulators included a goal of 60 per cent self-sufficiency for infant formula and a higher market share for domestic brands, reports AFR.

AP Eagers Ltd (APE), Automotive Holdings Group Ltd (AHG): The \$70 billion Korean car giant Hyundai has warned that a \$2.3 billion merger between ASX listed car dealers AP Eagers and Automotive Holdings Group will erode competition in Australia and could force smaller dealers out of the market. Hyundai is also worried the merger could drive up the costs to consumers of having their vehicles serviced and result in the enlarged entity eventually "cherry-picking" the brands it wants to sell, excluding some car brands from key markets. The strong views from the No.4 player in the Australian new vehicle market, which sold 94,817 vehicles last year through 170 outlets, prompted a meeting between the AP Eagers chief executive Martin Ward and Hyundai Australia chief executive Jungwook Lee, reports AFR.

Bank of Queensland Limited (BOQ): When George Frazis takes the reins at Bank of Queensland (BoQ) in September he will be acutely aware of the scale of the challenge. The former air force pilot has spent the last ten years running Westpac New Zealand, St George Bank and Westpac's Australian consumer arm so he will be well across the problems that plague a former competitor, albeit one without scale. Considered alongside the big four banks, Bendigo Bank and Suncorp, BoQ has the smallest market share when it comes to residential mortgages and deposits. BoQ is about two-thirds the size of Bendigo Bank. It has a bigger personal loans and credit card business than Suncorp, which is mostly an insurer anyway. A Bloomberg survey of analysts reveals one buy recommendation, six holds and nine sells. The most bearish of the analysts is Shaw and Partners' Brett Le Mesurier, who expects the



Overseas Markets & Gold Commentary

The perennial favourite (for many) amidst a wave of competitive-currency-devaluations by the world's major central banks: gold is still shining as a major outperformer in global markets. The price of the yellow metal closed just below the \$US1400 level on Friday night, having briefly touched \$US1410 in intraday trade.

Propelled by the depreciating US Dollar and the growing pool of negative yielding government debt across global financial markets, the rally in gold in looking a touch overstretched for now, as speculators seemingly take-hold of the price. But in the longer-term, further upside for the price of the metal looks fundamentally well supported.

Risk-appetite remains well supported by the prospect of looser global financial conditions; however, Friday's price action was a little on the flat side. Wall Street stocks closed lower, though the S&P500 did touch a new all-time high in intraday trade.

European and Asian indices experienced similar trading conditions on Friday: falling generally but doing so on very high volumes. The DAX was down 0.13 per cent, and the FTSE100 dipped 0.23 per cent. The Nikkei fell almost one-percent, and the Hang Seng shed 0.27 per cent, with China's CSI300 one of the few gainers across global-benchmark stock indices on Friday, adding a modest 0.14 per cent.

Global bonds have sustained their bull-run, with milestones emerging wherever one looks. US 10 Year Treasury yields plunged beneath the 2.00 per cent level briefly last week, before levelling out above that mark; while the German and Japanese equivalents delved deeper into negative yielding territory.

share price to fall about 13 per cent from Friday's close of \$9.53 to \$8.30, reports AFR.

Bravura Solutions Ltd (BVS), GBST Holdings Limited (GBT): Financial services software company Bravura Solutions will need to bid against itself for a second time if it is to have any chance of securing a board recommendation from target GBST Holdings. Street Talk understands GBST's board will meet to consider Bravura's revised \$2.72 a share all-cash offer, which trumped an earlier scrip-and cash proposal that valued its target at \$2.50 a share. It is understood a handful of GBST's larger shareholders have told the board they want to see a "3" in front of any offer, before it gets a recommendation. Directors are usually inclined to listen to investors on such occasions particularly when the voices are believed to include the likes of Schroder Investment Management and Microequities Asset Management—and so are expected to rebuff the \$2.72 a share proposal, reports AFR.

Collection House Limited (CLH): Collection House has defended its latest \$25 million debt-chasing deal amid concerns from a major shareholder that such transactions amount to "selling the family silver" for a quick financial boost. The Brisbane-based collection agency says the deal means it can recycle cash into newer debts, allowing it to recoup additional funds quicker. "We're getting a hell of a lot of benefit," Collection House chief executive Anthony Rivas told The Australian Financial Review. Agencies typically buy chunks of discounted debt from institutions such as banks, with the aim of recouping more than they had paid. But Collection House – employing more than 750 staff across Australia, New Zealand and the Philippines – last week announced a deal for it to receive \$25 million in upfront cash in exchange for assigning five years' cash flows from a \$59 million segment of its debt book, reports AFR.

Funlab: The sale of \$30 million -a-year bowling alley and mini-golf company Funlab has picked up an initial public offering leg, with fund managers set to take their first look in coming weeks. As first reported by Street Talk yesterday, owner Next Capital has asked strategic adviser Citi and investment bank JPMorgan to book meetings and introduce the company to listed equity investors, to initiate discussions about an IPO. Sources said Funlab management would front fundies in the second week of July, where they will seek to explain the business and its store rollout-led growth strategy, which has shown no signs of slowing throughout a sale process. The company opened three venues in Melbourne's Crown complex on Thursday, including a Holey Moley golf site, a new karaoke concept and an escape room concept. The IPO deliberations come as owner Next Capital also has Citi running an auction for the business, reports AFR.

Graincorp Ltd (GNC): Long Term Asset Partners is long gone, but dealmakers are still crawling all over GrainCorp. The target now is GrainCorp's strong-performing malt business, which should be worth about \$2 billion based on other deals in the sector. Malt is slated for demerger by the end of this year, and GrainCorp and its bankers at Credit Suisse and Macquarie Capital are doing plenty of work in the background to make sure it's ready for life on its



International Economic Data

- **US Existing Home Sales** - Sales of previously owned houses in the US rose 2.5 percent from the previous month to a seasonally adjusted annual rate of 5.34 million in May of 2019. It follows an upwardly revised of 5.21 million and compares to market expectations of 5.25 million, reports TradingEconomics.
- **US Baker Hughes Oil Rig Count** - Crude Oil Rigs in the United States increased to 789 in June 21 from 788 in the previous week, reports TradingEconomics

own. It's no secret GrainCorp has been considering options for its malt unit – and has been for more than the past six months, thanks to pressure from shareholders and similar transactions in the sector. The deliberations had its bankers in front of potential buyers earlier this year, telling them the asset GrainCorp picked up for less than six times earnings could now be worth 12 times. Buyer interest was enough for GrainCorp to head down the demerger route, reports AFR.

Mirvac Group (MGR), Boral Limited (BLD): Mirvac has struck a deal with construction materials giant Boral to develop a 171-hectare quarry site at Wantirna South, in Melbourne, into a 1700-lot housing community, a project with an end value nearing \$1 billion. The former quarry site is in the Dandenong Valley Parkland corridor, 25 kilometres south-east of the Melbourne CBD. The venture with Boral has been finalised just weeks after Mirvac, led by Susan Lloyd-Hurwitz, raised \$750 million to fund the next wave of residential and commercial development. The Wantirna South project was among those foreshadowed in Mirvac's pipeline. "We are excited to again be a part of this south-east corridor, having delivered the successful Harcrest and Waverley Park residential communities, both within a four-kilometre radius of Wantirna South," Mirvac's head of residential Stuart Penklis said. "We look forward to drawing on our local knowledge and understanding of the needs and aspirations of home buyers in the area, together with our experience in delivering both greenfield and infill sites in Victoria, to truly reimagine urban life with this new community", reports AFR.

Moelis Australia Ltd (MOE): ASX-listed investment firm Moelis Australia has acquired 54 brand new apartments in one line from Sydney developer Payce for close to \$30 million. The apartments, sold at a discount, are all in a single block known as Vision, located within the 779-apartment mixed-use "South Village" project in Sydney's Kirrawee. Based on market prices for units sold in the area last year, the deal came at a discount of between 20 to 25 per cent. The discount is higher if compared to peak prices in 2015 and 2016. The transaction highlights both the persistently soft apartment market with many new off the plan units either unsold or failing to settle, and the financiers and investors looking for opportunities and discounts to landbank ahead of a market recovery, reports AFR.

Qantas Airways Limited (QAN): The Australian Council of Trade Unions is launching legal action against Qantas over its decision to refuse a \$2000 bonus to employees unless they sign on to new company-endorsed enterprise agreements. The union peak body claims the company's \$67 million bonus scheme discriminates against workers covered by collective agreements, while delivering the cash immediately to managers. The challenge, to be filed in the Fair Work Commission on Monday, threatens the basis of Qantas' bonuses for the past four years. ACTU secretary Sally McManus argued the airline's bonus scheme pressures workers into accepting subpar wages and conditions. "Union members at Qantas are outraged at this decision and see it as a sign of disrespect," she said. Last August, Qantas said it would pay a

**Commodities (Source: IRESS)**

COMMODITY	CLOSE	+/-	%
COMEX			
Gold Aug 19	1403.1	11.2	0.8
Silver Jul 19	15.42	-0.148	-0.95
Copper Jul 19	2.6995	-0.0125	-0.46
NYMEX			
Platinum Jul 19	809.2	3.6	0.45
Palladium Sep 19	1494.9	14.3	0.97
LONDON METAL			
Gold (AM Fix)	1381.65	39.25	2.92
Gold (PM Fix)	1379.5	35.45	2.64
ENERGY			
Light Crude Jul 19	57.58	0.51	0.89
Brent Crude Oil	65.29	0.77	1.19
CBT			
Wheat Jul 19	532.75	1	0.19
Soybeans Jul 19	929.75	-11.25	-1.2
Corn Jul 19	455	-6	-1.3
OTHER			
Iron Ore (China Port)	119.5	4	3.46
Coal (ICE-GC Newcastle)	72.12	1.62	2.3
LME Indicative			
Copper - Cash	5957.5	-3	-0.05
Copper - 3Mth	5960	-10.5	-0.18
Lead - Cash	1897.5	-4.5	-0.24
Lead - 3Mth	1905	2.5	0.13
Zinc - Cash	2546.5	-23	-0.9
Zinc - 3Mth	2430.5	-31.5	-1.28
Aluminum - Cash	1742.5	-14	-0.8
Aluminum 3Mth	1766.5	-16	-0.9
Nickel - Cash	12018.5	-211.25	-1.73
Nickel - 3Mth	12100	-200	-1.63
Tin - Cash	19070	-150	-0.78
Tin - 3Mth	19025	-150	-0.78

AUD exchange Rates (Source: IRESS)

CROSS	CLOSE	+/-	%
AUDUSD	0.6932	-0.0001	-0.01
AUDJPY	74.3995	0.0145	0.02
AUDGBP	0.5439	-0.0007	-0.13
AUDCAD	0.9158	-0.0009	-0.09
AUDNZD	1.0518	-0.0006	-0.05
AUDHKD	5.4167	-0.0033	-0.06
AUDSGD	0.9394	-0.001	-0.11
AUDMYR	2.877	0.0062	0.22
AUDEUR	0.6094	-0.0003	-0.05

\$2000 cash bonus to full-time employees and \$1500 to part-timers in light of its record \$1.6 billion profit result. The airline paid staff, mostly management, the cash bonus the following month. But for the 27,000 covered by a collective agreement, the airline said it would only pay them the bonus if they signed up to their next agreement, reports AFR.

Qualitas Real Estate Income Fund (QRI): Qualitas' first "pure property debt" listed investment trust, the Qualitas Real Estate Income has raised another \$35 million in funds to issue more commercial loans. The trust which listed late last year went into trading halt last week and raised \$34.68 million. The trust offers investors exposure to the commercial real estate finance through commercial loans to residential developers such as senior and mezzanine loans. This trust differs to mum and-dad mortgage trusts which lends residential mortgages and is the first publicly listed commercial debt fund of its kind. The money was raised through a placement of 21,675,889 units issued at \$1.60 a unit, a 3.61 per cent discount to the last closing price of \$1.66 on June 18, reports AFR.

Retail Food Group Limited (RFG): When a company sends out invoices with inflated prices days before the end of the financial year on products that haven't been ordered and says "no returns of stock", it raises questions. Earlier this month a subsidiary of embattled Retail Food Group sent Gloria Jeans franchisees invoices for boxes of 24 frozen Donut King doughnuts at a price of \$127.11 including GST, which is equivalent to more than \$5.30 a doughnut. The Australian Financial Review obtained invoices as well as a follow-up email from Gloria Jeans, sent on June 13, saying "Many of you have pointed out that the invoice states a price that appears to be incorrect, and we have established that there has in fact been an error." The email confirms the correct price for a box of 24 doughnuts is \$19.13, not \$127.38. But it says "Can I please implore on you to not reject the delivery, despite any accompanying invoice reflecting an incorrect price, understanding it will be adjusted for you", reports AFR.

Shine Corporate Ltd (SHJ), Evans Dixon Ltd (ED1): Law-firm Shine Lawyers says it is sizing up a potential class action on behalf of clients of Dixon Advisory after talking to dozens of clients who had been advised by the firm to invest in its own house funds. But the under-fire advisory firm maintains there is "no basis" for any action, saying it adheres to the best interest obligations. Shine's head of class actions and loss recovery Jan Saddler told The Australian Financial Review she had spoken to about 40 clients and reviewed their paperwork and identified high fees and a propensity to favour Dixon's products over other investments as key issues. "The work we have undertaken reveals significant fees were incurred at many different points of the investing structure which we are looking at very closely for a number of reasons," she said. Shine's preliminary work follows reports in the Financial Review that clients of Dixon Advisory had grown dissatisfied with the performance of their investments, and had escalated their complaints to the financial ombudsman, reports AFR.



Economic News This Week

- Today **AU RBA Gov Lowe Speech**
- Today **US Chicago Fed National Activity Index**
- Wednesday **US New Home Sales**
- Wednesday **US MBA Mortgage Applications**
- Thursday **US EIA Crude Oil Stocks Change**
- Thursday **US EIA Gasoline Stocks Change**
- Thursday **EU Consumer Confidence**
- Thursday **US Jobless Claims**
- Friday **US EIA Natural Gas Stocks Change**
- Saturday **US Baker Hughes Oil Rig Count**
- Sunday **CN NBS Manufacturing PMI**
- Sunday **CN Non-Manufacturing PMI**

Stockland Corporation Ltd (SGP): The federal election delivered the Coalition a surprise return to office and with it a big bounce to Stockland, a diversified property player with exposure to residential development, along with investments in the office, logistics, retail and retirement sectors. On the Friday before the May 18 poll its stock closed at \$3.93. Come Monday it finished the day at \$4.12, a gain of 4.8 per cent. What a difference a weekend makes. In one fell swoop, the re-election of the government ended the threat of Labor's proposed changes to negative gearing and capital gains tax and ushered in the prospect of the Coalition's First Home Loan Deposit Scheme. *"The election result was important,"* Stockland managing director Mark Steinert told The Australian Financial Review in a recent interview. *"There was a lot of concern from investors related to proposed tax changes and the impacts they would have on investors' participation in the housing market",* reports AFR.



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.