

Monday 5 February 2018

Markets

SFE 200 Futures (9.30am AEDST)	6006	-65	-1.1
NZX 50	8285	-131	-1.6
DJIA Futures	25428	0	0.0
S&P 500 Futures	2757	0	0.0
NASDAQ Futures	6756	0	0.0

Local Markets Commentary

Caution is expected to feature across Australian market trade today, following drops across US markets and falls for key commodity prices overnight Friday.

Some key regional and domestic economic indicator reports are due today, however, commencing from 9.30am AEDST.

In addition, this week the Reserve Bank of Australia (RBA) holds its first policy meeting for 2018, and some high-profile stocks report for full-year or interim results.

Locally today, AiG's January **services** sector activity index are due pre-trade, as are CoreLogic's weekly capital city **home prices**.

ANZ is expected to publish January **job advertisements** 11.30am AEDST, and the Melbourne Institute a monthly inflation gauge report.

Meanwhile, the **RBA** is preparing for its first policy meeting of the year tomorrow.

December trade figures and retail sales will also be in hand before tomorrow afternoon's outcomes statement.

Regionally today, Caixin releases its final January services PMI for **China 12.45pm** AEDST.

A **Japan** final January services PMI is also expected, 11.30am.

In overnight Friday commodities trade, **gold** futures continued to fall.

Oil swung lower. **Iron ore** (China port, 62% Fe) turned higher and rallied.

LME **copper** and **nickel** fell.

The **\$A** tumbled to ~US79.20c after falling below US80.0c early Friday evening, and has depreciated further this morning.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	25521	-666	-2.5
S&P 500	2762	-60	-2.1
NASDAQ	7241	-145	-2.0
FTSE 100	7443	-47	-0.6
DAX 30	12785	-219	-1.7
Shanghai Comp	3462	15	0.4

Overseas Markets Commentary

Major European and US equities markets were propelled lower overnight Friday, amid mixed influential data releases and earnings reports from high-profile stocks.

China – Caixin PMI services 12.45pm AEDST

Today's Stock Watch

Westpac Banking Corporation (WBC)

Chasing \$A750M in a hybrid bond offer in support of tier 1 capital.

10.1% common equity tier 1 (CET1) ratio as at 31 December, against 10.6% at the end of September.

Bonds will be \$100 each, the margin to be determined via a bookbuild, but expected at 3.20% - 3.40% above the 90-day bank bill rate.

December quarter capital, funding and asset quality presentation lodged this morning.

Wesfarmers Ltd (WES)

Expecting to book a \$306M Target pre-tax impairment in interim accounts.

A 13.8% higher, \$33M Target EBIT is anticipated, however.

Also anticipating a pre-tax £454M impairment in the group's interim accounts in relation to the Homebase acquisition and Homebase book value.

In addition, £37M worth of stock write-downs and a £40M store closure provision are expected.

Further, Bunnings UK and Ireland (BUKI) deferred tax assets will be written down to the value of ~£53M.

A BUKI £97M underlying loss before interest and tax is anticipated, mostly attributed to Homebase.

BUKI MD Peter Davis is retiring from WES, after previously being with Bunnings for 25 years.

UK home improvement and DIY career specialist Damian McGloughlin has been appointed to take over from Mr Davis.

Argo Investments (ARG)

6.2% higher, \$A110.5M interim NPAT. 4.0% higher \$A118.94M revenue. 15.5c fully-franked interim dividend, up 0.5c. \$8.06

NTA. 15.9c (basic) EPS.

SPP planned 'in the near future'.

Speedcast International (SDA)

\$A107M - \$A184M base network construction and management contract secured with NBN Co.

Bubs Australia (BUB) / Woolworths Ltd (WOW)

Confirming BUB goat milk infant formula will be stocked by select WOW stores from April.

Fairfax Media (FXJ) / NZME Ltd (NZM)

FXJ and FXJ New Zealand subsidiary Stuff are applying to appeal the New Zealand High Court decision in favour of the NZ Commerce Commission's determination last year not to approve the proposed merger of Stuff and NZME.

Wellard Ltd (WLD)

Live cattle exports from Brazil have reportedly been suspended.

Wellard expects to source cattle from its other supplier countries should an extended suspension be declared.

Resources

Talga Resources (TLG)

Non-binding MoU in place with Robert Bosch GmbH, mainly targeting using graphene to synthesise macroscopic structures.

The \$US gained, and US sovereign bonds were again sold off, forcing yields yet higher.

Meanwhile, a **European Central Bank** (ECB) policy setter surmised rates could be lowered by any new regional financial crisis.

Among new data releases, **US** January employment statistics included 0.3% average earnings growth for the month, against a 0.4% rise for December. Year-on-year, earnings grew 2.9% for January, following 2.7% in December.

Both December figures represented higher revisions from originally released figures, and put with January's, bolstered views of potential inflation pressure.

200,000 new US jobs were created in January, against 160,000 for December, and the unemployment rate remained at 4.1%.

December factory orders were reported 1.7% higher, on par with December.

A final January University of Michigan consumer sentiment index came in at 95.7, from 94.4.

Euro zone December producer prices undershot expectations, rising 0.2% against 0.6% for November, mostly attributed to slower energy price growth. Energy prices had appreciated 2.3% during November, but were calculated just 0.1% higher for December.

Year-on-year, December producer prices grew 2.2%, against 2.8% in November.

The **UK's** January construction PMI fell two points to 50.2, the lowest reading in four months.

In the meantime, **Germany's** politicians struggled to resolve differences to form a governing coalition out of last September's national elections. Negotiations were forecast to continue into this week, rather than conclude yesterday, as some had anticipated.

Tonight in the **US**, January services sector PMIs are due from ISM and Markit, ISM's historically proving the most influential.

Bristol-Myers Squibb, Mitsubishi Corp, Panasonic, Suzuki Motor, Sysco Corp and Yamaha Corp are among companies scheduled to report earnings or provide trading updates.

In overnight Friday corporate news, **Exxon Mobil's** adjusted December quarter profits appeared to disappoint, and with oil prices falling early Friday, the stock was pushed 5% lower.

Chevron's report proved more broadly positive, but its price also depreciated 5.5%.

In addition, **Alphabet**, which had reported post-Thursdays US trade, was pushed 5% lower, in part due to lower-than-anticipated profit, despite better-than-expected revenue.

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Feb)	1334	oz	-11	-0.8
Silver (NY) (Mar)	16.7	oz	-0.4	-2.6
Gold (LON)	1331	oz	-10	-0.8
Platinum	990	oz	-16	-1.6
WTI Crude (Mar)	65.5	bbl	-0.35	-0.5
Brent Crude (Apr)	68.6	bbl	-1.1	-1.5
Iron Ore (CHN port 62%)	74.4	t	1.5	2.1
Copper	7045	t	-74	-1.0
Nickel	13435	t	-565	-4.0
Aluminium	2210	t	-15	-0.7

Pre-Open Announcements

Bard1 Life Sciences (* BD1)

BD1 recouped 9% Friday on the grant of a patent in Japan for isoforms to be used in the treatment of lung and colorectal cancer. BD1 settled at 1.2c after trading as high as 1.5c.

Antara Life Sciences (* ANR)

US regulatory approval process advanced in the form of written confirmation in relation to human food safety requirements for ANR's 'Detach'.

IMF Bentham (* IMF)

Selling most of its US investment portfolio to the Bentham IMF Fund 1 Llc for a gross \$US57.4M.

Resources

Anson Resources (* ASN)

Lithium production potential boosted with the acquisition of a US oil well and lease. Details lodged this morning.

Artemis Resources (* ARV)

A \$2.5M investment from Deutsche Balaton will lift ARV's current capital raising to ~\$9M.

Ausmex Mining Group (* AMG)

RC drilling within the 'The Trump' mining lease has delivered 60m @ 1.3% Cu, and 54m @ 1.01% Cu, from surface.

AMG traded as high as 8.1c Friday, and closed at 7.8c, 20% higher for the session, following high-volume trade.

Energy

AWE Ltd (***) AWE) / Mineral Resources (* MIN)

Proposing to recommend Mitsui's 95c cash-per-share takeover proposal

AWE had applied to the Takeovers Panel in relation to MIN's bidder's disclosure, in relation to Mitsui's proposal last week for and to an 8 December disclosed intended 73c cash-per-share off-market offer from CERCG.

~21 December, MIN and AWE agreed a cash-plus-scrip scheme valuing AWE at 83c per share.

Meanwhile, MIN is scheduled to report for the half-year Thursday.

Pancontinental Oil & Gas (* PCL)

ExxonMobil has secured a 40% farm-in to offshore Namibia PEL 82, located adjacent to PCL's 20%-held PEL 37, and regional to PCL's 75%-held PEL 87.

Map lodged this morning.

Elk Petroleum (ELK)

ELK has appointed ELK US CEO and Resolute Energy co-founder Jim Piccone as an executive director, effective Friday (2 February).

Mr Piccone was appointed as a director of ELK subsidiary Elk Petroleum Inc 1 January when his CEO role became effective.

Trading Halts

Company	Code	Resuming
Ardiden Ltd	ADV	5 Feb
Arrow Minerals	AMD	5 Feb
Botanix Pharmaceuticals	BOT	5 Feb
Department 13 International	D13	5 Feb
Eden Innovations	EDE	5 Feb



Lead	2681	t	16	0.6
Zinc	3502	t	-55	-1.6
Tin	21530	t	130	0.6
CBT Wheat (Mar)	4.47	bshl	-0.04	-0.9

Commodities Commentary

Oil – a \$US bounce impacted overnight Friday trade.

A US weekly petroleum drill rig count included six additional operating oil rigs, making it 18 more in operation over two weeks.

Gold – a stronger \$US and US 10-year bond yields beyond 2.80% detracted from gold's favour.

Base metals – relative \$US strength, falling oil prices and a drop in general equities sentiment combined to damage overnight Friday metals trade.

Lunar new year and the broader **Spring festival holiday season** commence 15 February, and in particular, will impact China's imports in the leadup and general industrial activity from commencement. China's markets will be closed for a full week beginning 15 February.

Singapore's markets will be closed 16 – 17 February, and hence no China port iron ore prices are expected for those days.

Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.7914	0.0001	0.01
EUR – USD	1.2432	-0.0001	-0.01

Australian Data Today

AiG	PSI	Jan
CLgc	Capital city home prices	3 Feb
MInst	Inflation gauge	Jan
ANZ	Job advertisements	Jan
VFACTS	Vehicle sales	Jan

US Data Tonight

ISM non-manufacturing	Jan
Markit services PMI (final)	Jan

Other Overseas Data Today & Tonight

China	Caixin PMI services	Jan
Japan	PMI services (final)	Jan
UK	PMI services	Jan
Germany	PMI services (final)	Jan
Euro zone	PMI services (final)	Jan
Euro zone	Retail sales	Dec
Euro zone	Sentix investor confidence	Feb

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MetalsTech Ltd	MTC	5 Feb
Pura Vida Energy	PVD	5 Feb
Tasman Resources	TAS	5 Feb
Bentley Capital	BEL	6 Feb
CBL Corporation	CBL	6 Feb
Dempsey Minerals	DMI	6 Feb
Kingston Resources	KSN	6 Feb
Orion Equities	OEQ	6 Feb
Queste Communications	QUE	6 Feb
TV2U International	TV2	6 Feb

Suspensions (selected)

Company	Code	Since
The Agency Group Australia	AU1	31 Jan
BMG Resources	BMG	10 Jan
Buddy Platform	BUD	2 Feb
Electro Optic Systems	EOS	31 Jan
Genetic Technologies	GTG	31 Jan
GetSwift Ltd	GSW	24 Jan
Haranga Resources	HAR	22 Jan
Metalicity Ltd	MCT	1 Feb
MSM Corporation International	MSM	17 Jan
Quest Minerals	QNL	22 Jan
Raven Energy	REL	1 Feb
Sundance Energy Australia	SEA	2 Feb
Sundance Resources	SDL	31 Jan
Ventnor Resources	VRX	2 Feb
YPB Group	YPB	10 Jan

Ex-Dividends

Code	Ex-Div	Div (c)	Fr (%)	Yield (%)
ASW	Today	2.1	100	5.25
RMD	Wed	3.07	0	1.01
AFI	Thu	10	100	3.80
BHD	Thu	12	0	0.00

Reports & Events

(selected scheduled)

When	Company	Report/Event
Today	ARG	Interim
Tomorrow	AQG	Dec Q
	MQG	Operational briefing
	MFG	Interim
Wed	BWP	Interim
	CBA	Interim
	GMA	Full year
	RIO	Interim
Thu	AGL	Interim
	AMP	Full year
	CIM	Full year
	MIN	Interim
	MGR	Interim
	NAB	Dec Q
	TAH	Interim
Fri	NWS	Interim



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