

**Futures Indices (Source: IRESS)**

INDEX	CLOSE	+/-	%
E-mini S&P 500 Futures	3117.75	6.75	0.22
E-mini Dow Futures	27678	35	0.13
E-mini NASDAQ 100 Futures	8309.75	14.5	0.17
SFE 200 Futures	6687	8	0.12

**Local Market Commentary**

With little market-shaking news on the trade front, Wall Street finished largely flat. The Australian share market is poised to open 8 points, or 0.12 per cent higher.

The chances for an interest rate cut from the RBA in February is about 66 per cent right now; with another cut after that next year a *fifty-fifty* proposition. The lukewarm outlook for Australian economic fundamentals is keeping traders broadly in the camp that *much* more needs to be done by the RBA for the economy to reach full employment and target inflation.

This general dovishness, if you will, has kept a lid on upside in the Australian Dollar, which, despite finding some buying support from hopes from improvements in the global growth outlook, and a slightly weaker USD, remains stuck in a firm downward trend.

**World Indices (Source: IRESS)**

INDEX	CLOSE	+/-	%
Dow Jones	27677.79	28.01	0.1
S & P 500	3117.43	4.67	0.15
NASDAQ	8570.7013	4.0294	0.05
FTSE 100	7137.85	-50.65	-0.7
DAX 30	13054.8	-85.77	-0.65
CAC 40	5801.55	1.87	0.03
Milan MIB30	22969.4	-64.8	-0.28
Nikkei	23300.09	164.86	0.71
Hang Seng	26217.04	154.48	0.59
Hang Seng China Enterprises	10321.83	0	0
Straits Times	3174.19	14.4	0.46
Shanghai Composite	2899.4685	21.3528	0.74

**Australian Stock Watch**

**Australia and New Zealand Banking Group (ANZ):** A global ratings agency has warned that ANZ will need to raise more money to meet New Zealand's aggressive new capital benchmarks as the bank's chief executive, Shayne Elliott, shot down the suggestion, saying he was confident the hurdles could be met without a capital raising. Under the capital regime unveiled yesterday, Australia's big four banks will be required to hold an additional \$NZ20 billion (\$19 billion) over the next seven years in order to meet the Reserve Bank of New Zealand's Tier 1 capital benchmark of 16 per cent of risk weighted assets, reports AFR.

**Australia and New Zealand Banking Group (ANZ) & National Australia Bank Ltd (NAB):** ANZ and National Australia Bank will remain under close watch by the Reserve Bank of New Zealand for at least another 12 months despite winning a reprieve from more punitive capital measures flagged for the entire sector. RBNZ governor Adrian Orr said the two banks shouldn't expect to have capital penalties lifted or internal models restored for at least another year while they revise and improve their models. *"These things are 12-month processes. They need to go and do a lot of hard work internally. They need to revise their attestation and reporting frameworks,"* Mr Orr said, reports AFR.

**Bellamy's Australia Ltd (BAL):** Bellamy's chairman John Ho says the new Chinese owners of the infant formula player will defy their critics by being a *"great export and jobs driver"* and continuing to invest in the company and in Australia. Mr Ho declined to comment on the political storm over possible market manipulation by China Mengniu Dairy Company, which won investor support for its \$1.5 billion buyout of the Tasmanian-based company yesterday. *"I don't have a specific comment on that,"* he told The Australian Financial Review after the scheme meeting in Melbourne. *"The owners are going to continue investing in the company. As a board ... we are very confident they will continue to provide investments in this company, and by extension this country, and it will continue to be a great export and jobs driver."*, reports AFR.

**Boral Ltd (BLD):** Construction materials supplier Boral late on Thursday revealed financial irregularities in its North American windows division, potentially resulting in a hit to earnings of up to \$US30m (\$44m). The Sydney-based company's board has engaged lawyers and forensic accountants to begin a *"privileged and confidential"* investigation into the problem, which involved misreporting of inventory levels, raw materials and labour costs at its windows plants between September 2018 and October this year. While the earnings impact was expected to be a one-off, Boral said it was still determining whether there would be any potential ongoing impact beyond October this year. A conference



## Overseas Markets & Gold Commentary

Volatility in markets dropped last night. The VIX dipped very slightly, holding on to the 14-level – a mark generally considered a positive signal for risk-taking. European stocks dipped it must be said, but US equities managed to hold quite steady, and that's setting up the Asian for a middling start. The currency landscape was mixed.

The Yen and USD were slightly lower, while the Pound continues to rise on Brexit-related optimism. Global bond yields edged a little higher, but gold held steady, thanks to a weaker Dollar. And oil prices climbed, as traders place bets that OPEC+ will announce production cuts at its meeting this week.

**US President Trump still keen to pump the markets:** US President Trump seemed to do his best to keep the market bullish overnight. The argument as to why the US President wants to pump the stock market is reasonably cogent: he needs a strong economy going into the 2020 election, and the American economy is practically sustained by keeping the value of financial assets high.

In a vague statement to the media, US President Trump stated: trade talks are “going well” and “something could happen regarding 15th December tariffs... but we aren't discussing that”. The commentary provided a small lift to stock prices, on what was an otherwise quiet session for global markets.

**US jobs numbers to provide US economic health-check:** The next 24-hours in global markets will be focused – barring some extraordinary trade-war development – on the release of US Non-Farm Payroll data tonight. The jobs numbers are expected to print rather strong: a gain of 190k jobs to the US economy last month. That ought to be enough, it's estimated, to keep the unemployment rate at 3.6%.

There's still a level of wariness regarding the fundamental strength of the US economy, and whether the considerable slowdown in business activity within it could be dragging on hiring. A solid print tonight will reaffirm the prevailing view that the US economy is humming along at a moderate tick.

call will be held with investors on Friday morning to discuss the probe, reports The Australian.

**Caltex Australia Ltd (CTX):** Caltex Australia left some investors unconvinced that it can unlock value for shareholders through a raft of new initiatives as it awaits news whether its spurned Canadian suitor will improve its \$8.6 billion takeover bid. The fuels and convenience retailer, which knocked back a \$34.50-a-share offer from Alimentation Couche-Tard, used an investor briefing to announce a \$136 million sale of petrol stations and a hybrid raising of up to \$500 million that would help fund share buybacks, reports AFR.

**Coles Group Ltd (COL):** Coles will pay dairy co-op Norco around \$5.25 million after being pinged by the competition regulator for allegedly breaking a promise to pass on a 10¢ a litre price increase to farmers. Coles said in March it was increasing the price of Coles-brand two-litre and three-litre milk by 10¢ a litre and would pass the full price increase onto farmer suppliers. The Australian Competition and Consumer Commission claimed Coles wasn't paying Norco, one of several suppliers, the amount it said it would and launched an investigation several months ago. The ACCC's investigation focused on claims that when an unrelated 6.5¢ a litre price increase went through on April 1, Coles reduced payments to Norco from 10¢ a litre to 3.5¢ a litre, reports AFR.

**Liquefied Natural Gas Ltd (LNG):** Australia's role as the world's largest LNG exporter is complicating the Morrison government's claim that the country's carbon emissions are going down. The latest figures from the Department of Energy and Environment (now about to be renamed and restructured) do show a decline in emissions, if minuscule, in the last financial year. This modest improvement was helped by the large increase in renewable generation and the effect of the drought translating into reduced emissions from decimated stock numbers, reports AFR.

**Healius Ltd (HLS):** It was this time last year that Australian pathology, medical centres and diagnostic imaging business Healius' Christmas was ruined by a shock bid from unsurprising Chinese suitor Jangho. But this year Healius has taken a more proactive approach to its deal making activities. It is understood the company has its investment bankers at UBS considering options for its medical centres, with the potential to pull the trigger on a more formal auction early next year. Sources said the board was yet to formally agree to anything but was cognisant of the company's balance sheet and shareholder demands to try and turn the business around, reports AFR.

**Bubs Australia Ltd (BUB) & Megaport Ltd (MP1):** Connectivity business Megaport was out looking to raise \$62 million yesterday. The fully underwritten placement was priced at \$8.70 a share, which represented a 4.8 per cent discount to Megaport's \$9.14 last close. Street Talk understands UBS and RBC Capital Markets were joint lead managers and underwriters to the placement. Megaport has a market capitalisation of \$1.25 billion and said the equity would be used to “accelerate network expansion and technology innovation,” in an announcement to the ASX. Meanwhile, infant milk formula Bubs Australia was also fronting



## International Economic Data

**US Markit Composite PMI** - The IHS Markit US Composite PMI came in at four-month high of 52.0 in November 2019, little-changed from a preliminary 51.9 and compared to October's final reading of 50.9. Growth was supported by stronger increases in activity across both the manufacturing (PMI at 52.6 vs 51.3 in October) and service sectors (PMI at 51.6 vs 50.6 in October). TradingEconomics

**US EIA Crude Oil Stocks Change** - Stocks of crude oil in the United States dropped by 4.856 million barrels in the week ended October 29th 2019, after a 1.572 million gain in the previous week and compared with market expectations of a 1.734 million fall, according to EIA Petroleum Status Report. Meanwhile, gasoline inventories went up by 3.385 million barrels after increasing by 5.132 million in the previous week and compared with market consensus of a 1.826 million rise, reports TradingEconomics.

**EU GDP Growth Rate** - The Eurozone quarterly economic growth was confirmed at 0.2 percent in the third quarter of 2019, the same as in the previous three-month period, the final estimate showed. Household consumption, government spending and fixed investment supported the expansion, while net trade and inventory changes contributed negatively to GDP, reports TradingEconomics.

• **US Balance of Trade** - The US trade deficit narrowed to USD 47.2 billion in October of 2019 from a downwardly revised USD 51.1 billion in the previous month, and below market expectations of a USD 48.7 billion. It is the lowest trade gap since May of 2018. The goods trade deficit with China narrowed 1.1 percent to USD 31.3 billion, as imports fell a meagre 0.2 percent and exports rose 3.3 percent, reports TradingEconomics.

**US Jobless Claims** - The number of Americans filling for unemployment benefits decreased by 10 thousand to 203 thousand in the week ended November 30th from the previous week's unrevised level of 213 thousand and compared with market expectations of 215 thousand. It is the lowest level since the week ended September 7th. According to unadjusted data, the largest declines were reported in California (-12,312), Texas (-5,915) and New York (-5,283), reports TradingEconomics.

### Economic News This Week

- Today **AU** **AIG Construction Index**
- Today **US** **Non Farm Payrolls**
- Today **US** **Unemployment Data**
- Saturday **US** **Michigan Consumer Sentiment**
- Saturday **US** **Baker Hughes Oil Rig Count**
- Saturday **CN** **Foreign Exchange Reserves**
- Sunday **CN** **Balance of Trade**

funds yesterday, seeking to raise \$35 million. Bubs was raising via \$30 million placement and a \$5 million share purchase plan. The placement was priced at 95¢ a share, which represented an 11.8 percent to Bubs' five-day VWAP. Bubs shares closed at \$1.07, reports AFR.

**Metcash Ltd (MTS):** After losing market share to Coles, Woolworths and Aldi for a decade, independent food retailers are opening stores and funding refurbishments from their own pockets as green shoots emerge for the first time in seven years. While 19 IGA supermarkets closed the past six months, Metcash CEO Jeff Adams believes the tide has turned and expects more stores to open than close in the next six months. Independent retailers are rejecting Metcash's offers of loans for refurbishments and funding renovations themselves, encouraged by 15 per cent sales growth at supermarkets when they add fruit and vegetables, freshly baked bread and ready-made meals to their ranges. *"There's a lot more confidence coming out of retailers wanting to open more stores because they're seeing ... the network is stabilising and growing,"* Mr Adams told The Australian Financial Review after reporting a 4.6 per cent fall in interim underlying net profit to \$95.7 million, reports AFR.

**National Australia Bank Ltd (NAB):** NAB evidently agreed, launching the deal at that margin yesterday. The transaction was the first time a major bank has issued a Basel 3 hybrid into the Australian unlisted market and also had the longest call date for a local deal at 10 years. This was reportedly driven by reverse-inquiry from institutional investors, which cornerstoned the deal. Unusually for the Aussie hybrid market it was also a fixed-rate security in contrast to the typical floating-rate structures found on the ASX. The landmark transaction sets an important precedent that could result in other big banks following in NAB's footsteps as they face increasing pressure on their returns on equity reports AFR.

**QBE Insurance Group Ltd (QBE):** The chief executive of insurance giant QBE, Pat Regan, says insurers will increasingly shift to protecting intangible assets such as data and intellectual property as technology such as autonomous vehicles and big data make the world a safer place. Mr Regan, who has ended QBE's horror run of profit downgrades by selling troubled divisions and dumping unprofitable business lines since his appointment in late 2017, said it was inevitable that improved technology would see the insurance sector's traditional revenue streams dry up, reports AFR.

**Seven West Media Ltd (SVM):** Media mogul Harold Mitchell's decision to not appear as a witness to defend a case brought against him by the corporate regulator is incriminating, the Federal Court has heard. The Australian Securities and Investments Commission alleges that Mr Mitchell and former Tennis Australia president Stephen Healy withheld material information from the rest of the Tennis Australia board when deciding which television station would win a five-year deal to broadcast the Australian Open in 2013. ASIC alleges that Mr Mitchell helped Seven West Media secure the deal for \$195

**Commodities (Source: IRESS)**

COMMODITY	CLOSE	+/-	%
<b>COMEX</b>			
Gold Feb 10	1480.8	0.6	0.04
Silver Mar 10	17.02	0.104	0.61
Copper Mar 10	2.6655	0.0065	0.24
<b>NYMEX</b>			
Platinum Jan 10	899.6	-2.2	-0.24
Palladium Mar 10	1845.2	-0.2	-0.01
<b>LONDON METAL</b>			
Gold (AM Fix)	1457.5	1.15	0.08
Gold (PM Fix)	1461.15	1	0.07
<b>ENERGY</b>			
Light Crude Jan 10	58.33	-0.1	-0.17
Brent Crude Oil	63.28	0.3	0.48
<b>CBT</b>			
Wheat Dec 19	523.75	-3.75	-0.71
Soybeans Nov 19	885	7	0.8
Corn Dec 19	376.5	-2	-0.53
<b>OTHER</b>			
Iron Ore (China Port)	88	0.5	0.57
Coal (ICE-GC Newcastle)	69.43	-0.55	-0.79
<b>LME Indicative</b>			
Copper - Cash	5859	1.5	0.03
Copper - 3Mth	5890	15	0.26
Lead - Cash	1890	-16.25	-0.85
Lead - 3Mth	1905.5	-9	-0.47
Zinc - Cash	2239.25	-19.75	-0.87
Zinc - 3Mth	2237	-17.5	-0.78
Aluminum - Cash	1751.5	-15.5	-0.88
Aluminum 3Mth	1749	-10	-0.57
Nickel - Cash	13249	174	1.33
Nickel - 3Mth	13285	150	1.14
Tin - Cash	16835	63	0.38
Tin - 3Mth	16775	45	0.27

**AUD exchange Rates (Source: IRESS)**

CROSS	CLOSE	+/-	%
AUDUSD	0.6831	-0.0018	-0.27
AUDJPY	74.2925	-0.2815	-0.38
AUDGBP	0.5191	-0.0036	-0.69
AUDCAD	0.9004	-0.0038	-0.42
AUDNZD	1.0435	-0.0055	-0.52
AUDHKD	5.3479	-0.0142	-0.27
AUDSGD	0.9294	-0.0043	-0.46
AUDMYR	2.8489	-0.0129	-0.45
AUDEUR	0.6151	-0.0032	-0.51

million despite Network Ten offering to pay up to \$250 million, reports AFR.

**Tilt Renewables Ltd (TLT):** New Zealand's Tilt Renewables will sell its shares in the Snowtown 2 wind farm in South Australia for \$472 million, making it the largest wind asset to be sold in a single transaction in Australia. The sale to Palisade Investment Partners Limited and First State Super will free up capital for the company to invest in new wind farms and battery storage projects in Australia and New Zealand, Tilt Renewables chief executive Deion Campbell said. "The front-running option for a battery investment is linking one up to the Snowtown 1 wind farm in South Australia," Mr Campbell said. The ASX-listed electricity generator said the sale of Snowtown 2 is likely to generate net proceeds of about \$455 million for the company after transaction costs are factored into the deal, which is expected to close out before the end of 2019, reports AFR.

**Treasury Wine Estates Ltd (TWE):** Penfolds owner Treasury Wine Estates was forced to reshuffle its North American executive ranks after one of its brightest young executives, Angus McPherson, had to bow out of the crucial job of running the US business. "Due to unforeseen personal circumstances", Mr McPherson won't be able to relocate to the US permanently, Treasury Wine said yesterday. The reshuffle follows high turnover in the executive ranks at the maker of Penfolds, Wolf Blass, Wynns and Beringer, with CEO Mike Clarke to depart by September 2020. Mr McPherson had been travelling to and from Treasury's offices in California since his appointment in late August but hadn't been able to work in North America in the December quarter, reports AFR.

**Westpac Banking Corp (WBC):** The High Court decision in the BMW Westpac case has failed to recognise the benefits that common fund orders have produced for class action members. These include lower funding fees received by funders from successful class actions and a general review by courts of all major aspects of funding agreements to protect the interests of class members. The High Court decision in the BMW Westpac case has failed to recognise the benefits that common fund orders have produced for class action members. These include lower funding fees received by funders from successful class actions and a general review by courts of all major aspects of funding agreements to protect the interests of class members, reports AFR.

**Whitehaven Coal Ltd (WHC):** Investors wiped \$340 million off Whitehaven Coal's market value yesterday after it said skill shortages, and drought and smoke from bushfires will trim production this year. Drought-induced dust storms and bushfire smoke have hampered output at Whitehaven's best mine on multiple occasions in the past two months, adding to pressures from a long running shortage of skilled workers, the company said. The challenges have reduced production at the Maules Creek mine, forcing a downgrade in fiscal 2020 coal output guidance by 7 per cent-10 per cent.



### Need More Information?

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