

### Futures Indices (Source: IRESS)

| INDEX                     | CLOSE   | +/-     | %     |
|---------------------------|---------|---------|-------|
| E-mini S&P 500 Futures    | 3019.25 | -95.45  | -3.06 |
| E-mini Dow Futures        | 26105   | -860    | -3.19 |
| E-mini NASDAQ 100 Futures | 8677.75 | -218.75 | -2.46 |
| SFE 200 Futures           | 6272    | -135    | -2.11 |

### Local Market Commentary

The Australian stock exchange looks headed for another day in the red after Wall Street fell sharply following a rise in the number of coronavirus cases in the world's largest economy. The SPI 200 futures contract was down 150 points or 2.3 per cent, at 6257 at 7.30am on Friday.

US equities slumped overnight, with the Dow at one point down by more than 1,000 points, as coronavirus fears intensified after the number of cases confirmed in the US rose to 164 and California declared a state of emergency.

Shares of banks and travel companies were pummelled amid uncertainty over the spread of the coronavirus and its economic fallout. The Aussie dollar was buying 65.95 US cents at 7:30am on Friday, down 0.5 per cent.

### World Indices (Source: IRESS)

| INDEX                       | CLOSE     | +/-       | %     |
|-----------------------------|-----------|-----------|-------|
| Dow Jones                   | 25981.85  | -1109.01  | -4.09 |
| S & P 500                   | 3021.87   | -108.25   | -3.46 |
| NASDAQ                      | 8698.9675 | -319.1206 | -3.54 |
| FTSE 100                    | 6705.43   | -110.16   | -1.62 |
| DAX 30                      | 11944.72  | -182.97   | -1.51 |
| CAC 40                      | 5361.1    | -103.79   | -1.9  |
| Milan MIB30                 | 21554.88  | -391.15   | -1.78 |
| Nikkei                      | 21329.12  | 229.06    | 1.09  |
| Hang Seng                   | 26767.87  | 545.8     | 2.08  |
| Hang Seng China Enterprises | 10728.07  | 206.29    | 1.96  |
| Straits Times               | 3018.27   | -6.76     | -0.22 |
| Shanghai Composite          | 3071.6771 | 60.0114   | 1.99  |

### Australian Stock Watch

**Coles Group Ltd (COL):** Coles, Costco and Aldi have followed Woolworths' lead and rationed toilet paper after panic buying triggered by the coronavirus crisis, with the hysteria underlined by police tasing a man after an incident in the toilet paper aisle of the Tamworth Big W. This followed an alleged assault in the northern NSW store yesterday after an argument with staff and another customer. Coles imposed a fourpack limit on toilet paper yesterday morning, Costco is limiting customers to two 48-packs of toilet paper, while Aldi is restricting customers to four units of toilet paper and enforcing a long-standing 10-unit limit on select pantry products such as long-life milk, tissues, paper towels and hygiene products, reports AFR.

**Estia Health Ltd (EHE) & Japara Healthcare Ltd (JHC) & Regis Healthcare Ltd (REG):** Ethical Partners Funds Management chief executive Matt Nacard says ethical risks of investing in the listed aged care sector are too high, and areas like human rights are gaining increased focus by its investors. Mr Nacard told The Australian Financial Review that the share price falls of ASX-listed aged care operators since the announcement of the aged care royal commission were an indication that businesses that do not properly protect human rights will suffer financially. "Aged care deals with human beings in their most vulnerable state," he said. "[Yet] many of these companies don't have human rights policies - which was quite astounding to us." Share prices of the aged care stocks have been under pressure since September 2018 when the royal commission was flagged, after they painted a difficult outlook with falling occupancy rates and high fixed costs. Since February 1 shares in Japara Healthcare have fallen 13.1 per cent, while shares in Estia Health and Regis Healthcare have plunged 27.7 per cent and 32.8 per cent respectively, reports AFR.

**Fortescue Metals Group Ltd (FMG):** Unions have put the resources industry on notice about quarantine conditions for workers returning from overseas and other emergency plans to contain coronavirus on the eve of a summit involving mining and oil and gas heavyweights operating out of Western Australia. The summit in Perth today comes as companies that provide the lion's share of Australia's export income from the state's north-west brace for an on-site coronavirus infection. Andrew Forrest-controlled Fortescue breathed a sigh of relief on Wednesday when a worker who had been placed in isolation at its Christmas Creek mine after returning from Bali with a flu-like illness was cleared of coronavirus. BHP and China's CITIC, which mines and exports magnetite from WA's Pilbara, have also had workers in quarantine. Fortescue has asked all workers to provide detail of any overseas travel while on leave or days off and introduced a minimum 14-day quarantine period for employees who have



## Overseas Markets & Gold Commentary

Gold prices are sharply higher in midday U.S. futures trading Thursday, on keen safe-haven demand as the U.S. stock market is sharply down on the day. The coronavirus outbreak continues to roil the global marketplace.

The U.S. stock market euphoria over Democratic U.S. presidential candidate Joe Biden's solid performance at the "Super Tuesday" primaries quickly faded Thursday as focus again turned to the uncertainty regarding the Covid-19, or coronavirus, outbreak that continues to spread worldwide and especially outside of China. This week, major corporations have suspended air travel for their employees and cancelled some conventions and conferences. There are reports of some U.S. stores running out of basic consumer goods. The state of California has declared a state of emergency due to the coronavirus illness there. On the economic front several major central banks this week have eased their monetary policies to combat the negative economic consequences of the Covid-19 outbreak. More central banks are likely to take action soon, including the European Central Bank.

Recent history shows that some days traders and investors are less concerned about the coronavirus outbreak, and then the next day they are more concerned. Look for continued vacillating markets as the Covid-19 situation plays out. It's now looking more likely that the event will not be a short-term situation, but instead one that will play out over several months, or longer.

The benchmark U.S. 10-year Treasury note yield today fell below 0.9% to another record low. This has prompted keen concern among long-term market watchers that a U.S. and /or global economic recession looms, including the prospect of debilitating consumer and commercial price deflation.

travelled to Iran, mainland China, Italy and South Korea, reports AFR.

**Macquarie Group Ltd (MQG):** Macquarie Group has exited one of its most successful property funds ventures of the last period, selling its majority stake in the multi-billion-dollar LOGOS industrial property empire to Singapore's ARA Asset Management. The investment bank's MIRA Real Estate unit had actively backed LOGOS's rapid expansion across Asia over the past five years and has just exited after securing regulatory approvals. The metrics were not disclosed, but the bank's support helped the operator's rapid growth from a start-up to one of the region's major players alongside the likes of the Goodman Group, Hong Kong's ESR and local player Charter Hall. Macquarie was a big name in direct property investing and running listed funds before the global financial crisis but sold the bulk of this business to Charter Hall a decade ago, reports The Australian.

**Myer Holdings Ltd (MYR):** The last thing you need when you're nursing a sick patient is the outbreak of a global pandemic. Just ask John King, chief executive of Myer, who is two years into a five-year plan to turn the department store icon around. While King delivered his second consecutive result showing underlying earnings growth yesterday, the coronavirus shadow hangs heavy over the second half of Myer's financial year. Yes, foot traffic is subdued, as you would expect. But Myer's special Leap Year sales last week drove customer visitation that King said was on a par with Black Friday, and the management is hunting for other ideas to keep them coming in. Myer's rapidly growing online business – where sales increased 25.2 per cent to \$168.2 million in the 26 weeks to January 25 – is another card King is aggressively playing to offset any weakness in its stores. On the supply side, he is feeling reasonably comfortable, even though about 65 per cent of Myer's home brands are sourced from China, reports AFR.

**National Australia Bank Ltd (NAB):** National Australia Bank boss Ross McEwan is expected to look outside the bank for a new head of consumer banking, after Mike Baird said he was leaving after after three years to "consider new opportunities". There had been speculation Mr Baird, who was Liberal premier of NSW from April 2014 until January 2017, might consider seeking preselection for the federal seat of Warringah and run against independent Zali Steggal, who unseated former prime minister Tony Abbott. Anthony Waldron, an executive general manager in the consumer bank, will become acting head of consumer banking while NAB looks for a permanent successor. NAB insiders thought Mr McEwan would look outside the bank's ranks as he seeks to lift its performance in the crucial mortgage market, where NAB is losing ground to Commonwealth Bank, reports AFR.

**Pact Group Holdings (PGH):** Domestic private equity firms are set to duke it out for Pact Group's up-for-sale contract manufacturing business. Street Talk understands Crescent Capital Partners, Adamantem Capital and Pacific Equity Partners are among parties taking an interest in the division, as well as their cross-town rival CPE Capital. While it's early days, bankers are swarming around the private equity names in expectation that it'll head to one of



## International Economic Data

- **US ISM Non-Manufacturing PMI** - The ISM Non-Manufacturing PMI for the US rose to 57.3 in February 2020 from 55.5 in the previous month, easily beating market consensus of 54.9. The latest reading pointed to the strongest pace of expansion in the service sector in a year, boosted mainly by new orders (63.1 vs 56.2 in January) and employment (55.6 vs 53.1). There were also increases in supplier deliveries (52.4 vs 51.7) and inventories (53.9 vs 46.5), reports TradingEconomics.

- **US EIA Crude Oil Stocks Change** - Stocks of crude oil in the United States increased by 0.785 million barrels in the week ended February 29th of 2020, following a 0.452 million gain in the previous week and compared with market expectations of a 2.644 million gain, according to EIA Petroleum Status Report. Meanwhile, gasoline inventories went down by 4.34 million barrels after decreasing by 2.691 million in the previous week and compared with market consensus of a 2.095 million decline, reports TradingEconomics.

- **US EIA Gasoline Stocks Change** - Stocks of gasoline in the United States decreased by 4340 thousand barrels in the week ending February 29 of 2020, the biggest fall in inventories since the week ended March 15th, 2019, reports TradingEconomics.

- **US Markit Services PMI** - The IHS Markit US Services PMI was confirmed at 49.4 in February 2020, down from the previous month's 53.4, pointing to the steepest contraction in the sector in over six years, reports TradingEconomics.

- **AU Balance of Trade** - Australia's trade surplus narrowed to AUD 5.21 billion in January 2020 from an upwardly revised AUD 5.38 billion in the previous month and compared to market consensus of AUD 4.8 billion. Exports tumbled 3 percent to a nine-month low due to lower sales of non-rural goods and non-monetary gold, while imports plunged 3 percent to the lowest for seven months as purchases fell mostly for capital goods and intermediate and other merchandise goods, reports ABS.

## Economic News This Week

- [Today AU Retail Sales](#)
- [Today US Unemployment Data](#)
- [Today US Balance of Trade](#)
- [Today US Non-Farm Payrolls](#)
- [Today US Manufacturing Payrolls](#)
- [Saturday US Baker Hughes Oil Rig Count](#)
- [Saturday CN Balance of Trade](#)
- [Saturday CN Foreign Exchange Rates](#)

the buyout firms keen to make the most of a corporate carve-out opportunity. Pact and its advisers are understood to have an auction up and running and would be calling for first-round bids on March 18. Shortlisted parties would be taken into a second phase, with binding bids due late in the June quarter, reports AFR.

**Pental Ltd (PTL):** Such is the unprecedented demand for White King bleach by panicked shoppers trying to stay one step ahead of a possible coronavirus pandemic that a factory in central Victoria is pumping out 90,000 bottles a day of the cleaning agent, with its promise to kill 99.9 per cent of germs hooking anxious consumers. Pental chief executive Charlie McLeish told The Australian on Thursday that the spike in demand for White King was triggered on Monday and has generated the company's biggest sales rush ever, easily eclipsing Christmas or any other promotion it has staged for the supermarket brand in the past decade. "This is busier than Christmas, bigger than any other day or week, bigger than any promotion we have done around spring cleaning," he told The Australian. As widespread panic buying hits a range of consumer staples, Woolworths chief executive Brad Banducci emailed the chain's millions of Rewards loyalty program members on Thursday to tell them that, on top of restrictions on the sale of toilet paper, Woolworths would also introduce a limit of one package of large rice, 2kg and over, per transaction, reports The Australian.

**Perenti Global Ltd (PRN):** Diversified mining services company Perenti Global is understood to be still in talks with Downer about an acquisition of its mining business after final bids were due last month. Negotiations are inching slowly forward, say sources. One of the major issues being discussed relates to Downer Mining's contracts, some of which Perenti remains reluctant to take on. Perenti is likely to require an equity raising worth at least \$250m to buy the business, which could be a tough ask amid the current volatile conditions. Ausdrill raised equity at \$1.47 per share in 2018 when it acquired Barminco and later changed its name to Perenti. It will be interesting to see if Downer instead pursues a demerger of the business, with offers falling below its expectations, or else retain the operation, reports The Australian.

**Qantas Airways Ltd (QAN):** Qantas is considering an appeal against an improvement notice issued by the workplace safety regulator, which says aircraft cleaners and passengers might be at risk of catching infectious diseases such as COVID-19 under current systems. SafeWork NSW observed workers wiping over surfaces without disinfectant and who were not mandated to wear personal protective equipment for most tasks. An inspector said after observing workers at Sydney Airport: "You must as far as is reasonably practicable develop and maintain a safe system of work to clean aircraft to minimise the risk of exposure of workers and others to infectious diseases, including the novel coronavirus.". Several Virgin Australia and Qantas flights have also been compromised. A Qantas spokesman said the airline was investigating the claims of the regulator and was considering an appeal against the notice, reports AFR.

**Commodities (Source: IRESS)**

| COMMODITY                        | CLOSE   | +/-    | %     |
|----------------------------------|---------|--------|-------|
| <b>COMEX</b>                     |         |        |       |
| COMEX 100 GOLD FUTURES Apr 20    | 1674.5  | 31.5   | 1.92  |
| COMEX 5000 SILVER FUTURES May 20 | 17.455  | 0.209  | 1.21  |
| COMEX COPPER FUTURES May 20      | 2.564   | -0.022 | -0.85 |
| <b>NYMEX</b>                     |         |        |       |
| Platinum Apr 20                  | 867.4   | -7.8   | -0.89 |
| Palladium Jun 20                 | 2456.9  | 71.9   | 3.01  |
| <b>LONDON METAL</b>              |         |        |       |
| Gold (AM Fix)                    | 1644.8  | 45.75  | 2.86  |
| Gold (PM Fix)                    | 1641.85 | 26.35  | 1.63  |
| <b>ENERGY</b>                    |         |        |       |
| Light Crude Apr 20               | 45.82   | -0.96  | -2.05 |
| Brent Crude Oil                  | 49.86   | -1.73  | -3.35 |
| <b>CBT</b>                       |         |        |       |
| Wheat Dec 19                     | 517.75  | -0.5   | -0.1  |
| Soybeans Nov 19                  | 897     | -10.25 | -1.13 |
| Corn Dec 19                      | 381.75  | -3.25  | -0.84 |
| <b>OTHER</b>                     |         |        |       |
| Iron Ore (China Port)            | 89.5    | 1      | 1.13  |
| Coal (ICE-GC Newcastle)          | 67.1    | 0.65   | 0.98  |
| <b>LME Indicative</b>            |         |        |       |
| Copper - Cash                    | 5655.25 | -8.25  | -0.15 |
| Copper - 3Mth                    | 5667    | -32    | -0.56 |
| Lead - Cash                      | 1875.5  | 14.25  | 0.77  |
| Lead - 3Mth                      | 1833    | 12.5   | 0.69  |
| Zinc - Cash                      | 1991.5  | 30     | 1.53  |
| Zinc - 3Mth                      | 2012.5  | 27.5   | 1.39  |
| Aluminum - Cash                  | 1704.5  | -11.25 | -0.66 |
| Aluminum 3Mth                    | 1718    | -7     | -0.41 |
| Nickel - Cash                    | 12836   | 216    | 1.71  |
| Nickel - 3Mth                    | 12890   | 200    | 1.58  |
| Tin - Cash                       | 17015   | 101    | 0.6   |
| Tin - 3Mth                       | 17055   | 85     | 0.5   |

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

| CROSS  | CLOSE  | +/-     | %     |
|--------|--------|---------|-------|
| AUDUSD | 0.6626 | -0.0001 | -0.01 |
| AUDJPY | 70.766 | -0.498  | -0.7  |
| AUDGBP | 0.5129 | -0.0019 | -0.37 |
| AUDCAD | 0.8884 | 0.0015  | 0.17  |
| AUDNZD | 1.0474 | -0.0048 | -0.46 |
| AUDHKD | 5.1478 | -0.0023 | -0.05 |
| AUDSGD | 0.9178 | -0.0002 | -0.02 |
| AUDMYR | 2.7583 | -0.0062 | -0.22 |
| AUDEUR | 0.5931 | -0.0019 | -0.33 |

**Rio Tinto Ltd (RIO):** Rio Tinto's war chest for its transfer pricing battle with the Australian Taxation Office has swelled beyond half a billion dollars, but chief commercial officer Simon Trott says the Singapore hub at the heart of the dispute continues to "make a lot of sense". Rio last week set aside more money to cover the potential bill from the dispute, recording its first provision in relation to the transfer pricing dispute in three years. The new cash stash adds to the \$US380 million provision Rio set aside in February 2017. Most of that sum was also for the ATO dispute, reports AFR.

**Tabcorp Holdings LTD (TAH):** Tabcorp is skipping lower jackpots as it aims to create more excitement and sales around larger prize pools. The gaming giant deployed the strategy ahead of Thursday night's \$20m Powerball draw, which normally would have been \$15m under its former jackpot sequencing. The move comes after Tabcorp increased the number of winning numbers from six to seven in April 2018, blowing out the odds of winning but increasing the size of jackpots. But in an effort to counter player fatigue, the company is hoping that skipping lower jackpot amounts will generate more buzz, with customers not having to wait as long for the larger jackpots like the record \$150m Powerball draw from last September. "Simplistically, Tabcorp wants the jackpot to grow enough to attract incremental sales, but stay large, and not won, long enough to make substantial sales revenue before being won," JPMorgan analyst Donald Carducci wrote in a note to investors, reports The Australian.

**TPG Telecom Ltd (TPM) & VODAFONE GROUP PLC (VPG):** The incoming boss of the merged TPG-Vodafone Australia has pledged to have the nation's third biggest telco up and running within months as it prepares to switch on its ultra-fast 5G network. Vodafone chief executive Inaki Berroeta, who will become CEO of the new \$15bn company, said Australia's 5G road map could be rewritten now that the Vodafone-TPG merger could go ahead. His comments came as the competition regulator formally conceded defeat in its efforts to block the merger by saying it will not appeal last month's Federal Court ruling which gave the green light for the mega-telco deal. This decision cleared the way for the companies to "compete more fiercely in the market", Mr Berroeta told The Australian. The combination of broadband specialist TPG with mobile carrier Vodafone is set to create a genuine third player in the market to compete against telco giants Telstra and Optus, reports The Australian.

**Transurban Group (TCL):** The NSW government could put its remaining 49 per cent stake in Sydney motorway WestConnex on the block this year, raising billions of dollars of cash to build more roads and rail networks. The government sold 51 per cent of the motorway to Transurban for \$9.3 billion in 2018 and said it would appoint advisers to run a scoping study on whether to keep or sell its remaining stake. Under the deal signed with Transurban, which beat IFM Investors to secure a majority stake, the government is required to offer the stake to the toll road company and its investment partners first if it decides to sell it, reports AFR.



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**Treasury Wine Estates Ltd (TWE):** Treasury Wine Estates is worth about \$20 per share should the company be broken up, with the value of the flagship Penfolds business alone substantially exceeding the current share price, says Bank of America Merrill Lynch. Treasury Wine is part way through a strategic review of its operations and with the share price having been flattened because of two profit downgrades and fears that the profit powerhouse of China will be severely hit by the coronavirus outbreak, the prospect of a buyout offer is rising, reports AFR.

**Virgin Australia Holdings Ltd (VAH):** Virgin Australia boss Paul Scurrah will have some nerves to calm when he addresses investors on Friday morning. While Virgin’s largely off the radar of equity investors given its tiny free float, a whole bunch of retail punters and their advisers tipped into a wildly successful unsecured notes raising in November. Those notes, which are unsecured but still rank above equity, have been heavily sold in the past fortnight and particularly so since Virgin unveiled its half-year result last week. The notes were changing hands at \$79 on Thursday, having not long ago been near their \$100 issue price, reports AFR.

**Woolworths Group Ltd (WOW):** First it was toilet paper and hand sanitiser – now Australia’s largest retailer is rationing packets of rice as panic hoarding by shoppers alarmed about the growing coronavirus crisis clears supermarket shelves. In an email to loyalty scheme members last night, Woolworths chief executive Brad Banducci said the retailer would limit purchases of large bags of rice (two kilograms and more) to one, to ensure there were enough supplies to go around. “These are in unusual and challenging times,” said Mr Banducci, a veteran retailer. “We know it can be frustrating when we don’t have the products you need, or when delivery or pick-up windows are filled more than usual. “It’s worth noting that the vast majority of products aren’t affected and most stores aren’t seeing significant shortages”, reports AFR.

