

Futures Indices (Source: IRESS)

INDEX	CLOSE	+/-	%
E-mini S&P 500 Futures	3081	5.5	0.18
E-mini Dow Futures	27618	188	0.69
E-mini NASDAQ 100 Futures	8216.75	9.5	0.12
SFE 200 Futures	6713	10	0.15

Local Market Commentary

Wall Street gained on US-China trade deal developments, setting up the ASX for a positive start this morning. At 8am AEDT, futures are pointing to a gain of 10 points at the open.

The move will back-up what was a robust day's trade yesterday, in which the ASX200 added 1.00 per cent, led by a recovery in bank stocks, following NAB's slightly better than expected results. The gains were broad-based however, with every sector bar the energy sector gaining for the day. The ASX200 finally conquered the troublesome 6700 level too, as trader's now eye technical resistance at the 6775 – a level that approximately marks the highs of both October and September. The RBA releases its quarterly Statement of Monetary Policy, with many in the market expecting that the document may reveal a slight downgrade in the RBA's growth and inflation forecasts, despite the RBA recently imploring that the economy is at a "gentle turning point". Lately, traders have walked back expectations of imminent interest rate cuts from the RBA based on that language, with the odds of a rate cut in the next 12 months considered a toss of the coin.

World Indices (Source: IRESS)

INDEX	CLOSE	+/-	%
Dow Jones	27638.15	145.59	0.53
S & P 500	3082.26	5.48	0.18
NASDAQ	8423.7074	13.079	0.16
FTSE 100	7406.41	9.76	0.13
DAX 30	13289.46	109.57	0.83
CAC 40	5890.99	24.25	0.41
Milan MIB30	23503.03	129.81	0.56
Nikkei	23330.32	26.5	0.11
Hang Seng	27847.23	158.59	0.57
Hang Seng China Enterprises	10935.89	75.03	0.69
Straits Times	3285.72	23.03	0.71
Shanghai Composite	2978.7144	0.1189	0

Australian Stock Watch

BHP Group Ltd (BHP): BHP chairman Ken MacKenzie has told environmentalists they should applaud the company's plan to spend \$US400 million (\$582 million) on climate change mitigation, but more than 27 per cent of shareholders voted for the mining giant to quit groups that do not support the Paris climate agreement. A resolution targeting BHP's membership of lobby groups like the Minerals Council of Australia, Coal21 and the Business Council of Australia received almost three times more support at Thursday's annual meeting of shareholders than a similar resolution at BHP's 2017 annual meeting. The increased level of support came despite the BHP board urging shareholders to reject the resolution, and despite chief executive Andrew Mackenzie telling the meeting in Sydney that industry associations were a vital part of delivering global solutions that cannot be delivered by individual companies, reports AFR.

Cardno Limited (CDD): Engineering outfit Cardno has been in the wars of late – the 4000-odd staff company just lost its fifth permanent chief executive in five years. To put that in perspective, the Aussie prime ministership has been more stable. The ASX listed Cardno, under control of private equity mob Crescent Capital, was the other week also in the gunsights of university Marxist turned Nationals party federal mining minister Matt Canavan. He labelled the engineering outfit an example of corporate "gutless wonders" for scrapping any work associated with the controversial Adani coal mine in Queensland, reports AFR.

Coles Group Ltd (COL): Coles will open an office in China next year as it becomes the latest Australian exporter to attempt to sell premium cuts of beef to the country's increasingly discerning middle class. This is a change to the group's strategy, which for past decades has been to target Chinese consumers with parts of the cow that Australians do not buy. It now hopes to sell hundreds of millions of dollars worth of Coles-branded cuts such as brisket to Chinese consumers. Australian beef sales to China have hit record highs this year, partly because swine fever has decimated local pork supplies. "There is a huge demand with a growing middle class in China," Coles export chief Thinus Keeve said on the sidelines of Shanghai's import trade fair this week, reports AFR.

Commonwealth Bank of Australia (CBA): Commonwealth Bank of Australia will cut a key loan serviceability measure for a second time since the banking regulator scrapped its official threshold in July. The threshold is the basis for assessing a borrowers' ability to repay a home loan. CBA is decreasing its serviceability floor rate to 5.40 per cent, effective November 9, from 5.75 per cent currently. An interest rate buffer, which is added to a borrowers home loan rate to ensure they can repay their mortgage, of 2.5



Overseas Markets & Gold Commentary

Risk appetite remains high, as global growth outlook improves: The evident swings in sentiment as trade-war headline after trade-war headline roll through the market may be what traders just have to get used to for the next month-or-so, as the details of a trade-deal between the US and China are nussed out.

Safe-haven gold and silver prices are sharply down and have slumped to three-month lows in midday trading Thursday. The precious metals bulls continue to be hamstrung by rallying world stock markets that saw the U.S. indexes score record highs again today. Some chart-based sellers also stepped into the futures markets on the sell side today, as serious near-term technical damage has now been inflicted in gold and silver markets.

Asian and European stock indexes were also mostly up Thursday. Trader and investor risk appetite remains elevated as the news from the U.S.-China trade front remains very upbeat. Reports from China Thursday said both countries have agreed to remove their tariffs in tranches. The report said tariffs would be eliminated once the “Phase 1” partial trade deal is signed. There has been no official word from the U.S. on this development. While it is a positive, the trade deal still has to be signed. And remember, the trade negotiations between the world’s two largest economies have been a continuously up-and-down affair regarding progress. Given this history it seems unlikely both nations will now just cruise to the finish line with a trade deal.

The Chinese yuan continued to strengthen against the U.S. dollar on the trade-deal optimism. The Bank of England held its regular monetary policy meeting Thursday, but no change in interest rates occurred, as expected. **The gold and silver market bulls need a geopolitical jolt, which will occur at some point in the future, but nobody knows when.**

Australian Dollar lifts, and looks to challenge key levels: Also: on the cusp of challenging some significant price-milestones is the Australian Dollar. It – along with the Norwegian Kroner – topped the G10 currency map yesterday, as traders become increasingly bullish on the Aussie Dollar, amidst the improving outlook for the global economy.

per cent stays the same, CBA said. CBA is the first of the big four to announce a second reduction, after the Australian Prudential regulation Authority in July said it was removing a 7 per cent interest rate threshold for banks when they make home loan serviceability assessments, reports The Australian.

Cromwell Group (CMW): Proxy house ISS will release a report next week offering Cromwell Property shareholders an insight into its views on whether it supports corporate raider Gary Weiss being elected to the board as a director. Speculation is mounting that Cromwell is eager to see existing director Leon Blitz become chairman when outgoing chairman Geoff Levy retires after the company’s annual general meeting on November 28. However, the thinking is that major shareholder ARA, which controls about 21 per cent of the stock, wants veteran boardroom director Dr Weiss to take the top job in the boardroom. Cromwell has rejected Dr Weiss as a board member. Mr Blitz is the co-founder and chief executive of the London based private equity firm Grovepoint, which manages and invests principal, institutional and family office funds, reports The Australian.

Downer EDI Limited (DOW): Downer EDI’s strong track record of bringing in large amounts of cash is faltering as it finishes its troubled Murra Warra wind farm project and big contracts come to an end, chief executive Grant Fenn has warned. The contractor’s shares, which are up 15 per cent over the past 12 months, fell 1 per cent to trade at \$8.11 on Thursday afternoon after Mr Fenn told investors at Downer’s annual general meeting in Sydney that the company expected to report lower cash income in 2019-20. *“Our cash performance for the 2020 financial year is not expected to be as strong as it has been in recent years,”* Mr Fenn said, reports AFR.

Elanor Investors Group (ENN): ASX listed Elanor Investors Group is trying to sell \$25 million in senior bonds to help fund its \$50 million Elanor Wildlife Park Fund. The pitch document fell into our hands last week, and makes for a fascinating glimpse into the financials of the fund’s two main assets, Featherdale Wildlife Park and the recently acquired Mogo Zoo. From FY19 revenues of nearly \$14 million, Featherdale made \$5.5 million in EBITDA, a profit margin of 40 per cent. The substantially smaller Mogo Zoo in Batemans Bay is nonetheless almost as lucrative, making a profit margin of 26 per cent in FY19, reports AFR.

Ellerston Global Investments Ltd (EGI): Ashok Jacob’s Ellerston will convert its global listed investment company to an unlisted trust to allow investors to cash out of the fund at the underlying value of the assets, as activist investors push for LICs to re-think *“flawed”* structures. Mr Jacob’s decision to restructure the \$120 million Ellerston Global Investments will further fuel the debate about the future of LICs, as share prices of numerous listed investments trade below the value of their net tangible assets. After fees, the fund was up 24 per cent in the year to date, Mr Jacob said, and he no longer considered good performance a way to narrow the discount to net tangible assets (NTA). *“I am not prepared to tolerate the discount. There is no correlation between the performance and the discount”*, reports AFR.



International Economic Data

- **US EIA Crude Oil Stocks Change** - Stocks of crude oil in the United States increased by 7.929 million barrels in the week ended November 1st 2019, following a 5.702 million gain in the previous week and compared with market expectations of a 1.515 million gain, according to EIA Petroleum Status Report. Meanwhile, gasoline inventories went down by 2.828 million barrels after decreasing by 3.037 million in the previous week and compared with market consensus of a 1.809 million decline, reports TradingEconomics.
- **US EIA Gasoline Stocks Change** - Stocks of gasoline in the United States decreased by 2828 thousand barrels in the week ending November 1 of 2019, reports TradingEconomics.
- **AU Balance of Trade** - Australia's trade surplus increased to AUD 7.18 billion in September 2019 from a revised AUD 6.62 billion in the previous month and compared to market consensus of AUD 5.0 billion. Exports hit an all-time high and imports were the second-highest on record, reports ABS.
- **CN Foreign Exchange Reserves** - China's foreign exchange reserves increased by USD 12.7 billion to USD 3.105 trillion in October 2019, compared to market expectations of a USD 7.6 billion rise to USD 3.100 trillion. The increase in October reserves was due to changes in global exchange rates and asset prices, the foreign exchange regulator said in a statement. The value of gold reserves rose to USD 94.65 billion at the end of October from USD 93.045 billion at the end of September, reports TradingEconomics
- **US Jobless Claims** - The number of Americans filling for unemployment benefits decreased by 8 thousand to 211 thousand in the week ended November 2nd from the previous week's revised level of 219 thousand and compared with market expectations of 215 thousand. It is the lowest level since the week ended October 5th. According to unadjusted data, the largest declines were reported in Virginia (-1,345), Georgia (-1,250) and California (-1,213) while the biggest rises were seen in Illinois (+2,475), Colorado (+1,292) and Pennsylvania (+1,019). Continuing Jobless Claims in the United States decreased to 1689 thousand in the week ending October 26 of 2019 from 1692 thousand in the previous week, reports TradingEconomics

Flight Centre Travel Group Ltd (FLT): Travel agency Flight Centre has warned half-year profits could slump by more than a third, leaving analysts questioning where claimed cost savings are taking place. The warning came at Flight Centre Travel's annual general meeting yesterday. It was softened by hopes from the company, whose brands include Universal Traveller and FCM Travel Solutions, of a rebound in the second half of the financial year. The final outlook for "underlying" pre-tax earnings for this financial year remains unclear for Flight Centre, which offered a wide spread of guidance that could mean profits were down or even slightly up. But the immediate future looked bleak, with a profit forecast between \$90 million and \$110 million for this financial year's first six months, reports AFR.

Iluka Resources Limited (ILU): When two completely different assets are housed in the same corporate structure, the lowest common denominator sets the value for the whole company. And when the lowest common denominator drops even lower, you pretty quickly get aggrieved shareholders, a company under pressure and conditions ripe for a demerger. So it is at Iluka Resources, where years of rallying by activist Sandon Capital and, more recently, L1 Capital and others, finally has the mineral sands miner formally working with Gresham, Herbert Smith Freehills and Greenwoods on a potential \$2 billion spin-off. Iluka faced difficulty integrating its Sierra Rutile project, which accounts for about one-fifth of the company's value. The problems sent its shares to a 21/2-year low in August and fired up shareholder pressure, reports AFR.

James Hardie Industries plc (JHX): James Hardie Industries is defying the dark clouds hanging over the housing construction sector by clawing away market share from rivals in its major markets of North America, Europe, Australia and the Philippines. James Hardie's shares rose yesterday after chief executive Jack Truong painted a solid outlook. The company sells a range of fibre cement cladding, walling and interior board products. It lifted its full-year profit guidance to between \$US340 million (\$495 million) and \$US370 million for the year ended March 31, 2020, after delivering a half-year result that was above analysts' expectations. Net profit after tax increased by 18 per cent to \$US189.6 million for the six months ended September 30, reports AFR.

Medibank Private Ltd (MPL): Medibank CEO Craig Drummond is calling on the federal government to urgently consider tax breaks to encourage corporates to offer private health insurance for workers to avoid the sector's escalating "death spiral". He rejected criticism that dropping fringe benefit tax for private health insurance would amount to an Americanisation of healthcare, arguing it would make the system more sustainable. Mr Drummond, who this week spoke to Health Minister Greg Hunt, also doubled down on claims of price gouging on prosthetic devices, which Medibank revealed on Wednesday had caused a \$21 million cost blow-out. Total expenditure on three common hip joints in Australia was \$64.8 million in 2017 but in France would have been less than one-third the cost at \$19.6 million, or



Commodities (Source: IRESS)

COMMODITY	CLOSE	+/-	%
COMEX			
Gold Dec 19	1469.3	-23.8	-1.59
Silver Dec 19	17.085	-0.513	-2.92
Copper Dec 19	2.7105	0.0455	1.71
NYMEX			
Platinum Jan 10	912.5	-19.2	-2.06
Palladium Dec 19	1765.9	4.8	0.27
LONDON METAL			
Gold (AM Fix)	1488.55	-16.05	-1.07
Gold (PM Fix)	1486.05	-2.9	-0.19
ENERGY			
Light Crude Dec 19	57.02	0.67	1.19
Brent Crude Oil	62.2	0.44	0.71
CBT			
Wheat Dec 19	512	-4.75	-0.92
Soybeans Nov 19	936.75	9.25	1
Corn Dec 19	375.25	-3.5	-0.92
OTHER			
Iron Ore (China Port)	81.5	0	0
Coal (ICE-GC Newcastle)	69.62	-0.15	-0.21
LME Indicative			
Copper - Cash	5966.5	78	1.32
Copper - 3Mth	6001.5	121.5	2.07
Lead - Cash	2114	-5.75	-0.27
Lead - 3Mth	2110	3.5	0.17
Zinc - Cash	2531	12.25	0.49
Zinc - 3Mth	2493	18	0.73
Aluminum - Cash	1824.25	8	0.44
Aluminum 3Mth	1813	9	0.5
Nickel - Cash	16207.5	-76.5	-0.47
Nickel - 3Mth	16225	-5	-0.03
Tin - Cash	16556	16	0.1
Tin - 3Mth	16575	30	0.18

AUD exchange Rates (Source: IRESS)

CROSS	CLOSE	+/-	%
AUDUSD	0.6908	0.0023	0.33
AUDJPY	75.4195	0.3895	0.52
AUDGBP	0.537	0.0014	0.27
AUDCAD	0.9094	0.0016	0.18
AUDNZD	1.0825	0.0016	0.14
AUDHKD	5.4054	0.0163	0.3
AUDSGD	0.9374	0.001	0.11
AUDMYR	2.8498	0.0013	0.05
AUDEUR	0.623	0.0008	0.13

\$39.8 million in the UK, \$25 million less than in Australia, reports AFR.

National Australia Bank (NAB): NAB CEO's plea to boost small business lending National Australia Bank's acting chief executive, Philip Chronican, has called for financial regulators and the federal government to jointly tackle a dramatic collapse in confidence as the post-Hayne plunge in lending spreads to small business. The nation's biggest small- to medium-enterprise lender revealed a 2.8 per cent fall in lending to self employed customers as it grappled with the growing regulatory burden and deteriorating business sentiment. The plunge follows a series of lightning visits Treasurer Josh Frydenberg held with bank heads over the past two weeks, during which he told them he would instruct the Australian Securities and Investments Commission to tell banks to waive overly restrictive standards in an effort to ease the squeeze on small business lending, reports AFR.

Pendal Group Ltd (PDL): Sell-side analysts expect boutique listed fund manager Pendal Group to turn its fortunes around after a difficult year. On Wednesday Pendal reported a 24 per cent slump in profit while its performance fees plunged 89 per cent, forcing the fund manager to cut its dividend by 13 per cent to 45¢ a share. Despite the poor result, brokers Morgans and Morgan Stanley both increased their price targets, saying the outlook for its UK and European businesses looked particularly bright. Morgans said the group's net flows were likely to increase, upgrading its recommendation on the stock to "add" from "hold" and increasing its price target on Pendal by 11 per cent from \$7.96 to \$8.85, reports AFR.

Sonic Healthcare Limited (SHL): Suzanne Crowe has joined the board of Sonic Healthcare, as the pathology giant continues to refresh its board. Professor Crowe will join as an independent, non-executive director on April 6, 2020, and will stand for election by shareholders at Sonic's 2020 annual meeting. Based in Melbourne, Professor Crowe is a qualified medical specialist, a physician/scientist who holds medical and MD degrees from Monash University, an internal medicine specialist qualification in Infectious Diseases from the Royal Australasian College of Physicians, and a Diploma in Medical Laboratory Technology from the Royal Melbourne Institute of Technology, reports AFR.

Telstra Ltd (TLS) & Wesfarmers Ltd (WES): The chief financial officers of Wesfarmers and Telstra have hit back at criticism of supply chain financing, which they say is allowing their smaller suppliers to get paid sooner at lower financing costs than they would typically be able to access. Supply chain financing, or "reverse factoring", has become an increasingly controversial topic amid claims large companies are delaying payments to suppliers, forcing them into arrangements with third-party financiers. Wesfarmers' chief financial officer, Anthony Gianotti, said it used thirdparty financiers to effectively allow smaller suppliers to benefit from the strong credit rating of Wesfarmers to get paid within a week. "In our case, anyone who's wanting to take supply chain financing can do so within five days and access those funds," he said, reports AFR.



Economic News This Week

- Today **US EIA Natural Gas Stocks Change**
- Today **AU Home Loans**
- Today **CN Balance of Trade**
- Saturday **US Michigan Consumer Sentiment**
- Saturday **US Baker Hughes Oil Rig Count**
- Saturday **CN Inflation Rate**
- Saturday **CN PPI**

Reports & Events

(selected)

When	Company	Report/Event
Today	ADT	AGM
	AMC	Sep Q (o/night Thu AEDT)
	HIL	AGM
	NWS	Sep Q (o/night Thu AEDT)
	SUL	Investor day
Mon	DHG	AGM
	ELD	Full year
	ED1	AGM
	SO4	AGM
Tue	FSF	AGM
	HCH	AGM
	IPL	Full year
	INA	AGM
	MAH	AGM
	NWL	AGM
	NCM	AGM
	NEC	AGM
	S2R	AGM

Xero Limited (XRO): Global regulatory changes to digitise tax and payroll are set to continue as a tailwind for Xero, with chief executive Steve Vamos saying the digital transformation could span a decade or more. Speaking to The Australian Financial Review after the cloud accounting software company released results for the half year to September 30, Mr Vamos said the push from governments around the world to digitise their dealings with business was coinciding with a move away from cash across society, providing long-term benefits for the company. *“I expect this to be a significant trend for a long time yet,”* he said, reports AFR.

Zip Co Ltd (Z1P): Shares in Zip Co soared 17 per cent on Thursday after the company struck a deal with Amazon to offer its buy now, pay later service on the US giant’s local retail website. The surge to \$4.02 added more than \$200 million to Zip Co’s market value, which finished the day at \$1.42 billion. A year ago, the shares fetched just 98¢. Zip Co is the first Australian buy now, pay later (BNPL) operator to be granted access to Amazon, which hosts more than 125 million products on its Australian platform. Its payment system went live on the Amazon Australia site on Thursday. Liam Donohue, principal and portfolio manager at Lennox Capital Partners, which owns Zip Co shares, said the company is well placed to benefit in the crowded BNPL market, reports AFR.



Ex-Dividend

Code	Ex-Div	Div (c)	Franking (%)	Yield (%)
CSR	Today	14	50	5.58
JHG	Today	52.45	0	5.57
JYC	Today	5	100	4.14
ANZ	Mon	80	70	6.15
MQG	Mon	250	40	4.25
ORI	Tue	33	15.15	2.28
WBC	Tue	80	100	6.90
API	Wed	4	100	5.66
GMA	Wed	24.2	0	4.48

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