

Friday 2 June 2017

Western Australia - public holiday Monday (5 June)

## Markets

<b>SFE 200 Futures</b> (9.30am AEST)	<b>5770</b>	<b>17</b>	<b>0.3</b>
<b>NZX 50</b>	7463	12	0.2
<b>DJIA Futures</b>	21136	4	0.0
<b>S&amp;P 500 Futures</b>	2429	0	0.0
<b>NASDAQ Futures</b>	5823	0	0.0

## Local Markets Commentary

The Australian market opens Friday trade on positive international equities leads, ahead of influential US data tonight, and key domestic economic indicators Monday-Tuesday, ahead of Tuesday's Reserve Bank of Australia policy meeting.

In overnight commodities trade, **WTI** crude swung to settle slightly higher. US **gold** futures turned lower. **Iron ore** continued to fall. LME **copper** added modestly to Wednesday's gains. **Nickel** fell.

The **\$A** dropped below US74.0c after slipping below US74.10c early yesterday evening.

Locally today, the HIA is due to report April new home sales 11am AEST.

## Overseas Markets

INDEX	CLOSE	+/-	%
<b>Dow Jones</b>	<b>21144</b>	136	<b>0.7</b>
<b>S&amp;P 500</b>	2430	18	<b>0.8</b>
<b>NASDAQ</b>	6247	48	<b>0.8</b>
<b>FTSE 100</b>	7544	24	<b>0.3</b>
<b>DAX 30</b>	12665	50	<b>0.4</b>
<b>Shanghai Comp</b>	3103	-15	<b>-0.5</b>

## Overseas Markets Commentary

Major European and US equities markets closed their first session of June trade at or near session highs.

The **euro zone's** final May manufacturing PMI was confirmed at a six-year peak of 57, against 56.7 for April.

**Italy's** government received EU approval for a financial restructuring plan for Banca Monte Paschi di Siena.

In the **UK** a 56.7 final May manufacturing PMI, while robust, represented a 0.6-point slip from April's three-year high.

In the **US**, a private sector employment report estimated 253,000 jobs were created in May.

ISM's manufacturing index came in 0.1 higher for the month, at 54.9.

April construction spending fell 1.4%, following forecasts of a 0.5% rise, and against a 1.1% gain in March.

Weekly new unemployment claims rose 13,000 and the four-week moving average by 2500.

Post-US trade, US president Donald Trump officially announced the withdrawal of US support for the 2015 Paris climate agreement, in favour of fresh negotiations, leaving 194 signatories to the initial accord.

## Today's Stock Watch

### Cimic Group (CIM)

CFO of CIM's CPB Contractors Stefan Camphausen has been appointed CIM CFO, effective immediately. Mr Camphausen takes over from Angel Muriel, who is taking on a new role with 72.68% CIM owner ACS Group. CIM has traded lower the past six sessions.

Further, CPB Contractors company Leighton Asia has been awarded a \$A148M power station civil works contract with Castle Peak Power Company, Hong Kong.

In addition, the Roche Thiess Linfox JV has secured a \$450M extension to a mining services contract with Energy Australia's Yallourn coal project, Victoria. Thiess, a CIM company, expects to receive a \$195M share of the new contract revenue.

### Qube Holdings (QUB)

Resuming from a trading halt having achieved 98% take-up and raised \$118M in the institutional entitlement offer at \$2.35 per share.

An institutional placement at \$2.42 per share brought in \$122M. A fully-underwritten \$110M retail entitlement offer is scheduled for 7 - 21 June.

QUB last traded at ~\$2.62.

### Medical Developments International (MVP)

St John Ambulance New Zealand is replacing the use of nitrous oxide with MVP's pentrox as an exclusive analgesic inhalant.

### Yowie Group (YOW)

Mediation has failed to resolve claims of a manufacturing agreement breach brought by Whetstone Chocolate Factory and Atlantic Candy Company against Yowie North America. YOW will continue to defend its position at a trial likely to commence before year's end.

### Air New Zealand (AIZ)

Credit Suisse has rerated AIZ as underperform, cancelling a neutral rating.

### Aventus Retail Property Fund (AVN)

Morgans has removed AVN from its 'add' list, in favour of hold advice.

### ERM Power (EPW)

Macquarie has reassessed EPW as outperform, from neutral.

## Resources

### Southern Hemisphere Mining (SUH)

WA Marble Bar lithium JV reconnaissance mapping has determined new lithium-bearing pegmatite swarms, extending the area over which these occur to 14sq km, with a 9km strike.

### Greenpower Energy (GPP)

Robello project Morabisi sampling assays indicate economic occurrences of rare earth elements, tantalum and niobium. Follow-up drilling plans underway.

## Energy

### AGL Energy (AGL)

Macquarie has reassessed AGL as underperform, from neutral.

**Tonight** in the US, the national May employment report, April trade figures and ISM's New York business activity index are due.

In overnight corporate news, US discount chain store **Dollar General** appreciated almost 7% after doubling the company's full-year sales growth target following quarterly revenue and profit that each exceeded forecasts.

**Deere** gained on a proposed €4.6B purchase of German construction equipment manufacturer **Wirtgen**.

**Ford** Motor reported 2.2% higher May US vehicle sales and **General Motors** a 1.3% fall, each defying forecasters on both direction and magnitude terms.

### Commodities

COMMODITY	CLOSE	\$US/	+/-	%
<b>Gold (NY) (Aug)</b>	<b>1270</b>	oz	-5	-0.4
<b>Silver (NY) (Jul)</b>	17.3	oz	-0.1	-0.7
<b>Gold (LON)</b>	1265	oz	-1	-0.1
<b>Platinum</b>	930	oz	-17	-1.8
<b>WTI Crude (Jul)</b>	<b>48.4</b>	bbl	0.04	0.1
<b>Brent Crude (Jul)</b>	<b>50.6</b>	bbl	-0.1	-0.3
<b>Iron Ore</b> (CHN port 62%)	<b>56.0</b>	t	-1.0	-1.8
<b>Copper</b>	<b>5699</b>	t	17	0.3
<b>Nickel</b>	8840	t	-130	-1.5
<b>Aluminium</b>	1927	t	-1	-0.1
<b>Lead</b>	2110	t	-10	-0.5
<b>Zinc</b>	2570	t	-30	-1.2
<b>Tin</b>	20450	t	125	0.6
<b>CBT Wheat (Jul)</b>	4.29	bshl	-0.00	-0.0

### Commodities Commentary

*Oil* – prices pulled back in late overnight trade after gaining on encouraging news.

**OPEC** was reported to have considered boosting the daily production cut by an additional 1.5% in the new nine-month agreement which comes into effect 1 July. Views vary on whether the size of the curb would be seriously reviewed.

The US (EIA) weekly petroleum inventories report revealed refinery and export activity helped push national **crude stocks** down by 6.4MMbbl. Stored petrol fell by 2.9MMbbl.

A weekly US petroleum rig count is due tonight.

*Gold* – a rising \$US, in part due to a better-than-anticipated US private sector jobs report, damaged gold sentiment. Some analysts suggested early-summer profit-taking was also at play.

Tonight's US national jobs figures and trade balance could swing currencies and precious metals trade, as both reports will be analysed in terms of a likely US rate rise timeline.

*Base metals* – LME *copper* continued to appreciate, amid reports two Chile copper operations are suffering industrial action which includes blocking access. Traders considered this significant, as worker strife has continued at the Grasberg copper-gold operation, Papua.

Meanwhile in influential data releases, Caixin's 49.6 **China** manufacturing PMI, reported yesterday, represented a monthly 0.7-point fall into contraction mode.

Japan's final reading was revised 1.1 points higher, to 53.1, a 0.4-point gain for the month.

Tonight's US trade and employment figures could impact currency markets, hence influencing metals trade sentiment.

## Pre-Open Announcements

### ALS Ltd (ALQ)

ALQ has completed the acquisitions of US-based Marshfield Food Services and Brazil-headquartered OILCHECK.

ALQ has paid a total \$18.4M upfront and is due to pay up to \$4.2M over three years, pending performance.

ALQ trades ex-dividend (8c) Wednesday next week (7 June).

### Zelda Therapeutics (\* ZLD)

Heralding pre-clinical in vitro studies indicating the potential use of cannabinoids in successfully treating breast cancer.

### Avita Medical (AVH)

US-based AVH non-executive director Michael (Mike) Perry has been appointed as CEO. Dr Perry is a former Novartis senior VP and cell and gene therapy chief scientific officer.

### OBJ Ltd (OBJ)

Anticipating \$US94,290 in March quarter skincare royalties.

In addition, OBJ has received \$US125,000 in initial standstill and royalty fees for a second group of products licensed to P&G.

### TV2U International (\* TV2)

Bazil SOL Telecom contract amendment details lodged this morning.

## Resources

### Hillgrove Resources (HGO)

HGO has appointed Gresham Funds Management MD Antony (Tony) Breuer as a non-executive director. As previously foreshadowed, Dean Brown retired from the HGO board 31 May (Wednesday). Mr Breuer has been with Gresham group for 30 years and is also deputy chair of Gresham Partners Capital.

### BMG Resources (BMG)

BMG cannot explain why it traded at 1.2c – 1.4c yesterday, and hence attracted a comparatively high volume of transactions, after not having traded beyond 1.2c since 11 April. In addition, BMG hadn't traded above 1.30c since August last year.

## Trading Halts

Company	Code	Resuming
Ardiden Ltd	ADV	2 Jun
Cobalt One	CO1	2 Jun
Force Commodities	4CE	2 Jun
Reproductive Health Science	RHS	2 Jun
Riva Resources	RIR	2 Jun
Seafarms Group	SFG	2 Jun
Tychean Resources	TYK	2 Jun
Wollongong Coal	WLC	2 Jun
Comet Ridge	COI	5 Jun
Hastings Technology Metals	HAS	5 Jun
MGC Pharmaceuticals	MXC	5 Jun
Talga Resources	TLG	5 Jun
Walkabout Resources	WKT	5 Jun

## Suspensions (selected)

Company	Code	Since
Central Petroleum	CTP	31 May
Delta SBD	DSB	31 May
Grandbridge Ltd	GBA	2 Jun
Hawley Oil & Gas	HOG	12 May

**Exchange Rates**

CURRENCIES	LAST	+/-	%
<b>AUD – USD</b>	0.7381	0.0005	0.07
<b>EUR – USD</b>	1.1217	0.0005	0.05

**Australian Data Today**

HIA	New home sales	Apr
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**US Data Tonight**

Workforce (incl jobs created, wages growth)	May
Trade balance	Apr
ISM New York	Apr

**Other Overseas Data Today & Tonight**

<b>Japan</b>	Consumer confidence	May
<b>Euro zone</b>	Producer prices	Apr

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Contact your State One Stockbroking advisor on 08 9288 3388 or 1300 651 898, or by email, [advice@stateone.com.au](mailto:advice@stateone.com.au).

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Longreach Oil	LGO	29 May
Molopo Energy	MPO	31 May
Petratherm Ltd	PTR	26 May
Quintis Ltd	QIN	17 May
SurfStitch Group	SRF	26 May

**Ex-Dividends**

Code	Ex-Div	Div (c)	Fr (%)	Yield (%)
EVO	Mon	~2.32	0	4.85
ECG	Tue	5	100	0.00
ALQ	Wed	8	40	2.01
JHX	Wed	~30.15	0	2.07
OFX	Thu	2.9	100	3.52
TCO	Fri (9 Jun)	5	100	4.88

**Reports & Events**

(selected scheduled)

When	Company	Report/Event
<b>Wed</b>	GMG	Q3 Update
	WES	Strategy Briefing