

Friday 3 March 2017

Markets

SFE 200 Futures (9.30am AEDST)	5737	-26	-0.5
NZX 50	7159	-17	-0.2
DJIA Futures	21006	0	0.0
S&P 500 Futures	2382	0	0.0
NASDAQ Futures	5365	0	0.0

Local Markets Commentary

The Australian market opens Friday trade on mostly negative key commodities and international equities leads.

In overnight commodities trade, US **gold** futures and **oil** fell further. LME **copper** and other key base metals turned and fell. **Iron ore** (China port, 62% Fe) swung higher, but Dalian Commodities Exchange futures subsequently tumbled.

The **\$A** slid further after dropping below US76.25c yesterday evening.

Locally pre-trade, the AiG publishes its February services sector activity index.

February new vehicle sales are also due today.

REA, **REG** and **TWE** are among high-profile stocks trading ex-dividend today. *Please see p3 for a detailed list.*

In **China**, Caixin is expected to publish its latest services PMI **12.45pm** AEDST, ahead of the annual National People's Congress due to commence this weekend.

Japan's January **CPI** is keenly anticipated **10.30am** AEDST.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	21003	-113	-0.5
S&P 500	2382	-14	-0.6
NASDAQ	5861	-43	-0.7
FTSE 100	7382	-0.6	-0.0
DAX 30	12060	-8	-0.1
Shanghai Comp	3230	-17	-0.5

Overseas Markets Commentary

Major European equities markets chopped and swung overnight, but US indices mostly declined on what appeared to be more decisive trade.

In the **euro zone**, January CPI growth came in at 2.0% annually, following 1.8% for January, again supported by energy prices. Core inflation (excluding food and energy) remained at 0.9%

In **US** data releases, weekly new unemployment claims fell 19,000 and the four-week moving average declined 6250.

Tonight in the US, US **Federal Reserve** chair Janet Yellen is scheduled to deliver an economic outlook address 1pm US EST. Four other Federal Reserve officials are also listed to speak publicly.

In data releases, the ISM February non-manufacturing activity index and final Markit February services PMI are due.

Advertising group WPP, Staples and STV are among

China – Caixin services PMI **12.45pm** AEDST

Japan – January CPI **10.30am** AEDST

ASX trading as normal **Monday** – public holiday in WA

Today's Stock Watch

National Australia Bank (NAB)

CEO Andrew Thorburn meets with the Australian parliament House of Representatives economics committee today.

The a2 Milk Company (A2M) / Synlait Milk (SM1)

A2M is outlaying ~\$NZ47.9M to acquire 8.2% of SM1 from FrieslandCampina at \$NZ3.25 per share. SM1 last traded on the ASX at \$A3.00.

Tassal Group (TGR)

Resuming from a trading halt having completed an \$80M oversubscribed, fully-underwritten placement at \$4.55 per share. A \$20M SPP will follow, at \$4.475 (excludes dividend) per share. The SPP is pencilled in for 13 - 29 March. TGR last traded at \$4.90 after closing out last week at \$4.75.

Australian Finance Group (AFG)

AFG COO David Bailey has been appointed interim CEO. CEO and MD Brett McKeon is stepping down from full-time executive duties with AFG. Mr McKeon will remain an AFG executive director. He has been with AFG 23 years.

Macmahon Holdings (MAH) / CIMIC Group (CIM)

MAH is repeating its recommendation for shareholders to reject the CIM bid which CIM says will not be extended beyond 9 March. MAH points to the proposed PT Amman Mineral Nusa Tenggara deal, revealed yesterday, in reaffirming its position.

Macquarie Atlas Roads (MQA)

The \$A15M SPP in support of the proposed US Greenway balance acquisition opens today.

Praemium Ltd (PPS)

Former Bankwest MD Robert de Luca appointed interim PPS CEO, effective Monday.

Mitula Group (MUA)

Acquiring Netherlands-headquartered Kleding for €10M cash, 1M MUA shares and a potential earn-out. Kleding owns 16 fashion search sites.

Ansell Ltd (ANN)

Dale Crandall is retiring as an ANN non-executive director at the October AGM, having reached the maximum permissible 15-year term. Bill Reilly is also retiring his position after 16 years as Ansell Healthcare and then ANN general counsel. Mr Reilly will be nominated as an ANN non-executive director at the AGM.

Resources

Rio Tinto (RIO)

Annual report lodged post-trade yesterday, together with resource and reserve updates. RIO Ltd AGM scheduled for 4 May, Sydney.

South 32 (S32)

UBS is recommending S32 as a buy.

BC Iron (BCI)

BCI has appointed two additional non-executive directors, namely WA Waste Authority deputy chair Jenny Bloom and Gilbert & Tobin Energy & Resources partner Michael Blakiston.

companies listed to report earnings.

In overnight corporate news, **Caterpillar** suffered on news officials from three government departments had searched company offices.

Snap completed a successful debut, trading more than 40% higher than the IPO price on a greater than 200M share turnover.

Anheuser-Busch InBev quarterly earnings disappointed, in part impacted by falling sales in post-Olympics Brazil.

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Apr)	1233	oz	-17	-1.4
Silver (NY) (Mar)	17.8	oz	-0.7	-3.8
Gold (LON)	1238	oz	-2	-0.2
Platinum	985	oz	-25	-2.9
WTI Crude (Apr)	52.6	bbl	-1.2	-2.3
Brent Crude (Apr)	55.1	bbl	-1.3	-2.3
Iron Ore (China port)	92.4	t	1.1	1.2
Copper (LME)	5930	t	-86	-1.4
Nickel	10780	t	-250	-2.3
Aluminium	1911	t	-38	-2.0
Lead	2253	t	-52	-2.3
Zinc	2782	t	-80	-2.8
Tin	19350	t	-175	-0.9
CBT Wheat (Mar)	4.32	bshl	-0.04	-0.8

Commodities Commentary

Oil – a continuing stronger **\$US** on US rate rise promotion by Federal Reserve officials, plus comparatively high February US **shale** production estimates (EIA), pushed prices to three-week lows overnight.

Talk about compliance, and otherwise, with OPEC-negotiated production cuts appeared to hurt trade also.

A weekly US petroleum rig count is due tonight.

Gold – \$US strength and broadly poor trade sentiment hurt gold overnight.

US Federal Reserve chair Janet Yellen is scheduled to speak publicly tonight. Any further firming of expectations for a rate rise mid-month will push the \$US higher and gold lower.

Base metals – \$US strength detracted from overnight trade.

Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.7574	0.0003	0.04
EUR – USD	1.0506	-0.0000	-0.00

Australian Data Today

AiG	PSI	Feb
VFACTS	New vehicle sales	Feb

US Data Tonight

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

Pre-Open Announcements

Ramsay Health Care (RHC)

Presentation lodged this morning. RHC delivered the presentation in Paris overnight.

SeaLink Travel Group (SLK)

A flagged September 2016, SLK company secretary Trevor Waller has retired, effective late yesterday.

Noni B (NBL)

Records confirm a 9.7% stake (~7.7M shares) was offloaded yesterday for ~\$10M. The Packer family was named as the seller. NBL traded at \$1.56 yesterday, with just three transactions recorded.

Resources

Mineral Resources (* MIN)

WA Wodgina lithium project hard rock resource boosted 158% (40.11Mt @ 1.39% Li₂O) to 65.56Mt @ 1.38% Li₂O.

OceanaGold Corporation (OGC)

US South Carolina Haile gold mine site visit presentation lodged post-trade yesterday. Haile hosted visitors Thursday (US) and will do so again Friday. Yesterday, OGC recouped 2.17%, settling at \$3.76.

Lucapa Diamond Company (* LOM)

The Lulo JV diamond project, Angola has sold 1552 carats of diamonds for a gross \$US6.9M, achieving a median \$US4446/carat.

Argosy Minerals (AGY)

Former Rio Tinto (ASX: RIO) executive Mal Randall has been appointed as an AGY non-executive director, replacing Andrea Betti. Ms Betti is AGY's company secretary and is remaining in that role.

State One Analyst Comment

Quickstep Holdings (QHL)

Quickstep fighter to strike Avalon

Australian Joint Strike Fighter supplier Quickstep Holdings Ltd (ASX: QHL) is expecting its biggest ever lift in profile at the Australian International Airshow, Avalon, Victoria.

The Joint Strike Fighter (JSF) will surely be the star of the show, being its first ever visit to Australia, after it reported big wins in highly scrutinised combat games held in the USA.

This is the first ever victory by the JSF in such games, and a stark reversal from previous outcomes.

Australian enthusiasts will see the (JSF) F35 flying for the first time today when two of the aircraft fly into the [Airshow](#).

An acceleration in the (global) manufacturing schedule is important to Quickstep's revenue profile. We forecast sales from the production of F35 central fuselage and vertical tail fin carbon-fibre panels increasing from \$A26M in FY17E to \$A77M in FY21E.

In addition, further contractual success is reckoned to be not far away, following extensive and long-running negotiations regarding both aerospace and auto parts.

Other Overseas Data Today & Tonight

China	Caixin services PMI	Feb
Japan	CPI	Jan
Japan	Nikkei services PMI	Feb
Japan	Household spending	Jan
UK	Markit services PMI (final)	Feb
Euro zone	Markit services PMI (final)	Feb
Euro zone	Retail sales	Jan

Need More Information?

Contact your State One Stockbroking advisor on 08 9288 3388 or 1300 651 898, or by email, advice@stateone.com.au.

Hyundai, Tesla and an unknown Chinese motor company are but a few of the numerous auto 'suspects' whom we believe are in discussions with Quickstep.

Our target price for Quickstep currently stands at 20cps.

Airshow: 3 March (today) - 5 March (Sunday)
<https://www.airshow.com.au/airshow2017/index.asp>

State One Executive Chairman Alan Hill

Trading Halts

Company	Code	Resuming
Intiger Group	IAM	3 Mar
88 Energy	88E	6 Mar
Capital Mining	CMY	6 Mar
Classic Minerals	CLZ	6 Mar
Mineral Deposits	MDL	6 Mar
Platinum Capital	PMC	6 Mar
Zenith Minerals	ZNC	6 Mar

Suspensions (selected)

Company	Code	Since
Frontier Capital Group	FCG	15 Feb
Gateway Mining	GML	10 Feb
Manalto Ltd	MTL	6 Feb
migme Ltd	MIG	7 Feb
Mobilarm Ltd	MBO	15 Feb
Onterran Ltd	OTR	14 Feb
Pixie Group	PEG	22 Feb
Tiger Resources	TGS	22 Feb

Ex-Dividends

Code	Ex-Div	Div (c)	Fr (%)	Yield (%)
ALI	Today	1	0	2.00
APX	Today	3	100	1.92
EBG	Today	2.25	100	6.24
FSI	Today	3.5	100	4.53
IFM	Today	1.7	100	3.40
LHC	Today	6.25	0	6.06
MCP	Today	6	100	6.11
MGC	Today	1.7	100	6.38
MVP	Today	2	100	0.80
PEA	Today	1	100	3.52
REA	Today	40	100	1.50
REG	Today	10.3	100	3.73
SKI	Today	7.25	0	6.25
TWE	Today	13	0	2.05
8EC	Mon	1	100	0.99
ABA	Mon	14	100	5.61
AFG	Mon	4.2	100	6.40
CDC	Mon	0.64	0	9.31
CLH	Mon	3.9	100	5.69
CTX	Mon	52	100	3.52
DDR	Mon	4.4	100	6.43
DGH	Mon	2.25	100	4.59
FXJ	Mon	2	70	4.17
HHL	Mon	4	100	7.44

Disclaimer / Disclosure / General Advice Warning / Confidentiality Notice

This morning note and its contents at all times remain the property of State One Stockbroking Ltd ("State One") and as such cannot be reprinted, distributed, copied, posted on the internet, in part or whole, without written prior approval from State One.

The contents of this document constitute General Advice and have been prepared without taking account of your investment objectives, financial situation or needs. Because of that you should, before taking any action to acquire or deal in, or follow a recommendation (if any) in respect of any of the financial products or information mentioned in this document, consult your own investment advisor to consider whether that is appropriate having regard to your own objectives, financial situation and needs.

While State One believes information contained in this document is based on information which is believed to be reliable, its accuracy and completeness are not guaranteed and no warranty of accuracy or reliability is given or implied and no responsibility for any loss or damage arising in any way for any representation, act or omission is accepted by State One or any officer, agent or employee of State One. If applicable, you should obtain the Product Disclosure Statement relating to any relevant financial product mentioned in this document (which contains full details of the terms and conditions of the relevant financial product) and consider it before making any decision about whether to acquire the financial product.

The directors and associated persons of State One may have a long or short interest in the financial products discussed in this document and they may earn brokerage, commissions, fees and advantages, pecuniary or otherwise, in connection with the making of a recommendation or dealing by a client in such financial products. Additionally, State One may earn fees due to having been appointed advisors to, or may be undertaking or about to commence research relating to, any of the companies mentioned herein.

IVC	Mon	25.5	100	2.99
OGC	Mon	1	0	0.27
PEP	Mon	5.4	100	3.05
PNI	Mon	2.2	100	1.78
SDA	Mon	2.4	100	1.44
SFR	Mon	5	100	2.10
SUL	Mon	21.5	100	4.13
TTS	Mon	9.5	100	4.27
AMB	Tue	1	100	6.06
BKL	Tue	130	100	3.26
CLX	Tue	1.75	100	2.03
DCG	Tue	2	100	4.17
EPW	Tue	3.5	100	8.80
HOM	Tue	0.75	100	6.25
IRI	Tue	3	70	2.35
MOC	Tue	8.5	100	6.80
MPL	Tue	5.25	100	3.89
NEC	Tue	4.5	100	8.10
OSH	Tue	~2.77	0	0.58
QAN	Tue	7	50	3.70
QUB	Tue	2.7	100	2.36
RHC	Tue	53	100	1.80
RRL	Tue	7	100	4.71
SCO	Tue	8	100	2.86
SHL	Tue	31	20	3.48
SHV	Tue	10	100	6.24
TPC	Tue	3	100	2.22