

Monday 3 July 2017

Markets

SFE 200 Futures (9.30am AEST)	5670	21	0.4
NZX 50	7621	9	0.1
DJIA Futures	21341	41	0.2
S&P 500 Futures	2426	5	0.2
NASDAQ Futures	5671	18	0.3

Local Markets Commentary

The Australian market commences a new financial year's trade with some influential regional data and a swag of domestic economic indicators ahead of the Reserve Bank of Australia's (RBA) policy meeting tomorrow.

Any developments from a planned teleconference between the leaders of the **US**, China and Japan, featuring **North Korea** nuclear activity, international steel trade and China Sea sovereignty, could also influence sentiment.

In addition, 4 July holiday disruption to US markets will be kept in mind.

Locally today, AiG's June national manufacturing index, the ANZ's monthly job advertisements survey, the Melbourne Institute/TD Securities monthly inflation report, May building approvals, and a capital city house price report for last week and also June are due.

The RBA will publish June commodity prices post-trade.

Regionally, Caixin releases its final June manufacturing PMI for **China 11.45am AEST**.

Japan publishes the influential quarterly Tankan survey, including snapshots of both large and small manufacturing and service sector activity. This is expected **9.50am AEST**.

In overnight Friday commodities trade, **oil** continued its current climb, picking up the pace from Thursday's trade. **US gold** futures continued to decline. **LME copper** settled almost flat. Premium **iron ore** (China port, 62% Fe) continued to rise.

The **\$A** rose to ~US76.90c after trading past US76.80c again early Friday evening.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	21350	63	0.3
S&P 500	2423	4	0.2
NASDAQ	6140	-4	-0.1
FTSE 100	7313	-38	-0.5
DAX 30	12325	-91	-0.7
Shanghai Comp	3192	4	0.1

Overseas Markets Commentary

US markets are heading into a shortened trading week, due to **4 July** Independence Day commemorations.

The NYSE, NASDAQ, NYMEX and COMEX will **close early tonight**.

The NYSE and NASDAQ will remain **closed**

China – Caixin final June manufacturing PMI **11.45am AEST**

* Food and beverages listing **midday AEST** – **EHH** *

Today's Stock Watch

Fairfax Media (FXJ)

Confirming plans to separate the Domain.com business by the end of the year, following the end of potential FXJ acquisition discussions with two discrete bidding groups, Hellman & Friedman affiliates, and a TPG group consortium.

Meanwhile, FXJ anticipates reporting \$262M - \$266M full-year EBITDA when it releases results on 16 August.

Revenue is down across all business, expect for Domain, for which FXJ says an 'acceleration' continues.

Teleconference scheduled to commence 9.30am AEST. Access details lodged this morning.

Ten Network (TEN)

Receivers and managers have been appointed to manage a TEN sale of recapitalisation process.

Virgin Australia Holdings (VAH)

Anticipating \$0M - \$50M FY 2017 fee cash flow, representing a \$90M - \$140M improvement on a year ago.

Planning to publish results 10 August.

BWX Ltd (BWX)

Outlaying an initial \$US38.4M cash for natural cosmetics specialist Mineral Fusion National Brands LLC.

BWX will fund the acquisition by extending existing debt facilities, and will also pay a potential additional \$US4.6M in earn-outs.

BWX says it will continue to assess additional growth opportunities. A teleconference scheduled to commence 9am AEST will be accessible post-conference on the BWX website.

Eagle Health Holdings (* EHH)

China-focused health foods and dietary supplements specialist scheduled to list **midday AEST** following a \$25M IPO at 40c per share. JP Morgan Nominees Australia holds 19.22%; Innovation Capital Fund II 18.25%.

Resources

BHP Billiton (BHP)

The BHP board has approved a \$US174M payment to the Renova Foundation, for compensation and remediation following the Samarco dam spill.

BHP is also making available to Samarco a \$US76M short-term facility, for remediation, stabilisation and operational programs. Funds will be released as certain milestones are achieved, and only if required.

Details lodged post-trade Friday.

Samarco operations are unlikely to recommence this year.

Iluka Resources (ILU)

Thevenard, South Australia exports have been suspended by the port owner, due to structural safety concerns.

ILU is considering alternative options for the Jacinth-Ambrosia mineral concentrates the company usually exports from Thevenard.

No sales or production impacts are anticipated.

tomorrow night. NYMEX and COMEX will trade, but again close early.
Full trade resumes across all exchanges Wednesday.

Overnight Friday, major European and US equities markets reacted to influential economic indicators, amid half-yearly and quarterly positioning and ahead of peak summer holiday season.

The **euro zone's** initial June CPI represented 1.3% year-on-year growth, following 1.4% for May.

Germany reported 0.5% and 4.8% respective monthly and annual rises for May retail sales, following 0.2% and 0.4% declines in April.

In the **UK**, a final March quarter GDP reading confirmed the initial 2.0% year-on-year and 0.2% quarterly growth estimates.

Among mixed data releases in the **US**, a core private consumption index was reported 1.4% higher year-on-year for May, against 1.5% in April.

Personal income and spending rose 0.4% and 0.1% respectively.

Savings were reported 5.5% higher, from 5.1% in April.

The June Chicago PMI came in at 65.7, following forecasts of just 58 and 6.3 points above May's reading.

A 95.1 final June University of Michigan consumer sentiment reading represented a 0.6-point rise from the initial estimate, but a two-point fall for the month.

Tonight in the US, ISM's June manufacturing index is due, together with May construction spending and Markit's final June manufacturing PMI.

The presidents of **China** and **Russia**, Xi Jinping and Vladimir Putin respective, meet in Russia at the commencement of a two-day official visit by the Chinese leader.

In **Japan**, final results will be assessed from a closely-watched 'city assembly' election, which potentially bolsters general election prospects for a rival of prime minister Shinzo Abe.

Meanwhile, **Middle East** relationships will remain in focus following Qatar's defiance of demands from key neighbours.

In overnight Friday and weekend corporate news, French petroleum major **Total** unveiled a proposed plan to invest \$US1B in gas exploration and development in **Iran**.

Nike quarterly results, boosted by \$US8.7B in sales revenue, appeared to please, supporting DJIA trade in particular.

In addition, Nike and **Amazon** confirmed select Nike products would become available via Amazon.

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Aug)	1242	oz	-4	-0.3
Silver (NY) (Jul)	16.6	oz	-0.0	-0.1
Gold (LON)	1244	oz		
Platinum	924	oz	6	0.7
WTI Crude (Aug)	46.0	bbl	1.1	2.5
Brent Crude (Aug)	47.9	bbl	0.5	1.1
Iron Ore (CHN port 62%)	65.0	t	0.3	0.4
Copper	5937	t	-3	-0.1
Nickel	9390	t	100	1.1
Aluminium	1919	t	4	0.2
Lead	2292	t	-22	-1.0
Zinc	2758	t	3	0.1

Pre-Open Announcements

Crown Resorts (* CWN)

As previously flagged, company secretary Roger Neilson is stepping down after 13 years with CWN, but will remain with CWN for a transitional period. Acting company secretary Mary Manos has in the meantime also been appointed general counsel.

XTD Ltd (* XTD)

Anticipating a 15% drop in FY2017 sales revenue to \$2.9334M. Sales from Outdoor Media (ASX: APO) were softer than anticipated, but XTD says the planned merger between APO and Oohmedia (previously ASX: OOH), combined with improved May-June sales, indicates a positive September quarter.

Tassal Group (* TGR)

TGR's proposed system for the capture and disposal of salmon waste from Macquarie Harbour has been approved by Tasmania's EPA.

Boart Longyear (* BLY)

Promising a more precise update ASAP, but in the meantime expecting a delay in the company's proposed recapitalisation process.

Mirvac Group (* MGR)

Selling 50% of a Collins St, Melbourne office development for \$138M. Details lodged this morning.

Aurora Labs (A3D)

As flagged 12 June, A3D director Paul Kehoe has resigned as an A3D director, as part of his plan to retire from corporate life.

Audinate Group (* AD8)

Digital audio network specialist scheduled completed a successful ASX listing Friday following a \$1.22-per-share IPO targeting \$21M. Opened at \$1.50 and traded at \$1.45 - \$1.53 before settling at \$1.53. 158,585 shares were traded across 77 transactions.

Resources

Mineral Deposits (MDL)

Executive director Martin Ackland has relinquished executive responsibilities as of Friday and remains on the MDL board as a non-executive director.

In addition, as announced in May, MDL deputy chairman Robert Danchin has retired from the MDL board, effective Friday.

MOD Resources (* MOD) / OceanaGold Corporation (* OGC)

MOD is planning to sell its New Zealand Sams Creek gold project to Condamine Resources for \$A3.8M.

Condamine is proposing to conduct an IPO ahead of an ASX listing targeted for completion by year's end.

OGC holds 20% of one of the permits comprising Sams Creek.

Lepidico Ltd (LPD) / Lithium Australia (LIT)

LPD has applied to the Takeovers Panel for an assessment of LIT activity in relation to an off-market LPD bid by LIT.

Energy

FAR Ltd (* FAR)

Republic of Gambia approval in hand for FAR's acquisition of an 80% working interest in Blocks A2 and A5. These blocks are located adjacent to, and on trend with, the offshore Senegal oil field, within which FAR has experienced JV exploration success.



Tin	19975	t	-50	-0.2
CBT Wheat (Jul)	5.11	bshl	0.31	5.9

Commodities Commentary

Oil – both Brent and WTI were pushed back into rally-mode overnight Friday.

Nymex trade will close earlier than normal tonight, will resume during 4 July (tomorrow night), but again for a shortened session.

A weekly US petroleum drilling rig count, published Friday, revealed two fewer operational oil rigs, in part a surprise, given 23 successive weeks of gains, but also following a Gulf storm.

Gold – more 'settled' \$US trade contributed to another decline overnight Friday.

Comex trade will continue tonight and tomorrow night, but each session will close earlier than normal.

Base metals – mixed sentiment amid mid-year and quarterly positioning trade demonstrated overnight Friday.

China had reported a 51.7 June manufacturing PMI earlier Friday, together with 54.9 for the services sector activity index.

Caixin's final June manufacturing PMI for China will be released today. Any significant difference could influence tonight's trade.

Also Friday, **Japan** had released a plethora of May data, including a 3.3% monthly fall in industrial production, 0.4% higher CPI, and 0.7% household spending growth.

A key quarterly manufacturing report is due out of Japan this morning.

Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.7690	0.0006	0.08
EUR – USD	1.1421	0.0003	0.02

Australian Data Today

AiG	PMI	Jun
TD Sec/MInst	Inflation gauge	Jun
ANZ	Job advertisements	Jun
ABS	Building approvals	May
CoreLogic	Capital city house prices	1 Jly
RBA	Commodity price index	Jun

US Data Tonight

ISM manufacturing index	Jun
Construction spending	May
Markit manufacturing PMI (final)	Jun

Other Overseas Data Today & Tonight

China	Caixin manufacturing PMI	Jun
Japan	Tankan survey	JunQ
Japan	Nikkei manufacturing PMI	Jun
Japan	Consumer confidence	Jun
Japan	Vehicle sales	May
UK	Manufacturing PMI (final)	Jun
Germany	Manufacturing PMI (final)	Jun
Euro zone	Manufacturing PMI (final)	Jun

FAR will fund Gambia A2 and A5 exploration through to an initial well, expected to be drilled late-2018.

Positive 3D seismic information lodged this morning.

ERIN Energy Corporation retains the balance of the blocks.

Otto Energy (OEL)

Proposing to acquire a 25% working interest in Houston Energy's ST 224 Gulf of Mexico lease. Under the plan, OEL will provide 25% of the funding for an initial test well, for which drilling is planned to commence during the December quarter.

Trading Halts

Company	Code	Resuming
Auroch Minerals	AOU	3 Jul
Bass Metals	BSM	3 Jul
Prospect Resources	PSC	3 Jul
Allegiance Coal	AHQ	4 Jul
Botanix Pharmaceuticals	BOT	4 Jul
Cradle Resources	CXX	4 Jul
Fastbrick Robotics	FBR	4 Jul
Jervois Mining	JRV	4 Jul
RBR Group	RBR	4 Jul
Red Mountain Mining	RMX	4 Jul
Tomizone Ltd	TOM	4 Jul
Valor Resources	VAL	4 Jul

Suspensions (selected)

Company	Code	Since
BidEnergy Ltd	BID	30 Jun
Manalto Ltd	MTL	24 Jun
Novo Lito	NLI	26 Jun
Stavely Minerals	SVY	30 Jun

Ex-Dividends

Code	Ex-Div	Div (c)	Fr (%)	Yield (%)
SAU	Today	3	0	0.00
TGA	Today	2.5	100	5.63
CKF	Tomorrow	9	100	2.87
HNG	Tomorrow	1.25	100	4.74
CAM	Thu	1.25	100	5.57
MPP	Thu	~3.76	0	5.45
MTS	Thu	4.5	100	1.88
PRG	Thu	3.5	100	3.75
RND	Thu	10	100	0.00
TBR	Thu	20	100	0.00



Euro zone Unemployment May

Need More Information?

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

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.