

Friday 5 January 2018

## Markets

<b>SFE 200 Futures</b> (9.30am AEDST)	<b>6066</b>	<b>42</b>	<b>0.7</b>
<b>NZX 50</b>	8437	-7	-0.1
<b>DJIA Futures</b>	25066	13	0.1
<b>S&amp;P 500 Futures</b>	2724	0	0.0
<b>NASDAQ Futures</b>	6604	0	0.0

## Local Markets Commentary

The Australian market commences Friday trade on positive international equities and key commodities leads, ahead of domestic trade figures and influential data for the US and euro zone tonight.

In overnight commodities trade, **oil** and US **gold** futures continued higher. **Iron ore** (China port, 62% Fe) rallied to a seven-month peak.

LME **copper**, **nickel** and **aluminium** turned higher.

The **\$A** appreciated to ~US78.60c, after vacillating again early yesterday evening, trading at ~US78.50c before falling below US78.45c.

Locally today, November trade statistics are due **11.30am AEDST**.

During the weekend, China is scheduled to release December foreign reserves.

## Overseas Markets

INDEX	CLOSE	+/-	%
<b>Dow Jones</b>	<b>25075</b>	152	<b>0.6</b>
<b>S&amp;P 500</b>	2724	11	<b>0.4</b>
<b>NASDAQ</b>	7078	12	<b>0.2</b>
<b>FTSE 100</b>	7696	25	<b>0.3</b>
<b>DAX 30</b>	13168	190	<b>1.5</b>
<b>Shanghai Comp</b>	3386	17	<b>0.5</b>

## Overseas Markets Commentary

Most major European and US equities again opened in risk-on mode overnight, key US indices achieving further new record peaks amid a significant north east coastal winter storm.

Areas available for offshore-US petroleum drilling were reported to be about to be significantly expanded, and a \$US index eased.

**China's** December services PMI, as calculated by Caixin and published earlier yesterday, represented notable sector growth.

**Japan's** manufacturing PMI had also pleased.

In the **euro zone**, final December PMIs (services 56.6; composite 58.1) also supported optimism.

The **UK's** December services PMI rose 0.4 for the month to 54.2, and November mortgage lending exceeded expectations.

December house prices were estimated 2.6% higher on an annual basis following 0.6% growth for the month.

**US** data releases again delivered encouraging figures, a private sector employment agency estimating 250,000 jobs were created in December, 50,000 more than many forecasters were anticipating.

**Australia – November trade balance 11.30am AEDST**

**\* Minerals exploration listing 1.30pm AEDST – FDX \***

## Today's Stock Watch

### Lovisa Holdings (LOV)

18.8% higher sales for the six months to 31 December. On a comparable store basis, sales improved 7.4%.

Consequently anticipating 22% - 24% higher, \$34.5M - \$35M interim EBIT.

The first half of each financial year is typically LOV's stronger half.

Planning to publish interim results 21 February.

### The Hydroponics Company (THC) / Creso Pharma (CPH)

THC says it is ready to import initial medicinal cannabis products from partner Endoca, ahead of a pilot program leading to production in Australia this year. THC settled at 93.5c yesterday after closing at 68c Friday last week.

CPH also claims it occupies an advantageous position in relation to the national governments plans to enable some Australian medicinal cannabis products to be exported. CPH settled at \$1.20 yesterday, after closing out last week at 92c.

### ASX Ltd (ASX)

December activity report lodged post-trade yesterday, highlighting an 83% year-on-year increase in capital raised, the total coming in at \$12.3B.

Capital raised during calendar 2017 totalled \$64.0B, against \$60.9B for 2016.

## Resources

### Syrah Resources (SYR)

Mozambique Balama graphite project spot sales agreement secured with Yichang Xincheng Graphite Co, with an initial shipment imminent.

Three-years (minimum 6000t for 2018) supply agreement in place with CS Additive GmbH & Co.

Further, SYR has appointed Magus Marketing as its agency in India, and orders are in hand and scheduled for shipping.

In addition, SYR is choosing not to activate some of the Chalico off-take agreement in favour of greater SYR flexibility supplying China's industrial market.

SYR has also this morning announced the appointment of former RHI Magnesita NV lead buyer Simone Diem as GM marketing. Ms Diem will be based in Dubai.

### First Cobalt (FCC)

Acquiring five unpatented claims within Ontario, Canada's 'Cobalt Camp'. The claims are located in the region of FCC's historically productive Silver Banner and Ophir (silver) mines, three of them contiguous to FCC land. Mapping and geochemical surveys planned during 2018.

FCC closed at \$1.19 Friday last week but yesterday settled at \$1.50.

### Frontier Diamonds (\* FDX)

Explorer scheduled to list **1.30pm AEDST** following a \$4M IPO at 20c per share. 57.15M shares.

A job cuts reports revealed 7.4% fewer planned layoffs in December than for November. Total 2017 layoffs (~419,000) came in fewer than any tally since 1990.

Weekly new unemployment claims rose by 3000, and the four-week moving average by 3500, attributed to seasonal factors.

**Tonight** in the US, December employment statistics are keenly anticipated.

Other influential reports due for release include ISM's December services sector index, November trade figures and November factory orders.

In the euro zone, an initial December CPI reading is due.

Constellation Brands is among companies scheduled to report earnings.

In overnight corporate news, **Volkswagen** announced a self-drive car research agreement with Aurora, and the planned release of test vehicles before year's end.

**Intel** Corp and other chip makers suffered from a reported security flaw in Intel chips, the remedy for which could slow speeds.

**Tesla** was also pushed lower on revelations of lower-than-anticipated deliveries of the latest electric vehicle.

In the UK, department store **Debenhams** issued a profit warning, damaging risk sentiment.

Meanwhile, **Westinghouse Electric** was reported to be as good as sold to Brookfield Business Partners for \$US4.6B.

US **marijuana**-related stocks were sold down on reports less onerous community-use laws, introduced by the previous national administration, would be rescinded.

### Commodities

COMMODITY	CLOSE	\$US/	+/-	%
<b>Gold (NY) (Feb)</b>	<b>1319</b>	oz	3	0.2
<b>Silver (NY) (Mar)</b>	17.3	oz	0.0	0.0
<b>Gold (LON)</b>	1315	oz	-0.4	-0.0
<b>Platinum</b>	962	oz	7	0.7
<b>WTI Crude (Feb)</b>	<b>62.0</b>	bbbl	0.4	0.6
<b>Brent Crude (Mar)</b>	<b>68.1</b>	bbbl	0.2	0.3
<b>Iron Ore</b> (CHN port 62%)	<b>76.5</b>	t	1.5	2.1
<b>Copper</b>	<b>7189</b>	t	42	0.6
<b>Nickel</b>	12650	t	235	1.9
<b>Aluminium</b>	2250	t	22	1.0
<b>Lead</b>	2587	t	8	0.3
<b>Zinc</b>	3362	t	35	1.1
<b>Tin</b>	19850	t	-50	-0.3
<b>CBT Wheat (Mar)</b>	<b>4.34</b>	bshl	-0.02	-0.5

### Commodities Commentary

**Oil** – prices continued to be supported overnight by civil-government unrest in Iran, settling at three-year highs.

However, the US administration was also reported to be planning to allow oil drilling in almost all US offshore areas, lifting expectations of further production increases.

A weekly US petroleum inventories report from government agency EIA estimated crude stocks had fallen by 7.4MMbbl.

Refinery activity and severe winter weather meant stored petrol rose by 4.8MMbbl.

**Gold** – early price falls attributed to profit-taking

## Pre-Open Announcements

### Eclix Group (ECX)

2012 Ernst Young Entrepreneur of the Year Linda Jenkinson has been appointed as an ECX non-executive director. Among her current commitments, Ms Jenkinson is an Air New Zealand (ASX: AIZ) director.

### IMF Bentham (IMF)

IMF has recommenced European business

In addition, IMF-managed (non-US) funds have supported two further investments in Canada.

IMF's Queensland floods class action is scheduled to resume during the week commencing 12 February. Live streaming is anticipated via the NSW Supreme Court website.

## Resources

### Base Resources (BSE)

\$89.3M raised in the institutional placement and entitlement offer. The retail entitlement offer, which commenced 28 December, is due to closed 17 January.

### Vector Resources (VEC)

Anticipating completing JV agreements for the Kibali South and Nizi gold projects, and the Adidi-Kanga gold mine, each in the Democratic Republic of Congo, by 31 March at the latest.

### Artemis Resources (ARV)

Proposing to also list in Canada.

### Rex Minerals (RXM)

Listing recent increased interest in copper and the mining services industries in response to an ASX price query.

RXM appreciated 11.1% Tuesday, 31.8% Wednesday and 17.2% yesterday, settling at 17c after trading as high as 18c.

## Energy

### Molopo Energy (MPO) / WAM Capital (WAM)

WAM has scrapped plans for a 13.5c-per-share off-market takeover bid for MPO. WAM says MPO's proposed capital expenditure exceeded the 'no material transactions' detail listed in the intended bid conditions.

MPO trade remains suspended.

### Trading Halts

Company	Code	Resuming
Environmental Clean Tech	ESI	5 Jan
Pacific Star Network	PNW	5 Jan
Dampier Gold	DAU	8 Jan
Dotz Nano	DTZ	8 Jan
Queensland Bauxite	QBL	8 Jan
Viralytics Ltd	VLA	8 Jan

### Suspensions (selected)

Company	Code	Since
AJ Lucas Group	AJL	29 Dec
Blackham Resources	BLK	18 Dec
Black Mountain Resources	BMZ	27 Dec
China Dairy Corporation	CDC	11 Dec
Eastern Iron	EFE	20 Dec
Jatenergy Ltd	JAT	13 Dec
Mount Ridley Mines	MRD	13 Dec
Strategic Minerals Corporation	SMC	4 Jan
Success Global Media	SGU	27 Dec



soon appeared to spurn more buying, pushing prices ultimately higher.

Technicals and some safe-haven demand were also cited as influencers in overnight trade.

Monthly US jobs figures are expected to influence at least some trade tonight.

**Base metals** – supported overnight by Asia-Pacific, euro zone and US data, plus a relatively soft \$US.

Caixin yesterday reported a 3.3-year high, 53.9 December services PMI for **China**, following 51.9 in November.

**Japan's** final December manufacturing PMI was revised 0.2 lower to 54.0, but this still represented an almost three-year peak and a 0.4 improvement for the month.

### Exchange Rates

CURRENCIES	LAST	+/-	%
<b>AUD – USD</b>	0.7866	0.0001	0.02
<b>EUR – USD</b>	1.2070	0.0001	0.01

### Australian Data Today

ABS	Trade balance	Nov
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### US Data Tonight

Employment statistics (non-farm payrolls)	Dec
ISM non-manufacturing	Dec
Trade balance	Nov
Factory orders	Nov

### Other Overseas Data Today & Tonight

<b>Germany</b>	Retail sales	Nov
Germany	Construction PMI	Dec
<b>Euro zone</b>	CPI (initial)	Dec
Euro zone	Producer prices	Nov
Euro zone	Retail PMI	Dec

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Vector Resources VEC 20 Dec

### Ex-Dividends

Code	Ex-Div	Div (c)	Fr (%)	Yield (%)
<b>ALR</b>	Today	1	100	3.94
HNG	Mon	1.5	100	5.34
MPP	Mon	3.25	0	7.59
TGH	Thu	3.14	0	6.27

### Reports & Events

(selected scheduled)

When	Company	Report/Event
<b>16 Jan</b>	RIO	Dec Q
<b>18 Jan</b>	BHP	Dec Q
<b>24 Jan</b>	API STO	AGM Dec Q
<b>25 Jan</b>	BCI	Dec Q
<b>30 Jan</b>	NVT NCM	Interim Dec Q
<b>31 Jan</b>	AWE SYR	Dec Q Dec Q

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