

Monday 6 August 2018

## Markets

<b>SFE 200 Futures</b> (9.30am AEST)	<b>6204</b>	<b>21</b>	<b>0.3</b>
<b>NZX 50</b>	8879	15	0.2
<b>DJIA Futures</b>	25429	19	0.1
<b>S&amp;P 500 Futures</b>	2841	1	0.0
<b>NASDAQ Futures</b>	7407	5	0.1

## Local Markets Commentary

The Australian market commences a new week's trade with geopolitical tensions in focus, ahead of a week of major data releases out of China and some key domestic corporate results, and following mixed overnight international commodities trade.

Post-ASX trade Friday, **China** vowed to impose new tariffs on \$US60B worth of **US** goods, including **LNG**.

Meanwhile, the first batch of renewed sanctions by the US against **Iran** comes into effect today.

The initial sanctions are against metals, vehicle and aerospace trade. Oil sanctions are set to commence in November.

In overnight Friday commodities trade, **oil** settled lower and US **gold** futures higher.

LME **copper** and **nickel** rallied.

The **\$A** has been heading further below US74.0c this morning.

Locally today, the ANZ monthly **job advertisements** and Melbourne Institute/TD Securities **inflation gauge** reports are listed for release, ahead of the Reserve Bank of Australia's (**RBA**) policy meeting tomorrow.

Pre-trade, a weekly capital city residential property price report is due.

## Overseas Markets

INDEX	CLOSE	+/-	%
<b>Dow Jones</b>	25463	136	<b>0.5</b>
<b>S&amp;P 500</b>	2840	13	<b>0.5</b>
<b>NASDAQ</b>	7812	9	<b>0.1</b>
<b>FTSE 100</b>	7659	83	<b>1.1</b>
<b>DAX 30</b>	12616	69	<b>0.6</b>
<b>Shanghai Comp</b>	2740	-28	<b>-1.0</b>

## Overseas Markets Commentary

Major European and US equities markets mostly headed higher from opening overnight Friday, subsequent vacillations due to investors' considerations of trade tensions, mixed data and currency swings.

**China** revealed plans to place new tariffs on a further \$US60B of US imports, including LNG, adding to international trade speculation, in part at new heights due to the implementation of US sanctions against some trade with **Iran** from today.

Among new data releases, **US** July employment statistics undershot some expectations, the number of jobs created estimated at 157,000, rather than the forecast 190,000.

Australia – NSW bank holiday; Northern Territory picnic day

## Today's Stock Watch

### Amcor Ltd (AMC)

Reported to be advancing negotiations to acquire US packaging competitor Bemis. A potential deal has been touted as early as this week. AMC has called a trading halt this morning.

### Vicinity Centres (VCX)

VCX and Keppel Capital are proposing to establish a 50:50 JV to manage a \$1B wholesale property fund to be known as the Vicinity Keppel Australia Retail Fund.

### Breville Group (BRG)

BRG has appointed former Greencross Ltd (ASX: GXL) CEO and CFO Martin Nicholas as CFO, effective 10 September.

### Global Construction Services (GCS)

\$7.4M structure works contract secured for the Vibe Hotel development, Queen St, Melbourne.

### Cirrus Networks (CNW)

\$2M data centre infrastructure and services contract secured with the University of Western Australia. The deal is for an initial 12 months with up to two years' worth of one-year extensions.

## Resources

### Collerina Cobalt (CLL)

High-purity alumina produced using New South Wales Collerina Ni-Co-Sc project ore during pre-feasibility. Samples delivered for analysis, ahead of initial results within ~two weeks.

### Galaxy Resources (GXY)

GXY's proposed \$US280M sale of Argentina Salar del Hombre Muerto tenements to POSCO is likely to complete ahead of scheduled. Details lodged this morning.

### Liontown Resources (LTR)

WA goldfields Kathleen Valley lithium project drilling has extended the known strike and dip of high-grade mineralisation, ahead of a maiden resource anticipated by month's end.

### Lynas Corporation (LYC)

WA Mt Weld rare earths resources estimated at 55.4Mt @ 5.4% TREO for 3Mt of TREO. This represents a 70% increase from October 2015.

Reserves are calculated at 19.7Mt @ 8.6% TREO, for 1.69Mt of TREO, total TREO up 60%.

### Argosy Minerals (AGY)

99.6% lithium carbonate produced using ore from AGY's Rincon lithium project, Argentina.

### Echo Resources (EAR)

WA Yandal gold project bankable feasibility study outcomes lodged this morning, including a 132% post-tax IRR for stage one and \$A39.3M pre-production capex.

2.7% year-on-year wages growth also failed to match predictions following the late-2017 corporate tax cuts, the rate remaining static with that calculated for June.

In the meantime, unemployment receded from 4% to 3.9%.

The ISM's 55.7 services sector activity index, while robust, added to some of Friday's disappointment, falling from 59.1 in June.

The national June trade deficit meanwhile grew (7.3%) to \$US46.3B from \$US43.1B in May.

In the **euro zone**, June retail sales were reported 0.3% higher for the month, the same increase as for May.

Meanwhile, **Bank of England** governor Mark Carney described as 'uncomfortably high' the risk of the UK separating from the European Union (EU) with no firm agreement in place.

This, and a fall in the UK July services PMI from 55.1 to 53.5, pushed the British pound lower against the \$US.

**Tonight** in the US, no major economic indicators are scheduled for release.

Companies due to report earnings or provide an update later today and tonight include: EasyJet, HSBC, Marriott International, Softbank, Subaru, Toho Zinc and Tyson Foods.

In overnight Friday and weekend corporate news, **Royal Bank of Scotland** announced a dividend for the first time in ~10 years. The stock was pushed 3% higher, supporting FTSE and general European financial sector sentiment.

In addition, **Credit Agricole** gained 2.3% (on the CAC 40) on better-than-anticipated quarterly profit.

German insurance firm **Allianz** bolstered the cheer with a positive full year 2018 outlook.

In other market-supportive developments, US packaging specialist **Bemis** appreciated 11% on reports **Ancor** was close to closing a deal to acquire its competitor for up to \$US5B.

Saturday, **Berkshire Hathaway** reported an almost 70% higher, \$US6.9B quarterly operating profit.

## Commodities

COMMODITY	CLOSE	\$US/	+/-	%
<b>Gold (NY) (Dec)</b>	<b>1223</b>	oz	6	0.5
<b>Silver (NY) (Sep)</b>	15.5	oz	0.08	0.5
<b>Gold (LON)</b>	1215	oz		
<b>Platinum</b>	828	oz	7	0.9
<b>WTI Crude (Sep)</b>	<b>68.5</b>	bbbl	-0.5	-0.7
<b>Brent Crude (Oct)</b>	<b>73.2</b>	bbbl	-0.2	-0.3
<b>Iron Ore</b> <small>(CHN port 62%)</small>	<b>66.9</b>	t		
<b>Copper</b> <small>(LME, 3mth, PM)</small>	<b>6206</b>	t	67	1.1
<b>Nickel</b>	13550	t	220	1.7
<b>Aluminium</b>	2028	t	-8	-0.4
<b>Lead</b>	2115	t	0	0.0
<b>Zinc</b>	2631	t	68	2.7
<b>Tin</b>	19600	t	-5	-0.0
<b>CBT Wheat (Sep)</b>	<b>5.79</b>	bshl	-0.04	-0.7

## Commodities Commentary

**Oil** – reports emerged post-ASX trade Friday that Sinopec had suspended crude imports from the US, as China officially also announced new tariffs on US LNG imports.

A weekly **US** petroleum rig count released overnight

## Pre-Open Announcements

### Zenith Energy (ZEN)

171% higher, \$8.47M full year NPAT. 64% higher, \$51.43M revenue. 45c NTA.

In addition, ZEN is issuing \$40M worth of notes, having received applications for greater than that amount.

### Resources

#### Carawine Resources (\* CWX)

Heralding Victoria Hill 800 gold prospect diamond drilling, which has delivered assays including 50m @ 3.08g/t Au from 17m, in turn incorporating 23m @ 4.82g/t Au.

Anticipating additional results, plus further modelling information, within weeks.

#### Dacian Gold (DCN)

A 245,000oz initial resource for the WA Mt Morgans gold project Cameron Well prospect has boosted overall Mt Morgans measured and indicated resources by 11% to 2.5Moz.

#### European Lithium (EUR)

EUR has appointed long-term resources sector manager Christian Heili as project director for the Wolfsberg lithium development, Austria.

#### AuStar Gold (AUL)

AUL has appointed Frank Terranova to the AUL board as chairman.

#### AngloGold Ashanti (AGG) / Independence Group (IGO)

AGG and IGO hosted a WA Tropicana gold project site visit yesterday. Associated presentation lodged post-trade Friday. IGO hosted a WA Nova project site visit Saturday and lodged the associated presentation for this also post-trade Friday.

### Energy

#### Liquefied Natural Gas (\* LNG)

LNG traded 19.85% higher for the session Friday, settling at 81.5c following 2192 trades.

LNG's Canadian assets may prove a buffer during ongoing China-US trade tariff argy-bargy, the latest round threatening US LNG exports to China.

## Reports & Events

(selected scheduled)

When	Company	Report/Event
<b>Today</b>	<b>CLW</b>	AGM
<b>Tomorrow</b>	IFL	Full year
	NVT	Full year
	OFX	AGM
	RKN	Interim
	SCP	Full year
<b>Wed</b>	CBA	Full year
	SKC	Full year
	TAH	Full year
	TCL	Full year
	<b>Thu</b>	AGL
CWN		Full year
NWS (US ET)		Jun Q



Friday, estimated two fewer oil rigs in operation. This week, Saudi Arabia is expected to recommence shipping crude through the Red Sea region Bab al-Mandeb strait.

**Gold** – \$US vacillations amid relative weakness, in part due to underwhelming US data releases, appeared the major support for overnight Friday gold interest.

Major economic indicators from the China and US this week are seen as likely currency movers, and hence impacting this week's gold moves.

**Base metals** – pushed and pulled overnight Friday by currency moves, stockpiles and rising trade tensions, ahead of a week featuring major economic indicator updates out of **China**. In addition, Japan's GDP, also due this week, is keenly anticipated.

Friday, Caixin reported its July China services PMI at 52.8, from 53.9 in June.

A current account update and foreign reserves are anticipated today and tomorrow, ahead of China's July trade figures Wednesday.

### Exchange Rates

CURRENCIES	LAST	+/-	%
<b>AUD – USD</b>	0.7395	-0.0003	<b>-0.05</b>
<b>EUR – USD</b>	1.1562	-0.0008	<b>-0.07</b>

### Australian Data Today

CLgc	Cap city resdntl prop prices	3Aug
TDSec/MInst	Inflation gauge	Jul
ANZ	Job advertisements	Jul

### Overseas Data Today & Tonight

<b>China</b>	Current account	Jun Q
<b>Germany</b>	Factory orders	Jun
<b>Euro zone</b>	Sentix investor confidence	Aug
Euro zone	Retail PMI	Jul

### Need More Information?

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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	MFG	Full year
	SUN	Full year
<b>Fri</b>	BBN	Full year
	JHX	Q1
	NWS	Jun Q (7am tele)
	REA	Full year

### Trading Halts

Company	Code	Resuming
Admedus Ltd	AHZ	6 Aug
Avenira Ltd	AEV	6 Aug
Canyon Resources	CAY	6 Aug
Carpentaria Resources	CAP	6 Aug
Empire Energy Group	EEG	6 Aug
Freedom Oil & Gas	FDM	6 Aug
Santa Fe Minerals	SFM	6 Aug
TopTung Ltd	TTW	6 Aug
Advance Braking Technology	ABV	7 Aug
Auctus Alternative Investments	AVC	7 Aug
Bulletin Resources	BNR	7 Aug
Challenger Energy	CEL	7 Aug
Inabox Group	IAB	7 Aug
MOD Resources	MOD	7 Aug
Pharmaxis Ltd	PXS	7 Aug
Amcor Ltd	AMC	8 Aug
Venture Minerals	VMS	8 Aug

### Suspensions *(select)*

Company	Code	Since
5G Networks	5GN	3 Aug
Athena Resources	AHN	2 Aug
Benjamin Hornigold	BHD	30 Jul
Cape Range	CAG	30 Jul
Connected IO	CIO	19 Jul
Eastern Goldfields	EGS	25 Jul
Hastings Technology Metals	HAS	3 Aug
Indoor Skydive Australia	IDZ	23 Jul
JustKapital Ltd	JKL	19 Jul
Lanka Graphite	LGR	3 Aug
Leaf Resources	LER	3 Aug
Lindian Resources	LIN	31 Jul
Omni Market Tide	OMT	31 Jul
Queensland Bauxite	QBL	1 Aug
Questus Ltd	QSS	30 Jul
RCR Tomlinson	RCR	1 Aug
Roto-Gro International	RGI	31 Jul
Sumatra Copper & Gold	SUM	27 Jul
Syntonic Ltd	SYT	3 Aug
Tikforce Ltd	TKF	24 Jul
Valor Resources	VAL	3 Aug
Velpic Ltd	VPC	24 Jul
Wolf Petroleum	WOF	1 Aug

### Ex-Dividends

Code	Ex-Div	Div (c)	Franking (%)	Yield (%)
<b>AMH</b>	Today	<b>4.25</b>	100	4.34
DJW	Tomorrow	10	100	5.60
OPG	Tomorrow	13	100	2.88



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AFI	Wed	14	100	3.77
AYK	Wed	29	100	5.38
AYZ	Wed	76	100	3.75
FRI	Wed	3	100	6.12
OGC	Wed	2	0	0.97
MEC	Thu	1	100	0.93
MLT	Thu	10.2	100	3.98
RIO	Thu	170.84	100	5.22
BKI	Fri (10 Aug)	3.7	100	4.60
JHG	Fri	36	0	4.56
OCA	Fri	2.03	0	3.51