

Friday 8 June 2018

Markets

SFE 200 Futures (9.30am AEDST)	6054	-8	-0.1
NZX 50	8908	8	0.1
DJIA Futures	25250	-18	-0.1
S&P 500 Futures	2771	-2	-0.1
NASDAQ Futures	7151	-10	-0.1

Local Markets Commentary

The Australian market opens Friday trade ahead of influential data out of China today, and a Monday public holiday weekend coming up for the ASX and a majority of States and Territories.

Post-ASX trade yesterday, **China** reported foreign exchange reserves at \$US3.111 trillion as at 31 May, against \$US3.125 trillion at the end of April.

Today, China is expected to report May trade balance **1pm** AEST.

Japan is scheduled to release a final March quarter GDP reading 9.50am AEST.

Regional data releases continue over the weekend, with China reporting May CPI and producer prices.

Meanwhile, **G7** leaders are gathering in Quebec, Canada for tonight's official commencement of a two-day summit, expected to deliver a plethora of international trade relationships statements from key leaders.

In overnight commodities trade, **oil** swung higher and rallied.

US gold futures settled slightly higher.

Iron ore (China port, 62% Fe) rose for a third consecutive session.

LME **copper** extended this week's rally. **Nickel** and **aluminium** fell.

The **\$A** fell below US76.30c after trading at ~US76.50c early yesterday evening.

*The **ASX** will be **closed Monday**. Next week's trade commences Tuesday, 12 June.*

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	25241	95	0.4
S&P 500	2770	-2	-0.1
NASDAQ	7635	-54	-0.7
FTSE 100	7704	-8	-0.1
DAX 30	12811	-19	-0.2
Shanghai Comp	3109	-6	-0.2

Overseas Markets Commentary

Choppy trade featured across major European and US equities markets overnight, ahead of the two-day G7 leaders' summit, commencing tonight in Quebec amid broad trade tensions with the US.

The Japanese PM was in the US, en route to Canada, the US confirming improving bilateral trade relationships was high on the agenda.

Meanwhile, the euro and copper continued higher, oil rallied, US treasury yields fell, Turkey's central bank raised rates in an attempt to lift the lira, and

China – May trade balance **1pm** AEST

S&P/ASX indices - June quarter indices rebalance revealed
Please see p2 below

ASX – closed **Monday**

Today's trades will settle **Wednesday 13 June**
Yesterday's settle Tuesday 12 June

Today's Stock Watch

Tabcorp Holdings (TAH) / News Corporation (NWS)

TAH is looking to offload the US Sun Bets business.

The group has discussed this with Sun Bets partner and News Corp subsidiary News UK.

Bubs Australia (BUB)

Binding manufacturing agreement secured with Australia Deloraine Dairy, ahead of potential China Food & Drug Administration registration.

Australia Deloraine Dairy holds one of 15 licenced facilities in Australia authorised by the Certification & Accreditation Administration of the People's Republic of China for the production of infant formula suitable of exporting to China.

Platinum Asset Management (PTM)

\$27.75B FUM as at 31 May, against \$28.00B at the end of April.

Wesfarmers Ltd (WES)

Credit Suisse has re-rated WES as neutral, from outperform.

Cleanaway Waste Management (CWY)

Morgans has cancelled a CWY add recommendation, replacing it with hold advice.

Accent Group (AX1)

Morgans has placed a 'reduce' on AX1, removing previous hold advice.

Inghams Group (ING)

Macquarie has re-rated ING as neutral, from outperform.

Resources

Rio Tinto (RIO)

The China Minmetals 50:50 JV has been formalised and now awaits regulatory approvals.

Rio and Minmetals will each initially contribute ~\$US5.5M to the partnership.

OZ Minerals (OZL) / Avanco Resources (AVB)

OZL has waived all outstanding defeating conditions of its offer for AVB, with the offer declared unconditional.

The offer is due to close 14 June (Thursday next week) and the 8.5c cash-plus-0.009 OZL shares consideration is final.

OZL says it has secured commitments and acceptances totalling 46.6% of AVB.

Energy

TerraCom Ltd (TER)

Anticipating a strong close to FY 2018, given June quarter Blair Athol thermal coal sale volumes and prices have been secured in line with forecasts. In addition, 520,000t will be sold during the September quarter at a mean \$US92/t. Sales are expected to be secured for a further 130,000t 'in coming weeks'.

the London Stock Exchange experienced an hour-long technical delay.

Central bank behaviour was firmly in focus, given scheduled policy meetings for the US Federal Reserve and European Central Bank (ECB) next week, amid US rate rise and ECB bond purchase reductions talk.

Among new data releases, **euro zone's** final March quarter GDP growth reading confirmed 2.5% year-on-year growth.

In **Germany**, April factory orders dropped 2.5% following a 1.1% fall in March. Forecasters had predicted a 0.8% bounce for April.

The **UK** Halifax May house price index rose 1.5% for the month after a 3.1% tumble in April.

In the **US**, weekly new unemployment claims rose by just 1000 following expectations of a 4000 increase.

April consumer credit rose by \$US9.26B, representing a third consecutive slowing, this time at the least rate in seven months, against forecasts of a \$US14B gain. The Federal Reserve estimated the annual adjusted credit growth rate at 2.9%.

Tonight in the US, April wholesale inventories and an economic optimism index are due.

In overnight corporate news, the US revealed it would allow US companies to sell components to China telecom specialist **ZTE** under a deal whereby ZTE would pay ~\$US1B worth of penalties and execute board and management change.

This supported sentiment among select chip manufacturers.

Deutsche Bank and **Commerzbank** were reported to have held several potential merger discussions, including with government officials and major shareholders.

UK retailer **House of Fraser** announced its survival depended on closing 31 department stores, with the potential loss of 6000 jobs. This is due in part to a proposed majority takeover by Hong Kong-listed C.banner.

McDonald's was reported to be considering further job cuts in line with a restructuring plan, and the stock rose 4.3%.

Facebook and **Microsoft** were each pushed more than 1.5% lower, however.

Alphabet declined 1% on speculation the EU antitrust penalty expected for **Google** next month could be as much as \$US11B.

In the meantime, reports of Carl Icahn buying **Allergan** Plc shares, supported the pharmaceuticals manufacturer to a 5% gain.

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Aug)	1303	oz	1.6	0.1
Silver (NY) (May)	16.7	oz	0.03	0.2
Gold (LON)	1300	oz	8	0.6
Platinum	899	oz	-5	-0.6
WTI Crude (Jul)	65.95	bbl	1.22	1.9
Brent Crude (Jul)	77.3	bbl	1.96	2.6
Iron Ore <small>(CHN port 62%)</small>	66.84	t	0.28	0.4
Copper <small>(LME, 3m, pm)</small>	7332	t	112	1.6
Nickel	15520	t	-115	-0.7
Aluminium	2312	t	-33	-1.4
Lead	2534	t	7	0.3
Zinc	3183	t	-10	-0.3

June quarter S&P/ASX indices re-balance

The following changes will be effected from commencement of trade **18 June**:

S&P/ASX 20

Out: AMP

In: AMC

S&P/ASX 50

Out: IPL

In: COH

S&P/ASX 100

Out: GNC

In: WHC

S&P/ASX 200

Out: AHY, INM, RFG

In: APT, APX, ING

S&P/ASX All Australian 200

Out: AAC, MYR, RFG

In: BIN, CLQ, KDR

Trading Halts

Company	Code	Resuming
Algae.Tec Ltd	AEB	8 Jun
Bannerman Resources	BMN	8 Jun
Nuheara Ltd	NUH	8 Jun
ROBO 3D	RBO	8 Jun
Hexagon Resources	HXG	12 Jun
Property Connect Holdings	PCH	12 Jun
Rex Minerals	RXM	12 Jun
WestStar Industrial	WSI	12 Jun

Suspensions *(select)*

Company	Code	Since
HearMeOut Ltd	HMO	21 May
Lion Energy	LIO	7 Jun
Mobilarm Ltd	MBO	30 May
Murray River Organics Group	MRG	4 Jun
Talisman Mining	TLM	5 Jun
Winmar Resources	WFE	7 Jun

Ex-Dividends

Code	Ex-Div	Div (c)	Fr (%)	Yield (%)
CIE	Today	1.6	50	8.74
EVO	Today	1.84	0	6.89
CIM	Wed	75	100	3.18
INM	Thu	54.38	0	4.63
JIN	Thu	8	100	2.67
PL8	Thu	0.5	100	4.12
GTK	Fri	4.6	8.49	1.87



Tin	21325	t	350	1.7
CBT Wheat (Jul)	5.27	bshl	0.07	1.3

Commodities Commentary

Oil – pushed higher overnight by reports out of OPEC.

Economically struggling member **Venezuela** was reported to be ~one month in arrears in delivering crude to customers.

Algeria's oil minister Mustapha Guitouni suggested members remained more keen on market balance, and hence stability, than easing production cuts per se.

Further, **Iraq** reportedly offered increasing production was not an option for general OPEC member consideration at the 22-23 June meeting.

A weekly US petroleum drill rig count is due tonight.

Gold – key \$US indices continued lower overnight, again benefiting gold sentiment, Comex August futures retaining a +\$1300 settlement.

The \$US rose against several emerging market currencies however, complicating trade.

Silver futures notably traded at six-week peaks.

Base metals – unresolved Verdanta Resources India refinery and BHP Escondida, Chile industrial issues, plus the Sterlite Tuticorin, India mine shut down, helped *copper* to further overnight gains.

Relatively low-volume and swinging prices reported in an ongoing relatively soft \$US environment, but ahead of key data, such as **China's** trade figures.

These are due today, and are likely to influence at least some of tonight's trade, ahead of CPI and producer prices reports over the weekend.

Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.7620	-0.0003	-0.04
EUR – USD	1.1795	-0.0003	-0.03

US Data Tonight

Wholesale inventories	Apr
IBD/TIPP economic optimism	Jun

Other Overseas Data Today & Tonight

China	Trade balance	May
China	Foreign Direct Investment	May
Japan	GDP (final)	Mar Q
Japan	Eco watchers' survey (3pm)	May
Germany	Trade balance	Apr
Germany	Industrial production	Apr

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.