

Monday 8 October 2018

Markets

SFE 200 Futures (9.30am AEST)	6146	-28	-0.5
NZX 50	9215	0	0
DJIA Futures	26480	-12	-0.1
S&P 500 Futures	2893	-1	0.0
NASDAQ Futures	7429	-7	-0.1

Local Markets Commentary

The Australian market opens a new week's trade with new data and developments out of China over the weekend, and further influential data due today, with Japan's markets closed and ahead of likely reduced trade in the US tonight.

Caixin is scheduled to release its **China September services PMI 12.45am AEST**.

Foreign direct investment figures are also anticipated anytime from today.

Over the weekend, China's September **foreign exchange reserves** were reported at \$US3.09 trillion, down \$US22.69B for the month against a \$US8.23B fall in August.

In addition, the **People's Bank of China** reduced the amount of reserve cash banks are required to hold by 1%, in another move to foster domestic business lending and hence growth.

This represented the fourth cut this year, and will effectively make available a further \$100B, but economists in China anticipate it will not be the last liquidity boost for 2018.

Overnight Friday international equities fell, and commodities trade proved mixed.

WTI crude settled essentially flat, while Brent declined.

US (December) **gold** futures turned to settle modestly higher.

LME **copper** and most base metals dropped. **Nickel** swung to a notable gain.

The **\$A** fell to ~US70.50c after trading at US70.65c Friday evening.

Locally today, ANZ publishes its monthly job advertisements report **11.30am AEST**.

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

Japan's markets are **closed today**, due to a public holiday.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	26447	-180	-0.7
S&P 500	2886	-16	-0.6
NASDAQ	7788	-91	-1.2
FTSE 100	7318	-100	-1.4
DAX 30	12112	-132	-1.1
Shanghai Comp	2821	Public	Holiday

China – Caixin services PMI 12.45am AEST

Daylight saving commenced in the ACT, New South Wales, South Australia, Tasmania and Victoria early yesterday.

Consequently, **ASX trade opens local time from today in:**

Western Australia at 7am;
Queensland at 9am; and the
Northern Territory at 8.30am.

Today's Stock Watch

Australia & New Zealand Banking Group (ANZ)

Anticipating reduced full year 2018 cash profit, due to customer compensation payouts, software amortisation, plus restructuring and royal commission legal costs.

Second-half customer compensation costs are estimated at \$374M, amortisation at \$206M, restructuring at \$104M, and pre-tax legal costs at \$27M.

For the full year, the overall tally is anticipated to reach \$697M. CET 1 is expected to be adversely impacted by less than 0.1%. Planning to lodge full year results 31 October.

MYOB Ltd (MYO)

KKR has approached MYO for a scheme-based full takeover, at an indicative \$A3.70 cash-per-share.

This follows Bain Capital Abacus Holdings selling 103.95M MYO shares (17.6% of MYO) to a KKR & Co affiliate at \$A3.15 each. MYO traded at \$2.96 - \$3.04 last week.

Decmil Group (DCG)

\$277M EPC contract secured with Maoneng Australia for the 255MW Sunraysia solar PV project, Balranald, New South Wales.

Sydney Airport (SYD)

David Gonski (AC) joins the SYD board today, following his appointment ~three months ago.

In addition, SYD has issued \$A400M worth of bonds in a US private placement. Details lodged this morning.

Resources

Ramelius Resources (RMS)

Produced 51,428oz of gold during the September quarter. \$A102.4M cash and gold on hand.

Alkane Resources (ALK)

Resources updated to 6.78Mt @ 1.5g/t Au, for 437,000oz of gold.

Reserves estimated at 2.21Mt @ 1.8g/t Au, for 144,000oz of gold.

Base Resources (BSE)

Kwale resource updated to 134Mt @ 3.1% HM for 4.2Mt of HM.

Ranobe resource (late-2017 acquisition) estimated at 857Mt @ 6.2% HM, for 53Mt of HM.

Kwale reserves calculated at 80Mt @ 3.9% HM, for 3.1Mt of HM.

Energy

TerraCom Ltd (TER)

New one-year, 320,000t, fixed-price off-take agreement secured with a customer in Korea following trail shipments of thermal coal from TER's Blair Athol mine.

Overseas Markets Commentary

Major European and US equities markets fell early or on opening overnight Friday, but key US indices did not settle at session lows.

In international goods and services trade news, the US commerce secretary was reported to have confirmed the US was pursuing favourable trade deals with nations other than China that were structured in such a way that could effectively pressure China to alter its international trade stance.

As anticipated, **US** data and implied inflation impacts proved a major equities markets focus.

September employment figures included a 0.3% rise in **wages** for the month, the same as for August. Year-on-year, wages were 2.8% higher.

The number of **jobs** created was estimated at 134,000, against 270,000 during August.

The unemployment rate fell to 3.7% from 3.9%, on a flat 62.7% participation rate.

The August national **trade deficit** grew to \$US53.2B from \$US50B at the end of July.

Exports were valued at \$US209.43B, against \$US2011.08B.

August **consumer credit** grew by \$US20.08B to \$US3.94 trillion, representing 6.2% year-on-year growth.

In **Germany**, August factory orders rose 2% for the month, after falling 0.9% in July.

Producer prices rose 0.3% for the month and came in 3.1% higher year-on-year, following respective 0.2% and 2.9% July increases.

No major US data releases are scheduled for tonight, but Germany's economic health remains forefront, with an industrial production update anticipated.

*US equities and commodities markets are scheduled to trade as normal tonight even though **Columbus Day** is observed.*

Fixed income markets will be impacted, however, and general trading volumes are expected to be relatively light.

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Dec)	1201	oz	3	0.3
Silver (NY) (Sep)	14.7	oz	0.1	0.6
Gold (LON)	1203	oz		
Platinum	821	oz	-1	-0.1
WTI Crude (Nov)	74.3	bbl	0.01	0.0
Brent Crude (Nov)	84.2	bbl	-0.4	-0.5
Iron Ore <small>(CHN port 62%)</small>	69.2	t	Public Holiday	
Copper (LME,3mth,PM)	6173	t	-117	-1.9
Nickel	12620	t	130	1.0
Aluminium	2130	t	-40	-1.8
Lead	1997	t	-9	-0.5
Zinc	2635	t	-19	-0.7
Tin	18975	t	0	0.0
CBT Wheat (Dec)	5.21	bshl	0.03	0.5

Commodities Commentary

Oil – prices fluctuated Friday amid ongoing ambivalence regarding short- and longer-term market supply scenarios.

Pre-Open Announcements

Medical Developments International (** MVP)

Exclusive distribution and licence agreement secured for MVP's Pentrox to be made available in China, Thailand and Vietnam. Distributor Daiichi Sankyo will pay MVP up to \$US32.5M.

Creso Pharma (* CPH)

Health Canada has accepted CPH's application to become a licensed producer.

Construction finance loan also agreed.

Star Combo Pharma (* S66)

Offline distributor secured in China's Guangdong province.

Through the agreement, S66 anticipates supplying seven products to 173 pharmacy outlets, 3000 baby food stores and 200 supermarkets.

Resources

Gascoyne Resources (GCY)

Ian Murray appointed to the GCY board as chairman.

Riversgold Ltd (* RGL)

New gold mining claims, hosting outcropping quartz veins, staked in Alaska.

Details lodged this morning.

Reports & Events

(selected scheduled)

When	Company	Report/Event
Tomorrow	BLX	AGM
Wed	ERA	Sep Q
Thu	AMC	AGM
	TCL	AGM; Sep

Trading Halts

Company	Code	Resuming
Alara Resources	AUQ	8 Oct
Garda Diversified Property Fund	GDF	8 Oct
Lindian Resources	LIN	8 Oct
Quantify Technology Holdings	QFY	8 Oct
Sipa Resources	SRI	8 Oct
Axiom Mining	AVQ	9 Oct
Fatfish Internet Group	FFG	9 Oct
Kin Mining	KIN	9 Oct

Suspensions (select)

Company	Code	Since
AFT Corporation	AFT	11 Sep
American Patriot Oil & Gas	AOW	5 Oct
Aurora Dividend Income Trust	AOD	21 Sep
AVZ Minerals	AVZ	4 Oct
Axesstoday Ltd	AXL	14 Sep
Black Star Petroleum	BSP	21 Sep
buyMyplace.com.au Ltd	BMP	24 Sep

A media survey estimated OPEC had produced a total 33.07MMbbl/d during September, 180,000bbl/d more than for August.

Over the weekend, Saudi Arabia asserted it had made up for reduced production out of Iran, and Qatar has claimed a balance in international supply-demand.

US officials again indicated some leeway would be granted to select nations finding it difficult to totally reduce reliance on Iranian oil imports by the 4 November US-imposed sanctions deadline.

Earlier this year, the US suggested India would be considered favourably, and reports over this past weekend suggested India would purchase 9MMbbl of crude from Iran in November.

Yesterday, Iran reported exporting 4.64Mt of condensate (ultra-light crude) during ~April – September, against 8.63Mt for the same six months last year.

A weekly US petroleum drill rig report, released overnight Friday, estimated two fewer oil rigs in operation, following a three-rig decline the previous week.

Gold – US employment statistics, published overnight Friday, surprised on the downside with the number of jobs created, plus wages growth against inflation expectations, but the unemployment rate represented an almost 49-year low.

Data considered most influential on likely gold trade this week includes a US September CPI reading.

In addition, rate rises will remain in focus, with several US Federal Reserve regional presidents scheduled to speak publicly.

Over the weekend, China reported its gold reserves at \$US70.33B, as at 30 September, against a \$US71.23B valuation at 31 August.

Base metals – LME trade largely again appeared to follow equities sentiment overnight Friday, also impacted by early remaining relative \$US strength.

Nickel was said to be mostly supported by a deficit estimate.

Traders in **China** return from a week-long holiday season today.

China's foreign reserves and a central bank liquidity move, each revealed over the weekend, plus a services PMI update today, are expected to influence at least some of tonight's base metals trade.

Japan's markets will not trade today.

Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.7055	-0.0004	-0.05
EUR – USD	1.1525	0.0001	0.01

Australian Data Today

CLgc	Captl city rsdntl propty prices	5 Oct
ANZ	Job advertisements	Sep
RBA	Official reserve assets (4.30pm)	Sep

Other Overseas Data Today & Tonight

China	Caixin PMI services	Sep
<i>China</i>	<i>Foreign direct investment</i>	Sep

Classic Minerals	CLZ	28 Sep
Crusader Resources	CAS	1 Oct
Jacka Resources	JKA	21 Sep
Leigh Creek Energy	LCK	3 Oct
MMJ Phytotech	MMJ	8 Oct
MSM Corporation International	MSM	25 Sep
PLC Financial Solutions	PLC	5 Oct
Plukka Ltd	PKA	2 Oct
Sprintex Ltd	SIX	28 Sep
Wolf Minerals	WLF	27 Sep

Ex-Dividends

Code	Ex-Div	Div (c)	Franking (%)	Yield (%)
FCG	Today	1	100	0.72
ICS	Today	4	0	6.19
NCC	Today	3.5	100	5.45
8EC	Tomorrow	3	0	4.76
REH	Tomorrow	14.25	100	1.81
SEQ	Wed	0.5	100	1.52
DGH	Thu	2.25	100	3.19
GNG	Thu	5	0	7.64
HVN	Thu	18	100	8.64
MFF	Thu	1.5	100	1.04
FGX	Fri	2.3	100	3.36
SIG	Fri	1.5	100	6.35
WAA	Fri	2.85	100	4.94
WAX	Fri	4.75	100	5.62
WLE	Fri	2.5	100	4.17
WMI	Fri	4	100	1.34

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