

Monday 9 July 2018

Markets

SFE 200 Futures (9.30am AEST)	6250	26	0.4
NZX 50	9050	-34	-0.4
DJIA Futures	24516	60	0.3
S&P 500 Futures	2767	4	0.1
NASDAQ Futures	7242	8	0.1

Local Markets Commentary

The Australian market opens a new week's trade on positive overnight Friday international equities leads, but also several indications of growing international disquiet.

Over the weekend:

- **North Korea** has bemoaned the US stance in talks with the US Secretary of State regarding North Korea's nuclear plans;
- the US has been accused of baiting **China** as US warships travelled through the Taiwan Strait;
- China vowed to keep on opening international trade opportunities;
- a second major shipping company announced it would no longer service **Iran** due to US sanction threats; and
- Iran's oil minister labelled US calls for OPEC to move to reduce prices as 'insulting'.

In overnight Friday commodities trade, **WTI crude** turned higher, but Brent continued to pull back.

Iron ore (China port, 62% Fe) swung higher.

LME copper was pushed yet lower. **Nickel** swung and fell.

The **\$A** was pushed towards US74.30c after appreciating beyond US74.10c early Friday evening.

Locally today, a weekly capital city residential property price report is due.

Regionally, **China** is expected to publish June foreign reserves, likely post-ASX trade.

In Japan, **Bank of Japan** governor Haruhiko Kuroda is scheduled to speak publicly, ~**10.30am** AEST.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	24456	100	0.4
S&P 500	2760	23	0.9
NASDAQ	7688	102	1.3
FTSE 100	7618	14	0.2
DAX 30	12496	32	0.3
Shanghai Comp	2747	13	0.5

Overseas Markets Commentary

Trade across major European and US equities markets varied markedly overnight Friday, belying the ultimate gains for all major indices as the \$US traded at three-week lows.

Notably, the tech sector regained favour, but in addition to overnight Friday currency moves and data releases, investor considerations included:

- the status of US relations with **North Korea**, **China**, the **European Union** and

* Engineering company listing **midday** AEST – **PGX** *

Today's Stock Watch

Wattle Health Australia (WHA)

One-year baby food supply agreement secured with Vasudevan & Sons Exim Private (VSEM), following an initial order in January this year.

VSEM will purchase a minimum \$1.5M worth under the new agreement.

CML Group (CGR)

Anticipating \$17M full year underlying EBITDA, following \$13.2M a year ago.

Southern Cross Electrical Engineering (SXE)

Contracts worth a total \$55M secured with the Westconnex M5 road project, New South Wales.

Details lodged this morning.

Infigen Energy (IFN)

Overall June energy generation increased 56% year-on-year, inclusive of a 33% drop in Alinta wind farm generation.

For the financial year to date, overall generation has risen by 4%.

Breakdown statistics lodged this morning.

Huon Aquaculture (HUO)

The Federal Court has ordered HUO to pay costs following the dismissal of an application claiming a decision to allow an expansion of salmon farming in Macquarie Harbour (Tasmania) was invalid.

The Hydroponics Company (THC)

Binding LoI secured with Endoca for the potential development and production of CBD-based and THC-based products, suitable for European and Australian markets.

Technology One (TNE)

ORD Minnett has commenced TNE coverage and is recommending the stock as a 'buy'.

Altium Ltd (ALU)

Ord Minnett has placed a 'sell' on ALU in an initial assessment.

Primero Group (* PGX)

Engineering services firm scheduled to list **midday** AEST following a \$25M IPO at 40c per share. 144.1M quoted shares.

Resources

Independence Group (IGO)

Produced 23% more nickel (7344t) during the June quarter than for the March quarter.

Additional production statistics lodged this morning, including preliminary FY 2018 figures.

Millennium Minerals (MOY)

Produced 12,600oz of gold during the June quarter and sold 15,127oz.

Forecasting 20,000oz – 22,000z output for the September quarter and ~25,000oz for the December quarter.

\$13.6M cash and bullion.

Middle East allies;

- a new earnings reporting season commencing this week; and
- a batch of influential economic indicators out of China over the next few days.

Among overnight Friday data releases, the **US** June employment report exceeded expectations with the number of jobs created (213,000).

Unemployment rose by 0.2% to 4.0%, but this was put down to more people registering to be looking for work. The 'participation rate' was calculated 0.2% higher, at 62.9%.

The key average wages rate rose 0.2% to \$US26.98/h, placing the annual advance at 2.7%. Wages had risen by 0.3% in May.

Positive data continued to flow in **Germany**, May industrial production improving 2.6% following a 1.3% drop in April.

In the **UK**, the PM's proposal for European Union (EU)-separation arrangements, introduced to major government members Friday, appeared to gain acceptance in that it was perceived as being 'business-friendly', but was also criticised for seeming to be too concessional to EU demands.

Immediate responses from EU members varied, but appeared to indicate the plan and associated negotiations remained early-stage and would likely fall short of gaining the union's favour.

In addition, overall support for the PM's plan from her fellow Tories, including key ministers, was viewed as remaining fluid.

Tonight in the US, consumer credit and inflation expectation reports are due.

In overnight Friday corporate news, **Samsung** warned profit growth would slow, due to softer phone sales, despite surging chip business.

Ford Motor reported China sales had dropped 38% year-on-year during June. Ford also announced it would not raise luxury vehicle prices in China, despite the increased export taxes.

Germany's **BMW** revealed profitability would require the group to charge more for vehicles made in the US and exported to China.

Meanwhile, **Deutsche Bank** benefited from reports JP Morgan and the Industrial & Commercial Bank of China were interested in stake holdings. JP Morgan has since denied any interest.

Biogen was pushed almost 20% higher following positive results from a clinical trial for a proposed Alzheimer's drug under development with Tokyo-headquartered **Eisai Co.**

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Aug)	1254	oz	-5	-0.2
Silver (NY) (Jul)	16.1	oz	-0.03	-0.2
Gold (LON)	1256	oz	-0.2	-0.0
Platinum	842	oz	2	0.2
WTI Crude (Aug)	73.8	bbl	0.9	1.2
Brent Crude (Sep)	77.1	bbl	-0.3	-0.3
Iron Ore (CHN port 62%)	63.8	t	0.7	1.1
Copper (LME,3mth,PM)	6282	t	-63	-1.0
Nickel	13945	t	-250	-1.8
Aluminium	2080	t	0	0.0
Lead	2332	t	-23	-1.0
Zinc	2735	t	35	1.3
Tin	19325	t	-100	-0.5
CBT Wheat (Jul)	5.14	bshl	9	1.7

Pre-Open Announcements
WiseTech Global (WTC) / Iress Ltd (IRE)

Ord Minnett has placed a 'hold' on both WTC and IRE in initial assessments.

Australian Dairy Farms Group (* AHF)

AHF's Camperdown Dairy is producing organic yoghurt and will distribute this to a major Australian retailer by month's end. Camperdown is also packing organic bottled milk for a major supermarket chain in NSW, Queensland and New South Wales. Further, Camperdown is producing organic butter under a supply agreement announced last week, and is heralding new opportunities with a growing number of potential customers.

VEEM Ltd (* VEE) / Aurora Labs (* A3D)

Proposing to jointly investigate the potential of A3D printing and associated technology to deliver cost-efficient production of VEEM's propellers, fin systems and gyro stabilisers.

Non-binding term sheet in place.

Wide Open Agriculture (* WOA)

Sustainable agriculture specialist completed its ASX listing Friday following a \$5M IPO at 20c per share.

Opened and closed at 20c, trading in the interim at 21c. 150,000 shares changed hands across six transactions.

~38.53M quoted shares.

Resources
Ramelius Resources (* RMS)

Produced 58,285oz of gold during the June quarter, pushing the financial year total to 208,118oz.

\$A95.5M cash and gold.

140,250oz of gold are hedged at \$A1719/oz through to November 2019.

Prodigy Gold (* PRX)

Heralding Northern Territory Bluebush gold project Capstan prospect drilling results.

Assays lodged this morning.

Additional drilling underway and also planned.

Gold Road Resources (GOR)

Yamarna project and Gruyere JV drilling results lodged this morning.

Energy
Real Energy (RLE)

Cooper Basin Windorah gas project Tamarama-3 diagnostic fracture injection test work completed and frac modelling is underway. Results are expected next week.

Pending outcomes, Tamarama2- and -3 well fracing is anticipated to commence by the end of August.

Trading Halts

Company	Code	Resuming
Neurotech International	NTI	9 Jul
TAO Commodities	TAO	9 Jul
Emerald Resources	EMR	10 Jul
Jayex Healthcare	JHL	10 Jul
Pure Minerals	PM1	10 Jul
Red Sky Energy	ROG	10 Jul
Collerina Cobalt	CLL	11 Jul

Commodities Commentary

Oil – over the weekend, major shipping company CMA CGM joined AP Moeller-Maersk in announcing it will halt cargo services to Iran, due to US threats.

Also on the weekend, Iran continued to rail against the US's stance on both Iran and OPEC.

The number of operational oil drill rigs in the US has grown by five, according to a weekly industry report.

Gold – despite a \$US index at three-week lows, futures prices settled lower overnight Friday.

US June employment figures generally delivered further US economic optimism

Base metals – LME copper settled lower for a fifth consecutive session Friday, after trading as low as \$US6221.5/t intra-session.

In the meantime, zinc rallied following a Commerzbank report citing an Antaika State (research institute in China) prediction that September quarter production from China would likely come in at the least in three years

China's June CPI and producer prices are due tomorrow, but today, foreign reserves are also expected.

Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.7432	-0.0002	-0.03
EUR – USD	1.1747	0.0004	0.04

Australian Data Today

CLgc	Capital city resdntl prop prices	6 Jul
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US Data Tonight

Consumer credit	May
Consumer inflation expectations	Jun

Other Overseas Data Today & Tonight

China	Foreign reserves	Jun
Japan	Bank lending	Jun
Japan	Current account	May
Japan	Eco watchers survey	Jun
Germany	Trade balance	May
Euro zone	Sentix investor confidence	Jul

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Suspensions *(select)*

Company	Code	Since
Centennial Mining	CTL	25 Jun
Crowdspark Ltd	CSK	6 Jul
Elixir Petroleum	EXR	14 Jun
Genera Biosystems	GBI	4 Jul
Netlinkz Ltd	NET	4 Jul
Pursuit Minerals	PUR	18 Jun
Tikforce Ltd	TKF	4 Jul
Vector Resources	VEC	6 Jul
WPG Resources	WPG	27 Jun

Ex-Dividends

Code	Ex-Div	Div (c)	Franking (%)	Yield (%)
PYG	Today	1.45	0	0.00
CKF	Tomorrow	9	100	3.10
MTS	Tomorrow	7	100	4.87
RGWB	Tomorrow	33	100	0.00
BEL	Thu	0.5	100	8.70

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