

Friday 15 June 2018

## Markets

<b>SFE 200 Futures</b> (9.30am AEDST)	<b>6040</b>	<b>15</b>	<b>-0.3</b>
<b>NZX 50</b>	8978	0.0	0
<b>DJIA Futures</b>	25175	-26	-0.1
<b>S&amp;P 500 Futures</b>	2782	6.8	0.3
<b>NASDAQ Futures</b>	7762	66	0.8

## Local Markets Commentary

Taking its cue from the **Nasdaq**, which rallied 0.9% overnight, the Australian stock market was set to rise this morning with **ASX Futures** up 33 points prior to opening.

Australian banks were suffering the roll-on effects of the **U.S. Federal Reserve** rates increases this week with higher lending costs now increasing the banks' tab by up to \$4.4 billion a year.

The seventh consecutive U.S. rates hike announced this week lifted the central bank's key policy rate to 1.75% to 2%. The U.S. bank remains on track to reduce the US\$4.5 trillion bonds it had acquired post the global financial crisis.

The **Reserve Bank of Australia** has kept the cash rate at 1.5% for 20 board meetings.

As a result of a further gulf between U.S. and Australian interest rates, the **Australian dollar** shed more than 1% overnight and was trading at US\$74.70 early this morning. This Australian dollar has now lost 4.1% to the greenback this year.

Australia's iron ore industry received a stimulus with **BHP Billiton** approving a new \$3.8 billion iron ore mine in the Pilbara.

The mining giant announced that it would fund 85% of the South Flank project in partnership with Japan's **Itochu** and **Mitsui**, who would pick up the balance of the project's cost.

## Overseas Markets

INDEX	CLOSE	+/-	%
<b>Dow Jones</b>	25175	-25.9	-0.1
<b>S&amp;P 500</b>	2782	6.86	0.3
<b>NASDAQ</b>	7762	66.3	0.9
<b>FTSE 100</b>	7765	62.1	0.8
<b>DAX 30</b>	13107	216	1.7
<b>Shanghai Comp</b>	3044	-5.6	-0.2

## Overseas Markets Commentary

U.S. President **Donald Trump** was reportedly preparing to decide on a range of tariffs set to impact 800 to 900 Chinese exports after meeting with advisors, CNBC reported in a move that could spark retaliations from Beijing.

The U.S. now faces the prospect of tit-for-tat trade

## Bank of Japan policy meeting.

The Euro zone will release CPI figures for March.  
New Zealand will release manufacturing PMI for May

## This week's Stock Watch

### Beach Energy (BPT) Quadrant Energy

Market chatter is that Beach Energy is eyeing up a potential bid for Quadrant Energy and that the Adelaide-based oil and gas company had already been reviewing data ahead of a decision. Shares in Beach's major shareholder, Seven Group, are trading at historic highs.

### Vonex (VN8)

Telecommunications company Vonex soared 23% to 23.5c on the ASX this week within hours of a successful IPO which raised \$6million to fund the company's ambitious, NBN-driven growth plans. Vonex listed at 19c on Tuesday as the junior telco accelerated its rollout of fibre-optic related technology and its global plans for the multi-platform, Opera8tor social media communication system.

## Resources

### OPEC Meeting

Crude oil prices rose for the fourth straight day with Saudi Arabia and Russia both indicating a cooling of production curbs ahead of an Organisation of Petroleum Producing Countries (OPEC) meeting in Vienna on June 22. Saudi Energy Minister Khalid Al-Falih has said increased production looks "inevitable" while Russia's Energy Minister, Alexander Novak, suggests they should begin on July 1.

### Aurizon (AZJ)

Reports claim that rail company Aurizon would earn over \$500 million from interim tariffs from a drawn-out dispute with Queensland's competition regulator in respect of access charges to its coal network.

Rio Tinto, BHP Billiton, Glencore and Anglo American have all rejected a compromise put forward by Aurizon over a dispute that threatens to reduce coal export by up to 20 million tonnes a year.

## 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

tariff reactions on two fronts, from **China** and also the **European Union, Canada** and **Mexico** following Trump's standoff with traditional allies at a G7 summit in Canada earlier in the week.

Complicating any trade war hostilities is the U.S. Administration's reliance on China to help enforce a denuclearization deal with North Korea following Trump's historic meeting with Kim Jong Un in Singapore and a commitment to securing peace in the Korean peninsula.

Meanwhile positive consumer confidence in the U.S. was reflected in retail figures up 0.8% for May with second quarter data forecast to reveal **GDP growth** of close to 4%, almost double that of the first quarter.

The **European Central Bank** announced plans to scale back its stimulus program and said a US\$3 trillion bond buying initiative would end in December.

The bank flagged steady interest rates in the short-term, lowered its growth forecasts and forecast increased inflation over the next two years.

Trade tension with the U.S. ramped up, however, after Reuters reported that the European Union had unanimously decided to slap Washington with US\$3.3 billion worth of taxes on U.S. exports. The Euro subsequently fell against the dollar.

In Britain **Rolls Royce** announced that it would slash 4600 jobs over the next two years to drive profits, representing the biggest cuts at the aircraft engine and car manufacturer since the airline crisis post 9/11 in New York.

Rolls Royce said it plans to cut 10% of its workforce to drive annual savings of \$710 million by 2020. Two thirds of the layoffs will occur at the RR factory in Derby, UK, where the company employs almost 16,000 people.

In Beijing **China** reported weaker than anticipated industrial output, investment and retail sales figures for May, signalling a slowdown in the economy.

Fixed-asset investment cooled to 6.1% for January-May, reflecting the slowest activity since early 1996. Retail sales increased at the slowest pace in 15-years and the **National Bureau of Statistics** said May industrial output had increased by 6.8%, trimmed from a 7% rise in April.

Private sector fixed-asset investment, representing almost two-thirds of investment in China, rose 8.1% in the January-May period - 0.2% lower than in the first four months of the year.

Growth in **infrastructure spending** slowed from 12.4% in the January-April period to 9.4% in the first five months of 2018.

In **Japan** industrial production figures exceeded expectations with a month-over-month climb of 0.5% in April - the third consecutive monthly increase surpassing the 0.3% that had been forecast.

In March industrial production grew 1.4% and on a

**Out:** AAC, MYR, RFG  
**In:** BIN, CLQ, KDR

### Trading Halts

Company	Code	Resuming
Hill Gold	HEG	15 Jun
Xanadu Mines	XOM	15 Jun
Technology Metals	TMT	15 Jun
Global Geoscience	GSC	15 Jun
Bigtincan Holdings	BTH	18 Jun
New Age Exploration	NAE	19 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 (%)
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

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yearly basis industrial production increased by 2.6% in April.

### Commodities

COMMODITY	CLOSE	\$US/	+/-	%
<b>Gold (NY) (Aug)</b>	<b>1306</b>	oz	4.80	0.4
<b>Silver (NY) (May)</b>	17.2	oz	0.21	1.3
<b>Gold (LON)</b>	1294	oz	-3.9	-0.3
<b>Platinum</b>	907	oz	4.5	0.5
<b>WTI Crude (Jul)</b>	<b>66.80</b>	bbl	0.28	0.4
<b>Brent Crude (Jul)</b>	<b>75.9</b>	bbl	-0.6	-0.8
<b>Iron Ore</b> <small>(CHN port 62%)</small>	<b>67.50</b>	t	0	0
<b>Copper</b> <small>(LME,3m,pm)</small>	<b>7177</b>	t	-80	-1.1
<b>Nickel</b>	15210	t	-338	-2.1
<b>Aluminium</b>	2262	t	-19	-0.8
<b>Lead</b>	2438	t	-33.5	-1.3
<b>Zinc</b>	3220	t	-35	-1.1
<b>Tin</b>	20957	t	2	0.0
<b>CBT Wheat (Jul)</b>	<b>517</b>	bshl	-16	-2.3

### Exchange Rates

CURRENCIES	LAST	+/-	%
<b>AUD – USD</b>	0.7476	-0	-0.01
<b>EUR – USD</b>	1.1583	-0.0012	0.11

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