

Markets

SFE 200 Futures (9.30am AEST)	5623	-8	-0.1
NZX 50	7701	-7	-0.1
DJIA Futures	21510	-10	0.0
S&P 500 Futures	2459	1	0.0
NASDAQ Futures	5891	9	0.1

Local Markets Commentary

The Australian market commences mid-week trade on higher overnight prices for key commodities, but continuing largely weak international equities leads.

The **\$A** traded at new two-year peaks, after being pushed towards US79.40c early yesterday evening, but has since retreated a little.

In commodities trade, US **gold** futures continued higher and **oil** swung so. **Iron ore** picked up the pace of its most recent turn higher, approaching \$US70/t. LME **copper** added slightly to Monday's gain.

Locally today, the Melbourne Institute and Westpac publish their June leading indicators report 10.30am AEST.

The **Bank of Japan** commences a policy meeting from which outcomes will be announced tomorrow.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	21575	-55	-0.3
S&P 500	2461	1	0.1
NASDAQ	6344	30	0.5
FTSE 100	7390	-14	-0.2
DAX 30	12430	-157	-1.2
Shanghai Comp	3188	11	0.4

Overseas Markets Commentary

All major European and US equities markets opened lower, but the S&P 500 index and the NASDAQ recovered sufficiently to record new peaks.

In the US, any further attempts at proposed new healthcare legislation looked likely to be deferred, at least temporarily. This propelled the \$US yet lower on perceptions legislation underpinning planned tax and spending changes may struggle to progress under the current parliament.

Earlier, **UK** June CPI was estimated flat and the annual rate at 2.6%, following 2.9% for May. This pushed the British pound lower.

Producer prices rose 3.3% after a 3.6% rise in May.

In **US** data releases, June import and export prices each declined 0.2%, following 0.2% and 0.5% falls in May.

A home builders' sentiment index also pulled lower, coming in at an eight-month low of 64, following 66 in June and forecasts of 67.

Tonight in the **US**, June housing starts and building permits are due, together with weekly mortgage applications.

Alcoa (post-US trade), American Express, Morgan Stanley and Qualcomm are among companies

APRA - lifting tier 1 **capital ratio** targets by ~0.5% - ~1.5% and requiring compliance within 2.5 years. For major banks, the new ratio will be at least 10.5%.

RBA - economics analysis head Alex Heath is a panel member at the Australian Conference of Economists **3.30pm** AEST

Today's Stock Watch

Insurance Australia Group (IAG)

IAG COO Mark Milliner has been appointed CEO of the newly-created IAG Australia, umbrella-ing four former Australian divisions. In association, IAG Australian consumer division CEO Anthony Justice will leave IAG. Australian business division CEO Ben Bessell will become executive GM business distribution. Planning to publish full-year results 23 August.

Monadelphous Group (MND)

\$55M worth of new work secured, including for Oyu Tolgoi, Mongolia, Shell activity in the offshore WA Browse Basin, and in a consortium that will construct and commission a wind farm in Victoria. Details lodged this morning.

Ruralco Holdings (RHL)

Launching expanded, independent water market trading on waterexchange.com.au today, for use by governments, agri-businesses and irrigators, rather than solely by RHL brokers on behalf of clients. Presentation also lodged.

Aurizon Holdings (AZJ)

June quarter statistics anticipated.

Resources

BHP Billiton (BHP)

Full-year iron ore production grew 4% to 231Mt, and thermal coal by 7% to 29Mt. Petroleum output dropped 13% to 208MMboe. Copper production tumbled by 16% to 1.3Mt, due to a cocktail of industrial action, extended power loss and unscheduled maintenance. Metallurgical coal production fell 6% to 40Mt, impacted by Cyclone Debbie, despite record volume from two Queensland operations. Expecting copper output to lift 7% during FY 2018.

Rio Tinto (RIO)

Morgans has cancelled its RIO add recommendation, in favour of hold advice.

Newcrest Mining (NCM)

Production has recommenced from one NSW Cadia East panel cave after successful remediation following a regional earthquake in April.

Orocobre Ltd (ORE)

Produced 2536t of lithium carbonate during the June quarter, pushing the FY 2017 total to 11,862t, a 72% increase on FY 2016. Sold 2566t in the June quarter for \$US27.4M revenue. Anticipating a significant boost to 1H FY2018 production, compared with 2H FY 2017. \$US51.5M available cash. Teleconference scheduled to commence 10am AEST.

Energy

Woodside Petroleum (WPL) / Origin Energy (ORG) / Oil Search (OSH)

Citigroup has placed a sell on WPL and OSH, and cancelled an ORG buy recommendation in favour of a neutral rating. WPL is due to report tomorrow.

scheduled to report earnings.

In overnight corporate news, **Goldman Sachs** reported 17% lower quarterly trading revenue while exceeding earnings forecasts. A 2.6% (GS) price fall contributed to a negative DJIA settlement.

Bank of America exceeded both profit (+10%) and revenue expectations.

Netflix subscriber growth, revealed post-US trade Monday, pushed the stock to new highs, hence supporting tech sector sentiment in general and consequently the NASDAQ.

20% aeronautics division sales growth proved insufficient to lift **Lockheed Martin's** price.

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Aug)	1242	oz	8	0.7
Silver (NY) (Sep)	16.3	oz	0.2	1.1
Gold (LON)	1241	oz	7	0.5
Platinum	926	oz	1	0.1
WTI Crude (Aug)	46.4	bbl	0.4	0.8
Brent Crude (Aug)	48.8	bbl	0.4	0.9
Iron Ore (CHN port 62%)	68.8	t	2	3.0
Copper	6007	t	11	0.2
Nickel	9780	t	180	1.9
Aluminium	1931	t	13	0.7
Lead	2275	t	-22	-0.9
Zinc	2794	t	-21	-0.8
Tin	20000	t	75	0.4
CBT Wheat (Sep)	5.04	bshl	-0.02	-0.4

Commodities Commentary

Oil – overnight prices largely defied sector news, benefitting from a tumbling \$US.

Saudi Arabia reported a small fall in May exports; **Ecuador** announced the nation's weak financial position meant it could not remain compliant with an agreed output cut; and late-Monday, the **US** reported August shale oil production would likely extend this year's unbroken run of monthly increases.

Post-US settlement, a US industry report calculated last week's stored crude 1.6MMbbl higher than for the previous week, defying expectations of a 3.2MMbbl drawdown.

US government agency (EIA) weekly petroleum inventories are due tonight.

Monday, the EIA noted ever more wells are waiting to be completed (connected to networks) due to a marked pick-up in the pace of drilling over the past year.

Gold – traded at three-week highs as the \$US dropped to 10-month lows. Data on both sides of the Atlantic again disappointed, further constraining equities trade sentiment during the northern summer.

Base metals – a weak \$US traditionally supports base metals trade. *Lead* and *zinc* continued out of favour, however.

Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.7916	-0.0000	-0.01
EUR – USD	1.1549	-0.0004	-0.04

Pre-Open Announcements

ePat Technologies (↓ EPT)

European marketing approval secured for the ePAT pain assessment app. Planning to commercialise the TGA Class 1 device by the end of the year in Australia, and in Europe during next year.

BrainChip Holdings (* BRN)

Launching BrainChip Studio, new AI-based software that enables video footage to be searched for facial and pattern recognition. BRN's target market includes security and law enforcement organisations.

NEXTDC Ltd (* NXT) / Asia Pacific Data Centre Group (AJD) / 360 Capital Group (TGP)

NXT is paying \$1.78/share to acquire 14.1% of AJD for ~\$29M. NXT opposes ~20% AJD shareholder TGP's plan to replace AJD's responsible entity with its own nominee.

NXT does not want to control AJD but will consider this should events make this seem desirable.

BKI Investment Company (BKI)

Full-year net profit grew 8.0% to \$45.6M and income by 7.6% to \$48.3M. Paying a 3.7c fully-franked final dividend, following 3.65c a year ago.

Resources

Resolute Mining (RSG)

June quarter activities report anticipated.

Metalicity Ltd (* MCT)

Admiral Bay zinc and lead off-take MoU secured with Minmetals Nonferrous Metals Co. Details lodged this morning. Targeting a binding agreement by 30 September.

St Barbara (* SBM)

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

Perseus Mining (* PRU)

Produced 100,218oz of gold for the six months to 30 June, against 90,000oz – 110,000oz guidance. Sold 108,850oz at \$US1276/oz against a \$AUS112/oz AISC. \$A43M cash and bullion.

BC Iron (* BCI)

WA Pilbara Mardie salt project scoping study results include \$225M - \$255M capex, a \$A19/t - \$A21/t FOB operating cost and \$A45/t FOB average revenue. Additional statistics lodged post-trade yesterday.

Trading Halts

Company	Code	Resuming
Gold Mountain	GMN	19 Jul
Crater Gold Mining	CGN	20 Jul
Latin Resources	LRS	20 Jul
Nuheara Ltd	NUH	20 Jul

Suspensions (selected)

Company	Code	Since
Baralaba Coal Company	BCL	10 Jul
Bellamy's Australia	BAL	11 Jul
Clancy Exploration	CLY	13 Jul

**Australian Data Today**

Wstpc/MI	Leading indicators	Jun
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US Data Tonight

MBA mortgage applications		14 Jul
Housing starts		Jun
Building permits		Jun

Other Overseas Data Today & Tonight

Japan	Tankan index	Jul
Japan	Machine tool orders (rev)	Jun
Euro zone	Construction output	May

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European Lithium	EUR	7 Jul
Magnis Resources	MNS	5 Jul
Magnum Gas & Power	MPE	12 Jul
MSM Corporation International	MSM	12 Jul
Novo Latio	NLI	26 Jun
Peak Resources	PEK	6 Jul
Premiere Eastern Energy	PEZ	11 Jul
Realm Resources	RRP	14 Jul
Trek Metals	TKM	17 Jul

Ex-Dividends

Code	Ex-Div	Div (c)	Fr (%)	Yield (%)
JIN	24 Jul	15	100	2.91
MIR	26 Jul	10.5	100	3.42
WQW	28 Jul	3.52	0	7.57

Reports & Events

(selected scheduled)

When	Company	Report/Event	
Today	AZJ	Jun Q	
	BHP	Jun Q	
	PRU	Jun Q	
	RSG	Jun Q	
Tomorrow	ALQ	AGM	
	AST	AGM	
	EVN	Jun Q	
	MQA	Jun Q	
	OZL	Jun Q	
	STO	Jun Q	
	SYD	Jun	
17 Jul	WPL	Jun Q	
	ILU	Jun Q	
	NCM	Jun Q	
	26 Jul	IGO	Jun Q
		SBM	Jun Q
SXY		Jun Q	
27 Jul	BPT	Jun Q	
	FMG	Jun Q	
	GUD	Full-year	
	MQG	AGM	
	OGC	Jun Q	
28 Jul	AWE	Jun Q	
	PRG	AGM	
	SFR	Jun Q	
31 Jul	ERA	Interim	
	IFN	Jun Q	
	NVT	Full-year	
	ORG	Jun Q	
	SFR	Jun Q	