

Futures Indices (Source: IRESS)

INDEX	CLOSE	+/-	%
E-mini S&P 500 Futures	2904	12.5	0.43
E-mini Dow Futures	26038	131	0.51
E-mini NASDAQ 100 Futures	7644.25	32.5	0.43
SFE 200 Futures	6395	41	0.65

Local Market Commentary

The Australian market is set to jump on Monday after Wall Street rallied last Friday. At 8am, futures are pointing to a 41-point gain, or 0.7 per cent jump, at the open.

Risk appetite lifts on Friday, but markets still nervous:

Global stock-markets rallied on Friday, while bond markets sold-off, safe-haven currencies dipped at the expense of risk-sensitive ones, and growth-tied commodities edged higher, as some level of fear abated in the market about the consequences of a looming, global economic slowdown. The moves overall did little to unwind the price action of last week. **The week's key question: can central bankers bring the goods?** This week will be focused on the release of monetary policy minutes from the Fed, ECB and RBA, as well as a big meeting between central bankers in the US. The most essential issue for markets in these events is: will central bankers finally deliver to the market the forward guidance *already* being implied by traders in market pricing? If they bring the goods, then that could go some way to easing the fear plaguing the market right now. If they don't, then that fear could be compound further, opening up the possibility of greater volatility.

World Indices (Source: IRESS)

INDEX	CLOSE	+/-	%
Dow Jones	25886.01	306.62	1.2
S & P 500	2888.68	41.08	1.44
NASDAQ	7895.9938	129.3766	1.67
FTSE 100	7117.15	50.14	0.71
DAX 30	11562.74	150.07	1.31
CAC 40	5300.79	63.86	1.22
Milan MIB30	20322.59	302.31	1.51
Nikkei	20418.81	13.16	0.06
Hang Seng	25734.22	238.76	0.94
Hang Seng China Enterprises	9964.3	60.89	0.61
Straits Times	3115.03	-11.06	-0.35
Shanghai Composite	2823.8238	8.0262	0.29

Australian Stock Watch

360 Capital Group Ltd (TGP): Distressed debt heavyweight Oaktree Capital Management and an Australian property investor have teamed up to take on Evans Dixon's beleaguered US Masters Residential Fund (URF). Street Talk understands that Oaktree and its partner lobbed a comprehensive and confidential restructure proposal to URF about a fortnight ago, and have been seeking follow-up talks with the ASX-listed fund's management and board. The restructure is believed to be aimed at stabilising the listed vehicle which has halved in share-market value in the past 12 months on concerns about governance and financing. It would see the fund refinanced in full and a comprehensive change in its governance structure. Oaktree, which is based in the United States, would be heavily involved in managing the fund, while Australian property manager 360 Capital, which is understood to be the Australian property investor working with Oaktree, would replace Evans Dixon owned Walsh & Company Investments Ltd as responsible entity, reports AFR.

Atomos Ltd. (AMS): Video editing hardware company Atomos has won the attention of high-profile institutional investors including Perennial Value Management and Ellerston Capital, despite being valued at under \$160 million. The business, which was founded in 2010 by former Blackmagic Designs head of global business development Jeromy Young, creates affordable high-definition display screens designed to be attached to a variety of cameras and used to view and record high-quality footage on-the-go in formats suitable for Apple's popular editing suites. In the past six months the company has added 70 per cent to its share price, climbing from 72¢ to \$1.22. In July it completed a placement, raising \$7.5 million, and an escrow sell-down of \$27 million, which resulted in 10 new institutions joining its register. QVG Capital portfolio manager Chris Prunty said the fund bought in recently after meeting Mr Young and buying into his vision. *"We have a saying – back the high energy CEO – and Jeromy is definitely that,"* Mr Prunty said. Since listing last December, Atomos has doubled its product range to 14 screens, with options for all of its target markets, from professional filmmakers to social media enthusiasts and entertainment content creators, reports AFR.

BHP Group Ltd (BHP): BHP is tipped to set two dividend records this week, with the miner's best profit in five years enabling chief executive Andrew Mackenzie to make good on a six-year-old promise for *"sector-leading"* shareholder returns. Payment of \$US8.6 billion (\$12.7 billion) worth of dividends in January and February ensured BHP had already paid out more to shareholders



Overseas Markets & Gold Commentary

After now three-straight weeks of gains, gold is taking a little breather.

But with fears of a slowing global economy and lack of clarity on the U.S.-China trade war, bullion should manage to hold onto the \$1,500 level. Gold has risen more than \$100 since the beginning of the month amid falling global bond yields, heightened trade tensions and a slew of disappointing economic data globally.

Ex-White House Communications director, Anthony Scaramucci has commented to industry analysts Kitco, that gold is a near-term safe haven asset, but the hedge fund manager sees potential in other assets on a longer-term basis.

“It’s a near-term safe haven but long-term it really doesn’t solve people’s problems,” Scaramucci told Kitco News. “I would prefer to put the money or the capital into assets that I think are actually going to return something as opposed to be waiting for other people to think it’s more valuable to me in terms of where my entry point is.”

Scaramucci noted Warren Buffett’s view on gold, which is that the yellow metal’s value is derived from its finite supply rather than contribution to productive economic growth. “I just remind people that are investors of what Warren Buffett said about gold. All of the gold ever mined you can put it in a cube, it’s worth ten ExxonMobils and probably all of the farmland of the United States multiplied by ten. Would you rather have all of that productivity or this heavy cube of gold?” he said.

than in any previous year. The miner will pay a further dividend for the second half of fiscal 2019 on Tuesday, and analysts at Citi and UBS were forecasting the highest final dividend in BHP’s history at US79¢ and US82¢ per share, respectively. Citi and UBS have predicted total dividends for the year will be \$US2.36 and \$US2.39 per share, respectively, with both forecasts suggesting BHP will smash the previous full-year dividend record of \$US1.24 per share. The huge payout, which does not include the \$US5.2 billion share buyback BHP conducted in December, has been bolstered by the \$US10.8 billion sale of US shale assets, with virtually all of the proceeds returned to shareholders, reports AFR.

BlueScope Steel Ltd (BSL): A legal claim against BlueScope Steel over its sale of an iron sands mine in New Zealand will be heard in the Kiwi High Court in October, with an expert’s valuation suggesting it could be worth as much as \$NZ633 million (\$629 million). The case has been brought by NZ Iron Sands (NZIS), which agreed to buy the Taharoa Iron Sands mining business from BlueScope subsidiary Toward Industries in November 2016. But NZIS claims that BlueScope’s subsidiaries “*failed to use all reasonable endeavours*” to ensure that a number of conditions attached to the deal were satisfied, causing the sale to fall through. The claim, which was first revealed by The Australian Financial Review in August 2017, has been set down to commence in the New Zealand High Court on October 22 and is expected to run for four weeks. As part of its case, NZIS has lodged a valuation conducted by Sherif Andrawes, the global natural resources leader at BDO, and the former chairman of the accounting firm’s Perth arm. Mr Andrawes’ brief of evidence, obtained by the Financial Review, suggests Taharoa was worth up to \$NZ633 million in December 2016, when the sale agreement fell over. Not including backloading, and using commodity pricing from the time of the deal, the valuation of Taharoa could be as low as \$NZ243 million (\$230 million), reports AFR.

Lynas Corporation Ltd (LYC): Australia’s high commissioner to Malaysia says the Mahathir Mohamad led nation has passed a big test in the eyes of international investors by granting Lynas Corporation a conditional six-month extension on its operating licence despite protests against the rare earths producer. High commissioner Andrew Goledzinowski said the Malaysian government, led by 94-year-old Dr Mahathir, had improved its standing with the global investment community by basing the Lynas decision on science, not the politics surrounding the company’s storage of low-level radioactive waste. “*Evidence-based decision-making is practically the definition of good economic governance*,” he said. “*In the eyes of the international investment community, it is what separates safe investment destinations from risky ones. Given the international attention that the Lynas issue has attracted, this pro-science decision is a green light, signalling that Malaysia is a safe destination for serious investment in advanced manufacturing*”, reports AFR.

International Economic Data

- **US EIA Natural Gas Stocks Change** - Working gas held in storage facilities in the United States increased by 49 billion cubic feet in the week ending August 9 of 2019, reports EIA.
- **EU Balance of Trade** - The Euro Area trade surplus narrowed to EUR 20.6 billion in June 2019 from EUR 22.6 billion in the corresponding month of the previous year and easily beating market forecasts of a EUR 16.3 billion surplus, reports TradingEconomics.
- **US Building Permits** - Building permits in the United States surged 8.4 percent from a month earlier to a seasonally adjusted annual rate of 1,336 thousand in July 2019, while markets were expecting a smaller rise of 3.1 percent. It is the strongest gain in building permits since June 2017, as authorisations for the volatile multi-family housing segment jumped 21.8 percent to 498 thousand and single-family permits rose 1.8 percent to 838 thousand. Across regions, permits went up in the West (13.7 percent to 365 thousand); the South (10.7 percent to 685 thousand), but declined in the Midwest (-1.2 percent to 169 thousand) and the Northeast (-3.3 percent to 117 thousand). Permits for June were revised to 1,232 thousand from 1,220 thousand, reports TradingEconomics.
- **US Michigan Consumer Sentiment** - The University of Michigan's consumer sentiment for the US fell to 92.1 in August 2019 from 98.4 in the previous month and well below market consensus of 97.2, a preliminary estimate showed. That was the lowest reading since January, as monetary and trade policies have heightened consumer uncertainty about their future financial prospects, reports TradingEconomics.
- **US Baker Hughes Oil Rig Count** - U.S. energy firms this week increased the number of oil rigs operating for the first time in seven weeks despite plans by most producers to cut spending on new drilling this year. Companies added six oil rigs in the week to Aug. 16, the biggest increase since April, bringing the total count to 770, General Electric Co's (GE.N) Baker Hughes energy services firm said in its closely followed report on Friday. In the same week a year ago, there were 869 active rigs, reports Reuters

Newcrest Mining Ltd (NCM): Australia's biggest gold producer Newcrest Mining has kicked off a process to sell down its stake in Indonesia's Gosowong gold and silver mine. The sale process was forced upon Newcrest last year by the Indonesian government, which wants its mines to be at least 51 percent owned by Indonesian companies. Investment bank JPMorgan is running the auction which is expected to be wrapped up by early next year. Newcrest owns 75 percent of Gosowong and the active process is duly focused on selling at least 26 percent of the asset to allow the Australian company to sneak under the foreign ownership limbo bar. But buying in bulk is often cheaper, and Newcrest is understood to be willing to sell its entire stake in Gosowong if a bidder is willing to pay for 75 percent of the mine, which is located on Halmahera Island. The deal is hoped to be completed early in 2020, giving Newcrest enough time to meet its June 2020 divestment deadline, reports AFR.

Pepper Group Ltd: Global buyout fund KKR has hired an independent adviser ahead of a potential \$1 billion sharemarket float of Pepper Group. As first reported by Street Talk, boutique firm Reunion Capital Partners has been tapped to oversee an initial public offering which could see the lender raise more than \$500 million for a market value of as much as \$1 billion. Joint lead manager appointments are expected in coming weeks. An independent adviser is drafted in by the issuer to help project manage the offer process, including overseeing the appointment of investment banks. Macquarie Capital and Goldman Sachs, the two banks that floated Pepper as a \$471 million business in July 2015, submitted proposals, along with the likes of Citi, JPMorgan, Morgan Stanley, UBS and Bank of America Merrill Lynch. Owner KKR Credit Advisors and Pepper's management team are expected to consider a listing this half should the IPO window re-open. However, sources cautioned the timetable could push out to early 2020, reports AFR.

Sigma Healthcare Ltd (SIG): Sigma Healthcare has entered the telehealth market after making a small investment into Doctors on Demand, which offers professional online consultation and advice from Australian registered doctors inside pharmacies. The drug wholesaler's boss Mark Hooper said this investment was a way to broaden the pharmacy healthcare offering. *"We think it has greatest application in those rural and remote areas where you don't have the same proportion of GPs and other healthcare professionals. We think there is a terrific application for this."* There are three levels of service: \$25 for a quick script approval, \$60 for a full video consultation during normal office hours, and \$90 for an after-hours full video consultation. If granted, an MBS code would allow patients to claim the tele-visit on Medicare. Mr Hooper said Sigma took a 15 per cent stake for a "modest" seed investment in Doctors on Demand, with options to make further investments down the track, reports AFR.

Telstra Corporation Ltd (TLS): Consumers should prepare to pay higher prices for home broadband, as rising data consumption forces retailers to buy more and more bandwidth from NBN Co, Telstra chief executive Andy Penn has warned. Speaking after the

**Commodities (Source: IRESS)**

COMMODITY	CLOSE	+/-	%
COMEX			
Gold Dec 19	1523.6	-7.6	-0.5
Silver Sep 19	17.122	-0.092	-0.53
Copper Dec 19	2.595	0	0
NYMEX			
Platinum Oct 19	851.5	8.3	0.98
Palladium Sep 19	1441.3	1.7	0.12
LONDON METAL			
Gold (AM Fix)	1509.05	-8.6	-0.57
Gold (PM Fix)	1515.25	-0.4	-0.03
ENERGY			
Light Crude Oct 19	54.81	0.14	0.26
Brent Crude Oil	58.94	0.28	0.48
CBT			
Wheat Dec 19	0	0	0
Soybeans Nov 19	0	0	0
Corn Dec 19	0	0	0
OTHER			
Iron Ore (China Port)	92	0	0
Coal (ICE-GC Newcastle)	68.05	-0.45	-0.66
LME Indicative			
Copper - Cash	5719.5	-7.75	-0.14
Copper - 3Mth	5757	3	0.05
Lead - Cash	2038.5	-30	-1.45
Lead - 3Mth	2035	-28	-1.36
Zinc - Cash	2249.25	-5.5	-0.24
Zinc - 3Mth	2268.5	3.5	0.15
Aluminum - Cash	1759.5	8.75	0.5
Aluminum 3Mth	1797	14	0.79
Nickel - Cash	16222	-68	-0.42
Nickel - 3Mth	16165	-100	-0.61
Tin - Cash	16599.25	-589.25	-3.43
Tin - 3Mth	16645	-500	-2.92

AUD exchange Rates (Source: IRESS)

CROSS	CLOSE	+/-	%
AUDUSD	0.6786	0.0006	0.09
AUDJPY	72.244	0.139	0.19
AUDGBP	0.5583	0.0001	0.03
AUDCAD	0.9004	-0.0007	-0.08
AUDNZD	1.0556	0.0001	0.01
AUDHKD	5.3248	0.0026	0.05
AUDSGD	0.9397	-0.0004	-0.04
AUDMYR	2.8364	0.003	0.11
AUDEUR	0.6119	0.0007	0.11

telco giant's full year results last week, which included a 40 per cent decline in profit and a warning the business would lose \$3.4 billion in ongoing annual earnings as a result of the NBN roll-out, Mr Penn pulled no punches. "The retail providers are already not making money out of reselling NBN, so all that does is make them lose more money. That's unsustainable over the longer term, so ultimately that will lead to higher prices for retail customers. It has to," he said. By the end of the rollout of the NBN, Telstra will make no money out of its soon-to-be defunct residential fixed line network, meaning the vast bulk of its fixed line earnings must come from NBN resale. But Mr Penn said Telstra was making no margin out of reselling NBN, meaning it was on track to earn nothing from its residential fixed line operations by 2022. On the same day Telstra revealed revenue was down 2.3 per cent on the previous period, NBN Co revealed its revenue had risen 43 per cent. NBN Co had a key success in lifting its all important average revenue per user (ARPU) up \$2 to \$46 per month, reports AFR.

Ex-Dividends

Code	Ex-Div.	Div (c)	Franking (%)	Yield (%)
CCP	Today	36	100	2.64
IAG	Today	20	70	4.08
CPU	Tomorrow	23	30	2.90
GC1	Tomorrow	2	100	4.94
HT1	Tomorrow	4	100	4.09
LGD	Tomorrow	7	100	4.32
MAM	Tomorrow	1	100	6.25
REF	Tomorrow	2.75	100	0.00
AGL	Wed	64	80	6.21
BFG	Wed	3.5	100	7.00
TAH	Wed	11	100	2.48
HGH	Thu	6.5	0	2.10
JBH	Thu	51	100	4.41
KOV	Thu	13	100	4.17
QBE	Thu	25	60	4.15
ARG	Fri	17	100	3.89
CRN	Fri	11.51	100	8.01
SUL	Fri	28.5	100	5.03



Economic News This Week

- Today **EU Inflation Rate**
- Tuesday **AU RBA Meeting Minutes**
- Wednesday **US API Crude Oil Stock Change**
- Wednesday **AU Westpac Leading Index**
- Wednesday **US MBA Mortgage Applications**
- Thursday **US Existing Home Sales**
- Thursday **US EIA Gasoline Stocks Change**
- Thursday **US EIA Crude Oil Stocks Change**
- Thursday **US FOMC Minutes**
- Thursday **US Jobless Claims**
- Thursday **US Markit Composite PMI**
- Thursday **US Markit Services PMI**
- Friday **EU Consumer Confidence**
- Friday **US EIA Natural Gas Stocks Change**
- Saturday **US New Home Sales**
- Saturday **US Baker Hughes Oil Rig Count**
- Sunday **AU RBA Gov Lowe Speech**

Reports & Events

(selected)

When	Company	Report/Event
Today	ALU	Full year
	AUB	Full year
	BPT	Full year
	BSL	Full year
	CLI	AGM
	GWA	Full year
	LLC	Full year
	NHF	Full year
	RHP	Full year
	SGH	Full year
	SWM	Full year
	TRS	Full year
	WGN	Full year (tel 5.30pm AEST)
	WBC	Jun Q

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