

Markets

SFE 200 Futures (9.30am AEDST)	5627	-10	-0.2
NZX 50	7058	-5	-0.1
DJIA Futures	19694	0	0.0
S&P 500 Futures	2262	0	0.0
NASDAQ Futures	5054	-1	0.0

Local Markets Commentary

The Australian market commences Friday trade on mostly negative equities and commodities leads, ahead of influential data out of China.

China's December quarter **GDP**, December industrial production, fixed assets investment and retail sales are anticipated **1pm** AEDST.

Also, come Monday's trade, the US will have a new president, following tonight's (early tomorrow AEDST) inauguration of Donald Trump.

In overnight commodities trade, **gold** continued lower. **Oil** turned higher. **Copper** and **iron ore** pulled back.

The **\$A** effectively market time after rising to ~US75.60c yesterday evening.

Locally today, CBA's December business sales indicator, based on card transactions, is due.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	19732	-72	-0.4
S&P 500	2264	-8	-0.4
NASDAQ	5540	-16	-0.3
FTSE 100	7208	-39	-0.5
DAX 30	11597	-3	-0.0
Shanghai Comp	3101	-12	-0.4

Overseas Markets Commentary

Major European and US equities markets traded lower, amid weak financial sector sentiment and political caution on both sides of the Atlantic, and despite some positive economic indicator reports.

The **European Central Bank** (ECB) convened a policy meeting, keeping all rates and programs in place.

President Mario Draghi deflected criticism that policy was not yet being tightened, stating the bank was not convinced of any upward trend in underlying inflation.

The euro consequently turned lower against the \$US.

In **US** data releases, December housing starts were reported 11.3% higher, and for 2016, to have improved 4.9%.

Building approvals pulled back 0.2%, however, largely due to a drop in apartment-style applications.

Weekly new unemployment claims fell by 15,000, following expectations of a rise. The four-week moving average fell 10,250 to the lowest tally in ~33 years.

China – December quarter **GDP**; December industrial production, fixed assets investment and retail sales due **1pm** AEDST.

* Mineral exploration listing **11am** AEDST – **DAV** *

Today's Stock Watch

Commonwealth Bank of Australia (CBA) / Westpac Banking Corporation (WBC) / Australia & New Zealand Banking Group (ANZ)

Citigroup has placed a 'sell' on CBA and WBC, and cancelled ANZ buy advice in favour of a neutral rating.

Sydney Airport (SYD)

SYD says it has achieved the best passenger growth in six years during 2016, the combined domestic and international tally growing 5.6% to 41.87M. Domestic passenger numbers increased by 3.8% and international 8.9%. Nationality and December quarter statistics also lodged this morning.

Macquarie Atlas Roads (MQA)

December quarter weighted average toll revenue grew 4.6% and traffic 3.1% year-on-year. During 2016, the respective increases came in at 5.4% and 3.7%. Details lodged this morning.

CSL Ltd (CSL)

Credit Suisse has re-rated CSL as outperform, from neutral and raised its price target 8.6% to \$119.50. CSL traded at \$106.76 - \$111.50, closing at \$111.50 after an outlook upgrade.

Sims Metal Management (SGM)

Credit Suisse has reassessed SGM as underperform, from neutral. Citigroup has cancelled its SGM buy recommendation, assigning a neutral rating.

Resources

BHP Billiton (BHP)

The Samarco JV has agreed an ~\$US735M preliminary deal with the Federal Prosecutors' Office, Brazil, regarding the November 2015 Samarco Fundao tailings dam failure. Details lodged post-trade yesterday. A final settlement is anticipated by 30 June.

Alumina Ltd (AWC) / AGL Energy (AGL)

Full operations at the Portland aluminium smelter, held 40% by AWC and 55% by Alcoa of Australia, will be restored following a 1 December power outage which reduced capacity to 30%. AGL has secured a 501MW four-year electricity supply agreement with the JV partners, commencing August. AGL says thermal and renewable fuel sources will be involved in the supply, which represents ~10% of the electricity generated within Victoria.

Davenport Resources (* DAV)

Mineral exploration company scheduled to list 11am AEDST following a \$5.1M IPO at 20c per share. Focusing on potash territory in Germany, but also retaining some of the former Arunta Resources Northern Territory assets.

Energy

Santos Ltd (STO) / Horizon Oil (HZN)

STO sold a record 84.1MMboe during 2016, 31% more than for 2015. Sales revenue grew 6.2%. Record 61.6Mmboe production represented a 7% increase. Meanwhile, UBS has cancelled a STO buy recommendation, in favour of a neutral assessment. UBS has similarly downgraded HZN.

The Philadelphia Fed manufacturing activity index was estimated 3.9 points higher for the month.

Tonight in the US, Donald Trump is due be inaugurated as the nation's **new president** (early Saturday AEDST).

Federal Reserve chair Janet Yellen is speaking publicly for the second time this week.

General Electric, Schlumberger and Tokyo Steel are among companies scheduled to report today and tonight.

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Feb)	1202	oz	-10	-0.9
Silver (NY) (Mar)	17.0	oz	-0.2	-0.8
Gold (LON)	1196	oz	-19	-1.5
Platinum	956	oz	-5	-0.5
WTI Crude (Feb)	51.4	bbl	0.3	0.6
Brent Crude (Feb)	54.2	bbl	0.24	0.4
Iron Ore (China port)	81.0	t	-1.1	-1.4
Copper (LME)	5740	t	-30	-0.5
Nickel	9925	t	-250	-2.5
Aluminium	1826	t	-9	-0.5
Lead	2285	t	-22	-1.0
Zinc	2769	t	-7	-0.3
Tin	20750	t	-350	-1.7
CBT Wheat (Mar)	4.24	bshl	-0.08	-1.7

Commodities Commentary

Oil – comparative **\$US** strength reportedly constrained overnight price gains.

The (US) **EIA** weekly petroleum inventories report revealed domestic refineries had pulled back on production and crude stockpiles had consequently grown. Stored petrol also rose, however, to a record for this time of year.

In the meantime, **OPEC** secretary general Mohammed Barkindo claimed a minimum 270MMbbl drop in global crude stocks was required before any claims of markets becoming balanced could be considered legitimate.

The International Energy Agency (**IEA**) warned against guessing the outcome of the OPEC agreement to cut output for six months, but repeated its claim that global demand continued to rise, albeit modestly.

February WTI options expired overnight. The March contract settled at \$US52.12/bbl, 0.4% higher for the session.

A weekly US petroleum drill rig report is due tonight.

Gold – uncertainty regarding the number of US rate rise increases over any given period dampened gold sentiment, as did some positive US data and an appreciating \$US.

Base metals – cautious trade reported overnight.

GDP, fixed asset investment, industrial production and retail sales reports, anticipated out of China today, will influence at least some of tonight's trade.

LME warehoused *copper* was reported 20% lower over a month.

Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.7558	-0.0002	-0.02
EUR – USD	1.0662	-0.0001	-0.01

Pre-Open Announcements

Aurora Labs (↓ **A3D**) / WorleyParsons Ltd (**WOR**)

Non-binding term sheet negotiated for a potential JV commercialisation of A3D's 3D metal printers. Details lodged this morning. The term sheet will remain effective for 12 months.

OrotonGroup Ltd (↑ **ORL**)

Revising anticipated 1H FY 2017 EBIDTA to \$4.5M - \$5.0M, following \$8.9M for 1H FY 2016. Like-for-like sales are down 10% for the year-to-date, against a 10% improvement a year ago. Planning to release interim results 28 March and to provide a further update.

Resources

Doray Minerals (* **DRM**)

DRM non-executive director and interim DRM MD Leigh Junk has been appointed MD, effective today. Mr Junk is well-known within Western Australia as one of the co-founders of Donegal Resources in 2000.

Alkane Resources (* **ALK**)

Tomingley gold project extension drilling has delivered encouraging results regarding potential for both the Wyoming One and Caloma open pits. Assays lodged this morning.

Capral Aluminium (CAA)

\$50.5M refinancing deal secured.

Energy

Paladin Energy (** **PDN**) / MGT Resources (MGS)

MGS has secured shareholder approval to pay \$A10M cash for 30% of PDN's Manyingee uranium project. Other conditions are yet to be satisfied, but closure is anticipated late March – early April.

Yancoal Australia (YAL)

Produced 21% more (attributable) coal during the December quarter than a year ago, and sold 25% more. Details lodged post-trade yesterday.

Trading Halts

Company	Code	Resuming
Boss Resources	BOE	20 Jan
Cynata Therapeutics	CYP	23 Jan
Hill End Gold	HEG	23 Jan
Leaf Resources	LER	23 Jan
Norwood Systems	NOR	23 Jan
Protean Energy	POW	23 Jan

Suspensions (selected)

Company	Code	Since
Kimberley Diamonds	KDL	19 Jan
Pura Vida Energy	PVD	18 Jan
Skyland Petroleum Group	SKP	12 Jan

**Australian Data Today**

CBA Business sales indicator Dec

Overseas Data Today & Tonight

China	GDP	DecQ
China	Industrial production	Dec
China	Fixed assets investment	Dec
China	Retail sales	Dec
Japan	Department store sales	Dec
Japan	Employment (final)	Nov
UK	Retail sales	Dec

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Ex-Dividends

Code	Ex-Div	Div (c)	Fr (%)	Yield (%)
MIR	Mon	3.5	100	3.39
OZG	1 Feb	0.25	100	2.94
WIC	1 Feb	3	100	5.91
BKI	10 Feb	3.6	100	4.39

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