

Tuesday 20 June 2017

Markets

SFE 200 Futures (9.30am AEST)	5751	8	0.14
NZX 50	7602.5	10.56	0.14
DJIA Futures	21469	8	0.04
S&P 500 Futures	2448.5	1	0.04
NASDAQ Futures	5770.75	4.75	0.08

Local Markets Commentary

The Australian market is set to open little changed as a rise in the spot price of iron ore is offset by a fall in oil.

Supermarket owners and major retailers provided plenty of drag to the ASX yesterday, but it managed to close in the black after strong bank buying.

The market had closed before credit rating agency Moody's has downgraded Australia's big four banks.

Following Standard and Poor's (S&P) decision to downgrade the credit ratings of 23 Australian financial institutions in May, Moody's Investor Services has followed suit, lowering the ratings of 12 lenders on the back of what it describes as "elevated risks" in Australia's household sector.

Unlike S&P, Moody's decided to downgrade not only smaller lenders, but also Australia's largest banks.

In overnight commodities trade, oil faltered, with the price of US oil falling below \$US45 a barrel, amid renewed concerns that US output is set to continue to rise, negating efforts by OPEC to rein in global production and the lingering global glut.

Zinc prices touched a two-week high as expectations of stronger demand from steelmakers rose and inventories on the London Metal Exchange hit nine-year lows.

Copper prices closed up 1.2%, helped by news and data from China indicating stronger demand for the commodity used in construction and power.

The **\$A** is trading at US76c.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	21528.9	144.71	0.67
S&P 500	2453.46	20.31	0.835
NASDAQ	6239.01	87.25	1.42
FTSE 100	7523.81	60.27	0.81
DAX 30	12888.95	136.22	1.07
Shanghai Comp	3144.37	21.21	0.68

Overseas Markets Commentary

Wall Street advanced overnight, touching fresh highs, as some of the big techs rebounded after recent losses.

The Nasdaq 100 Index jumped the most since November, as large-cap tech stocks rebounded from two weeks of declines.

Apple surged nearly 3%, pacing some of the year's highest fliers - though the tech indexes remain about 2 per cent below records achieved earlier this month.

**** Moody's downgrades Australia's big four banks and smaller lenders on the back of what it sees as "elevated risk" in the household sector ****

RBA minutes of the June board meeting will be released today

* 11am AEST *

Today's Stock Watch

★ Air New Zealand (AIZ)

AIZ said this morning it had signed four contracts with the US Navy worth up to \$42 million to service its fleet's gas turbine engines over the next few years. The airline also announced it had carried 1,165,000 passengers during May, an increase of 8.7% on the same period last year.

Austal (ASB)

ASB has delivered the first of two 30m high-speed passenger ferries to the 2Go Group, on-time and on-budget in the Philippines. Austal was awarded the A\$13 million contract for the Incat Crowther designed catamarans in June 2016 and construction has been completed at the Austal Philippines shipyard in Balamban, Cebu.

Resources

Thundelarra (THX)

THX and Sandfire Resources NL (SFR) have signed a Letter Agreement to accelerate exploration at the Red Bore Project, which is adjacent to Sandfire's operating DeGrussa copper-gold mine. Successful exploration, resulting in a JORC 2012 compliant resource of at least 30,000t of contained copper metal or copper equivalent, will earn Sandfire 75% of Red Bore.

Energy

Boss Resources Limited (BOE)

BOE has announced it has completed the planning and design activities for the Field Leach Trial at its Honeymoon Uranium Project in South Australia. CEO, Mr Duncan Craib said the commencement of the trial represented another key milestone in the endorsement of the Honeymoon Project as the company advances towards production.

Pre-Open Announcements

MGC Pharma (MXC)

MXC has announced it has signed a binding agreement with leading laboratory supplier Mikro+Polo, making it the sole and exclusive provider with the right to sell, market and distribute upcoming MGC Pharmaceutical branded cannabis APIs to all new Mikro+Polo government tender customers across Slovenia, Croatia and Bosnia.

Resources

BBX Minerals (BBX)

BBX has announced "exceptional results" of initial metallurgical testing from the Company's Tres Estados Gold Project in Brazil. Results from hydrometallurgical extraction test work undertaken on a 5kg bulk surface sample at e-Recicia Ltda precious metals refinery indicate "exceptional" levels of precious metals can be recovered by relatively simple refining techniques.

US Treasuries fell after New York Fed boss William Dudley said halting the tightening cycle now would imperil the US economy.

While uncertainty hangs over both UK leadership and the outlook for Brexit negotiations, in France stocks outperformed upbeat **European indices** on Monday following a convincing parliamentary victory for President Emmanuel Macron.

France's blue-chips gained nearly 1% after Macron cemented an overwhelming parliamentary majority, further increasing his party's capacity to push through reforms.

Banks BNP Paribas, Societe Generale and Credit Agricole underpinned gains on the index.

Asian shares climbed as Chinese companies advanced in Hong Kong and Shanghai ahead of MSCI Inc's decision expected on Tuesday on whether to add A-shares to its global indexes, while the weaker yen supported Japanese equities.

China Evergrande Group jumped 7.8% in Hong Kong as government data showed new home prices rising in 56 of 70 Chinese cities in May.

Foxconn Technology jumped 6% ahead of its AGM this week, following China Evergrande and Travelsky Technology's 8.6 per cent surge.

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Aug)	1245.2	oz	-11.3	-0.89
Silver (NY) (Jul)	16.46	oz	-0.19	-1.17
Gold (LON)	1251.1	oz	-5.5	-0.44
Platinum	925	oz	-1.8	-0.19
WTI Crude (Jul)	44.33	bbl	-0.64	-1.42
Brent Crude (Aug)	46.9	bbl	0.1	0.214
Iron Ore (CHN port 62%)	56.5	t	0.5	0.89
Copper	5702.75	t	63.75	1.13
Nickel	8952.5	t	69.75	0.785
Aluminium	1874.5	t	18.5	0.1
Lead	2107	t	16	0.76
Zinc	2544.75	t	32.5	1.29
Tin	19675	t	-120	-0.6
CBT Wheat (Jul)	483	bshl	1.5	0.3115

Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.7599	0.0001	0.01
EUR – USD	1.1151	0.0003	0.023

Australian Data Today

ABS	Established house price index	June
-----	-------------------------------	------

Other Overseas Data Today

NZ	Consumer confidence	June
----	---------------------	------

Need More Information?

Contact your State One Stockbroking advisor on 08 9288 3388 or 1300 651 898, or by email, advice@stateone.com.au.

Pilbara Minerals Limited (PLS)

PLS has successfully raised A\$80m in heavily oversubscribed placement to finalise Pilgangoora Lithium – Tantalum mine in WA.

Lepidico (LPD)

Brisbane and Perth-based LPD has advised that the second stage of drilling at the Lemare property in Quebec, Canada, has commenced. This work is part of a proposed 1,500 m drilling program to investigate the SW extension of the Lemare spodumene pegmatite, following up on the positive results obtained during the Stage 1 campaign in 2016. This work will potentially allow for the delineation of a JORC Code-compliant mineral resource at Lemare on its completion.

Energy

Cooper Energy (COE)

Following its announcement about Callawonga-16 last week, COE advises that Callawonga-17, an appraisal and development well drilled by the PEL 92 Joint Venture in PPL 220, will also be cased and suspended as a future oil producer. Cooper Energy holds a 25% interest in the PEL 92 Joint Venture with the balance held by the Operator, Beach Energy Limited.

Trading Halts

Company	Code	Resuming
Thundelarra Limited	THX	20 Jun
Oilex	OEX	21 June
Truscott Mining Corporation	TRM	21 June

Suspensions (selected)

Company	Code	Since
Nido Petroleum	NDO	21 June
Tychean Resources Ltd	TYK	19 June

Disclaimer / Disclosure / General Advice Warning / Confidentiality Notice

This morning note and its contents at all times remain the property of State One Stockbroking Ltd ("State One") and as such cannot be reprinted, distributed, copied, posted on the internet, in part or whole, without written prior approval from State One.

The contents of this document constitute General Advice and have been prepared without taking account of your investment objectives, financial situation or needs. Because of that you should, before taking any action to acquire or deal in, or follow a recommendation (if any) in respect of any of the financial products or information mentioned in this document, consult your own investment advisor to consider whether that is appropriate having regard to your own objectives, financial situation and needs.

While State One believes information contained in this document is based on information which is believed to be reliable, its accuracy and completeness are not guaranteed and no warranty of accuracy or reliability is given or implied and no responsibility for any loss or damage arising in any way for any representation, act or omission is accepted by State One or any officer, agent or employee of State One. If applicable, you should obtain the Product Disclosure Statement relating to any relevant financial product mentioned in this document (which contains full details of the terms and conditions of the relevant financial product) and consider it before making any decision about whether to acquire the financial product.

The directors and associated persons of State One may have a long or short interest in the financial products discussed in this document and they may earn brokerage, commissions, fees and advantages, pecuniary or otherwise, in connection with the making of a recommendation or dealing by a client in such financial products. Additionally, State One may earn fees due to having been appointed advisors to, or may be undertaking or about to commence research relating to, any of the companies mentioned herein.