

Friday 20 July 2018

Markets

SFE 200 Futures (9.30am AEST)	6201	-11	-0.2
NZX 50	8916	-2	-0.0
DJIA Futures	25073	14	0.1
S&P 500 Futures	2808	3	0.1
NASDAQ Futures	7390	22	0.3

Local Markets Commentary

The Australian market commences Friday trade on minimal overnight trade support, with a dearth of influential economic indicators due today and tonight, but with a pre-trade CPI update from Japan.

In overnight commodities trade, **Brent** crude pulled back, but WTI continued higher.

US **gold** futures settled lower again.

Iron ore (China port, 62% Fe) rose by US1c.

LME **copper** and other key base metals fell.

The **\$A** retook US73.55c after falling below US73.50c early yesterday evening.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	25065	-135	-0.5
S&P 500	2804	-11	-0.4
NASDAQ	7825	-29	-0.4
FTSE 100	7684	8	0.1
DAX 30	12686	-80	-0.6
Shanghai Comp	2773	-15	-0.5

Overseas Markets Commentary

Major European and US equities markets headed lower on opening overnight, the FTSE 100 the only major index to chop its way to a positive close as the British pound traded at its least against the \$US in 10 months.

For his part, **US** president Donald Trump seemingly pushed the \$US lower during US trade by bemoaning US interest rate rises and associated \$US strength.

In the meantime, US bond yields were at 11-year lows, also impacting financial sector sentiment, and a proposed change to foreign investment legislation was introduced in the US Senate.

Earlier, **China** called out a US official for blaming president Xi Jinping for the US and China failing to resolve trade issues.

Meanwhile, the yuan traded at 12-month lows against the \$US.

US international trade push 'n shove continued with the US president reacting to **European Union** regulators imposing a €4.3B penalty on Google and appearing to threaten retaliation.

New US data releases bolstered early \$US strength, weekly new unemployment claims falling by more than anticipated, to an almost five-decade low.

The Philadelphia Fed manufacturing index strengthened 5.8 points to 25.7, after dropping to

Japan - CPI 9.30am AEST

*** Industrial listing 11am AEST - CXL ***

Today's Stock Watch

Tabcorp Holdings (TAH)

Paying News UK £39.5M to exit the TAH-News UK Sun Bets operating partnership in place since 2016.

TAH expects a \$91M post-tax FY 2018 adverse Sun Bets impact including the final payment and asset impairments.

Sun Bets closure costs of up to \$10M are also likely during FY 2019.

Sydney Airport (SYD)

June passenger numbers grew 1.8%, boosted by a 5% increase in international passengers. For the year-to-date, passenger numbers are up 3.3%.

Milton Corporation (MLT)

6.2% higher, \$130.0M full year NPAT. 6.4% higher, \$136.9M operating revenue. 10.2c fully franked final dividend, up 2%. AGM scheduled for 11 October.

Isentia Group (ISD)

ISD has appointed Gilead Capital founding partner and research director Justin Kane and former Kantar Insights (WPP) CEO Travyn Rhall as non-executive directors, effective today.

Geoff Raby is retiring from the ISD board today.

Xero Ltd (XRO)

Strategic alliance secured with US payroll specialist Gusto, under which XRO's system will be integrated into Gusto's.

Calix Ltd (CXL)

Scheduled to list 11am AEST following an \$8M IPO at 53c per share. CXL describes itself as a 'sewer smell eradicator'.

102.977M quoted securities.

Resources

RIO Tinto (RIO)

Should 33.5%-RIO company Oyu Tolgoi Llc reject any conforming bid for the Mongolia Oyu Tolgoi power station EPC, from one of three Chinese State-owned contractors, the company must pay \$US500,000 to the bidder.

Lynas Corporation (LYC)

Produced a record 4804t of REO and 1447t of NdPr during the June quarter.

Invoiced sales revenue rose 7% for the quarter to \$A91.7M.

Mt Gibson Iron (MGX)

Sold 1Mt of iron ore during the June quarter, for \$45M FOB revenue.

Energy

Oil Search (OSH) / Santos Ltd (STO)

The PNG LNG project JV has secured a three-year agreement to supply PetroChina International (Hong Kong) with 0.45Mtpa of LNG from this month.

Contracted project volumes have reached 7.0Mtpa, under agreements including with CPC, JERA, Osaka Gas and Sinopec. OSH 29%; STO 13.5%.

an ~1.5-year low in June.

In the **UK**, June retail sales disappointed, falling 0.5% for the month following a 1.4% improvement in May and forecasts of a further 0.2% rise. Year-on-year, sales came in 2.9% higher, against 4.1% for May.

The British pound subsequently traded sub-\$US1.30.

Tonight in the US, no major economic indicators are due.

Companies due to report earnings tonight include Baker Hughes, General Electric, Honeywell and Schlumberger.

In overnight corporate news, **Comcast** announced it would discontinue its competing bid (against **Walt Disney**) for the entertainment assets of **Twenty-First Century Fox**, and instead concentrate on acquiring 61% of 21st Century Fox's 39%-held **Sky** Plc.

eBay reported post-US Wednesday trade, and dropped 10% overnight on a softer-than-anticipated earnings outlook.

Microsoft has reported this morning, post-US trade. Its earnings have surpassed forecasts, so the stock is expected to appreciate tonight.

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Aug)	1222	oz	-5	-0.3
Silver (NY) (Jul)	15.3	oz	-0.3	-1.7
Gold (LON)	1225	oz		
Platinum	805	oz	-12	-1.5
WTI Crude (Aug)	69.5	bbl	0.7	1.0
Brent Crude (Sep)	72.6	bbl	-0.3	-0.4
Iron Ore (CHN port 62%)	65.25	t	0.01	0.0
Copper (LME, 3mth, PM)	6065	t	-85	-1.4
Nickel	13340	t	-275	-2.0
Aluminium	2001	t	-26	-1.3
Lead	2116	t	-54	-2.5
Zinc	2546	t	-54	-2.1
Tin	19495	t	20	0.1
CBT Wheat (Jul)	5.04	bshl	0.1	2.0

Commodities Commentary

Oil – prices again waxed and waned overnight on a cocktail of influences: **Saudi Arabia** suggesting it would export less crude (by up to 100,000bbl/d) in August; reports emerging that **Russia** used stored crude to bolster June output numbers, and perhaps also first-half July figures; some refineries in **China** reported to be trimming activity; a resolution to offshore **Norway** industrial action; and **\$US** vacillations.

Saudi Arabia's 458,000bbl increase in June daily production had earlier this week been reported to have partly come from stockpiles.

Brent crude and WTI ultimately diverged, after WTI had traded as high as \$US70.17/bbl and Brent at \$US73.79/bbl.

A US petroleum rig count is due tonight.

Gold – the \$US index traded at 12-month highs before being pushed lower, seemingly by comments from the US president. The move lower helped gold push of session lows.

Meanwhile, the World Gold Council (WGC) acknowledged this year's \$US strength, risk appetite among equity investors, and relatively weak

Pre-Open Announcements

Charter Hall Long WALE REIT (* CLW)

Paying \$66.5M for a 50% interest in a Brisbane office building. The Charter Hall Direct PFA Fund is paying an equivalent amount for the balance 50%.

Resources

Silver Lake Resources (** SLR)

Produced 157,936oz of gold during the year to 30 June, 16% more than for FY 2017. The AISC fell 5% to \$A1289/oz.

Sold 151,250oz at \$A1684/oz. 129,000oz remain hedged at \$A1726/oz.

\$A105.7M cash and bullion.

Expecting to sell 140,000oz – 150,000oz during FY 2019. AISC is anticipated at \$A1350/oz - \$A1390/oz.

Red 5 (RED)

Produced 18,719oz of gold during the June quarter at a \$A1496/oz AISC. Sold 18,497oz.

Egan Street Resources (EGA)

WA Rothsay gold project DFS statistics lodged post-trade yesterday, including a \$36.1M capex, capital payback within 1.5 years of production, and 57% IRR.

Targeting first production by the end of 2019.

EGA added 10.2% to trade at 27c yesterday before calling a trading halt.

Resuming trade at market open today.

A-Cap Resources (ACB)

Withdrawing the \$A4M fully-underwritten rights issue due to close 24 July (Tuesday next week).

Underwriter Jianguo Shenguan Resources Group Co determined it would not be able to secure a 'certificate of overseas investment' by the closing date of the offer.

Reports & Events

(selected scheduled)

When	Company	Report/Event
Today	LYC	Jun Q
	MLT	Full year
	SYD	Jun
Tue	ALX	Jun Q
	AIA	Jun
	ILU	Jun Q
	SXY	Jun Q
Wed	SBM	Jun Q
Thu	FMG	Jun Q
	NCM	Jun Q
	MQG	AGM
	OGC	Jun Q

Trading Halts

Company	Code	Resuming
Rey Resources	REY	20 Jul
Sequoia Financial Group	SEQ	20 Jul
Dotz Nano	DTZ	23 Jul



physical gold demand, but promoted gold as being at a good entry price given the expected longer term appreciation for the precious metal.

Base metals – demand concerns and an early yet stronger \$US again impacted base metals sentiment.

China's yuan traded at one-year lows against the \$US and the British pound at a 10-month low.

In the meantime, **China** criticised the US, the People's Bank of China was reported to be further bolstering commercial lenders' liquidity, and Jiangxi Copper Co revealed three executives had departed from the State-operated company.

Yesterday, **Japan** reported a 6.7% year-on-year rise in June exports and 2.5% increase in imports, following respective 8.1% and 14% growth in May.

Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.7358	0.0003	0.04
EUR – USD	1.1650	0.0007	0.06

Overseas Data Today & Tonight

Japan	CPI	Jun
Japan	All industry activity index	May
UK	Public sector finances	Jun
Germany	Producer prices	Jun

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Indoor Skydive Australia	IDZ	23 Jul
Classic Minerals	CLZ	24 Jul

Suspensions *(select)*

Company	Code	Since
American Patriot Oil & Gas	AOW	18 Jul
Centennial Mining	CTL	25 Jun
Connected IO	CIO	19 Jul
Crowdspark Ltd	CSK	6 Jul
Genera Biosystems	GBI	4 Jul
JustKapital Ltd	JKL	19 Jul
Novita Healthcare	NHL	19 Jul
Vector Resources	VEC	6 Jul
WPG Resources	WPG	27 Jun

Ex-Dividends

Code	Ex-Div	Div (c)	Franking (%)	Yield (%)
EZL	Today	9.25	100	8.15
KAT	Mon	1	100	3.57
MIR	Thu	8.5	100	3.61

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