

Wednesday 21 November 2018

Markets

SFE 200 Futures (9.30am AEDT)	5613	-65	-1.1
NZX 50	8701	-19	-0.2
DJIA Futures	24418	-19	-0.1
S&P 500 Futures	2640	-56	-2.1
NASDAQ Futures	6533	-139	-2.1

Local Markets Commentary

The Australian market commences mid-week trade on continuing negative international equities leads, and overnight price falls for most key metals, ahead of an early close tonight for US markets, the US Thanksgiving holiday tomorrow and another early US close Friday.

Overnight, **Reserve Bank of Australia** (RBA) governor Philip Lowe confirmed domestic rates would likely remain low for some time, but that the next move was more likely up than down.

Locally **today**, another batch of large-cap domestic stocks host **AGMs** and provide updates, including **WOW**. Please see pp2-3 for a detailed list.

Meanwhile, **WES's** demerged **Coles** will commence trading under the code **COL 11am** AEDT.

In addition, Westpac and the Melbourne Institute are due to publish their monthly leading indicators report, 10.30am AEDT.

A monthly skilled vacancies report is also expected this morning.

In overnight commodities trade, **oil** slid.

US (December) **gold** futures were also pushed lower, but modestly so.

Iron ore (China port 62% Fe) turned and fell.

LME **copper** also swung lower, and **nickel** continued so. **Aluminium** turned higher.

The **\$A** fell to ~US72.20c after dropping to ~US72.55c early yesterday evening.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	24466	-552	-2.2
S&P 500	2642	-49	-1.8
NASDAQ	6909	-120	-1.7
FTSE 100	6948	-53	-0.8
DAX 30	11066	-178	-1.6
Shanghai Comp	2646	-58	-2.1

Overseas Markets Commentary

Major European and US equities markets dropped on opening overnight, subsequently failing to achieve meaningful recovery despite some volatility across several indices.

The International Energy Agency (IEA) warned of **oil** market 'unprecedented uncertainty' as oil prices tumbled.

The **\$US**, having weakened early, swung 0.7% higher, bond prices also strengthening.

US **tech** stocks continued out of favour and a string of retail results and outlooks disappointed.

* Coles listing **11am** AEDT – **COL** *

Today's Stock Watch

Trade Me Group (↓ TME)

Apax Partners is conducting TME exclusive due diligence after presenting TME with a \$NZ6.40-per-share takeover proposal. TME traded at \$A4.75 - \$A4.88 on the ASX yesterday.

The Reject Shop (↓ TRS)

Allensford Unit Trust is offering an unconditional \$2.70 cash-per-share for the balance of TRS. TRS has traded at \$2.335 - \$2.43 for the week to date.

APA Group (APA)

The Australian Government has confirmed it will not approve the CKI consortium bid to acquire APA. APA has subsequently confirmed FY 2019 \$1.55B - \$1.575B EBITDA guidance

Coles Group (COL) / Wesfarmers Ltd (WES)

COL shares are scheduled to commence ASX trade **11am** AEDT following the Coles demerger from WES.

COL trading will commence on a deferred settlement basis.

Normal (T+2) trade is expected to commence 29 November.

1.33B quoted COL securities.

WES Retail holds ~15% (indicative); Australian Foundation Investment Company (ASX: AFI) 0.5%; Argo Investments (ASX: ARG) 0.38%; AMP (ASX: AMP) Life 0.27%; Milton Corp (ASX: MLT) 0.21%; IOOF (ASX: IFL) Investment Management 0.19%.

Woolworths Ltd (WOW)

Trading update and any COL comments keenly anticipated at today's AGM. WOW has traded lower the past six trading sessions, settling yesterday at \$28.52.

Sonic Healthcare (SHL)

Confirming 3% - 5% FY 2019 EBITDA guidance. Today's AGM materials lodged. SHL has settled lower five of the past seven trading sessions.

CYBG Plc (CYB)

£145M full year net loss. 3.1p final dividend.

Full results report, plus presentation, lodged post-trade yesterday.

CYB hosted a webcast live presentation 7.30pm AEDT yesterday.

NZME Ltd (NZM)

Anticipating \$52M - \$56M 2018 EBITDA and \$100M net debt. September quarter advertising revenue fell 4%. Will not pay a final dividend. Planning to reduce debt by \$10Mpa - \$15Mpa. Debt facilities refinanced with a \$150M cap.

December quarter advertising bookings indicate an improvement from a year ago.

Energy

Woodside Petroleum (WPL)

WPL will supply a daily 125TJ of pipelined gas to Perdaman Chemicals & Fertilisers, for 20 years, from 2023, under a new agreement subject to several conditions.

Most gas is expected to come from the proposed Scarborough field development.

Perdaman plans to establish a 2Mtpa urea facility on the WA Pilbara's Burrup peninsula.

In addition, the US administration warned there would be no new promised tax relief, in particular favouring middle income earners, this year.

Late Monday, **China** accused US of 'blaze of anger' and 'boxing ring' type behaviour at the weekend's Asia Pacific Economic Cooperation (APEC) forum, further cementing views no serious trade relation progress may be possible by year's end, let alone at the 30 November – 1 December G20 leaders' summit.

Meanwhile, **Bank of England** (BoE) governor Mark Carney told UK parliamentarians that the draft plan for the UK's separation from the European Union (EU) was worthy, that business was not ready for a 'no-deal' scenario, and consequently a rejection of the plans, but withdrawal nonetheless occurring, would likely produce significant recession.

Dr Carney also promoted the draft's inclusion of a transition period.

Among **US** data releases, October building permits decline 0.6%, but housing starts rose 1.5%.

A Philadelphia Fed services sector conditions index added 5.7 to 43.3 after falling by 9.6 in October.

In other overnight data releases, **Germany's** October producer prices rose 0.3% following a 0.5% September gain. Year-on-year, prices were 3.3% higher.

Tonight in the US, a plethora of weekly and monthly economic data releases is due, ahead of and early close and Thursday's Thanksgiving public holiday.

These include October durable goods and existing home sales, weekly new unemployment claims and mortgage applications, a consumer sentiment update from the University of Michigan, and a Conference Board leading index.

Elsewhere, the European Commission is scheduled to respond to **Italy's** re-submitted proposed budget.

Meanwhile, some US retailers are expected to commence their 'Black Friday' sales promotions as early as tomorrow.

The sales are traditionally viewed as an indication of holiday season sales outcomes.

Companies expected to report earnings later today and tonight include: Air Asia X, Babcock, Deere & Co, Johnson Matthey, Thyssenkrupp and United Utilities.

In overnight corporate news, **US banks** were reported to have booked a combined \$US62B worth of September quarter profit, 29.3% more than a year earlier. Tax breaks and increased operating revenues were cited by the Federal Deposit Insurance Corporation as the major buoys.

Meanwhile, US retailers **Target** and **Kohl's** were pushed ~10% lower after undershooting quarterly expectations and/or full year outlooks.

Home improvement retailers also disappointed.

US markets are scheduled to close early tonight, and be closed Thursday, due to the Thanksgiving holiday. They will also close early Friday.

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Dec)	1221	oz	-4	-0.3
Silver (NY) (Dec)	14.3	oz	0.1	-0.8
Gold (LON)	1222	oz	-0.8	-0.1

Pre-Open Announcements

Webjet Ltd (WEB) / NRW Holdings (NRW)

Today's AGM materials lodged.

Genworth Mortgage Insurance Australia (* GMA) / National Australia Bank (NAB)

GMA lenders' mortgage insurance supply and service contract renewed with NAB for two years.

Stockland (SGP)

Selling the Bathurst and Caloundra South shopping centres for a combined \$113M.

CIMIC Group (* CIM) / UGL Ltd (* UGL)

CI's CPB Contractors and UGL have won a \$1.376B Sydney public transport project contract. Work commences this year and continues until 2024.

Quickstep Holdings (* QHL)

QHL is anticipating providing Northrop Grumman with component parts for the F-35 fighter jet development program through to the 2030s, following a F-35 US Department of Defense supply contract secured by lead manufacturer Lockheed Martin last week. QHL says 65% of its income currently comes from its F-35 supply business.

Crown Ltd (CWN)

Confirming the appointment of John Poynton AO as a non-executive director, following receipt of regulatory approvals. CWN announced the appointment 2 May.

Bell Financial Group (BFG)

Non-executive director Brenda Shanahan has resigned following almost 6.5 years on the BFG board.

Shekel Brainweigh (* SBW)

Digital weighing specialist completed a successful ASX listing yesterday following a \$10.15M IPO at 35c per share.

Opened at 35c and traded as high as 40c before settling at 37c. ~400,000 shares changed hands across 53 transactions.

139M quoted shares. Dave Sharma non-executive chair.

Resources

TNG Ltd (* TNG)

London mining investment conference presentation lodged this morning. The two-day conference concludes tonight.

Energy

Bounty Oil & Gas (* BUY)

South-west Queensland Cooroo North West 2 logging has boosted expectations the well will produce oil, perhaps from two zones.

BUY 2%.

Buru Energy (BRU)

Onshore WA Canning Basin Ungani 4ST1 drilling set to recommence.

BRU and Roc Oil each 50%.

Reports & Events

(selected scheduled)

When	Company	Report/Event
Today	CMW	AGM
	GOZ	AGM



Platinum	840	oz	-11	-1.3
WTI Crude (Dec)	53.4	bbbl	-3.8	-6.6
Brent Crude (Jan)	62.5	bbbl	-4.3	-6.4
Iron Ore (CHN port 62%)	74.65	t	-1.4	-1.9
Copper (LME,3mth,PM)	6184	t	-75	-1.2
Nickel	11095	t	-85	-0.8
Aluminium	1940	t	6	0.3
Lead	1961	t	-41	-2.1
Zinc	2551	t	-49	-1.9
Tin	19400	t	-200	-1.0
CBT Wheat (Dec)	5.09	bshl	-0.02	0.4

Commodities Commentary

Oil – prices headed lower early amid relatively high-volume trade ahead of tomorrow's US Thanksgiving holiday, when US markets are closed, and tonight and Friday night's early closures.

The **International Energy Agency** (IEA) warned of 'unprecedented uncertainty' for energy markets, listing delicate international economics and brittle geopolitics as key factors creating supply and demand apprehension.

IEA executive director Fatih Birol described global spare production capacity as 'very thin', and urged OPEC members to consider carefully when deliberating policy at the 6 December meeting.

In addition, the **US** president confirmed relations would remain status quo with major oil producer **Saudi Arabia**.

Further, the US administration claimed an **Iran-Russia** shipping network had been supplying oil to **Syria**, with funds supporting militant groups in **Lebanon** and **Gaza**.

Weekly US petroleum inventories are due tonight from government agency the EIA.

Gold – overnight sentiment impacted by general risk-off equities sentiment, plummeting oil prices and strength.

Tonight's traders face a swag of US data releases, but also an early close, leading into tomorrow's Thanksgiving public holiday (markets closed) and Friday's early close.

Base metals – LME copper was pushed lower overnight following five sessions of gains, amid China-US trade tensions and warnings, ahead of US Thanksgiving trading interruptions, and as the \$US strengthened from early relative weakness.

In corporate news, Vale's Brazil Onca Puma *nickel* and *iron* mining was revealed to have been suspended under court order.

Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.7209	-0.0009	-0.12
EUR – USD	1.1370	-0.0001	-0.01

Australian Data Today

Wstpc/MI	Leading index	Oct
DeptofJobs	Skilled vacancies	Oct

US Data Tonight

Durable goods orders	Oct
Existing home sales	Oct

NWH	AGM
PPC	AGM
REA	AGM
SCP	AGM
SVW	AGM
SHL	AGM
VRT	AGM
WEB	AGM
WTC	AGM
WOW	AGM

Tomorrow

BCI	AGM
CAB	AGM
EVN	AGM
GBG	AGM
MML	AGM
MIN	AGM
PRY	AGM
QUB	AGM
RXM	AGM
SAR	AGM
WSA	AGM

Fri

AHG	AGM
BPT	AGM
BSL	AGM
HIL	AGM
IGO	AGM
IPH	AGM
KMD	AGM
OEC	AGM
ORE	AGM
PRU	AGM
QMS	AGM
RRL	AGM
VRL	AGM
WEC	AGM

Mon (26 Nov)

AIA	Investor day
FPH	Interim

Tue

AGI	AGM
BKW	AGM
HVN	AGM
LYC	AGM
RIC	AGM
SEK	AGM

Trading Halts

Company	Code	Resuming
Growthpoint Properties Australia	GOZ	21 Nov
Ironbark Zinc	IBG	21 Nov
Riversgold Ltd	RGL	21 Nov
NTM Gold	NTM	22 Nov
Rightcrowd Ltd	RCW	22 Nov
Tag Pacific	TAG	22 Nov
Todd River Resources	TRT	22 Nov



Initial jobless claims	17Nov
Uni of Michigan consumer sentiment (final)	Nov
MBA mortgage applications	16Nov
Conf Board leading index	Oct

Other Overseas Data Today & Tonight

Japan	All industry activity index (3.30pm)	Oct
UK	Public sector finances	Oct

Need More Information?

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Suspensions *(select)*

Company	Code	Since
Birimian Ltd	BGS	15 Nov
Energy Technologies	EGY	12 Nov
Lindian Resources	LIN	5 Nov
Pelican Resources	PEL	31 Oct
RCR Tomlinson	RCR	14 Nov
VPCL Ltd	VPC	19 Nov

Ex-Dividends

Code	Ex-Div	Div (c)	Franking (%)	Yield (%)
IPL	Tomorrow	6.2	20	2.81
ZEL	Tomorrow	11.54	0	5.67
DLX	Fri	14	100	3.99
RHL	Fri	6	100	4.72
WHF	Fri	9.75	100	4.19
CIE	Mon (26 Nov)	1.55	50	7.28
IFT	Mon (26 Nov)	5.5	0	4.59
OFX	Tue	2.64	100	tbc
CVL	28 Nov	0.59	100	1.17
GNC	28 Nov	8	100	2.13
ALQ	29 Nov	11	20	tbc
GZL	29 Nov	10	100	5.14
TNE	29 Nov	8.16	75	tbc