

Thursday 25 May 2017

Markets

SFE 200 Futures (9.30am AEST)	5786	12	0.2
NZX 50	7430	8	0.1
DJIA Futures	21001	16	0.1
S&P 500 Futures	2404	2	0.1
NASDAQ Futures	5736	5	0.1

Local Markets Commentary

The Australian market commences today's trade on modest US equities gains, with scant commodities boost, and in the absence of major scheduled domestic or regional economic indicator reports.

In overnight commodities trade, **oil** pulled back. US **gold** futures settled lower again. LME **copper** swung lower. **Iron ore's** latest fall picked up pace.

The **\$A** was propelled beyond US75.00c after trading at ~US74.70c early yesterday evening.

Locally today, **BTT** trades ex-dividend following an overnight sell-down by Westpac (**WBC**).

Meanwhile, G7 leaders are preparing to commence this year's summit later tomorrow in Sicily.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	21012	75	0.4
S&P 500	2404	6	0.3
NASDAQ	6163	24	0.4
FTSE 100	7515	30	0.4
DAX 30	12643	-16	-0.1
Shanghai Comp	3064	2	0.1

Overseas Markets Commentary

US equities markets added to this week's gains overnight, after opening higher and recovering throughout from vacillations. Major mainland European markets headed lower early.

In the **US**, May **Federal Reserve** policy meeting minutes revealed differences regarding the timing of any new rate rises and also to changes to asset holdings.

April existing new home sales were reported 2.3% lower for the month, this mostly attributed to tight supply.

Weekly mortgage applications rose 4.4%, however.

Germany's GfK consumer sentiment index came in 0.2 higher for the month, at 10.4.

The European Central Bank's (**ECB**) financial stability review was generally viewed as positive in tone, but revealed some bond market concern. Speaking publicly, president Mario Draghi again pointed out that regional underlying inflation remained 'subdued'.

Tonight in the US, April trade balance and wholesale inventories, weekly new unemployment claims and another regional manufacturing index are due.

Later today, US president Donald Trump is due to meet in Brussels with the heads of the European Council and EU Commission, respectively Donald

RBA - deputy governor Guy Debelle is delivering the opening remarks at the London launch of the new forex global code, 6pm AEST.

Today's Stock Watch

BT Investment Management (↑ **BTT**) / Westpac Banking Corporation (WBC)

WBC has sold 60M BTT shares in an effort to boost the bank's common equity Tier 1 capital ratio by ~0.1%. The offer was fully-underwritten and attracted a top-of-range \$10.75 per share. WBC's BTT holding will fall from ~29% to 9.8%. WBC says it also intends to offload the final 9.8%, pending market conditions. BTT trades ex-dividend (19c) today, after trading at \$11.92 - \$12.24 yesterday.

Automotive Holdings Group (↑ **AHG**)

Introducing cost reductions, which include closing businesses and lowering expected 2017 post-tax operating profit to \$87M - \$89M. The reductions could save \$10M annually, pre-tax, but the restructuring will cost \$35M. Business in WA has deteriorated and gains from the refrigerated logistics division are being realised later than anticipated.

Myer Group (MYR)

MYR holds 20% of Topshop Topman franchisee Austradia Pty Ltd, which yesterday appointed administrators.

Aristocrat Leisure (ALL)

56.9% higher, \$249.6M interim NPAT. 21.6% higher, \$1.2B revenue. 14c, 3.5c-franked interim dividend, against 10c unfranked a year ago. \$833.1M net debt.

Ansell Ltd (ANN)

Selling the Sexual Wellness business for \$US600M. Commencing a 12-month buyback of up to 10% of ANN shares.

AMP Ltd (AMP)

Investor day presentation lodged this morning, essentially a strategic update highlighting efficiency and wealth management growth plans. Webcast scheduled to commence 9am AEST.

WorleyParsons Ltd (↓ **WOR**)

Deutsche Bank is recommending WOR as a buy. Macquarie has re-rated WOR as outperform.

Medibank Private (MPL)

MPL has appointed former Insurance Australia Group (ASX: IAG) MD and CEO Mike Wilkins as a non-executive director.

Austin Engineering (ANG)

ANG's facility in Calama, Chile has been temporarily shut down following a fatal injury to an employee Monday (Chile time).

Resources

Alumina Ltd (AWC)

Today's AGM speeches lodged.

Energy

Yancoal Australia (YAL) / Rio Tinto (RIO)

YAL is offering Mitsubishi \$US710M to acquire 32.4% of the NSW Hunter Valley Operations JV. The offer is associated with YAL's agreement to acquire Coal & Allied Industries from RIO. YAL holds its AGM tomorrow.

Buru Energy (BRU)

BRU's WA Canning Basin JV with Mitsubishi is proposing an asset swap. Details lodged this morning.

Tusk and Jean-Claude Juncker.

Mr Trump will also meet with NATO leaders at the opening of new alliance headquarters. France's new president Emmanuel Macron will also be present.

AirAsia, Best Buy, Qinetiq (defence supplier) and United Utilities are scheduled to publish earnings later today or tonight. Morrisons (UK major supermarket chain) is due to trade ex-dividend on the FTSE 100.

In overnight corporate news, UK retailer **Marks & Spencer** was pushed lower on a disappointing profit result.

Specialist US retailers **Lowe's** (home improvement) and **Tiffany** (jewellery) suffered respective 4% and 6% drops on quarterly results that undershot expectations.

Major mainland European markets will trade later today during Ascension Day, but volumes could fall below average.

Commodities

COMMODITY	CLOSE	\$/US/	+/-	%
Gold (NY) (Jun)	1253	oz	-3	-0.2
Silver (NY) (Jun)	17.2	oz	0.1	0.5
Gold (LON)	1253	oz	-8	-0.6
Platinum	949	oz	5	0.5
WTI Crude (Jul)	51.4	bbl	-0.1	-0.2
Brent Crude (Jul)	54.0	bbl	-0.2	-0.4
Iron Ore (CHN port 62%)	60.5	t	-1.5	-2.4
Copper	5682	t	-32	-0.6
Nickel	9100	t	-245	-2.6
Aluminium	1945	t	2	0.1
Lead	2075	t	-21	-1.0
Zinc	2635	t	-23	-0.9
Tin	20375	t	-125	-0.6
CBT Wheat (Jul)	4.33	bshl	0.03	-0.7

Commodities Commentary

Oil – OPEC's much-anticipated meeting convenes later today in Vienna.

The 13-strong group is hoping to achieve a new production cut agreement, not only among an overwhelming majority of members, but also other nations, such as the 11 that are participating in the agreement that ends 30 June.

Weekly US petroleum inventories revealed stored crude had dropped by 4.4MMbbl and that petrol and distillate stockpiles had also fallen.

Gold – US trade figures could influence some trade tonight, as a second March quarter GDP reading and April durable goods orders could do tomorrow night. Federal Reserve May policy meeting minutes appeared sufficiently benign to support higher gold prices.

Base metals – China's credit rating downgrade by Moody's (from Aa3 to A1; stable outlook) drew national criticism and initially shook currency and bond markets.

China has depended on debt to fund enviable growth that has required substantial base metals imports. Hence LME trade sentiment also suffered in varying degrees overnight.

China is due to publish April industrial profits over the weekend.

Pre-Open Announcements

Charter Hall Group (CHC)

\$15.76M raised in the recent \$5.48-per-share SPP. CHC had targeted \$15M. CHC traded at \$5.74 - \$5.81 yesterday.

Adelaide Brighton (ABC)

AGM today.

Mesoblast Ltd (* MSB)

\$US69.1M cash as at 31 March. Operational update, plus March quarter results as lodged in the US, released this morning.

Gentrack Group (* GTK)

46% higher, \$NZ5.6M interim NPAT. 24.4% higher, \$NZ28.9M revenue. NZ4.2c, 1.63c-franked interim dividend. NZ62c NTA. In addition, GTK has appointed HgCapital senior partner Nic Humphries as a non-executive director. HgCapital controls Devaron (NZ) Ltd, which holds 11.4% of GTK.

Resources

Plymouth Minerals (* PLH)

Initial San Jose lithium-tin resource estimated at 92.3Mt @ 0.6% Li₂O & 0.02% Sn.

PLH expects the resource to grow, given mineralisation remains open at depth and along strike. Expansion drilling is scheduled to commence next month.

PLH also plans to submit a mining licence application by 30 September.

Trading Halts

Company	Code	Resuming
Swick Mining Services	SWK	25 May
Brainchip Holdings	BRN	26 May
CCP Technologies	CT1	26 May
Henry Morgan	HML	26 May
SurfStitch Group	SRF	26 May

Suspensions (selected)

Company	Code	Since
Hawkey Oil & Gas	HOG	12 May
Meteroic Resources	MEI	22 May
Quintis Ltd	QIN	17 May

Ex-Dividends

Code	Ex-Div	Div (c)	Fr (%)	Yield (%)
BTT	Today	19	30	3.53
DDR	Today	4	100	6.63
TLT	Today	2.25	0	0.00
ZEL	Today	~18.67	0	3.70
OPG	Tomorrow	1	100	4.12
WHF	Tomorrow	8.5	100	3.70
PTB	Mon	5	100	9.17
AOD	Tue	0.34	0	6.13
ORI	Wed	23.5	12.76	2.67

**Exchange Rates**

CURRENCIES	LAST	+/-	%
AUD – USD	0.7500	-0.0005	-0.07
EUR – USD	1.1225	0.0006	0.06

US Data Tonight

Initial jobless claims	20 May
Trade balance	Apr
Wholesale inventories	Apr
Kansas City Fed manufacturing	May

Other Overseas Data Today & Tonight

UK	GDP (final)	MarQ
UK	BBA mortgage approvals	Apr
Euro zone	ECB policy meeting minutes	May

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Reports & Events

(selected scheduled)

When	Company	Report/Event
Today	ABC	AGM
	AWC	AGM
	AMP	Investor Day
	ALL	Interim
	GRR	AGM
Tomorrow	YAL	AGM
Mon	GEM	AGM
Tue	SYD	AGM