

Tuesday 17 July 2018

Please see disclaimer at end of
document.

Markets

SFE 200 Futures (9.30am AEST)	6180	-12	-0.2
NZX 50	8994	14	0.2
DJIA Futures	25042	1	0.0
S&P 500 Futures	2797	0	0.0
NASDAQ Futures	7325	0	0.0

Local Markets Commentary

The Australian market opens today's trade on scant overnight international trade support, ahead of confirmation of Reserve Bank of Australia (RBA) policy and new June data out of China.

In overnight commodities trade, **oil** swung sharply lower.

US **gold** futures settled flat.

Iron ore (China port, 62% Fe) headed higher.

LME **copper** and **nickel** were pushed lower, but **aluminium** bounced.

The **\$A** slipped to ~US74.20c after rising to US74.35c early yesterday evening.

Locally today, the **RBA** publishes the minutes of its 3 July policy meeting **11.30am** AEST.

A weekly consumer sentiment reading is due pre-trade.

Regionally, **China's** June capital city residential property prices are expected 11.30am AEST.

This morning, **New Zealand** has reported 0.4% June quarter CPI growth, and 1.5% on an annual basis.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	25064	45	0.2
S&P 500	2798	-3	-0.1
NASDAQ	7806	-20	-0.3
FTSE 100	7600	-61	-0.8
DAX 30	12561	20	0.2
Shanghai Comp	2814	-17	-0.6

Overseas Markets Commentary

Choppy, swinging trade featured across most major European and US equities markets overnight, in the early stages of a new reporting season, amid falling oil prices, and while investors waited for any definitive statements out of international leader summits plus a key parliamentary vote in the UK.

The US and Russian presidents were meeting in Helsinki, the US president initially bemoaning his own nation's previous relationships with Russia, but later also implicating Russia. In addition, the US president contradicted the findings of US investigators who have claimed Russian interference in the 2016 US presidential election.

Earlier, the heads of the European Union (EU) and European Commission (EC) met with China's premier Li Keqiang in Beijing, each promising to support free trade, but EC president Jean-Claude Juncker also appearing to suggest China could enable greater access.

RBA - July policy meeting minutes **11.30am** AEST

China - June house price index **11.30am** AEST

Today's Stock Watch

Asaleo Care (AHY)

Revising full year underlying EBIDTA guidance from \$113M - \$119M, to \$80M - \$85M, in part due to higher costs and lower sales.

Unaudited 9% lower, \$267.2M interim revenue and 24% lower, \$46.3M underlying EBITDA.

AHY has commenced a strategic review across all divisions. Audited half year results will be published 21 August.

National Australia Bank (NAB)

NAB has appointed recent Perpetual (ASX: PPT) CEO and MD Geoff Lloyd as MLC CEO.

Mr Lloyd chairs Australia's Financial Services Council.

Perpetual Ltd (PPT)

\$30.8B FUM as at 30 June, up \$0.6B for the quarter.

Swift Networks (SW1)

Unaudited 31% higher, \$22.3M FY 2018 revenue.

\$2.7M EBITDA, against \$1M for FY 2017. \$3.2M cash.

Netwealth Ltd (NWL)

Ord Minnett has cancelled an NWL buy recommendation, in favour of 'hold' advice.

Cabcharge Australia (CAB)

UBS has placed a 'sell' on CAB.

Resources

Rio Tinto (RIO)

Produced 7% more iron ore and shipped 9% more for the half year to 30 June. Bauxite production rose 7%, hard coking coal by 4% and mined copper came in 42% higher. Aluminium output fell 4% and IOC iron ore pellets and concentrate by 39%. Meanwhile, JPMorgan has raised RIO's price target 2.1% to \$A98.00.

Saracen Mineral Holdings (SAR)

Lifting FY 2019 guidance to 325,000oz - 345,000oz production at a \$A1050/oz - \$A1100/oz AISC.

Record, 316,453oz output achieved for FY 2018, at a \$A1139/oz AISC.

Sold 82,206oz at \$A1655/oz for \$136.1M revenue.

\$A118.3M cash and equivalents as at 30 June.

60,000oz of gold hedged at \$A1774/oz.

OZ Minerals (OZL)

OZL has appointed former MMG COO Marcelo Bastos and former Xstrata copper CEO Charlie Sartain as non-executive directors, effective 1 September and 1 August respectively.

The appointments follow Julie Beeby's resignation from the OZL board in May and Peter Tomsett's plans to retire his OZL director's position 1 August.

Energy

Whitehaven Coal (WHC)

Credit Suisse has reassessed WHC as neutral, from outperform.

In the **euro zone**, the May trade surplus came in at €16.5B, following €16.7B in April and expectations of a substantial increase to €23.6B.

US June retail sales were reported 0.5% higher for the month. In addition, May sales were revised to a 1.3% gain, from the initially estimated 0.8% improvement.

A New York region business activity index fell 2.4 points to 22.6, nonetheless exceeding forecasts and remaining solidly within growth territory (above 0).

In the meantime, the International Monetary Fund (**IMF**) left global, US and China growth 2018 and 2019 forecasts untouched as it released a world economic outlook update. The IMF warned trade negotiations needed to be managed prudently.

Tonight in the US, **Federal Reserve** chair Jerome Powell speaks to the Fed's policy and outlook report while meeting with a Senate banking committee.

Among data releases, June US industrial production and a home builders' market report are due.

Across the Atlantic, **Bank of England** governor Mark Carney is scheduled to again speak publicly on financial stability.

Companies due to report earnings later today and tonight include CSX, Goldman Sachs, Johnson & Johnson and UnitedHealth.

In overnight corporate news, **Deutsche Bank** preempted its scheduled 25 July report with a positive profit outlook, this pushing the stock 8% higher.

Earlier, **Bank of America** appreciated almost 4.5% after quarterly results exceeded industry expectations.

BlackRock suffered an ~1.5% fall from reporting reduced incoming cash, totalling \$US20B. Earnings came in better-than-anticipated, however.

Among Farnborough Airshow announcements, **Boeing** revealed a \$US4.7B order from **DHL** for freight craft and subsequently rose ~1.5%.

Netflix quarterly subscriber numbers undershot the company's target by ~one million, but this was reported post-US trade, so the stock posted a gain before being punished post-settlement. Some expect the result to impact general tech sentiment tonight, even though Netflix earnings surpassed expectations.

Meanwhile, **Amazon** commenced its annual sales event known as Prime Day, this time promising 36 hours of bargains, through to 3am ET Wednesday.

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Aug)	1241	oz	-0.1	-0.0
Silver (NY) (Jul)	15.8	oz	-0.0	-0.0
Gold (LON)	1242	oz		
Platinum	821	oz	-5	-0.6
WTI Crude (Aug)	68.1	bbl	-2.95	-4.2
Brent Crude (Sep)	71.8	bbl	-3.5	-4.6
Iron Ore (CHN port 62%)	64.6	t	0.6	0.8
Copper (LME,3mth,PM)	6192	t	-45	-0.7
Nickel	13670	t	-305	-2.2
Aluminium	2055	t	24	1.2
Lead	2175	t	-27	-1.2
Zinc	2474	t	-104	-4.0
Tin	19500	t	-295	-1.5
CBT Wheat (Jul)	4.88	bshl	-0.09	-1.8

Pre-Open Announcements

Cimic Group (CIM)

CIM's CPB Contractors has been named in an alliance as preferred contractor for \$1B worth of work for Melbourne's Metro Tunnel project.

Empired Ltd (* EPD)

Unaudited 4% higher, \$174M FY 2018 revenue.
10% higher, \$17M underlying EBITDA.

Sims Metal Management († SGM)

Planning to publish FY 2018 results 24 August, and to include SA Recycling Llc figures.

Creso Pharma (CPH)

CPH is now trading on the Frankfurt Stock Exchange, under the code 1X8.

Keytone Dairy Corporation (* KTD)

Nutrition and dairy foods manufacturer and exporter scheduled to list midday AEST tomorrow, following a \$15M IPO at 20c per share.
75M quoted shares.

Resources

Galaxy Resources (** GXY)

Produced 47,901t of spodumene concentrate during the June quarter.
Sold 45,761t for a \$US534/t cash margin.
\$US84.8M cash and liquid assets as at 30 June. Nil debt.

Panoramic Resources (* PAN)

Resuming from a trading halt with project finance facilities in hand enabling the planned Savannah Ni-Cu-Co project re-start. PAN hopes to ship first nickel concentrate to China by 31 March 2019.
PAN last traded at 55c.

Energy

Real Energy Corporation (* RLE)

Confirming Tamarama-2 and Tamarama-3 fracking will commence by 30 September.
Initial Tamarama-3 flow rates could surpass 3MMscf/day, according to reservoir modelling.

Reports & Events

(selected scheduled)

When	Company	Report/Event
Today	RIO	Jun Q
	SAR	Jun Q
Tomorrow	BHP	Jun Q
	NST	Jun Q
Thu	AST	AGM
	CIM	Interim
	ORE	Jun Q
	STO	Jun Q
	S32	Jun Q
	WPL	Jun Q
Fri	SYD	Jun

Commodities Commentary

Oil – prices were propelled lower overnight, reports continuing to bolster expectations of additional crude on the market from stored supplies in both the US and Saudi Arabia, and some increased production in Russia.

Some were anticipating the US and Russian presidents were indeed negotiating increased output at their meeting in Helsinki, despite reports Russia was prepared to invest \$US50M in Iran's petroleum industry.

Prices were pushed and pulled some, however.

Industrial action broadened across offshore Norway.

As flagged last week, Libya began reopening four ports. However, weekend reports of the abduction of two workers, were accompanied by estimates of a consequent reduction in daily output from a key field, by as much as 300,000bbl.

Meanwhile, China's 0.1% slip in annual June quarter GDP growth surprised some yesterday, after a steady rate (6.8%) reported for the previous three quarters.

Gold – tonight's bi-annual meeting of the US Federal Reserve chair with a Senate banking committee is keenly anticipated.

Last night's US retail sales figures helped support views of a strong economy and hence perhaps two more rate rises to come this year.

Base metals – uncertainty appeared to prevail overnight, on China economic indicators, estimates of 0.8% greater aluminium production in China during June, and updated stockpile figures, as global trade partners negotiate their way through new import taxes and threats of more.

China's June quarter GDP growth was yesterday reported at 6.7% year-on-year, following 6.8% in the March quarter and also the December and September 2017 quarters.

June **industrial production** (6% y-o-y, v 6.8%), retail sales (9% v 8.5%) and January-June fixed asset investment (+6%, v +6.1%) confirmed mixed expectations.

China's residential property prices, due today, are usually keenly anticipated by *copper* traders.

Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.7412	-0.0009	-0.12
EUR – USD	1.1708	-0.0003	-0.03

Australian Data Today

RBA	Policy meeting minutes	3 Jul
ANZ/RMgn	Consumer sentiment	15 Jul

US Data Tonight

Industrial production	Jun
NAHB market report (incl sentiment, activity)	Jul

Other Overseas Data Today & Tonight

China	Resdntl property prices	Jun
UK	Average weekly earnings	May
UK	Unemployment claims	June
UK	Unemployment	May

Trading Halts

Company	Code	Resuming
Celamin Holdings	CNL	17 Jul
American Patriot Oil & Gas	AOW	18 Jul
Carnarvon Petroleum	CVN	18 Jul
Mustang Resources	MUS	18 Jul
Race Oncology	RAC	18 Jul

Suspensions *(select)*

Company	Code	Since
CCP Technologies	CT1	13 Jul
Centennial Mining	CTL	25 Jun
Crowdspark Ltd	CSK	6 Jul
Genera Biosystems	GBI	4 Jul
Vector Resources	VEC	6 Jul
WPG Resources	WPG	27 Jun

Ex-Dividends

Code	Ex-Div	Div (c)	Franking (%)	Yield (%)
MIR	26 Jul	8.5	100	3.62



Need More Information?

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

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.