

Monday 18 June 2018

## Markets

<b>SFE 200 Futures</b> (9.30am AEDST)	<b>6100</b>	<b>0</b>	<b>0</b>
<b>NZX 50</b>	8960	-15	-0.2
<b>DJIA Futures</b>	25090	-84	-0.3
<b>S&amp;P 500 Futures</b>	2779	-3	-0.1
<b>NASDAQ Futures</b>	7746	-14	-0.2

## Local Markets Commentary

**ASX futures** were flat at 6100 and the market was poised to follow suit at opening this morning with no local data of major relevance being released today.

With wary investors cautiously eyeing potentially accelerated trade war hostilities between the United States and China, the big question is whether investors will trigger turnaround strategies - prompting short selling of sectors in the firing line which are most vulnerable to increased tensions between **Washington** and **Beijing**.

NAB says it expects to see a 1.5% decline in first quarter house when **ABS data** is released tomorrow as a result of weaker growth in **Melbourne** and **Sydney**.

## Overseas Markets

INDEX	CLOSE	+/-	%
<b>Dow Jones</b>	25175	-25.9	-0.1
<b>S&amp;P 500</b>	2782	6.86	0.3
<b>NASDAQ</b>	7762	66.3	0.9
<b>FTSE 100</b>	7765	62.1	0.8
<b>DAX 30</b>	13107	216	1.7
<b>Shanghai Comp</b>	3044	-5.6	-0.2

## Overseas Markets Commentary

Increasing fears of a **Donald Trump**-fuelled global trade war is likely to see jittery markets opening at the start of the week with shipments at ports and airfreight terminals slowing worldwide and the price of raw materials rising.

CNBC reporting that orders for good from factories as far afield as **Germany** to **Mexico** were being cut and investments put on hold as the world awaits to see the next move in the United States administration's push to force factory production back to home shores.

This followed Trump slapping Chinese goods with **US\$50 billion** in new tariffs at the close of the working week.

Beijing's retaliation was swift. Within hours the **Finance Ministry** announced 545 product categories - representing about US\$34 billion in U.S. exports - would be hit with additional 25% tariffs from **July 6**.

**Agriculture** bore the brunt of the burden with soybeans, corn, wheat, beef, pork and poultry all in

Japan May trade figures release.  
U.S. NAHB housing index for June.

## This week's Stock Watch

### Tech stocks

Amazon, Facebook, Apple, Netflix and Google are trading close to record highs with Australia's New York-listed **Atlassian** also enjoying views from the peaks in June. Some market watchers are predicting the end of the tech rally is nigh, but the earning driven sector has continued to deliver a return on equity of 20%, far outperforming the current 6 percentage points of the broader market.

### Blue Sky (BLA)

Funds manager company Blue Sky Alternative Investments has failed in its bid to purchase a farm on the border of Queensland and New South Wales. Blue Sky held an option to purchase the Lochiel station for \$8.7million, but informed it was unable to go through with the deal. The farm produces irrigated fee for the nearby Whyalla Feedlot, which is owned by Nippon Meat. Blue Sky stock was down 25.9% last week and at \$1.66 has shed 88.7% in less than six months.

### Resources

#### Domestic gas supply

The start-up of a new \$80million APA Group pipeline from Australia Pacific LNG to Queensland's Wallumbilla gas hub has spiked gas supply to a record high in the Sunshine State. As a result, spot prices in the east coast has remained under \$10 a gigajoule moving into the teeth of winter. This is encouraging news for energy-intensive manufacturing plants, albeit with domestic gas prices in Australia still more than double that of the United States.

#### Strike Energy (STX)

The Adelaide-based producer has flagged bringing its Jaws-1 well online next month after "successfully" fracture stimulating the deepest pure coal-seam gas play in the world in the Cooper Basin. With flow testing imminent, Strike reported "excellent fracture height growth" from the well and said it was analysing data to update the market on total volumes of stimulated coal.

## June quarter S&P/ASX indices re-balance

The following changes will be effected from commencement of trade **18 June**:

### S&P/ASX 20

*Out:* AMP

*In:* AMC

### S&P/ASX 50

*Out:* IPL

*In:* COH

### S&P/ASX 100

*Out:* GNC

*In:* WHC

### S&P/ASX 200

*Out:* AHY, INM, RFG

*In:* APT, APX, ING

China's crosshairs. A second round of Chinese imposed tariffs would include coal, crude oil, gasoline and medical equipment.

All eyes are on Trump's next move in his battle to reduce a **trade deficit** with China in which the U.S. imported US\$506 billion worth of goods from China last year compared to US\$130 billion in exports, according to Washington.

Collaboration between **Saudi Arabia** and **Russia**, the world's two biggest crude oil producers, to cool the price of oil at an **OPEC** meeting in Vienna on Friday will be blocked by **Venezuela, Iraq and Iran**, according to Bloomberg.

OPEC's cooperation agreement requires unanimity and any effort to increase production will be resisted, Iran's Hossein **Kazempour Ardebili**, the country's OPEC representative, said.

Russian Energy Minister **Alexander Novak** has flagged an increase of up to 1.5 million barrels a day and Saudi Arabia has suggested opening the spigots to increase output by 500,000 to 1 million barrels per day.

While Iran and Venezuela and other OPEC countries would battle to raise output, Trump's administration is pushing for lower oil prices to boost mid-term election prospects in the United States in November.

The United States has enforced sanctions on Iran and Venezuela which will cost both countries about 30% of their oil production next year, according to the **International Energy Agency**.

**Gold** posted a weekly loss on Friday as the dollar rallied, despite rising global trade tensions that impacted equities and bond markets, with the metal sustaining its biggest loss in 18 months.

Nevertheless, rising inflation in the United States and a **consumer price index** climbing 2.8% in May at its fastest in six years, is being closely watched as a likely stimulus to gold in the longer-term.

London's famous **tube service** will get a **US\$2 billion** makeover with Germany's **Siemens** winning a contract to design and build 84 new generation trains for the Piccadilly Line.

The award will be boost the local economy of **Goole**, East Yorkshire, where Siemens will construct a new factory to manufacture and build new trains, Transport London announced.

**British Prime Minister Theresa May** announced on Sunday that the **National Health Service** would receive increased funding of US\$26.5 billion post-Brexit as a spinoff of tax hikes and money that would no longer be obligated to **European Union coffers**.

May said any new taxes next year would be "fair and balanced". Pro-Brexit campaigners had claimed Britain was spending £350 million a week to the EU that could be better spent on the NHS. However, a post-Brexit Britain will be liable for payments of £39 billion pounds to **Brussels** over several decades.

## S&P/ASX All Australian 200

**Out:** AAC, MYR, RFG

**In:** BIN, CLQ, KDR

### Trading Halts

Company	Code	Resuming
Bigtincan Holdings	BTH	18 Jun
New Age Exploration	NAE	19 Jun
Marmota	MEU	20 Jun

### Suspensions (select)

Company	Code	Since
HearMeOut Ltd	HMO	21 May
Lion Energy	LIO	7 Jun
Mobilarm Ltd	MBO	30 May
Murray River Organics Group	MRG	4 Jun
Talisman Mining	TLM	5 Jun
Winmar Resources	WFE	7 Jun

### Ex-Dividends

Code	Ex-Div	Div (c)	Fr (%)	Yield (%)
INM	Thu	54.38	0	4.63
JIN	Thu	8	100	2.67
PL8	Thu	0.5	100	4.12
GTK	Fri	4.6	8.49	1.87

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**Commodities**

COMMODITY	CLOSE	\$US/	+/-	%
<b>Gold (NY) (Aug)</b>	<b>1282</b>	oz	-26	-2
<b>Silver (NY) (May)</b>	16.5	oz	-0.7	-4
<b>Gold (LON)</b>	1302	oz	6.6	0.3
<b>Platinum</b>	888	oz	-22	-2.5
<b>WTI Crude (Jul)</b>	<b>64.14</b>	bbl	-2.3	-3.8
<b>Brent Crude (Jul)</b>	<b>73.1</b>	bbl	-2.3	-3.8
<b>Iron Ore</b> <small>(CHN port 62%)</small>	<b>67.50</b>	t	0	0
<b>Copper</b> <small>(LME,3m,pm)</small>	<b>7019</b>	t	-154	-2.6
<b>Nickel</b>	15107	t	-103	-0.7
<b>Aluminium</b>	2205	t	-57	-2.3
<b>Lead</b>	2391	t	-47.8	-1.9
<b>Zinc</b>	3199	t	-100	-13.1
<b>Tin</b>	20957	t	2	0.0
<b>CBT Wheat (Jul)</b>	<b>511</b>	bshl	-6	-1.2

**Exchange Rates**

CURRENCIES	LAST	+/-	%
<b>AUD – USD</b>	0.7438	-0.0008	-0.01
<b>EUR – USD</b>	1.61	-0.0003	0.03

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