

Thursday 19 April 2018

## Markets

<b>SFE 200 Futures</b> (9.30am AEDST)	<b>5863</b>	<b>25</b>	<b>0.4</b>
<b>NZX 50</b>	8383	13	0.2
<b>DJIA Futures</b>	24752	19	0.1
<b>S&amp;P 500 Futures</b>	2712	2	0.1
<b>NASDAQ Futures</b>	6859	16	0.2

## Local Markets Commentary

The Australian market commences today's trade on mostly lacklustre overnight international equities trade leads, but also a batch of robust commodities price gains, ahead of influential domestic data.

In overnight commodities trade, US **gold** futures turned to settle modestly higher. **Oil** continued higher with a rally.

**Iron ore** (China port, 62% Fe) extended Tuesday's gain.

LME base metals mostly rallied, **nickel** and **aluminium** settling substantially higher.

The **\$A** consequently appreciated to ~US77.85c after trading at US77.55c early yesterday evening, and has continued higher this morning.

Locally today, the Australian Bureau of Statistics (ABS) releases March **employment** statistics **11.30am** AEST.

NAB's March quarter **business conditions** and confidence report is also expected this morning.

This morning, **New Zealand** has reported 1.1% annualised March quarter inflation growth, supported by a 0.5% rise for the three months.

## Overseas Markets

INDEX	CLOSE	+/-	%
<b>Dow Jones</b>	24748	-39	<b>-0.2</b>
<b>S&amp;P 500</b>	2709	2	0.1
<b>NASDAQ</b>	7295	14	0.2
<b>FTSE 100</b>	7317	91	1.3
<b>DAX 30</b>	12591	5	0.0
<b>Shanghai Comp</b>	3091	25	0.8

## Overseas Markets Commentary

Most major European and US equities markets settled overnight with lacklustre results, following largely choppy trade, the FTSE 100 again proving the exception, on domestic data.

China had earlier revealed a 178.6% deposit levy on US sorghum, from yesterday. The move was described as 'temporary' but followed a sorghum supply review which commenced in February.

The International Monetary Fund's (IMF) global financial stability report provided further detail supporting comments from the previous session regarding private and government international debt.

This was estimated at \$US164 trillion, representing 225% of global GDP.

The IMF also cited international trade tension as a burgeoning risk.

**Australia – March employment figures 11.30am AEST**

## Today's Stock Watch

### Suncorp Group (SUN)

Chairman Ziggy Switkowski will retire at the end of the 20 September SUN AGM. SUN director Christine McLoughlin will take over as SUN chair.

### Australian Pharmaceutical Industries (API)

14.4% lower, \$24.9M interim NPAT. 0.3% lower, \$2.0B revenue. 3.5c fully-franked interim dividend. 75.4c NTA.

### Challenger Ltd (CGF)

3% higher, \$78.6B FUM at the end of the March quarter.

### MG Unit Trust (MGC)

Australia's Foreign Investment Review Board (FIRB) has approved the proposed acquisition of Murray Goulburn Co-operative Co by Saputo Dairy Australia. Completion is anticipated 1 May.

## Resources

### BHP Billiton (BHP)

Reducing 2018 iron ore (by 3Mt – 6Mt) and Olympic Dam production guidance. For the year-to-date by the end of March, compared with a year earlier, BHP had produced 8% less petroleum (143MMboe), 37% more copper (1.29Mt), 2% more iron ore (175Mt), 2% less metallurgical coal (31Mt) and 4% less energy coal (20Mt).

### Rio Tinto (RIO)

HSBC is recommending RIO as a buy, cancelling hold advice.

### South32 Ltd (S32)

Realised prices helped push net cash for the March quarter from \$US477M to \$US1.9B. March quarter and nine-month production figures lodged this morning. Lifting manganese guidance but lowering expected coal output.

In addition, Deutsche Bank has cancelled a S32 sell call, in favour of a hold recommendation.

HSBC is recommending S32 as a buy, cancelling hold advice.

### Iluka Resources (ILU)

Overall production (280,500t) fell 16.7% year-on-year during the March quarter.

Total sales revenue grew 20.9% to \$A264.1M, however.

ILU's AGM is scheduled for Tuesday next week.

### Evolution Mining (EVN)

Produced 191,474oz of gold, at a \$A768/oz AISC, during the March quarter. Sold 180,157oz at \$A1664/oz. \$A208M cash balance, from \$44.5M. \$A187M net bank debt.

Resource and reserve updates also lodged this morning.

## Energy

### Santos Ltd (STO)

Produced 13.8MMboe during the March quarter, 1.2MMboe fewer than for the December quarter 2017 due to maintenance and PNG earthquakes.

\$1.5B cash and equivalents. \$4B debt.

### Woodside Petroleum (WPL)

Ferrand-1 drilling is underway.

AGM today

Among data releases, **UK** March CPI growth slowed 0.2% to 2.5% on an annual basis, pushing the British pound lower and supporting the minerals sector.

Analysts ventured the chances of a Bank of England May rate rise had not only diminished, but so had those of a potential change in August, should the pace of inflation declines continue.

A **euro zone** final March CPI reading confirmed 1.0% growth for the month, following 0.2% in February. Annualised CPI growth stood at 1.3%.

In the **US**, the Federal Reserve's district-by-district 'beige book' economic report listed improved business borrowing and consumer spending among factors supporting economic progress.

Trade concerns were commonly highlighted by several sectors across districts, however.

**Tonight** in the US, weekly new unemployment claims are due, together with a Philadelphia Fed manufacturing index and Conference Boarding leading economic index update.

In addition, US Federal Reserve vice chair Randal Quarles meets with the Senate banking committee in a half-yearly update on financial systems supervision and regulation.

Bank of NY Mellon, BHP Billiton, ETrade, Novartis, Sky, Unilever and ZTE are among companies scheduled to report earnings or provide updates.

BAE Systems and Lloyds trade ex-dividend on the FTSE 100.

In overnight corporate news, **Netflix** revealed it would outlay \$US1B on new productions in the coming year, with a focus on the European market.

US railroad operator **CSX** reported 100% higher profit on steady revenue and was pushed ~8% higher.

**Morgan Stanley** booked a record quarterly profit.

**IBM** dropped more than 7.5% on margins and an outlook that failed to impress.

### Commodities

COMMODITY	CLOSE	\$/US/	+/-	%
<b>Gold (NY) (Jun)</b>	<b>1354</b>	oz	4	0.3
<b>Silver (NY) (May)</b>	17.2	oz	0.4	2.5
<b>Gold (LON)</b>	1342	oz		
<b>Platinum</b>	940	oz	5	0.5
<b>WTI Crude (May)</b>	<b>68.5</b>	bbl	2.0	2.9
<b>Brent Crude (Jun)</b>	<b>73.5</b>	bbl	1.9	2.7
<b>Iron Ore (CHN port 62%)</b>	<b>65.9</b>	t	1.4	2.1
<b>Copper</b>	<b>7022</b>	t	145	2.1
<b>Nickel</b>	15275	t	1060	7.5
<b>Aluminium</b>	2537	t	132	5.5
<b>Lead</b>	2377	t	27	1.2
<b>Zinc</b>	3265	t	111	3.5
<b>Tin</b>	21475	t	0	0.0
<b>CBT Wheat (May)</b>	<b>4.75</b>	bshl	0.09	1.9

### Commodities Commentary

**Oil** – several reports emerged overnight that Saudi Arabia was targeting \$US80/bbl - \$US100/bbl prices. An OPEC-led production curb agreement monitoring committee is due to meet Friday in Jeddah.

In addition, weekly US petroleum inventories, published overnight, included a 1.1MMbbl net draw on crude stocks, 3MMbbl for petrol and 3.1MMbbl for

## Pre-Open Announcements

### Afterpay Touch Group (\* APT)

APT's \$A50M four-year, 7.25% pa unsecured notes offer has closed.

APT had initially targeted \$40M.

APT has traded higher the past four trading sessions.

### Vicinity Centres (VCX)

Selling Brandon Park, Victoria for \$135M, 3.8% higher than book value. Settlement is anticipated at month's end.

VCX holds 50%.

### Catapult Group International (\* CAT)

March quarter cash receipts totalled \$13.1M, 23% more than a year earlier.

Holding \$34.9M cash and receivables.

### Villa World (VLW)

VLW has promoted financial controller Lorelei Nieves to the CFO position. Brett Delaney has been acting VLW CFO since July last year.

## Resources

### Lithium Australia (\* LIT)

Heralding successful WA Lepidolite Hill project waste sorting, indicating potential for additional source feed and hence revenue. Details lodged post-trade yesterday.

### Jupiter Mines (JMS)

Mining sector investor completed its ASX listing yesterday following a \$240M IPO at 40c per share.

Opened at 39c and traded at 36.25c – 41c before settling at 40c. 54.47M shares changed hands across 1281 transactions.

1.948 trillion shares on issue.

## Energy

### Strike Energy (STX) / Energy World Corporation (EWC)

Southern Cooper Basin PEL 96 Jaws-1 needs to be side-tracked. Details lodged post-trade yesterday. STX 66.7% and operator; EWC 33.3%.

### AWE Ltd (AWE)

Mitsui has achieved 93.19% ownership of AWE and can hence move to compulsory acquisition, but has extended the period of its cash takeover offer until 7pm 2 May.

### Senex Energy (SXY)

Company secretary Frank Connolly has retired, effective yesterday.

General counsel and company secretary David Pegg continues in his SXY roles.

distillate.

Meanwhile, ING raised its 2018 Brent crude and WTI forecasts. The Dutch bank proffered prices could ease in 2019, however, pending US output and supporting infrastructure development.

**Gold** – US prices were supported to their best settlement in five sessions.

**Base metals** – aluminium traded at ~seven-year highs and nickel at three-year peaks.

Eastern European-origin LME aluminium stocks were reported 64% lower than when US sanctions against Rusal were announced 6 April. Overall aluminium stockpiles were earlier estimated 12% higher since 9 April (9% from 6 April), by contrast, but a 3Mt – 5Mt deficit has been predicted by one sector analyst.

Japan's March exports, reported yesterday, rose 2.1% year-on-year, following a 1.7% rise in February. Imports pulled back 0.6% against a 16.5% jump in February, helping propel the trade surplus to ¥797.3B from ¥3.4B at the end of February.

The People's Bank of China's reduction in the proportion of deposits commercial banks must hold in reserve was also cited as a supportive factor, although this appeared mostly in China's steel, coking coal and coke futures trade.

### Exchange Rates

CURRENCIES	LAST	+/-	%
<b>AUD – USD</b>	0.7794	0.0011	0.14
<b>EUR – USD</b>	1.2382	0.0007	0.06

### Australian Data Today

ABS	Employment (incl jobs, wages)	Mar
NAB	Business conditions, confidence	Mar Q
RBA	Forex transactions	Mar
RBA	Reserve assets	Mar

### US Data Tonight

Philadelphia Fed manufacturing	Apr
Initial jobless claims	14 Apr
Conference Board leading index	Mar

### Other Overseas Data Today & Tonight

<b>UK</b>	Retail sales	Mar
-----------	--------------	-----

### Need More Information?

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

## Reports & Events

(selected scheduled)

When	Company	Report/Event
<b>Today</b>	<b>API</b>	Interim
	<b>BHP</b>	Mar Q
	<b>CGF</b>	Mar Q
	<b>EVN</b>	Mar Q
	<b>ILU</b>	Mar Q
	<b>STO</b>	Mar Q
	<b>S32</b>	Mar Q
	<b>WPL</b>	AGM
<b>Tomorrow</b>	APO	AGM
	GEM	AGM
	SYD	Mar
<b>24 Apr</b>	BPT	Mar Q
	BKL	Mar Q
	FMG	Mar Q
	ILU	AGM
	MQA	Mar Q
	OZL	AGM

### Trading Halts

Company	Code	Resuming
Carnavale Resources	CAV	19 Apr
Estrella Resources	ESR	19 Apr
SmartTrans Holdings	SMA	19 Apr
Black Star Petroleum	BSP	20 Apr
Fletcher Building	FBU	20 Apr

### Suspensions (selected)

Company	Code	Since
Astro Resources	ARO	17 Apr
BPH Energy	BPH	13 Apr
eSense-Lab Ltd	ESE	23 Mar
Mount Ridley Mines	MRD	17 Apr
Resources & Energy Group	REZ	12 Apr
Rision Ltd	RNL	17 Apr
Samson Oil & Gas	SSN	16 Apr
Skin Elements	SKN	17 Apr
TopBetta Holdings	TBH	16 Apr
Wangle Technologies	WGL	13 Apr
Wattle Health Australia	WHA	6 Apr

### Ex-Dividends

Code	Ex-Div	Div (c)	Fr (%)	Yield (%)
<b>1AL</b>	Today	2	0	5.64
<b>KAT</b>	Today	0.75	64	2.94
RIC	Mon	1.5	100	3.32
EGI	Tue	2.5	100	2.70
BOQ	26 Apr	38	100	7.18
AMA	27 Apr	0.5	100	2.53
MFF	27 Apr	1.5	100	1.06
SST	27 Apr	13.59	0	1.99
PMV	30 Apr	29	100	3.51



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.