

Monday 25 June 2018

Markets

SFE 200 Futures (9.30am AEDST)	6180	13	0.2
NZX 50	8988	-11	-0.1
DJIA Futures	24587	-12	-0.1
S&P 500 Futures	2756	-4	-0.1
NASDAQ Futures	7218	-5	-0.1

Local Markets Commentary

The Australian market opens the last trading week of the financial year on mostly positive overnight Friday international equities trade, good gains for some key commodities, developments in China, the EU and Turkey since then, and some key domestic corporate announcements this morning.

Over the weekend, the People's Bank of **China** effectively allowed an additional \$US108B worth of liquidity by reducing the required reserve ratios for certain lenders by 0.5%. The nation's central bank added that policy would remain 'prudent and neutral', after the yuan traded at a five-month low against the \$US on Friday.

In addition, the **European Union** (EU) has been reported to be preparing to respond to the US threat of higher import taxes for vehicles from the EU.

Further, presidential and parliamentary elections in **Turkey** have appeared to deliver victory to president Erdogan and his party.

Locally today, a weekly capital cities residential property price report is due pre-trade.

Also pre-trade, several high-profile stocks have lodged significant updates. The list includes **APA, API, ANZ, CBA, IPL, KMD**, and **MTS**, which has reported for the full year.

AAD notably trades ex-dividend.

In overnight Friday commodities trade, **oil** was pushed sharply higher.

US gold futures settled little changed.

Iron ore (China port, 62% Fe) turned to post a gain.

LME **copper** settled essentially flat. **Nickel** rallied.

The **\$A** was pushed to ~US74.45c after appreciating to ~US74.35c early Friday evening.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	24581	119	0.5
S&P 500	2755	5	0.2
NASDAQ	7693	-20	-0.3
FTSE 100	7682	126	1.7
DAX 30	12580	68	0.5
Shanghai Comp	2890	14	0.5

Overseas Markets Commentary

Major European and US equities markets mostly settled higher overnight Friday, benefiting in part from rallying oil prices.

Traders supported the DJIA to avoid a 40-year record, after having closed lower for the previous eight sessions.

Last trading week of the financial year

* Corporate software provider listing 11am AEST - **SKO** *

Today's Stock Watch

Commonwealth Bank of Australia (CBA)

Planning to spin off the bank's wealth management and mortgage broking operations, and to list this on the ASX in 2019 as CFS Group under nominated chair John Mulcahy.

In addition, CBA is reviewing its general insurance business, ahead of a potential sale.

Further, CBA has lodged six executive appointments/changes this morning.

Australia & New Zealand Banking Group (ANZ) / Kina Securities (KSL)

ANZ is proposing to sell certain of its Papua New Guinea banking operations to KSL for \$US7.4M.

Australian Pharmaceutical Industries (API)

Proposing to acquire Clearskincare Clinics for \$127.4M, payable over three years, \$61.6M to be paid next month for a 50.1% holding. Additional details lodged this morning.

Metcash Ltd (MTS)

\$149.5M full year net loss, following a \$171.9M NPAT a year ago. 4.3% higher, \$14.5B sales revenue. 7c fully-franked final dividend. Proposing to buy back up to \$125M worth of shares by 20 August.

Kathmandu Holdings (KMD)

Anticipating \$48M - \$52M full year NPAT, following \$38M for FY (to 31 July) 2017. EBIT is expected to come in at \$72M - \$77M, against \$57M. In addition, year-to-date same store sales through to 24 June were estimated 4.8% higher than a year ago, on a constant exchange basis.

KMD is planning to publish full year results 18 September.

Ardent Leisure (AAD)

Trading ex-dividend (6.5c) today.

Serko Ltd (* SKO)

Corporate travel and expense management software specialist scheduled to list 11am AEST after being granted ASX foreign exempt listing status. SKO's home listing remains with the New Zealand Stock Exchange. 74.89M listed shares.

Resources

Excelsior Gold (EXG) / Spitfire Materials (SPI)

Planning to merge (58.3:41.7) under an agreement whereby John Young will be MD of the combined group, and Neil Biddle and EXG MD Rowan Johnston executive directors. EXG chair David Hatch will be non-executive chair. EXG non-executive director Sam Randazzo and SPI chair Peter Buttigieg will be non-executive directors.

Energy

Central Petroleum (CTP) / Incitec Pivot (IPL) / APA Group (APA) /

APA's network will deliver a minimum daily 20Tj of gas from CTP's Northern Territory Palm Valley Mereenie field to IPL's fertiliser manufacturing operations at Gibson Island, Queensland.

In the meantime, the US warned of placing a 20% import tax on cars manufactured in Europe.

The **euro zone**'s initial June manufacturing PMI came in at 55 from 55.9 in May.

In **Germany**, the manufacturing PMI was estimated at 55.9, following 56.9 for May.

The **Bank of England**'s quarterly bulletin warned of Britain's exposure to any major slowdown in China's economy.

An initial Markit June manufacturing PMI for the **US** fell 1.8 points to a nonetheless strong 54.6. The services sector activity index slipped 0.3 to 56.5.

Tonight in the US, the Chicago Fed national activity index for May, May new home sales and a Texas region manufacturing index are due.

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Aug)	1271	oz	0.2	0.0
Silver (NY) (Jul)	16.5	oz	0.1	0.8
Gold (LON)	1269	oz	3	0.2
Platinum	877	oz	15	1.7
WTI Crude (Aug)	68.6	bbl	2.8	4.6
Brent Crude (Jul)	75.6	bbl	2.5	3.4
Iron Ore (CHN port 62%)	65.3	t	0.5	0.7
Copper (LME, 3mth, PM)	6789	t	3	0.0
Nickel	15265	t	275	1.8
Aluminium	2175	t	-4	-0.2
Lead	2415	t	39	1.6
Zinc	2917	t	-1	-0.0
Tin	20400	t	-100	-0.5
CBT Wheat (Jul)	4.91	bshl		-0.8

Commodities Commentary

Oil – by Saturday, OPEC and other production cap signatories had formally agreed a 'measurable' lift in output, but industry analysts and Iran have indicated little direct change is anticipated for volumes and ultimate prices.

Meanwhile, overnight Friday, oil prices had rallied sharply on indications the final agreed increase could be ~600,000bbl/d, proving less than anticipated. WTI futures appreciated the most in a day for the past ~18 months.

The OPEC agreement output figures remain fluid, with Saudi Arabia offering it would likely produce an additional 1MMbbl each day over the next few months, and Russia venturing a daily domestic boost of 200,000bbl during this second half of 2018. For its part, Iran has predicted daily overall output from the OPEC deal signatories could prove to be just 500,000bbl.

In the coming week, key battles in Syria and Yemen, and any major reactions to Turkey's presidential and parliamentary vote this past weekend (under an ongoing 'state of emergency'), could influence expectations of ease, or otherwise, of export routes over the near-medium term.

A weekly US petroleum rig count, published Friday, revealed one less oil rig in operation, bringing the tally to 862.

Gold – US and UK GDP updates, a euro zone CPI reading and a public speech from the Bank of England's governor will influence currency markets from mid-week, and are hence expected to orchestrate at least some gold trade, following last week's six-month lows.

Pre-Open Announcements

Credit Corp (* CCP)

Morgans has placed CCP on its 'add' list.

CSG Group († CSV)

Anticipating a lower-than-anticipated \$9M - \$11M underlying FY 2018 EBITDA and \$225M revenue.

In addition, former Grays eCommerce CEO Mark Bayliss has been appointed executive chairman, replacing interim chair Bernie Campbell, who remains with CSV as a non-executive director.

Anticipating \$17M - \$20M FY 2019 underlying EBITDA.

Vocus Communications (* VOC)

\$A1.27B and \$NZ150M syndicated debt facility secured, replacing former agreement for \$A1.095B and \$NZ160M.

Details lodged this morning.

WAM Global (WGB)

Internationally-focused investment company completed its ASX listing Friday following a \$465.5M IPO at \$2.20 per share.

Opened at \$2.19 and traded at \$2.18 - \$2.20 before settling at \$2.20. 873,091 shares were traded across 174 transactions.

Resources

Clean teQ Holdings (* CLQ)

New South Wales Sunrise nickel-cobalt-scandium project DFS outcomes lodged this morning.

Energy

88 Energy (* 88E)

Icewine #2 production testing returned gas and fluid has remained essentially similar to that reported 18 June, and is considered to consist 100% of stimulation fluid and gas.

Beach Energy (BPT)

Peter Kupniewski has been appointed BPT company secretary, effective 22 June, taking over from interim general counsel Sheree Ford.

Tap Oil (TAP)

Risco Energy Investments has extended the period of its 7c cash-per-share offer for TAP until close-of-trade 19 July.

TAP traded at 7.9c – 8.05c last week.

Trading Halts

Company	Code	Resuming
Centennial Mining	CTL	25 Jun
Credit Corp Group	CCP	25 Jun
Kibaran Resources	KNL	25 Jun
Orion Metals	ORN	25 Jun
Pacifico Minerals	PMY	25 Jun
Cervantes Corporation	CVS	26 Jun
Clinuvel Pharmaceuticals	CUV	26 Jun
E2 Metals	E2M	26 Jun
Hawkstone Mining	HWK	26 Jun

Suspensions (select)

Company	Code	Since
Australian Mines	AUZ	19 Jun
EHR Resources	EHX	18 Jun



US income and spending figures are also keenly anticipated late-week.

Base metals – inventories and \$US vacillations appeared to mostly influence overnight Friday LME trade.

Friday, **Japan's** May CPI growth was reported at 0.7% year-on-year growth and just 0.1% for the month, following a 0.4% slip during April.

The nation's initial June manufacturing PMI was reported at 53.1, against 52.8 for May.

This week's data releases out of **China** include industrial profits Wednesday and official PMIs Saturday.

Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.7440	0.0000	0.00
EUR – USD	1.1667	0.0002	0.02

Australian Data Today

CLGc	Captl city resdntl prop prices	22 Jun
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US Data Tonight

Chicago Fed national activity index	May
New home sales	May
Dallas Fed manufacturing	Jun

Other Overseas Data Today & Tonight

Japan	BoJ opinions summary	May
Germany	Ifo business climate	Jun

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Elixir Petroleum	EXR	14 Jun
Emu NL	EMU	20 Jun
Global Fortune Investment	GFI	13 Jun
Mobilarm Ltd	MBO	30 May
Murray River Organics Group	MRG	4 Jun
Parkway Minerals	PWN	21 Jun
Pursuit Minerals	PUR	18 Jun
Winmar Resources	WFE	7 Jun

Ex-Dividends

Code	Ex-Div	Div (c)	Fr (%)	Yield (%)
AAD	Today	6.5	0	4.21
ABP	Thu	9	0	4.57
ABW	Thu	0.3	0	5.75
AIB	Thu	0.23	0	10.64
AJD	Thu	2.5	0	5.19
AOD	Thu	0.3	100	6.26
APA	Thu	24	0	4.56
ARF	Thu	3.2	0	5.79
AUP	Thu	4.03	0	9.83
CHC	Thu	16.2	33.95	4.82
CLW	Thu	6.8	0	5.99
CMA	Thu	4.53	0	7.44
CNI	Thu	4.1	24.39	5.73
CQR	Thu	14.2	0	6.48
CRR	Thu	5	0	6.64
CZZ	Thu	42	100	2.53
DXS	Thu	24.1	0	4.79
FET	Thu	3.77	0	5.63
FOR	Thu	22	0	10.53
GDI	Thu	3.88	0	5.87
IDR	Thu	4.2	0	6.40
IOF	Thu	10.15	0	3.87
KLA	Thu	2.25	0	0.21
LEP	Thu	10.45	0	3.71
MGR	Thu	6	0	4.89
NEW	Thu	3.75	0	5.27
NSR	Thu	4.9	0	5.85
RFF	Thu	2.51	0	4.69
RFP	Thu	2.51	100	0.00
SCP	Thu	7.1	0	5.43
SYD	Thu	18.5	0	4.83
TCL	Thu	28	8.92	4.59
TGH	Thu	3.79	0	6.20
VCX	Thu	8.2	0	5.99
CLF	Fri	2.25	100	4.28
GNC	Fri	8	100	2.79



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