

Monday 31 July 2017

Markets

SFE 200 Futures (9.30am AEST)	5658	24	0.4
NZX 50	7665	26	0.3
DJIA Futures	21767	-8	0.0
S&P 500 Futures	2469	-1	0.0
NASDAQ Futures	5907	-3	-0.1

Local Markets Commentary

The Australian market opens this week's trade on the last day of the month, amid swelling international tension, and with a deluge of June quarter reports, ahead of China's official July PMIs.

China is expected to report services and manufacturing activity indices 11am AEST.

Locally today, several economic reports are due, ahead of tomorrow's Reserve Bank of Australia (RBA) policy meeting.

The ABS releases June financial aggregates (including private sector credit) **11.30am AEST.**

The Melbourne Institute and TD Securities also publish a monthly inflation report this morning, and the HIA monthly home sales.

Pre-trade, a weekly capital city house price report is due. Post-trade, the RBA is due to report monthly reserves and foreign exchange liquidity.

In overnight Friday commodities trade, **oil** continued to gain. **Gold** futures settled higher for a second consecutive session. **Iron ore** (China port, 62% Fe) extended Thursday's decline. LME **copper** settled slightly lower.

The **\$A** traded above US79.85c, after falling below ~US79.50c early Friday evening.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	21830	34	0.1
S&P 500	2472	-3	-0.1
NASDAQ	6375	-8	-0.1
FTSE 100	7368	-75	-1.0
DAX 30	12163	-49	-0.4
Shanghai Comp	3253	3	0.1

Overseas Markets Commentary

Major European and US equities markets opened lower overnight Friday, amid key data and corporate reports and a barrage of US domestic political commentary.

Among **US** data releases, the first of three June quarter GDP readings estimated annual growth at 2.6%, against 1.2% for the March quarter.

Employment costs rose 0.5% for the three months and 2.4% annually.

On the political front since then, the US president has:

- appointed a new chief of staff;
- threatened to stop support payments to health insurers, to thwart the health cover plan for parliamentarians, and not to approve other new legislation until a new

China – July PMIs 11am AEST

Last trading day of the month

Today's Stock Watch

Technology One (TNE)

The Brisbane City Council (BCC) is claiming ~\$50M in loss and damages, in relation to a contract terminated by the BCC. TNE is defending the claim and intends to make a counter claim for a similar amount, for wrongful termination.

In addition, TNE says all company projects are covered by comprehensive insurance.

TNE continues to anticipate 10% - 15% full-year profit growth.

Decmil Group (DCG)

Anticipating a pre-impairment break-even FY 2017 EBITDA, and will not pay a final dividend, in favour of capital preservation.

A project loss, plus delays, impacted this year's results.

Expecting more than \$250M worth of work during FY 2018, given that was the 'committed and visible' amount as at 30 June.

Planning to publish full-year results 30 August.

DCG dropped 17.6% Friday, settling at 76c after closing out the previous week at 90.75c.

Cochlear Ltd (COH)

Confirming CEO and president Chris Smith's retirement, with COH COO Dig Howitt to take over as president from today and as CEO effective 2 January. Planning to publish full-year results 17 August.

Navitas Ltd (NVT)

NVT has secured an extension of its agreement with Deakin University, under which it provides 'pathway' programs for entry to certain courses and levels. Due to report full-year results tomorrow.

Ooh!Media Ltd (OML) / Spotless Group (SPO) / Downer EDI (DOW)

OML will be added to the S&P/ASX 200 when SPO is removed, effective market-open 7 August (Monday next week). SPO is due to become part of the DOW group.

DOW had achieved an 80.3% SPO holding by Friday's ASX close, under an \$1.15 cash-per-share offer. The offer is scheduled to close 7pm AEST.

DOW is scheduled to report full-year results Thursday.

Infigen Energy (IFN)

June quarter operational statistics anticipated.

Resources

Resolute Mining (RSG)

120-hour union worker strike scheduled to commence at the Mali Syama gold project from midnight local time.

RSG maintains surface and underground mining will not be impacted and that overall gold output will not be materially affected.

The Syama operation employs 1800 personnel on a daily basis, 490 of whom are union members.

Energy

Origin Energy (ORG)

June quarter operational statistics keenly anticipated.

healthcare plan passes both houses of parliament;

- agreed to approve new sanctions against **Russia**;
- berated **China** for perceived failure to curb **North Korea's** nuclear missile program;
- and ordered the demonstration yesterday of US military air might over the Korean peninsula.

For its part, China revealed a new ICBM during a military parade, and Russia ordered the departure of more than 750 US diplomats.

Meanwhile, US treasury secretary Steven Mnuchin extended for two months an emergency cash measure to enable the US administration not exceed its debt limit.

Tonight in the US, June pending home sales, the Chicago PMI and a Texas region manufacturing index are due.

HSBC, Heineken, NEC and Panasonic are among companies scheduled to report earnings today or tonight.

In overnight Friday corporate news, **Amazon's** quarterly growth costs and warning, delivered late-Thursday, appeared to impact tech sector sentiment on both sides of the Atlantic.

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Aug)	1269	oz	9	0.7
Silver (NY) (Sep)	16.7	oz	0.1	0.7
Gold (LON)	1265	oz	4	0.3
Platinum	935	oz	11	1.2
WTI Crude (Sep)	49.7	bbl	0.7	1.4
Brent Crude (Aug)	52.5	bbl	1.0	2.0
Iron Ore (CHN port 62%)	68.7	t	-1.5	-2.1
Copper	6325	t	-5	-0.1
Nickel	10200	t	70	0.7
Aluminium	1907	t	-31	-1.6
Lead	2320	t	11	0.5
Zinc	2776	t	-25	-0.9
Tin	20600	t	-50	-0.2
CBT Wheat (Sep)	4.81	bshl	0.01	0.3

Commodities Commentary

Oil – optimism continued overnight Friday, WTI crude settling 8.6% higher for the week and Brent crude 9.3%. A comparatively weak \$US also offered ongoing support.

A weekly US petroleum drill rig count, published Friday, reported two additional operational rigs.

Gold – another \$US dip supported higher gold prices overnight Friday. US domestic and international geopolitical uncertainty were also cited as factors in avoiding large swings.

Geopolitics, central bank commentary, reports from major corporate stocks and high-profile economic indicators, including within monthly national US job market reports, are expected to influence the coming week's trade.

Base metals – mixed trade overnight Friday, ahead of China's official July PMIs, due for release today.

Some profit-taking speculation also continued.

Tonight, some end-of-month positioning is anticipated, amid reactions to China's PMIs.

Pre-Open Announcements

Air New Zealand (* AIZ)

Carried 8.3% more passengers in June, year-on-year. Revenue passenger kilometres grew 5.4%. Planning to release full-year results 23 August. AGM scheduled for 28 September.

Suda Ltd (SUD)

International accreditation (ISO 9001:2015) achieved for SUD and its development of oro-mucosal sprays.

The new accreditation is more rigorous than previous versions and SUD says it is among the first Australian pharmaceutical companies to have been granted this certification.

Velpic Ltd (VPC)

June quarter revenue totalled \$461,000. \$3.25M cash as at 30 June.

Intiger Group (IAG)

Accrued revenue grew 66% during the June quarter, compared with the March quarter.

Recce Ltd (RCE)

RECCE 327 summary lodged this morning ahead of RCE's submission of an Investigative New Drug (IND) application to the US Food & Drug Administration (FDA). Independent experts recommend a pre-IND application meeting with the FDA.

Spectur Ltd (* SP3)

Surveillance equipment and services provider scheduled to list midday AEST **tomorrow** following a \$4.5M IPO at 20c per share.

Turner's Automotive Group (TRA)

Automotive industry financial services specialist completed its ASX listing Friday under foreign-exempt rules. TRA's primary listing is on the NZSX.

Resources

Syrah Resources (* SYR)

June quarter activities report lodged this morning, including a comprehensive summary of Balama graphite project development and commissioning, Mozambique. \$US101M cash as at 30 June. Presentation lodged this morning.

In addition, SYR has finalised an exclusive R&D agreement with Cadenza Innovation for the use of graphite anode technology in conjunction with lithium ion-based power storage.

Sandfire Resources (SFR)

SFR has secured a further holding in the Black Butte copper project, Montana, US, via the \$C7.1M acquisition of 16.9% of TSX - V-listed Tintina Resources.

Meanwhile, Macquarie has re-rated SFR as neutral, from outperform.

Neometals Ltd (NMT)

Produced 91,917t of (almost 50:50 4% and 6%) Li₂O concentrate during the June quarter. Shipped 84,636t. Holding \$46.1M in cash and restricted term deposits as at 30 June. Listed securities and net receivables totalled \$16.5M.

Lucapa Diamond Company (* LOM)

The Angola Lulo diamond JV has achieved a gross \$US1.5M from the sale of 2070 carats averaging \$US710/carat. The sale is the sixth for 2017 and pushes gross sales for the calendar year-to-date to \$US17M at a mean \$US1458/carat.

Australian Bauxite (ABX)

Planning to ship 33,000t of cement-grade bauxite in September.

**Exchange Rates**

CURRENCIES	LAST	+/-	%
AUD – USD	0.7982	-0.0005	-0.06
EUR – USD	1.1750	0.0003	0.02

Australian Data Today

CLogic	Capital city house prices	29 Jul
HIA	New home sales	Jun
ABS	Financial aggregates	Jun
MI/TDsec	Inflation gauge	Jul
RBA	International reserves	Jul
RBA	Forex liquidity	Jul

US Data Tonight

Chicago PMI	Jul
Pending home sales	Jun
Dallas Fed manufacturing	Jul

Other Overseas Data Today & Tonight

China	PMIs manufacturing, services	Jul
Japan	Industrial production	Jun
Japan	Vehicle production & exports	Jun
Japan	Construction orders	Jun
Japan	Housing starts	Jun
UK	BoE asset purchases	Jun Q
UK	BoE 'real' rates assessment	Jun Q
UK	BoE consumer credit	Jun
UK	Nationwide house prices	Jul
Germany	Retail sales	Jun
Euro zone	CPI (prelim)	Jul
Euro zone	Unemployment	Jun

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\$1.1M cash as at 30 June.

American Pacific Borate & Lithium (* ABR)

Explorer completed a successful ASX listing Friday following a \$15M IPO at 20c per share.

Opened at 24.5c and traded at 21.5c – 25c before settling at 23c. 5.5M shares changed hands across 193 trades.

Energy**Sino Gas & Energy (SEH)**

10% higher, 17MMscf/d China PSC production during the June quarter, 10% higher than for the March quarter.

Trading Halts

Company	Code	Resuming
Auris Minerals	AUR	31 Jul
Carpentaria Exploration	CAP	31 Jul
Indago Energy	INK	31 Jul
SIV Asset Management	SIV	31 Jul
Yancoal Australia	YAL	31 Jul
Anson Resources	ASN	1 Aug
Cokal Ltd	CKA	1 Aug

Suspensions (selected)

Company	Code	Since
Azonto Petroleum	APY	21 Jul
Baralaba Coal Company	BCL	10 Jul
BKM Management	BKM	28 Jul
Clancy Exploration	CLY	13 Jul
Magnis Resources	MNS	5 Jul
Magnum Gas & Power	MPE	12 Jul
Manalto Ltd	MTL	28 Jul
Molopo Energy	MPO	27 Jul
MSM Corporation International	MSM	12 Jul
Peak Resources	PEK	6 Jul
Premiere Eastern Energy	PEZ	11 Jul
Realm Resources	RRP	14 Jul
Sundance Resources	SDL	26 Jul
Wattle Health Australia	WHA	27 Jul

Ex-Dividends

Code	Ex-Div	Div (c)	Fr (%)	Yield (%)
GEG	Thu	5.67	10	0.85
BKI	Fri	3.7	100	4.32
DJW	Fri	10	100	5.24

Reports & Events

(selected scheduled)

When	Company	Report/Event
Today	IFN	Jun Q
	ORG	Jun Q
	SYR	Jun Q
Tomorrow	AQG	Jun Q
	CCP	Full-year
	ERA	Interim
	NVT	Full-year



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Wed	BWP	Full-year
	GMA	Interim
	OFX	AGM
	RMD	Full-year
Thu	RIO	Interim
	DOW	Full-year
Fri	SUN	Full-year
	CWN	Full-year
	TAH	Full-year