

Futures Indices (Source: IRESS)

INDEX	CLOSE	+/-	%
E-mini S&P 500 Futures	2891.75	-2.75	-0.1
E-mini Dow Futures	26108	-9	-0.03
E-mini NASDAQ 100 Futures	7497.25	-25.5	-0.34
SFE 200 Futures	6555	9	0.14

Local Market Commentary

ASX closed flat yesterday, should open flat today: Despite the fall in risk-free rates, the ASX200 failed to capitalise on the fall in interest rate expectations. That can be chalked up to global factors as much as anything else: sentiment remains subdued amid persistent concerns about the trade-war and global growth. As such, the materials sector dipped, courtesy in-part to a stall in the rally iron prices, and the energy sector subtracted 8-points for the index, tracking a recent, precipitous fall in global oil prices. Overall, the day ended practically flat, with neither the bulls or bears controlling price right now. And today ought to be similar: SPI Futures are pointing to a small advance at-the-open. The area of real relevance yesterday was the performance of the consumer discretionary sector. It was one of the ASX200's big laggards, shedding 2.50 per cent during local trade. Up until recently, the power of implied rate cuts had supported a strong upward trend for the sector, on the view that lower rates will unshackle consumption in the Australian economy.

Overseas Indices (Source: IRESS)

INDEX	CLOSE	+/-	%
Dow Jones	26106.77	101.94	0.39
S & P 500	2891.64	11.8	0.41
NASDAQ	7837.13	44.4105	0.57
FTSE 100	7368.57	0.95	0.01
DAX 30	12169.05	53.37	0.44
CAC 40	5375.63	0.71	0.01
Milan MIB30	20630.75	167.5	0.82
Nikkei	21032	-97.72	-0.46
Hang Seng	27294.71	-13.75	-0.05
Hang Seng China Enterprises	10472.44	-22.34	-0.21
Straits Times	3220.66	12.92	0.4
Shanghai Composite	2910.7406	1.361	0.05

Australian Stock Watch

Afterpay Touch Group Ltd (APT): Shares in buy-now, pay-later provider Afterpay fell by 11.5 per cent after it was ordered by the financial intelligence agency to appoint an external auditor to scrutinise its compliance with antimoney-laundering laws. Thursday's announcement by the Australian Transaction Reports and Analysis Centre that it was concerned about Afterpay's compliance with antimoney-laundering laws, came just days after a \$317.4 million capital raising and \$100 million founder sell-down. AUSTRAC said it had ordered Afterpay to appoint an external auditor after a "period of ongoing engagement" where the agency identified concerns with Afterpay's compliance with antimoney-laundering laws, reports AFR.

AGL Energy Limited (AGL): An expected delay in AGL Energy's planned LNG import plant in Victoria may force the power giant to cover a gas shortfall in its portfolio by signing expensive short-term contracts, UBS has warned. Approvals for the Crib Point unit may now not be received until mid-next year and may require changes to the facility design and attract extra costs. Given AGL faces an annual gas portfolio shortfall of 40 petajoules from 2021 on, it may have to look beyond the delayed gas import hub and strike deals at higher prevailing prices potentially topping \$10.50 a gigajoule. "To ensure continuity of gas supply to meet AGL's 150 petajoule portfolio demand, we had assumed the emerging supply shortfall in 2021 would be supplied by AGL's own planned LNG import facility at Crib Point in Victoria," UBS analyst Tom Allen said, reports The Australian.

Carsales.com Ltd (CAR): Carsales is looking to sell its stake in auto-financing broking business Stratton Finance as a crackdown on car loans by the corporate regulator reverberates through the sector.



Overseas Markets & Gold Commentary

Stocks in Europe and the US edged higher overnight, albeit on lower activity. It was a matter of stocks rising as government bond yields fell, as a softening global economic outlook prompted traders to increase bets of global rate cuts – especially by the US Fed.

Gold prices are firmly higher in midday U.S. trading Thursday, boosted on safe-haven buying interest on news of another attack on big ships in the Persian Gulf region. August gold futures were last up \$6.90 an ounce at \$1,343.70. July Comex silver prices were last up \$0.127 at \$14.88 an ounce. The marketplace is a bit uneasy late this week after reports two more ships in the Persian Gulf area (this time in the Gulf of Oman) were attacked by smaller gunboats, and/or possibly even a torpedo. U.S. Navy ships are reportedly now protecting some oil tankers in the region. Oil prices are higher today on the news. Right now tensions in markets are not real high, but this situation could escalate very quickly if Iran and the U.S. have a direct military confrontation. Gold prices would probably spike sharply higher in such a case. Gold gained today despite European and Asian stock indexes that were mostly firmer. The U.S. stock indexes are also modestly higher at midday. Notions of more accommodative monetary policies from the world's major central banks, amid generally very low inflationary pressures globally, are supporting world stock markets recently. That's also supportive for the metals. The key "outside markets" today see Nymex crude oil prices higher and trading around \$52.25 a barrel, on the Oman Gulf news. Still, worldwide supply and demand fundamentals for crude oil favor the bears. Meantime, the U.S. dollar index is slightly up in early-afternoon U.S.

The online car company announced on Thursday that Miles Advisory Partners would conduct a strategic review of Carsales' 50.1 per cent stake. *"The decision to divest Stratton, when market conditions permit, will allow Carsales to focus on other core business growth opportunities ... while repositioning our finance services strategy,"* Carsales chief executive Cameron McIntyre said. In November, following scrutiny by the Hayne royal commission, ASIC banned *"flex commissions"*, which gave car dealers and brokers bigger payments for signing customers to higher interest loans, reports AFR.

Challenger Ltd (CGF): Challenger says its profit is likely to take a hit from lower interest rates and the disruption to the advice industry caused by the Hayne royal commission. At investor day on Thursday, the listed annuities provider said it expected to achieve bottom end of its guidance in the 2019 financial year, with a normalised net profit before tax – which strips away investment experience and significant items – between \$545 million and \$565 million. Analysts had expected a normalised net profit before tax of \$544 million. Next financial year, Challenger expects its normalised net profit before tax to be between \$500 million and \$550 million, partly because of lower interest rates on shareholder capital, reports AFR.

Coles Group Ltd (COL): Coles is cutting 450 jobs from its Melbourne head office in a major management shake-up aimed at offsetting rising labour costs and simplifying operations. Less than a week before Coles chief executive Steven Cain updates investors on the retailer's new strategy, the food and liquor retailer told staff on Thursday that 450 roles would go at the head office in Tooronga in Melbourne's east as part of a three-year program to cut costs and free up funds for investment in online and convenience. The redundancies represent about 10 per cent of Coles' 4000 head office staff, although many of the roles to be made redundant are vacant, so the number of people losing their jobs will be less than 10 per cent, reports AFR.



trading. In other overnight news, Switzerland's central bank held its monetary policy steady, but did signal rate cuts are possible at future central bank monetary policy meetings.

International Economic Data

- **AU Consumer Inflation Expectations** - Inflation Expectations in Australia remained unchanged at 3.30 percent in June from 3.30 percent in May of 2019.
- **AU Employment Data** - Australia's seasonally adjusted unemployment rate stood at 5.2 percent in May 2019, unchanged from the previous month's eighth month-high and above market expectations of 5.1 percent. The participation rate in Australia edged up 0.1 points from a month earlier to a record-high of 66.0 percent in May 2019, beating forecasts of 65.8 percent. Full-time employed persons in Australia advanced by 2,400 to 8,792,900 in May 2019 from 8790,500 in the previous month. Part time employed persons in Australia rose by 39,800 to 4,075,400 in May 2019 from 4,035,500 in the previous month.
- **US Jobless Claims** - The number of Americans filling for unemployment benefits rose to 222 thousand in the week ended June 8th 2019, from the previous week's upwardly revised level of 219 thousand while markets had expected it to fall to 116 thousand. Continuing Jobless Claims in the United States increased to 1695 thousand in the week ending June 1 of 2019 from 1693 thousand in the previous week, reports TradingEconomics.
- **US Export/Import Prices** - US export prices declined 0.2 percent from a month earlier in May 2019, the first monthly drop since January and worse than market expectations of a 0.1 percent fall. US import prices dropped 0.3 percent from a month earlier in May 2019, compared to a downwardly revised 0.1 percent gain in April and market expectations of a 0.2 percent fall.

Commonwealth Bank of Australia (CBA), National Australia Bank Ltd (NAB): NAB and Commonwealth Bank are poised to announce cuts to interest rates for savings accounts as banks are forced to offset the impact of cuts to standard variable rate mortgages to protect their margins. NAB is poised to announce cuts of up to 25 basis points to savings accounts, while CBA will announce cuts of between 20 basis points and 25 basis points to its popular Netbank, Goal Saver and PenSec accounts. NAB and Commonwealth Bank have been forced to move first because they elected to pass on the full 25-basispoint cut to borrowers. Rivals ANZ and Westpac chose to withhold some of the cut after the Reserve Bank lowered the cash rate. The need to pass on the cut to depositors is arguably more urgent at NAB, where the 25-basis-point cut to standard variable-rate mortgages takes effect on Friday and removes the spread between the two rates, reports AFR.

Commonwealth Bank of Australia (CBA): Commonwealth Bank has sold its troubled financial planning arm Count Financial for just \$2.5 million in an asset fire sale as it accelerates its exit from wealth management. The sale includes 359 planners at 160 advice firms with \$8.1 billion in funds under advice. The sale follows hard on the heels of Westpac's heavily discounted sale of its financial advice arm to Viridian for a similar sum. CBA bought the network of financial planners from Rich Lister and entrepreneur Barry Lambert in 2011 for \$373 million, delivering him and his wife a massive windfall. The announcement on Thursday morning says the business has been purchased by listed accounting and advice firm network CountPlus, in which CBA has a 35.9 per cent stake, that it wants to sell in an orderly manner, reports AFR.

Infratil Ltd (IFT): UBS's equities desk was seeking buyers for 15.1 million Infratil shares left over from the company's rights issue late yesterday. The broker was offering shares from the \$NZ4 rights issue price and was calling funds for bids in \$NZ0.05 increments from the \$NZ4 floor price. The broker was due to auction all the shares last night. Funds expect to see allocations



• **US EIA Natural Gas Stocks Change - Working gas in storage was 2,088 Bcf as of Friday, June 7, 2019, according to EIA estimates. This represents a net increase of 102 Bcf from the previous week, reports EIA.**

Commodities (Source: IRESS)

COMMODITY	CLOSE	+/-	%
COMEX			
Gold Aug 19	1345.8	9	0.67
Silver Jul 19	14.89	0.137	0.93
Copper Jul 19	2.657	0.003	0.11
NYMEX			
Platinum Jul 19	811.4	0.4	0.05
Palladium Sep 19	1441.2	35.8	2.55
LONDON METAL			
Gold (AM Fix)	1336.65	14	1.06
Gold (PM Fix)	1332.35	8.05	0.61
ENERGY			
Light Crude Jul 19	52.49	1.14	2.22
Brent Crude Oil	61.33	1.55	2.59
CBT			
Wheat Jul 19	537.25	6.25	1.18
Soybeans Jul 19	887.75	9.75	1.11
Corn Jul 19	454.75	6.25	1.39
OTHER			
Iron Ore (China Port)	106.5	1.5	1.43
Coal (ICE-GC Newcastle)	73.68	0.01	0.01
LME Indicative			
Copper - Cash	5830.5	7.5	0.13
Copper - 3Mth	5862	10	0.17
Lead - Cash	1897.75	-19.5	-1.02
Lead - 3Mth	1891.5	4.5	0.24
Zinc - Cash	2584	-43.5	-1.66
Zinc - 3Mth	2477	-33	-1.31
Aluminum - Cash	1756	-3.5	-0.2
Aluminum 3Mth	1786.5	-0.5	-0.03
Nickel - Cash	11762	5	0.04
Nickel - 3Mth	11850	0	0
Tin - Cash	19533	3	0.02
Tin - 3Mth	19350	80	0.42

Exchange Rates (Source: IRESS)

CROSS	CLOSE	+/-	%
\$/A/\$US	0.6915	-0.0013	-0.19
STG/\$US	1.2675	-0.0013	-0.11
\$/NZ/\$US	0.6565	-0.0007	-0.11
\$/US/Yen	108.389	-0.118	-0.11
\$/A/Yen	74.953	-0.2255	-0.3
\$/US/\$SD	1.3666	-0.0004	-0.03
\$/NZ/\$A	0.9494	0.0009	0.09
STG/\$A	1.8329	0.0015	0.08

by this morning. Infratil is a dual-listed infrastructure fund manager whose shares trade on the NZX and ASX. The company was recently seeking to raise \$NZ400 million (\$378.8 million) to help with its acquisition of a stake in Vodafone NZ. Yesterday afternoon's auction represented Infratil shares left over from the retail portion of the rights issue. The take-up rate was 67 per cent, reports AFR.

MoneyMe: Prospa's successful second attempt at an initial public offering has drawn another online non-bank lender out of the woodwork. This time it is personal loans business MoneyMe, which is believed to be lining up for an initial public offering of its own. As first reported by Street Talk yesterday, MoneyMe has been taking pitches from investment banks and talking about a debut on the ASX boards in the second half of this year. Sources said it would likely be pitched as a high-growth fintech, with 65 per cent a year revenue growth in the past five years (on a compound annual growth rate basis) and a 199 per cent loan book growth. It's expected to seek to raise \$40 million to \$50 million in fresh funds, in a deal that would value the company at a few hundred million dollars, reports AFR. **Ruralco Holdings Ltd (RHL):** The competition watchdog looks set to bite into Canadian fertiliser giant Nutrien's \$469 million takeover bid for Ruralco after flagging concerns about their combined market dominance in some places and in wholesale supply to independent farm merchandise stores. The ACCC on Thursday released a statement raising preliminary competition concerns about Nutrien's proposed acquisition. Nutrien is the biggest player in the Australian farm services sector through its wholly owned subsidiary, Landmark, and Ruralco is the third biggest. Ruralco said it was confident the issues raised could be addressed to the satisfaction of the ACCC. Nutrien said the combination of Landmark and Ruralco would enhance service, expertise and product delivery to farmers, reports AFR.

Stockland Corporation Ltd (SGP): Diversified developer Stockland has taken a hit on its residential land settlements after production



Economic News This Week

- Friday **CN Retail Sales**
- Friday **US Retail Sales**
- Friday **US Industrial Production**
- Saturday **US Michigan Consumer Sentiment**
- Saturday **US Baker Hughes Oil Rig Count**

delays at one of its major Melbourne projects while defaults have also risen above average. Shareholders responded sharply to the business update from Stockland's investor day tour in Melbourne, with the stock down 10¢ or 2.2 per cent at \$4.36, recovering from steeper losses in earlier trade. Stockland now expects settlements of its land lots to come in at about 5900 for the full 2019 year, falling short of the forecast of more than 6000 lots managing director Mark Steinert had flagged at the interim result in February. The developer blamed production delays at Mt Atkinson, a large housing estate in Melbourne's west, for the shortfall, with settlements deferred to the 2020 financial year, reports AFR.

Village Roadshow Ltd (VRL): The bitter brotherly feud inside the Village Roadshow boardroom has only been exacerbated after Robert Kirby relinquished his role as chairman, his son Clark was elected chief executive, and his brother John was stripped of his deputy chairman title. Clark Kirby will take the reins as chief executive of Village Roadshow from long-time boss Graham Burke on January 1. Clark will also remain in his role as chief executive of Village's theme parks arm. Executive search firm Egon Zehnder had been hired to conduct a global search for a new chief executive, but that will now be cancelled. Clark Kirby said he would be working closely with Mr Burke and hoped Thursday's announcement would provide certainty and stability for Village, reports AFR.

Wesfarmers Ltd (WES): Wesfarmers chief executive Rob Scott says he is more confident about the group's prospects than he has been in years despite a plunge in profits from department stores and a challenging outlook for the industrial and safety businesses. Mr Scott told investors on Thursday that record low interest rates and more political certainty could help boost the economy. Wesfarmers' remaining businesses – Bunnings, Kmart, Target, Officeworks and the chemicals, energy, fertilisers, industrial and safety businesses – were well positioned to benefit,



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