

**Futures Indices (Source: IRESS)**

INDEX	CLOSE	+/-	%
E-mini S&P 500 Futures	3208.5	13.75	0.43
E-mini Dow Futures	28400	134	0.47
E-mini NASDAQ 100 Futures	8647.75	57.5	0.67
SFE 200 Futures	6750	-22	-0.32

**Local Market Commentary**

Global markets were higher overnight on a Fed official indicating that no rate increases by the central bank were expected in 2020 and continuing optimism over a looming US-China trade deal. However, a negative start to the session looks in store for the ASX, with futures at 7.40am AEDT pointing to a fall of 28 points, or 0.4 per cent, at the open. **Markets winding-up for the year, but positive prevails:** There's a touch of that holiday feeling creeping into the market right now. Volumes in Wall Street stocks have finally fallen closer in line with averages, after last week's slew of positive market news saw investor rushing to buy equities into year end.

**This is the last State One Market Opener for 2019. Market Opener will recommence after the Holiday Season on Thursday 2 January 2020. Merry Christmas and Happy New Year!**


**World Indices (Source: IRESS)**

INDEX	CLOSE	+/-	%
Dow Jones	28376.96	137.68	0.49
S & P 500	3205.37	14.23	0.45
NASDAQ	8887.2182	59.4837	0.67
FTSE 100	7573.82	33.07	0.44
DAX 30	13211.96	-10.2	-0.08
CAC 40	5972.28	12.68	0.21
Milan MIB30	23708.94	80.07	0.34
Nikkei	23864.85	-69.58	-0.29
Hang Seng	27800.49	-83.72	-0.3
Hang Seng China Enterprises	10985.89	0	0
Straits Times	3207.42	-2.12	-0.07
Shanghai Composite	3017.0658	0.0214	0

**Australian Stock Watch**

**Afterpay Ltd (APT):** Three days after the release of Afterpay's latest disclosure on its equity share scheme in the United States, there's still a fair bit of confusion in the market about exactly how the scheme works, how it speaks to the value of the booming US business, the eventual impact of any dilution it might create, and the size of the rewards it might bring to the holders of the options. To recap, Afterpay said on Monday afternoon there are 7.8 million options on issue under the US equity scheme, plus another 3.2 million options that have been exercised but are yet to vest. These are not options over common Afterpay shares listed on the ASX but over an unlisted subsidiary called Afterpay US Inc. This business was set up in January 2018, when investment firm Matrix bought into Afterpay, in part to back its then vague plans to shift into the US, reports AFR.

**ALS Ltd (ALQ):** Laboratory services company ALS is used to running tests. But it's tapped Bank of America for its latest experiment. Street Talk can reveal the \$4.5 billion ASX-listed company has mandated BoA to drum up buyer interest in its asset care division, and oversee a two stage auction. The business is expected to fetch a few hundred million dollars, with the sale process to get under way early next year. It's not the first time the Raj Naranled ALS has sought to offload the division. In 2017, the group hired Bank of America to lead a sale process, pitching it as a market leader in Australia with national coverage, that was positioned for growth in the US gulf coast and south-east Asia. At the time Deutsche Bank valued the unit at between \$132 million and \$170 million, reports AFR.

**Evans Dixon Ltd (ED1):** Wealth manager Evans Dixon has appointed Stuart Nisbett and Peter Shear as two independent directors at Walsh & Co, its subsidiary that is the "responsible entity" (RE) for 10 of its inhouse managed funds. It also said long-serving Dixon Advisory executive Alex MacLachlan was leaving the board; it said the changes were aimed at increasing the unit's independence. Mr Nisbett, a banker who previously held executive positions at ANZ, Rothschild, Macquarie and Lend Lease, will serve as independent chairman. Mr Shear is the former head of structured finance at Lloyds Bank and was previously partner at Ernst & Young. Mr MacLachlan was previously the chairman of Walsh & Co, reports AFR.

**Lendlease Group (LLC):** Lendlease will be stuck with its loss-making projects in Sydney and Melbourne including the Metro Tunnel after selling part of its engineering business to Spanish group Acciona for \$180 million. The sale comes as property analysts worry about the impact of billions of dollars of cost blowouts on the \$11 billion Melbourne Metro Tunnel project, which Lendlease is building with John Holland as part of the Cross Yarra Partnership



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## Overseas Markets & Gold Commentary

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Overall, positivity remains high in global markets. The S&P500 managed to touch the 3200 mark in US trade. Oil prices have climbed to three-month highs, support now by both supply and demand side factors. And other risk sensitive assets in currency and credit markets betray a sense that the growth outlook ought to be a little stronger going into the new year.

**Fittingly, S&P500's fresh records come from Fed comments:** The news that precipitated last night's rally in stocks, fittingly, was Fed related. In an interview with the Wall Street Journal, Fed member James Bullard stated he's "penciled in" no rate increase by the central bank in 2020 – primarily on the grounds inflation pressures remain so low in the US economy.

As has been the fundamental cause for US stocks' strength all year, the prospect of an extended period of accommodative monetary policy pushed bond yields lower last night, driving stock prices higher. It's a precarious balance, but equities are prospering right now, on the basis of this regime of moderate growth and very low interest rates.

**Trump impeachment does little to disturb the markets:** The biggest story for financial media yesterday, though, was likely the impeachment of US President Trump. But entirely as expected, the vote to impeach the US President was treated as more side-show than risk-event. The US Dollar did dip very slightly when the impeachment news broke, however, the move proved transitory. Essentially, markets see little risk in this impeachment process, because practically no one expects the Republican controlled senate to convict the President of any wrongdoing. Politics will certainly be an issue for the markets in 2020, as time winds down to the US election. However, right now, markets are treating it as little more than theatre.

**Bank of England delivers a "dovish hold":** Of more fundamental importance overnight, the Bank of England met, and, as expected, left interest rates on hold. It's been dubbed a "dovish hold" however, with the BOE's voting committee voting 7-2 to keep rates steady– those two members, of course, voting for an interest rate cut.

consortium. Macquarie warned in November that the Metro Tunnel's soaring costs could hurt Lendlease's pre-tax income by about \$90 million. Lendlease chief executive Steve McCann said yesterday that the Cross Yarra consortium was working with the Victorian government to resolve issues related to the scope and costs of the Metro Tunnel project, reports AFR.

**Macquarie Group Ltd (MQG):** Australian investors pushed the market to slight losses in a lacklustre session, although takeover activity and dealmaking helped some companies to shine and Macquarie hit a record high. The S&P/ASX 200 index declined 18 points, or 0.3 per cent, to finish at 6833.10. The banks were under selling pressure, with National Australia Bank down 1.1 per cent at \$25.02, ANZ down 0.6 per cent at \$24.89, Westpac down 0.5 per cent to \$24.39 and Commonwealth Bank ended 0.2 per cent lower at \$81.73. But Macquarie managed to outperform the rest of the banking sector to hit a record high in the session, closing up 1.6 per cent at \$140.01, reports AFR.

**Mirvac Group (MGR):** ASX-listed Mirvac and joint-venture partner John Holland have won the \$299 million tender to build the Waterloo Metro Quarter over-station development project in Sydney's inner south as foreshadowed by The Australian Financial Review. Mirvac and John Holland outlasted the other shortlisted bidder Aqualand to build one of Sydney's biggest inner-city brownfield mixed-use projects. Waterloo Metro Quarter will be worth \$800 million when completed. The project, part of the Waterloo State Significant Precinct, is a 20-hectare area that has been identified for urban renewal, reports AFR.

**Next Science Ltd (NXS):** Shares in Lang Walker-backed medtech player Next Science climbed 6 per cent yesterday after it revealed a five-year deal to have its TorrentX Wash Wound product distributed in the US by Tennessee-based Triad Life Sciences. Founded in 2012, Next Science has patented medical technology named Xbio that attacks and kills bacterial surfaces known as biofilms. The group's products are generally used to treat or wash patients' wounds in the operating theatre or on a postoperative basis. The aim is to prevent bacterial infections common to hospitals such as MRSA (Golden Staph) and E.coli or Staphylococcus. Including TorrentX Wash Wound, the company has four products approved for commercial sale in the lucrative US healthcare market. Most of its sales come from its BlastX surgical wash and Bactisure wound gel, reports AFR.

**Nine Entertainment Co Holdings Ltd (NEC):** Nine Entertainment's newly acquired radio business Macquarie Media says it has inadvertently failed to pay some contractors their superannuation entitlements. Macquarie, which is the home of Australia's top broadcasters Alan Jones and Ray Hadley on Sydney's 2GB and Brisbane's 4BC, discovered the "process oversight" following a review of its systems and processes, a company spokesman said. "We are now working to correct this oversight and are committed to making this right. We will ensure identified contractors are paid their superannuation entitlement, which includes interest", reports The Australian.



## International Economic Data

- **AU Labour Force** - A sharp surge in jobs in November has triggered a plunge in expectations of a rate cut in February. The job figures supported the Reserve Bank of Australia's view of a "gentle turning point" in the economy and eased pressure on the government to do more fiscal stimulus. The economy added 39,900 jobs in November and the unemployment rate fell to 5.2 per cent, according to Australian Bureau of Statistics data published yesterday. Financial markets scaled back expectations for a February rate cut after the data, with the chance of a 25 basis point cut falling to 45.2 per cent, from 56.8 per cent just before the release. The Australian dollar jumped to US68.77¢, from US68.57¢ immediately before the release of the data, reports AFR.
- **US Philadelphia Fed Manufacturing Index** - The Philadelphia Fed Manufacturing index for current general activity dropped by 10.1 points from the previous month to 0.3 in December 2019, its lowest reading since June and below market expectations of 8.0. Manufacturers continued to report expanding employment, although the current employment index decreased 3.7 points to 17.8. Meanwhile, the indexes for current shipments and new orders rose 6.1 points and 1.0 point respectively. Both the unfilled orders and delivery times indexes remained positive, suggesting higher unfilled orders and slower delivery times, reports TradingEconomics.
- **US Current Account** - The US current account deficit narrowed to \$124.1 billion in Q3 2019 from a downwardly revised \$125.2 billion gap in Q2. It is the lowest current account deficit since Q2 2018 but higher than expectations of a \$122.1 billion shortfall. It is equivalent to 2.3% of the GDP, down less than 0.1% from Q2. TradingEconomics.
- **US Jobless Claims** - The number of Americans filling for unemployment benefits decreased by 18 thousand to 234 thousand in the week ended December 14th from the previous week's unrevised level of 252 thousand and compared with market expectations of 225 thousand. Continuing Jobless Claims in the United States increased to 1722 thousand in the week ending December 7 of 2019 from 1671 thousand in the previous week, reports TradingEconomics.

### Economic News This Week

- Today **US Existing Home Sales**
- Today **US EIA Natural Gas Stocks Change**
- Today **US Corporate Profits**
- Today **AU HIA New Home Sales**
- Saturday **EU Consumer Confidence**
- Saturday **US Baker Hughes Oil Rig Count**

**Qantas Airways Limited (QAN):** Budget airline Jetstar has gained a reprieve from disruptive industrial action during the peak of the holiday season, with the Transport Workers Union saying its members would not strike again until the new year. TWU national secretary Michael Kaine confirmed the ceasefire in a stopwork rally at Sydney Domestic Airport yesterday, after being non-committal on such a pause when asked at a press conference on Wednesday. While not providing a firm date for when further action will be considered, the union's decision will come as welcome news to Jetstar and travellers, reports AFR.

**QBE Insurance Group Ltd (QBE):** Brokers are divided on QBE Insurance following a guidance update, unable to agree on how conservative the insurer is being. QBE said on Wednesday that adverse weather conditions meant its North American Crop insurance business was likely to report a 2019 current accident year with a combined operating ratio of 107 to 109 per cent. Despite this meaning the insurer is set to pay more in claims than it receives in premiums, JPMorgan retained its "overweight" rating and increased its price target on the stock from \$13.00 to \$13.60, reports AFR.

**Seven West Media Ltd (SWM) and Prime Media Group Limited (PRT):** Kerry Stokes' Seven West Media has emerged as Prime Media's largest shareholder, intensifying the battle for control of the regional broadcaster. It came as rival shareholders, Antony Catalano and Bruce Gordon, foiled a proposed merger yesterday. Seven has bought out Prime's largest shareholder, Spheria Asset Management, and emerged with a 14.9 per cent stake in the regional television broadcaster. The company will issue 30 million new Seven shares in exchange for Spheria's stake. reports AFR.

**Telstra Corporation Ltd (TLS):** Telstra has threatened to rescind its membership of the Business Council of Australia unless it addresses what the telecom giant says is an inconsistent position on climate change. The announcement, which puts further pressure on the already under-fire BCA over its climate stance, comes at the end of Telstra's months-long review of industry group membership. It coincided with the announcement by chief executive Andy Penn that Telstra would adopt a target of net zero emissions by 2050, putting it in line with the Paris Agreement. reports AFR.

**Westpac Banking Corp (WBC):** Westpac has lost another Federal Court showdown with the corporate regulator, been penalised more than \$9 million and found liable for inappropriate financial advice given by a former employee that failed to meet the best interests' duty. Justice Michael Wigney ruled yesterday that the embattled bank had contravened corporations law 22 times by failing to ensure advice given by former Westpac financial adviser Sudhir Sinha met his fiduciary obligation to clients. Mr Sinha, who received a five-year ban from the Australian Securities and Investments Commission in July 2017, was found to have given "deficient and defective" advice to four couples in Perth in 2013 and 2014, shortly after the best interests' duty was introduced for advisers under the then Labor government's Future of Financial Advice reforms, reports AFR.

**Commodities (Source: IRESS)**

COMMODITY	CLOSE	+/-	%
<b>COMEX</b>			
Gold Feb 10	1482.8	4.1	0.28
Silver Mar 10	17.115	0.066	0.39
Copper Mar 10	2.8235	0.011	0.39
<b>NYMEX</b>			
Platinum Apr 10	943.7	1.7	0.18
Palladium Mar 10	1906.7	10.5	0.55
<b>LONDON METAL</b>			
Gold (AM Fix)	1478.9	0.5	0.03
Gold (PM Fix)	1474.05	-1.75	-0.12
<b>ENERGY</b>			
Light Crude Feb 10	61	0.15	0.25
Brent Crude Oil	66.48	0.36	0.54
<b>CBT</b>			
Wheat Dec 19	545.5	-2.75	-0.5
Soybeans Nov 19	936.25	-4.25	-0.45
Corn Dec 19	386.75	-0.25	-0.06
<b>OTHER</b>			
Iron Ore (China Port)	92	-0.5	-0.54
Coal (ICE-GC Newcastle)	68.5	0.1	0.15
<b>LME Indicative</b>			
Copper - Cash	6190.5	45.25	0.74
Copper - 3Mth	6216	28.5	0.46
Lead - Cash	1896.75	-4.25	-0.22
Lead - 3Mth	1915	-14.5	-0.75
Zinc - Cash	2327.75	26.75	1.16
Zinc - 3Mth	2332	19.5	0.84
Aluminum - Cash	1774.5	19.75	1.13
Aluminum 3Mth	1802	21.5	1.21
Nickel - Cash	14114	309.5	2.24
Nickel - 3Mth	14215	345	2.49
Tin - Cash	17385	80	0.46
Tin - 3Mth	17375	95	0.55

**AUD exchange Rates (Source: IRESS)**

CROSS	CLOSE	+/-	%
AUDUSD	0.6886	0.0032	0.46
AUDJPY	75.2895	0.1845	0.25
AUDGBP	0.5294	0.0054	1.03
AUDCAD	0.9037	0.0048	0.54
AUDNZD	1.0424	0.0023	0.22
AUDHKD	5.3667	0.0296	0.55
AUDSGD	0.9328	0.0039	0.42
AUDMYR	2.8525	0.0156	0.55
AUDEUR	0.6191	0.0024	0.4

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