

**Futures Indices (Source: IRESS)**

INDEX	CLOSE	+/-	%
E-mini S&P 500 Futures	3290.5	18	0.55
E-mini Dow Futures	28795	85	0.3
E-mini NASDAQ 100 Futures	9218.75	120.25	1.32
SFE 200 Futures	6976	37	0.53

**Local Market Commentary**

Coronavirus fears kept world markets on their toes overnight, but a strong close on Wall Street has the ASX poised to open in positive territory. Futures are pointing to a gain of 37 points, or 0.5 per cent, at the open.

Despite what was a bearish day's trade for European and US stocks overnight, the ASX200 is looking as though it'll open higher this morning. SPI Futures are indicating a 37-point jump at the open, following a day in which the ASX200 shed 0.33 per cent.

In what was a highly active day's trade, with volumes 24 per cent above their 100-day average, the materials space once again lead the market lower, sapping 12 points from the index.

**World Indices (Source: IRESS)**

INDEX	CLOSE	+/-	%
Dow Jones	28858.8	124.35	0.43
S & P 500	3283.66	10.26	0.31
NASDAQ	9299.2165	24.0528	0.26
FTSE 100	7381.96	-101.61	-1.36
DAX 30	13157.12	-187.88	-1.41
CAC 40	5871.77	-83.12	-1.4
Milan MIB30	23781.1	-383.63	-1.59
Nikkei	22977.75	-401.65	-1.72
Hang Seng	26449.13	-711.5	-2.62
Hang Seng China Enterprises	10325.09	-293.63	-2.77
Straits Times	3170.68	-11.89	-0.37
Shanghai Composite	2976.5281	0	0

**Australian Stock Watch**

**Adelaide Brighton Ltd (ABC):** The competition regulator says it has found no evidence a stake held by Melbourne's billionaire Barro family in building products supplier Adelaide Brighton influenced competition between the companies in Melbourne, Brisbane and Townsville. The Barro Group now owns a 43 per cent chunk of Adelaide Brighton, and the probe by the Australian Competition & Consumer Commission examined overlap in the supply of cement, concrete and aggregates. The ACCC said the investigation has now been closed after it found Barro and Adelaide Brighton would continue to face competition from Boral, Holcim and Hanson, three large vertically integrated competitors with national operations, along with a number of smaller independent competitors. "On the basis of the information we have available to us, Barro's stake in Adelaide Brighton will not substantially lessen competition. Major rival cement, aggregates and pre-mixed concrete suppliers will continue to provide competition," ACCC commissioner Stephen Ridgeway said, reports The Australian.

**Australia and New Zealand Banking Group (ANZ):** ANZ has raised its expectations for Australia's home price growth for the third time since the markets bottomed out in May last year, after lower interest rates and easier access to credit fuelled a stronger-than-expected rebound in the second half of 2019. The bank now expects dwelling prices to climb by 8 per cent this year, up from the 6 per cent it predicted in October. Melbourne is forecast to lead the charge with 12 per cent growth. In October, ANZ was expecting 9 per cent. Sydney's dwelling values are expected to increase by 10 per cent – up three percentage points from the previous forecast. ANZ senior economist Felicity Emmett said pent-up demand from buyers and low volumes had combined to drive the markets' unexpectedly rapid recovery. "We've notched up our forecast a little bit because the pace of gains to date has been stronger than what we expected," she said, reports AFR.

**BlueScope Steel Ltd (BSL):** BlueScope Steel's China boss, Gerald Cornelius, says he is confident the steelmaker can recover from a three-week shutdown of its huge operations in China, however it is unclear how long businesses will have to stay closed as the coronavirus continues to spread. BlueScope is the largest Australian employer in China, with 1500 staff and operations across four cities. Like many manufacturers and construction companies, it has been forced to shut its operations until at least February 10. "It is really an evolving situation which changes each day," Mr Cornelius, who is based in Shanghai but was visiting Australia during Lunar New Year when the virus broke out, told The Australian Financial Review, reports AFR.



## Overseas Markets & Gold Commentary

Gold and silver prices are solidly higher in midday U.S. futures trading Thursday, on safe-haven demand. Marketplace focus Thursday is squarely back on the coronavirus outbreak that is spreading and which threatens to inhibit global economic growth.

After Tuesday and Wednesday shrugging off the coronavirus outbreak that is still not at all contained and apparently escalating, the global marketplace on Thursday was again on edge and risk averse regarding the matter. The latest reports say nearly 8,000 Chinese are afflicted and over 170 have died in China. There are six cases confirmed in the U.S. and the Trump administration has set up a task force to help deal with the situation. Global businesses located in China are closing their doors there and worldwide flights to China are being cancelled. The coronavirus outbreak is now being deemed more expansive than the SARS outbreak that occurred in Asia over 15 years ago.

U.S. traders are wondering if the seriousness of the coronavirus situation in China will give China a legal “out” on its recent signed trade-deal pledge to buy significantly more U.S. agricultural products in the next couple years.

At his press conference after the FOMC meeting conclusion Wednesday afternoon, Fed Chairman Jerome Powell said the coronavirus outbreak could have consequences for global economic growth and said the Fed is monitoring the situation closely. That comment along with other less upbeat remarks on the U.S. economy from Powell, including saying U.S. business investment and U.S. exports are weak, boosted the gold and Treasury markets and pushed U.S. stock indexes off their daily highs.

Crude oil prices also sunk at the same time. There is now talk in the marketplace that the Fed will be forced to lower U.S. interest rates later this year

On the event risk front, the Bank of England was the major attraction yesterday. In what was BOE Governor Mark Carney’s last meeting, the central bank somewhat surprised market participants, by keeping interest rates on hold. A cut was considered a better than fifty-fifty proposition prior to the meeting. The decision is being dubbed a “dovish hold” by market pundits, after the BOE cuts its growth and inflation forecasts.

**Commonwealth Bank of Australia (CBA):** Commonwealth Bank has invested an additional \$US200 million (\$297 million) in European buy now, pay later giant Klarna and says it has turned on the payment’s product inside its banking application, taking on ASX-listed companies Afterpay and Zip. Klarna – which provides a short-term instalment feature like Afterpay, credit products over longer terms like Zip, and other features like digital receipt storage, purchase tracking and a “price drop” notification service – will be available through Commonwealth Bank’s application for online shopping. The companies declined to lay out plans for its use in-store, where Afterpay and Zip have been recording significant growth. Klarna, which has a banking licence in Europe, will also be available to non-CBA consumers, suggesting the bank could use it as a tool to attract new customers, especially Millennials shifting away from credit cards, reports AFR.

**EML Payments Ltd (EML):** The share price of payments solutions provider EML Payments has surged over \$5 after it partnered with Mastercard and an Irish payments technology start-up to issue and process mobile gift cards across Europe. In November EML embarked on a company-transforming acquisition to move the gift and prepaid card provider into the digital banking space for the first time with the \$423m purchase of London-based Prepaid Financial Services. That deal gave EML an array of digital banking services including e-wallets, payout programs and software for transactional banking services and a presence in eight new European markets including Hungary, Greece and Slovenia. Now it has struck a deal with a Dublin-based fintech known as CleverCards, whose technology allows any business to send digital Mastercards directly to the mobile wallet of a customer or employee by email, SMS, WhatsApp or any messaging application, reports The Australian.

**Fortescue Metals Group Limited (FMG):** Fortescue Metals Group is due to sell iron ore into the coronavirus-affected Chinese province of Hebei within a month but says none of its Chinese customers have asked for shipments to be deferred. Ports in Hebei, China’s biggest steelmaking province, closed over the past week as part of efforts to contain the virus, which now looms as one of the few obstacles that could prevent Fortescue from setting export and profit records in the year to June 30. Fortescue’s chief executive Elizabeth Gaines noted the Hebei port closures on Thursday, but said reduced activity was always expected at this time because of Chinese New Year celebrations, reports AFR.

**IGO Ltd (IGO):** IGO Limited remains in the hunt for acquisitions after a lapsed hostile takeover tilt at Panoramic Resources and isn’t limiting its options to nickel and cobalt. Managing director Peter Bradford said IGO was assessing several merger and acquisition opportunities, taking in assets in production and others at the development stage. The main focus was nickel and cobalt, but IGO, formerly known as Independence Group, wasn’t ruling out diversifying into other clean energy metals, including lithium and rare earths. Mr Bradford said it was a case of “never say never” regarding future interest in Panoramic, which



## International Economic Data

- **EU Unemployment Rate** - The Euro Area seasonally-adjusted unemployment rate fell to 7.4 percent in December 2019 from 7.5 percent in the previous month, below market expectations of 7.5 percent. It is the lowest jobless rate since May 2008, as the number of unemployed decreased by 34,000 from the previous month to 12,251. Among the bloc's largest economies, the lowest unemployment rate was recorded in Germany (3.2 percent), while higher rates were observed in France (8.4 percent), Italy (9.8 percent) and Spain (13.7 percent), reports TradingEconomics.
- **EU Consumer Confidence** - The Eurozone consumer confidence indicator was confirmed at -8.1 in January 2020, unchanged from the previous month, reports TradingEconomics.
- **US Jobless Claims** - The number of Americans filing for unemployment benefits fell by 7 thousand to 216 thousand in the week ending January 25th, compared to revised 223 thousand in the previous week and against markets expectations of 215 thousand. Claims data for the prior week was revised to show 12,000 more applications received than previously reported, continuing jobless claims decreased by 44 thousand to 1,703 thousand, reports TradingEconomics.
- **US GDP Growth Rate** - The US economy grew 2.1 percent in Q4, the same as in Q3 and matching forecasts, advance estimates showed. Consumer spending slowed sharply while net trade made the biggest contribution to growth since Q2 2009 amid a fall in imports. In contrast, negative contributions came from private inventory investment and non-residential fixed investment. Considering full 2019, the economy advanced 2.3 percent, reports TradingEconomics.
- **US EIA Natural Gas Stocks Change** - Working gas held in storage facilities in the United States decreased by 201 billion cubic feet in the week ending January 24 of 2020, reports TradingEconomics.

### Economic News This Week

- Today **AU Private Sector Credit**
- Today **CN Non-Manufacturing PMI**
- Today **CN NBS Manufacturing PMI**
- Today **EU GDP Growth Rate**
- Today **EU Inflation Rate**
- Saturday **US Michigan Consumer Sentiment**
- Saturday **US Baker Hughes Oil Rig Count**

announced another production downgrade at its Savannah nickel mine in Western Australia yesterday. This led to its share price plunging almost 30 per cent to 19.7¢ in afternoon trading, reports AFR.

**Marley Spoon AG (MMM) & Woolworths Group Ltd (WOW):** Meal kit delivery company Marley Spoon will start tapping Woolworths' sourcing, supply chain, logistics and marketing expertise this year after it saw sales rocket following their strategic partnership. Marley Spoon's sales shot up 50 per cent in Australia in the December quarter, customer numbers jumped 56 per cent to 68,000 and the number of orders rose 54 per cent to 300,000 as more Australians switched from shopping in stores to having ingredients and recipes delivered to their doors. The firm's new success followed the inking of a \$30 million five-year strategic partnership with Australia's largest retailer last June. Marley Spoon founder and CEO Fabian Siegel said the start-up would begin sourcing products from Woolworths' suppliers and distributors, reports AFR.

**National Australia Bank Ltd (NAB):** National Australia Bank has joined the other big banks in delaying its forecast for an expected interest rate cut to later this year, bringing it closer into line with the futures market, which predicts the Reserve Bank's first policy meeting of the year on Tuesday will keep rates unchanged. "I've given up on my February rate call," said NAB chief economist Alan Oster. "We think that they should cut but don't think that they are going to." NAB is now expecting a quarter percentage-point cut at the Reserve Bank of Australia's April 7 meeting, which has emerged as the new consensus among market economists. NAB stuck to its February rate call until yesterday, when it concluded the effect of this week's stronger than expected inflation data, and last week's robust labour force report negated the case for a February 4 easing, reports AFR.

**Nearmap Ltd (NEA):** Aerial imaging company Nearmap has slipped out of the \$1 billion market-cap club, suffering a near 30 per cent share price fall in trade yesterday, after lowering its full-year guidance. Yesterday, it lowered its estimates for annualised contract values for the 2020 financial year to between \$102 million and \$110 million – down from its previous range of between \$116 million and \$120 million. Speaking to The Australian Financial Review, Nearmap chief executive Rob Newman said the fundamentals of the business were still strong and in two years this would be looked at as merely a blip, reports AFR.

**Newcrest Mining Limited (NCM):** Newcrest Mining says its flagship Cadia mine, the biggest and most lucrative gold mine in the country last year, may have to curtail production before Christmas if rainfall remains near the low levels of 2018 and 2019. The warning came despite Newcrest investing more in water recycling, groundwater extraction and river water entitlements to bolster water supply to Cadia, which delivered 68 per cent of its earnings in fiscal 2019. "If rainfall remains at one-in-100-year lows (with the last two years being at this level) then production may

**Commodities (Source: IRESS)**

COMMODITY	CLOSE	+/-	%
<b>COMEX</b>			
Gold Apr 20	1578.6	2.6	0.16
Silver Mar 20	17.805	0.318	1.82
Copper Mar 20	2.551	-0.003	-0.12
<b>NYMEX</b>			
Platinum Apr 20	984.5	9.2	0.94
Palladium Mar 20	2243.8	41.6	1.89
<b>LONDON METAL</b>			
Gold (AM Fix)	1571.2	-8.4	-0.53
Gold (PM Fix)	1573.45	-0.55	-0.03
<b>ENERGY</b>			
Light Crude Mar 20	52.95	-0.38	-0.71
Brent Crude Oil	59.18	-0.38	-0.64
<b>CBT</b>			
Wheat Dec 19	560.5	-1.75	-0.31
Soybeans Nov 19	876.25	-16.75	-1.88
Corn Dec 19	379.5	-4.75	-1.24
<b>OTHER</b>			
Iron Ore (China Port)	96.5	0	0
Coal (ICE-GC Newcastle)	67.28	-0.22	-0.33
<b>LME Indicative</b>			
Copper - Cash	5568.25	-44.5	-0.79
Copper - 3Mth	5569.5	-76.5	-1.35
Lead - Cash	1837.5	2.75	0.15
Lead - 3Mth	1825	-8.5	-0.46
Zinc - Cash	2204.75	-19	-0.85
Zinc - 3Mth	2187	-27.5	-1.24
Aluminum - Cash	1717.5	-6	-0.35
Aluminum 3Mth	1730	-10.5	-0.6
Nickel - Cash	12545	78.5	0.63
Nickel - 3Mth	12590	-25	-0.2
Tin - Cash	16035	-160	-0.99
Tin - 3Mth	16035	-45	-0.28

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

CROSS	CLOSE	+/-	%
AUDUSD	0.6732	-0.0022	-0.32
AUDJPY	73.3245	-0.3025	-0.41
AUDGBP	0.5174	-0.0012	-0.24
AUDCAD	0.89	-0.0014	-0.16
AUDNZD	1.0351	0.0005	0.05
AUDHKD	5.2287	-0.02	-0.38
AUDSGD	0.9168	-0.0025	-0.27
AUDMYR	2.7531	-0.0007	-0.03
AUDEUR	0.6111	-0.0022	-0.36

be impacted by the end of calendar year 2020," Newcrest said in a statement. The potential curtailment comes as Newcrest plots a two-stage expansion of the Cadia processing plant, with the company currently spending \$US685 million (\$1 billion) to lift Cadia's processing capacity to 33 million tonnes a year, reports AFR.

**Qantas Airways Ltd (QAN):** Qantas will not pull flights out of China unless the federal government says it has to, despite a number of other airlines withdrawing services in the face of the fast-growing coronavirus outbreak and associated plunging demand. Qantas operates daily flights between Shanghai and Sydney and five flights a week to Beijing, which are scheduled to end in March because of poor patronage by business-class passengers. Qantas Group chief executive Alan Joyce said on Wednesday the end date for Beijing flights could be brought forward if demand was not there. He said load factors were undergoing daily reviews. After a series of high-level talks between Qantas and government officials on Thursday, a spokesman said the airline was not planning to pull out of China because of the coronavirus. He said Qantas was satisfied with the passenger screening process occurring at airports in Beijing and Shanghai, and believed the Chinese government was managing the outbreak efficiently, reports The Australian.

**Santos Ltd (STO):** Santos is thought to be nearing a multibillion-dollar LNG sales deal with global commodities trader Vitol and is also in talks with giant Japanese LNG importer JERA as it seeks to lock in customers to underpin the 20-year extension of Darwin LNG. The LNG marketing activity is just one aspect of an extremely busy early 2020 for Santos as it works to reach financial close on its \$6.9 billion Barossa offshore gas project which would become the new source of supply for the Darwin plant. But standing in the way of significant progress on LNG marketing is the outstanding completion of its \$2.2 billion deal to buy partner ConocoPhillips' northern Australian gas assets. That deal, which includes the US player's stakes in both Darwin LNG and the Barossa venture, is being complicated by approvals needed from the Timor-Leste government, reports AFR.

**Southern Cross Media Group Ltd (SXL):** Equity markets in record-breaking territory can leave investors to conclude there are no opportunities left without overpaying, but that's untrue, according to the fund manager Investors Mutual, which cites small-cap stocks such as Southern Cross Media as such a prospect. "With the Australian share market trading near record highs and with many sectors looking fairly fully priced, we continue to find very good long-term value in many good quality small and mid-cap stocks," IML's portfolio managers Simon Conn and Marc Whittaker said. In addition to commanding a lower price-to-earnings ratio, the thesis supporting Southern Cross Media is based on the fact that the company's assets are concentrated in radio, which Mr Conn argued is better placed than TV, reports AFR.

**Suncorp Group Ltd (SUN):** An "unprecedented" summer of extreme weather means Suncorp has torn through more than 80



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per cent of its natural hazard allowance for fiscal 2020 with five months of the financial year still to go. But the insurer said yesterday it remained confident that hefty reinsurance protection would save it from dipping into its own pocket to meet the additional costs, saving the company from following competitor IAG in issuing a profit downgrade. At the beginning of the financial year, Suncorp set aside \$820 million to meet the cost of claims relating to extreme weather and other natural disasters. But hundreds of millions of dollars’ worth of claims from the bushfires this season, and last week’s hailstorm in Melbourne, Canberra and Sydney, led it to have already spent \$674 million - some 82 per cent of that budget, leaving it with \$146 million for the next five months, reports AFR.

**Telstra Corporation Ltd (TLS):** Telstra has followed Rio Tinto in abandoning its controversial use of supply chain financing, in a dramatic backdown that follows months of intense media scrutiny of the controversial payment practice in The Australian Financial Review. “We have made the decision to stop enabling a supply chain financing option and are working through how that will occur in a way that doesn’t disadvantage our suppliers,” Telstra said in a statement on Thursday afternoon. Telstra did not give a reason for the decision, and said it had never received “any fees or commissions when suppliers chose to use the supply chain financing option”, reports AFR.