

Friday 1 February 2019

## Markets

<b>SFE 200 Futures</b> (9.30am AEDT)	5818	14	<b>0.2</b>
<b>NZX 50</b>	8984	-2	<b>0.0</b>
<b>DJIA Futures</b>	25035	59	0.2
<b>S&amp;P 500 Futures</b>	2705	22	0.8
<b>NASDAQ Futures</b>	6915	78	1.1

## Local Markets Commentary

The Australian market commences a new month's trade on a Friday, ahead of:

- new data for China;
- the delivery of the final report from Australia's banking and finance royal commission;
- a batch of key domestic data;
- influential data releases on both sides of the Atlantic tonight; and
- a Lunar New Year/Spring Festival shutdown for China's markets next week.

Overnight commodities trade proved largely positive.

**Oil** continued higher.

US **gold** futures (April) extended this week's gains.

**Iron ore** (China port 62% Fe fines) rallied further.

LME **copper** and **nickel** settled yet higher, but **aluminium** closed flat.

The **\$A** traded in a relatively narrow range close to US72.70c after trading at ~US72.75c early yesterday evening.

Regionally today, Caixin is due to release its January manufacturing PMI for **China 12.45pm** AEDT.

**Locally**, the final report from the **banking and finance royal commission** is due to be delivered to the government.

Some report details, but mostly general commentary, is anticipated anytime from today.

Pre-trade today, AiG publishes a January **manufacturing** sector index.

The Australian Bureau of Statistics (ABS) releases December quarter **producer prices** 11.30am AEDT.

January **commodity prices**, as calculated by the Reserve Bank of Australia (RBA) are due 4.30pm.

A residential **property price index** from CoreLogic is also expected today.

All this, ahead of the RBA's first policy meeting of the year Tuesday next week.

## Overseas Markets

INDEX	CLOSE	+/-	%
<b>Dow Jones</b>	25000	-15	<b>-0.1</b>
<b>S&amp;P 500</b>	2704	23	<b>0.9</b>
<b>NASDAQ</b>	7282	99	<b>1.4</b>
<b>FTSE 100</b>	6969	27	<b>0.4</b>
<b>DAX 30</b>	11173	-9	<b>-0.1</b>
<b>Shanghai Comp</b>	2585	9	<b>0.4</b>

## Overseas Markets Commentary

Major European and US equities markets trade diverged markedly overnight, the DJIA notably falling

**China** – Caixin manufacturing PMI **12.45pm** AEDT

China's markets will be **closed next week** for the Lunar New Year/Spring Festival holiday period

## Today's Stock Watch

### Healthscope Ltd (↓ **HSO**)

HSO has agreed to an implementation deed via which Brookfield would acquire 100% of HSO.

In addition, a BGH consortium is proposing to improve its non-binding offer for HSO, pending due diligence access.

Further, HSO is reporting unaudited 7.7% higher, \$198.1M interim operating EBITDA, and 3.0% higher, \$1.22B revenue.

### Link Administration Holdings (LNK)

Selling the group's corporate and private clients business (part of LNK's asset services division) to fund administrator Apex Group, for £240M.

Net cash proceeds will be used for debt reduction.

Completion is anticipated by 30 September.

### Reliance Worldwide Corporation (RWC)

Expecting interim FY 2019 EBITDA to come in at 45% - 47% of full year EBITDA.

Maintaining \$280M - \$290M full year EBITDA guidance.

### Ansell Ltd (↓ **ANN**)

Outlaying \$US70M for US-headquartered Ringers Gloves.

### James Hardie Industries (JHX)

Jack Truong has commenced as CEO and JHX executive director, effective yesterday.

In addition, Louis Gries has resigned as a JHX director.

JHX plans to publish December quarter results Tuesday next week, and to host a teleconference that day, commencing 10am AEDT.

### Thorn Group (TGA)

Anticipating a \$6M full year (to 31 March) net loss.

TGA expects a \$7.4M adverse impact on full year earnings from equipment lease payment defaults.

Details lodged post-trade yesterday.

### CSR Ltd (CSR)

CSR has completed the Viridian Glass business sale to Crescent Capital Partners.

CSR will also sell the Viridian industrial property.

## Resources

### Millennium Minerals (MOY)

Heralding metallurgical test work which has delivered better-than-anticipated recoveries using WA Pilbara Nullagine gold project ore.

## Energy

### Sundance Energy (SEA)

10,000boe/d net production achieved for 2018, following 14,000boe/d during the December quarter.

on opening and struggling to regain sustainable positive momentum.

Euro zone data again troubled and US releases came in mixed.

Reactions to high-cap stock earnings and sales, select growth figures and outlooks also varied significantly.

In the meantime, reports surfaced that China had this week offered for the presidents of the US and China to talk trade in China in March.

The US president appeared to confirm nothing else came out of the past two nights' official trade negotiator talks in Washington and that the presidents' meeting could prove crucial.

President Trump also declined to reiterate he would definitely implement new trade tariffs following the previously set 31 March deadline.

Earlier yesterday, China had reported a second consecutive month of contractionary manufacturing activity.

Among overnight data releases, the **euro zone's** initial December quarter GDP growth reading came in at 0.2% for the three months and 1.2% year-on-year.

September quarter growth had also been estimated at 0.2%, but the annual December quarter rate represented the slowest growth since the March quarter 2014.

The 1.8% GDP growth for the year (2018) represented the first annual fall below 2% in four years.

**Germany's** December retail sales dropped 4.3% for the month following a 1.6% November rise.

Year-on-year, sales fell 2.1%.

The monthly drop represented the fastest decline since December 2007.

**US** weekly new unemployment claims rose by 13,000 to 253,000, against forecasts of a 15,000 increase.

The rise, the most in a week since September 2017, was attributed in part to the recent public holiday and partial government services shutdown.

The four-week moving average rose by 5000 to 220,250.

A January job cuts report estimated 53,000 additional planned layoffs against 43,900 for December.

A Chicago PMI dropped 7.1 points to a nonetheless strong expansionary 56.7.

December quarter employment costs rose 0.7% following a 0.8% September quarter increase.

November new home sales jumped 16.9% (to 657,000) following an 8.3% October decline.

**Tonight** in the **US**, January employment statistics are keenly anticipated, together with ISM's influential manufacturing index.

A University of Michigan final January consumer sentiment reading is also due.

Elsewhere, a preliminary **euro zone** January CPI reading will be in focus, due to Germany's and France's deflation figures, reported Wednesday and overnight respectively.

Companies expected to report **earnings** later today or tonight include: Aon, Chevron, Deutsche Bank, ExxonMobil, Honda Motor, Merck, Mitsubishi UFJ Financial and Sony.

In overnight corporate news, different aspects of reports from **Microsoft**, **Visa** (each post-Wednesday

## Pre-Open Announcements

### Neuren Pharmaceuticals (\* NEU)

NEU has decided to retain trofinetide development and commercialisation rights for regions outside North America, rather than accept ACADIA Pharmaceuticals' offer.

An exclusive negotiation period expired overnight.

### Cash Converters International (\* CCV)

An October 22 2018 agreed settlement of a Queensland cash advance lending class action has been approved by the Federal Court.

### Gage Roads Brewing (\* GRB)

Positive December quarter and preliminary half year figures lodged this morning.

### Redcape Hotel Group (RDC)

Proposing to buy back, on-market, at a maximum \$1.13 per stapled security, up to ~25.44M stapled securities anytime from 14 February through to 29 November.

RDC has traded at \$1.015 - \$1.04 over the past five trading sessions.

### Animoca Brands (\* AB1)

\$17.7M record revenue achieved for 2018, including \$4.6M of core business revenue during the December quarter.

### Duxton Water (D20)

Paying a A2.6c fully franked final dividend.

## Resources

### TNG Ltd (\* TNG)

TNG has appointed (WA) Mid West Ports Authority chair John Elkington to the TNG board as non-executive chairman.

Interim chair Rex Turkington has stepped down from his temporary role but remains a TNG non-executive director.

### Blackham Resources (\* BLK)

~534.4M quoted options with and 8c exercise price expired yesterday.

BLK has traded at 4c -6c over the past five trading sessions.

### Bardoc Gold (BDC)

An entity associated with executive director Neil Biddle is providing BDC with a \$A1M 90-day minimum term unsecured loan facility.

Interest will be payable monthly, at 12%pa.

Additional conditions lodged post-trade yesterday, in addition to December quarter activities and cash flow reports.

### Piedmont Lithium (PLL)

Confirming completion of a \$A12.2M placement at A11c per share.

PLL has traded at 9.4c – 10.5c over the past five trading sessions.

### Battery Minerals (BAT)

New presentation lodged this morning.

## Energy

### Karoon Energy (\* KAR)

\$US330M cash as at 31 December.

December quarter report lodged post-trade yesterday.

US trade) and **DowDuPont** disappointed, pushing the stocks, and subsequently the DJIA, lower.

**General Electric** added more than 10% however, on pleasing sales.

**Facebook** was similarly rewarded for its profit figures, but user and advertiser growth plus revenue also pleased.

**Amazon** has reported post-US trade, but a 20% sales jump reportedly undershot expectations.

### Commodities

COMMODITY	CLOSE	\$US/	+/-	%
<b>Gold (NY) (Apr)</b>	<b>1325.2</b>	oz	9.7	<b>0.7</b>
<b>Silver (NY) (Mar)</b>	16.07	oz		<b>0.9</b>
<b>Gold (LON)</b>	1311	oz		
<b>Platinum</b>	820	oz	5	<b>0.6</b>
<b>WTI Crude (Mar)</b>	<b>55.25</b>	bbl	1.02	<b>1.9</b>
<b>Brent Crude (Mar)</b>	<b>62.3</b>	bbl	0.65	<b>1.1</b>
<b>Iron Ore (CHN port 62%)</b>	<b>85.34</b>	t	2.81	<b>3.4</b>
<b>Copper (LME,3mth,PM)</b>	<b>6169</b>	t	33	<b>0.5</b>
<b>Nickel</b>	12480	t	130	<b>1.1</b>
<b>Aluminium</b>	1910	t	0.5	<b>0.0</b>
<b>Lead</b>	2112	t	22	<b>1.1</b>
<b>Zinc</b>	2719	t	33	<b>1.2</b>
<b>Tin</b>	20850	t	50	<b>0.2</b>
<b>CBT Wheat (Mar)</b>	5.14	bshl		

### Commodities Commentary

**Oil** – overnight gains were supported by a range of factors, including sanctions against Venezuela crude, the US Federal Reserve's indication of no near-term rate rises, confirmation of reduced OPEC output and a fall in Saudi Arabia's exports to the US.

Front-month WTI futures settled ~20% higher for the month, and Brent up ~16%.

Price rises on the Venezuelan sanctions, combined with reduced petrol margins, produced reports some US refineries were cutting back on crude use.

A weekly US petroleum rig count is due tonight.

Meanwhile, Brent March futures expired at settlement overnight.

**Gold** – Comex futures settled ~3.3% higher for January, the fourth consecutive monthly gain, after trading at ~eight-month peaks overnight.

The ICE \$US index remained relatively tame, following Wednesday's drop following US Federal Reserve post-policy meeting pronouncements. An afternoon \$US rise did appear to cap gold prices, however.

US-China trade talks, the euro zone's December quarter GDP estimate, and fears of a euro zone deflation reading tonight supported overnight gold interest.

In supply-demand news, the World Gold Council reported a 4% rise in demand during 2018, the total 651t worth of purchases of central banks representing their strongest buying in 50 years.

In the meantime, the US has threatened Turkey over any breaches of any US sanctions against Venezuelan gold purchases, implemented in November.

**Base metals** – pushed and pulled overnight by end-of-month positioning, **China's** official January PMIs (reported yesterday), US Federal Reserve indications of a stay on monetary policy tightening, Japan's industrial production and China-US trade talk developments.

### Trading Halts

Company	Code	Resuming
Vector Resources	VEC	1 Feb
Amani Gold	ANL	4 Feb
Auris Minerals	AUR	4 Feb
Fe Ltd	FEL	4 Feb
Great Southern Mining	GSN	4 Feb
Otto Energy	OEL	4 Feb
Pursuit Minerals	PUR	4 Feb
Aura Energy	AEE	5 Feb
Environmental Clean Technologies	ECT	5 Feb

### Suspensions (select)

Company	Code	Since
Aurora Absolute Return Fund	ABW	21 Jan
Buddy Platform	BUD	31 Jan
Cape Lambert Resources	CFE	8 Jan
Covata Ltd	CVT	30 Jan
(The) Data Exchange Network	DXN	31 Jan
Hot Chili	HCH	25 Jan
Indiana Resources	IDA	31 Jan
Kogi Iron	KFE	31 Jan
Novonix Ltd	NVX	30 Jan
Sovereign Metals	SVM	31 Jan

### Ex-Dividends

Code	Ex-Div	Div (c)	Franking (%)	Yield (%)
<b>NBI</b>	Today	<b>0.88</b>	0	1.74
<b>OZG</b>	Today	<b>0.25</b>	100	3.13
<b>WIC</b>	Today	<b>3</b>	100	5.61
RMD	Wed	3.64	0	1.07
AFI	Fri	18	100	3.79
BKI	Fri	5.13	100	4.58
OCA	Fri	1.7	0	3.73



China's manufacturing PMI was estimated at 49.5 from 49.4 in November. The services sector activity index rose 0.9 to 54.7.

Japan's December industrial production was in the meantime reported 0.1% for the month and 1.9% lower year-on-year, following a 1% November monthly decline.

LME copper prices nonetheless rose to seven-month peaks of ~\$US6199/t, and nickel at three-month highs of ~\$US12,515/t. Winter-related environmental measures in China, margin considerations, plus the pending holiday season, combined to push zinc to seven-month highs.

Caixin's January manufacturing PMI for China is due today. A services PMI from Caixin is scheduled for release Sunday.

Today and tonight, manufacturing PMIs will be reported for Australia, Japan, the euro zone, UK and US.

In overnight production news, Chile's December copper output was reported at 560,903t, 4.3% higher year-on-year.

Norilsk revealed it was targeting 220,000t – 225,000t of nickel production for 2019.

**China's markets will be closed next week, due to the Lunar New Year/Spring Festival holiday season.**

### Exchange Rates

CURRENCIES	LAST	+/-	%
<b>AUD – USD</b>	0.7269	-0.0005	<b>-0.07</b>
<b>EUR – USD</b>	1.1445	-0.0002	<b>-0.02</b>

### Australian Data Today

RoyalCom	Banking & finance – final report	Feb
AiG	PMI	Jan
ABS	Producer prices	DecQ
RBA	Commodity prices	Jan
CLgc	House price index	Jan

### US Data Tonight

Employment (incl wages, jobs)	Jan
ISM manufacturing	Jan
Uni of Michigan consumer sentiment (final)	Jan
Markit manufacturing PMI (final)	Jan
<i>Construction spending</i>	Nov

### Other Overseas Data Today & Tonight

<b>China</b>	Caixin manufacturing PMI	Jan
<b>Japan</b>	Manufacturing PMI (final)	Jan
Japan	Employment	Jan
<b>UK</b>	Manufacturing PMI	Jan
<b>Germany</b>	Manufacturing PMI (final)	Jan
<b>Euro zone</b>	CPI (prelim)	Jan
Euro zone	Manufacturing PMI (final)	Jan

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Contact your State One Stockbroking advisor on 08 9288 3388 or 1300 651 898, or by email, [advice@stateone.com.au](mailto:advice@stateone.com.au).

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