

## Markets

<b>SFE 200 Futures</b> (9.30am AEDT)	6240	36	<b>0.6</b>
<b>NZX 50</b>	9902	48	<b>0.5</b>
<b>DJIA Futures</b>	26233	-25	-0.1
<b>S&amp;P 500 Futures</b>	2869	-1	0.0
<b>NASDAQ Futures</b>	7494	-5	-0.1

## Local Markets Commentary

The Australian market opens today's trade ahead of keenly anticipated Reserve Bank of Australia (RBA) post-policy meeting outcomes statement this afternoon, and Australia's national budget presentation this evening, following positive overnight international equities trade, but with further proposal voting in the UK parliament failing to progress EU 12 April withdrawal plans.

In overnight commodities trade, **oil** and **iron ore** (China port, 62% Fe) rallied further.

US **gold** futures (June) settled modestly lower.

LME **copper** and **aluminium** turned lower. **Nickel** remained supported.

The **\$A** fell towards US71.10c after trading at US71.30c early yesterday evening.

**Locally today, the RBA releases its post-policy meeting outcomes statement 2.30pm AEDT.**

Pre-trade, a weekly consumer sentiment reading is due.

The Australian Bureau of Statistics (ABS) publishes February building approvals **11.30am AEDT.**

**ABC is among stocks trading ex-dividend today. Please see p4 for a comprehensive list.**

## Overseas Markets

INDEX	CLOSE	+/-	%
<b>Dow Jones</b>	26258	330	<b>1.3</b>
<b>S&amp;P 500</b>	2867	33	<b>1.2</b>
<b>NASDAQ</b>	7829	100	<b>1.3</b>
<b>FTSE 100</b>	7317	38	<b>0.5</b>
<b>DAX 30</b>	11682	156	<b>1.4</b>
<b>Shanghai Comp</b>	3170	80	<b>2.6</b>

## Overseas Markets Commentary

Major European and US equities markets opened higher overnight for a second consecutive session, major indices again closing at or near session highs.

Trade appeared mostly buoyed by a cocktail of encouraging manufacturing data out of China, the US and UK, corporate news and central bank assurances on both sides of the Atlantic of considered support and no near-term rate increases.

**RBA – policy meeting outcomes statement 2.30pm AEDT**

**Australian Government – national budget 7.30pm AEDT**

## Today's Stock Watch

### Incitec Pivot (IPL)

Adverse 1H FY 2019 EBIT influences itemised this morning. Impacts include \$A69M for Queensland rail operations, \$13M for Victoria operational consolidation, and a fall from \$62M to \$14M for Louisiana ammonia plant EBIT. Planning to lodge interim results and second-half outlook 20 May.

### Credit Corp Group (CCP)

Resuming from a trading halt having completed a \$A125M fully-underwritten institutional placement, boosted from \$A100M, and conducted at \$20.45 per share.

A \$A10M SPP is scheduled for 10 April – 3 May.

CCP last traded at \$22.19.

### Charter Hall Retail REIT (CQR)

Resuming from a trading halt having completed a \$A150M fully-underwritten institutional placement at \$4.51 per unit.

A \$10M unit purchase plan (UPP), at the same price as the placement, is planned. Details are promised ~8 April.

CQR last traded at \$4.65.

## Resources

### BHP Billiton (BHP)

WA iron ore rail haulage remains restricted following cyclone Veronica. Promising an impact update once calculated.

### Fortescue Metals Group (FMG)

WA Iron Bridge magnetite iron operational territory resources estimated (in-situ) at 5.448Bt @ 30.4% Fe.

Reserves have been calculated at 716Mt @ 67% Fe.

FMG has traded higher the past five sessions, settling yesterday at \$7.43 after reaching \$7.495 intra-session.

### Independence Group (IGO)

WA Nova project plans for nickel-cobalt sulphide concentrate conversion into nickel sulphate, for use in lithium-ion batteries have been progressed by a study which has indicated 'extremely high' processing recoveries at a relatively low cost. Details lodged this morning.

IGO has traded higher the past five sessions, settling yesterday at \$4.92 after trading as high as \$5.025 intra-session.

### Walkabout Resources (WKT)

Binding Tanzania Lindi graphite project off-take terms secured with Inner Mongolia Qianxin Graphite Co.

WKT will supply up to 50% of expected output for an initial three years.



Meanwhile in the **UK** parliament, the House of Commons prepared to vote on four proposals for withdrawing from the European Union (EU), alternative to the negotiated arrangements which have been voted down three times.

The votes again came in following northern-hemisphere equities trade, with none achieving a majority result.

A customs union plan was defeated by just three votes, however.

A referendum proposal came up short by 12 votes.

Earlier, the **European Central Bank** (ECB) published its annual report, ECB president Mario Draghi asserting stimulus was still required, not in the least due to risks related to broad geopolitical uncertainty, emerging markets fragility and protectionist policies.

Across the Atlantic, the US administration announced it would increase border security personnel on the US-Mexico border at a quicker pace than initially planned and would also 'expand' a policy for returning asylum seekers to central America.

Among a swag of **US** data releases, the ISM's March manufacturing PMI rose by 1.1 to a robust 55.3.

February retail sales unexpectedly slipped by 0.2% after rising 0.7% in January. Year-on-year, sales were 2.2% higher.

The monthly sales in particular appeared to push the \$US lower, due to the influence of consumer spending on national GDP.

10-year Treasury bond yields rose to ~2.50% from ~2.4% Friday.

Business inventories grew 0.8% in January, the same rate reported for December 2018.

February construction spending increased 1% for the month, following a 2.5% January rise.

A preliminary March CPI estimate for the **euro zone** represented 1.4% year-on-year growth, following 1.5% in February.

The **euro zone's** final March manufacturing PMI confirmed last month's contraction move, coming in as a 1.8-point fall for the month to 47.5.

In **Germany**, the final March manufacturing PMI represented a 3.5-point fall further into contraction mode to 44.1.

The **UK's** March manufacturing PMI gained three points to an enviable 55.1.

**Tonight** in the **US**, durable goods orders, a New York business activity index and vehicle sales are due.

Walgreens Boots Alliance is scheduled to report earnings.

In overnight corporate news, **Kellogg** announced a \$US1.3B planned sale of key biscuit brands, plus fruit-like snacks, pie crusts and ice cream cone businesses to **Ferrero** Group (owns Nutella).

**Saudi Aramco** commenced a road show, unveiling finances including a 2018 \$US111.1B net profit, ahead of the group's initial international \$US10B bond sale.

**Merck** received support from approval to promote a lung cancer treatment (branded Keytruda) in China.

**Amazon** benefited from a positive research report.

### Commodities

COMMODITY	CLOSE	\$US/	+/-	%
<b>Gold (NY) (Jun)</b>	<b>1294.2</b>	oz	-4.3	-0.3
<b>Silver (NY) (May)</b>	15.099	oz	0.01	-0.1

## Pre-Open Announcements

### IPH Ltd (\* IPH)

IPH has appointed Jongmin Qian as a non-executive director.

Ms Qian is an Australia China Business Council director, Macquarie University Council member and Abacus Property Group (ASX: ABP) non-executive director.

### Buddy Technologies (BUD)

Shareholders yesterday approved BUD's proposed name change from Buddy Platform to Buddy Technologies.

Documents were also lodged with the Australian Securities & Investments Commission (ASIC).

### Resources

### Image Resources (\* IMA)

WA Boonanning mineral sands project mean ore feed grades appear 2.5 times higher than budget. Details lodged pre-trade.

### Energy

### Freedom Oil & Gas (FDM)

Chairman Michael Yeager is intending to stand down from the FDM board at the company's AGM.

He will be succeeded by FDM CEO and president J Russell Porter, who will retain these roles.

In addition, Ramas Capital representative Heath Sumrow has been appointed to the FDM board.

Recent Petrel Energy MD and former Eastern Star Gas MD David Casey has also been appointed as an FDM non-executive director.

Mr Casey's previous professional roles have included as WildHorse Resources asset manager and Anadarko Petroleum production engineer.

Joseph Camuglia retired as an FDM director yesterday.

### Vonex Ltd (ASX: VN8)

**Share price: 9.5c Target price: 28c Target upside: 195%**

Vonex announced on 28 March 2019 that the group's proprietary communications platform - Oper8tor - has successfully connected two major social media platforms with a third connection imminent.

We believe that this has not previously been achieved by any other application.

Launch of the Oper8tor app in Australia, initially planned for the end of March 2019, will now be delayed into the June 2019 quarter.

This will allow for further improvement in functionality and the incorporation of recent changes in account security settings.



<b>Gold (LON)</b>	1295	oz	0.25	0.0
<b>Platinum</b>	848	oz	1	0.1
<b>WTI Crude (May)</b>	<b>61.59</b>	bbl	1.45	2.4
<b>Brent Crude (Jun)</b>	<b>69.01</b>	bbl	1.43	2.1
<b>Iron Ore (CHN port 62%)</b>	<b>88.69</b>	t	1.88	2.2
<b>Copper (LME,3mth,PM)</b>	<b>6461</b>	t	-15	-0.2
<b>Nickel</b>	13105	t	115	0.9
<b>Aluminium</b>	1893	t	-20	-1.1
<b>Lead</b>	2020	t	3	0.2
<b>Zinc</b>	2907	t	-7	-0.2
<b>Tin</b>	21420	t	20	0.1
<b>CBT Wheat (May)</b>	<b>4.64</b>	bshl	-0.06	1.4

### Commodities Commentary

**Oil** – a batch of better-than-anticipated international manufacturing data releases supported overnight oil prices to year-to-date intra-session peaks.

In addition, a media survey indicated OPEC production fell for a fourth consecutive month in March, by ~295,000bbl/d to 30.385Mbb/d.

Another media survey essentially concurred, estimating a daily ~280,000bbl fall to 30.40MMbbl/d.

**Gold** – another session demonstrating improved equities risk sentiment, plus some encouraging data out of China, the US and UK detracted from overnight gold interest.

In the meantime, consultancy group Metals Focus predicted a rise in 2019 international gold demand to 4370t from 4374t reported for 2018.

Metals Focus ventured 2019 prices would rise to a mean \$US1310/oz from the \$US1268/oz reported for 2018.

**Base metals** – choppy overnight trade was influenced by data and plenty of industry sector corporate news.

Caixin's China March manufacturing PMI moved into expansion mode with a 0.9 rise to 50.8. This followed an encouraging gain for China's official NBS PMIs, published Sunday.

Among *copper* sector news, Peru's government offered concessions to try to ease community blockade protests at MMG's 400,000tpa Las Bambas project.

Mitsubishi Materials forecast 1.4% lower refined copper production (179,742t) for April through September

In the meantime, Sumitomo Metal Mining predicted 7.7% lower 2019 – 2020 refined copper output (420,000t), in part due to refinery maintenance.

The group also forecast its *nickel* smelting division would produce 2.3% more electrolytic nickel during 2019-2020, in order to benefit from rechargeable battery cathode materials demand.

In *aluminium* sector news, Norsk Hydro revealed a power facility at a facility in Norway was impacting the usual ~200,000tpa of primary aluminium production from the main plant.

Russia's Rusal was reported in the meantime announced it had resumed supplying markets in America.

Regional media touted aluminium products manufacturer China Zhongwang Holdings and a plan to outlay 21B yuan (~US3B) for a 1Mtpa processing facility in the Henan province. Body parts for vehicles and aluminium future were expected to be the first focus.

VN8 is now targeting commercial launch of the new Oper8tor app in Europe in the September 2019 quarter.

Today's smartphone user must install and use several messaging apps on their device to communicate with contacts on different platforms such as Facebook Messenger, WhatsApp, Instagram, LinkedIn, Skype, and Google Hangouts.

The need to seamlessly consolidate Facebook's stand-alone messaging platforms has been identified as a priority by Mark Zuckerberg.

Work to merge Instagram, WhatsApp, and Facebook Messenger is not expected to be completed by the beginning of 2020 at the latest.

Here Oper8tor has a jump on the market heavyweights, with patents in place, and a differentiating advantage in that it is platform "agnostic" and able to consolidate messaging platforms belonging to competing technology companies.

Thus, Oper8tor will enable users to communicate with each other whether on a Facebook-owned platform, or on a Microsoft-owned platform (Skype, LinkedIn) or on a Google-owned platform (Google Hangouts).

Our SOTP target price for VN8 is unchanged at 28cps and is based on a DCF/PER valuation of \$A44M (\$A0.25 per diluted share) for the Telco business and a nominal \$A5M (\$A0.03ps) for the - still early-stage - Oper8tor technology.

However, we suggest that this valuation may prove to be very conservative indeed.

We note that social media platforms typically attract very high market valuations. Yelp, Snapchat, Twitter, have market caps of \$US3B, \$US14B, and \$US25B respectively.

VN8 has a target for Oper8tor of 10 million active users. Assuming industry-average active user income of \$US10 per annum (~\$US0.80 per month), a 10 million user base could generate very substantial revenues for Oper8tor of \$US100M per annum.

#### We maintain our Speculative Buy (Higher Risk) recommendation

Risks to our target price and forecast earnings profile include, but are not limited to: the rate of growth in new registered active PBX users; average received revenue per PBX user; competition from new and existing telcos; government regulation; key personnel risk; and the success of the Oper8tor App.

#### Investment case gaining traction

Our NPV-derived target price for VN8 is 28cps.

Recommendation: **Speculative Buy**

**For further information, call your State One adviser at 08 9288 3388 or 1300 651 898**

*State One executive chairman Alan Hill*



Japan's March manufacturing PMI, reported yesterday, rose 0.3 to 49.2.

### Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.7109	-0.0004	-0.06
EUR – USD	1.1203	-0.0009	-0.08

### Australian Data Today

ANZ/RoyMgn	Consumer sentiment	31 Mar
ABS	Building approvals	Feb
RBA	Policy statement	Apr

### US Data Tonight

Durable goods orders	Feb
ISM New York	Mar
Vehicle sales	Mar

### Other Overseas Data Today & Tonight

UK	Construction PMI	Mar
Euro zone	Producer prices	Feb
Euro zone	Unemployment rate	Feb

### Need More Information?

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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### Trading Halts

Company	Code	Resuming
AirXpanders Inc	AXP	2 Apr
VRX Silica	VRX	2 Apr
Animoca Brands Corporation	AB1	3 Apr
Corazon Mining	CZN	3 Apr
Dubber Corporation	DUB	3 Apr
Hastings Technology Metals	HAS	3 Apr
Jervois Mining	JRV	3 Apr
KNeoMedia Ltd	KNM	3 Apr
Marindi Metals	MZN	3 Apr
Matador Mining	MZZ	3 Apr
Syntonic Ltd	SYT	3 Apr

### Suspensions (select)

Company	Code	Since
Alchemia Ltd	ACL	29 Mar
American Patriot Oil & Gas	AOW	14 Mar
Ausmex Mining Group	AMG	1 Apr
Environmental Clean Technologies	ECT	15 Mar
IAB Holdings	IAB	29 Mar
IOT Group	IOT	13 Mar
MZI Resources	MZI	20 Mar
Mustera Property Group	MPX	20 Mar
Range Resources	RRS	20 Mar
Stemify Ltd	SF1	1 Apr
Universal Coal	UNV	21 Mar
US Residential Fund	USR	29 Mar
Vivid Technology	VIV	25 Mar

### Ex-Dividends

Code	Ex-Div	Div (c)	Franking (%)	Yield (%)
ABC	Today	15	100	4.41
ADH	Today	6.5	100	8.48
FNP	Today	2.25	50	1.10
JYC	Today	5	100	7.43
ARB	Tomorrow	18.5	100	2.21
CAM	Tomorrow	1.25	100	5.55
GNE	Tomorrow	7.88	0	4.99
PIC	Tomorrow	3.1	100	6.07
SIG	Tomorrow	2	100	6.48
HVN	Thu	12	100	7.35
PFG	Thu	0.2	100	9.15
ARQ	Fri	4.5	100	4.00
CLF	Fri	1.25	100	4.69
CYC	Fri	0.5	0	0.91