

Thursday 3 January 2019

Markets

SFE 200 Futures (9.30am AEDT)	5574	87	1.6
NZX 50	8769	-43	-0.5
DJIA Futures	23116	-209	-0.9
S&P 500 Futures	2511	0	0.0
NASDAQ Futures	6371	0	0.0

Local Markets Commentary

The Australian market opens today's trade following overnight vacillations across international equities and commodities markets, ahead of influential US data and an initial session of a new US parliament tonight.

In overnight commodities trade, **oil** settled higher.

US (February) **gold** futures rose.

Iron ore (China port 62% Fe) reportedly fell.

LME **copper** and **aluminium** dropped, but **nickel** rallied.

The **\$A** fell below 70.00c after dropping below 70.15c early yesterday evening, and has traded beneath US69.70c this morning.

Locally today, a monthly inflation gauge report is scheduled for release at 11am AEDT.

Monday, **China's National Bureau of Statistics** reported a contraction-mode **49.4** December manufacturing **PMI**.

Yesterday, Caixin also published a contractionary manufacturing **PMI** for China, **49.7**.

Japan's markets are closed today.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	23346	19	0.1
S&P 500	2510	3	0.1
NASDAQ	6666	31	0.5
FTSE 100	6734	6	0.1
DAX 30	10580	21	0.2
Shanghai Comp	2465	-29	-1.2

Overseas Markets Commentary

Major European and US equities markets mostly opened lower overnight, but despite choppy trade, trended higher towards a concert of near-session high positive settlements.

Notably, the NASDAQ settled higher for a sixth consecutive session, and rallying oil prices supported select energy sector stocks.

Yesterday, a second batch of discouraging manufacturing data, in as many trading days, was released for China.

New overnight data also came in mixed.

In addition, US government funding remained in focus, ahead of tonight's Congress restart for the new year, this time with a new makeup following the November 2018 mid-term elections.

Overnight, the US president was reported to have been meeting with eight parliamentarians to reiterate

Best wishes from all at State One for a successful 2019

Trades executed **Monday** (31 December) **settle** today

Yesterday's trades will settle tomorrow (4 January)

Today's Stock Watch

Insurance Australia Group (IAG)

IAG has boosted its 2019 gross reinsurance protection by \$1B to up to \$9B.

Details lodged this morning.

Kathmandu Holdings (KMD)

Same store sales for the 22 weeks to 30 December 2018 have come in ~1% (constant exchange) lower than for the same period in 2017.

However, KMD anticipated 1H FY 2018 profit at 4% - 8% above that for 1H FY 2017.

Planning to publish interim results 26 March.

Healius Ltd (HLS)

Unsolicited, conditional \$3.25-per-share acquisition proposal in hand from 7.05% HLS shareholder Jangho Hong Kong.

Conditions included satisfactory due diligence, regulatory approvals and Jangho board approval.

HLS appreciated 9.4% yesterday, settling at \$2.44.

Resources

Pilbara Minerals (PLS)

Resuming from a trading halt with funding details for the stage two, 5Mtpa expansion of the WA Pilgangoora lithium-tantalum project, plus new off-take and JV chemical processing plans.

PLS has secured a \$US25M off-take pre-payment facility from Great Wall Motor, and will place \$A50M worth of PLS shares with Jiangxi Ganfeng Lithium Co.

In addition, PLS intends to issue a new \$US50M Nordic bond, pending bondholder approval.

Further, PLS has secured a non-binding MoU with POSCO for a potential 10ktpa capacity boost to the planned JV LCE 30ktpa chemical conversion facility in South Korea.

In association, Pilgangoora spodumene concentrate offtake could increase from 240ktpa to 315ktpa.

PLS is targeting confirmation of a planned 30:70 JV with POSCO by 28 February and final documentation and approvals by 31 May. PLS last traded at 62.5c.

Energy

Energy World Corporation (EWC)

Philippines Department of Energy Pagbilao LNG import terminal and regasification facility construction, ownership and operator permit in hand, enabling a further 24-month construction period.

to his invitees his preferred government funding/national security mix.

As of overnight, legislation was awaiting parliamentary votes and then presidential approval, to fund a majority of government services through to 30 September.

A partial shutdown of government services has continued after funding negotiations failed to reach a satisfactory conclusion by midnight 21 December 2018. The major sticking point has been reported as the amount of funding (\$US5B) the US president would like allocated to a US-Mexico border wall.

Among overnight data releases, a Markit 53.8 final December manufacturing PMI for the US represented a 0.1-point slip from December's reading.

The final December manufacturing PMI for the **euro zone** came in at 51.4, down 0.4 from November's final reading.

Germany's was estimated at 51.5, down 0.3. **France's** fell to 49.7, from 50.8.

In the **UK**, the December manufacturing PMI pleased at 54.2 against November's revised 53.6.

Tonight in the US, private sector employment, weekly new unemployment claims and December job cuts reports are due, ahead of official national December employment statistics tomorrow night.

ISM's influential manufacturing index is also expected, together with a New York business activity index and November construction spending.

UK online retail specialist Next is scheduled to provide a trading update.

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Feb)	1284	oz	2.8	0.2
Silver (NY) (Mar)	15.65	oz		0.7
Gold (LON)	1279	oz		
Platinum	793	oz	-1	-0.1
WTI Crude (Feb)	46.54	bbl	1.13	2.5
Brent Crude (Feb)	54.91	bbl	1.11	2.1
Iron Ore (CHN port 62%)	71.9	t	-0.7	
Copper (LME,3mth,PM)	5842	t	-123	-2.1
Nickel	10875	t	185	1.7
Aluminium	1797	t	-49	-2.7
Lead	1955	t	-66	-3.3
Zinc	2410	t	-57	-2.3
Tin	19480	t	5	0.0
CBT Wheat (Mar)	5.07	bshl	0.03	0.7

Commodities Commentary

Oil – volatile trade overnight produced rally-mode settlements for both Brent and WTI crude.

Brent traded between \$US52.51/bbl and \$US56.56/bbl intra-session, and WTI at \$US44.35/bbl - \$US47.78/bbl.

\$US strength and discouraging data out of China hit prices early, together with some production figures and import quotas for refineries in China.

China's crude import quotas totalled 89.84Mt, against 121.32Mt at the beginning of 2018.

Russia was reported to have produced a record (post-Soviet union) 11.16MMbbl/d for 2018.

Iraq's December exports were estimated at 3.726MMbbl/d, from 3.372MMbbl/d for November.

Further, Texas, US stored crude was calculated by Genscape to have fallen by 1.6MMbbl last week.

Pre-Open Announcements

BrainChip Holding (* BRN)

Year-end update presentation lodged this morning.

Resources

Birimian Ltd (* BGS)

Resuming from a trading halt with confirmation of \$4.35M raised in a placement at 17c per share.

\$5.95M had been committed, but an additional \$900,000 is now coming from elsewhere, which will produce a total raising of \$5.25M.

The funds are earmarked for the Goulamina lithium project. BGS last traded at 16c.

Galena Mining (* G1A)

WA Abra base metals project processing and tailings storage facilities construction works approval in hand.

G1A expects all permitting by 30 June.

Orinoco Gold (OGX)

Sold 96oz of Brazil Cascavel project gold during December. Proposing an independent mining operations review.

Additional update details, some already announced, lodged this morning.

OGX is resuming from suspended trade, having last traded at 0.9c.

Energy

Oil Search (* OSH)

December drilling report lodged this morning.

OSH fell 3.1% yesterday, settling at \$6.94, but pre-open orders indicate and early gain today following overnight crude price rallies.

Trading Halts

Company	Code	Resuming
Australian Mines	AUZ	4 Jan
Vector Resources	VEC	4 Jan

Suspensions (select)

Company	Code	Since
Alice Queen	AQX	21 Dec
Alliance Mineral Assets	A40	27 Dec
Castillo Copper	CCZ	27 Dec
Chapmans Ltd	CHP	7 Dec
Eneabba Gas	ENB	10 Dec
Frontier Diamonds	FDX	27 Dec
IndiOre Ltd	IOR	12 Dec
Mayur Resources	MRL	28 Dec
Orinoco Gold	OGX	18 Dec
Range Resources	RRS	10 Dec
Tikforce Ltd	TKF	17 Dec
Valor Resources	VAL	21 Dec
Wollongong Coal	WLC	13 Dec

Ex-Dividends

Code	Ex-Div	Div (c)	Franking (%)	Yield (%)
CAM	Today	1.25	100	5.74



Total 2018 US crude production had earlier been estimated at 11.6MMbbl/d, that is, greater than production reported for both Saudi Arabia and Russia. In new company-related production news, France's Total was reported to have commenced output from the offshore Nigeria Egina field, ahead of ramp-up to a potential daily 200,000boe.

Gold – some early safe-haven buying and technical were reported as the main factors on overnight prices, which reached six-month peaks despite a relatively strong \$US.

US private employment reports and an ISM manufacturing reading could influence tonight's sentiment, due to \$US trade reactions, ahead of tomorrow night's national US employment figures for December.

Base metals – China data and a rallying \$US impacted general overnight LME trade sentiment during the first trading session of the new year.

Monday, **China** reported December PMIs: a **49.4** contraction mode manufacturing PMI (down 0.6); and a 53.8 services activity index, 0.4 higher than for November.

Yesterday, Caixin's China December manufacturing PMI was published as a 0.5 fall to a contractionary **49.7**.

Tomorrow, Caixin is due to report a December services PMI for China.

Manufacturing PMIs reported overnight for the euro zone, UK and US came in mixed.

Meanwhile, Monday, Chile's November *copper* production was reported at the most in 13 years, 540,720t.

Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.6969	-0.0016	-0.23
EUR – USD	1.1331	-0.0012	-0.10

Australian Data Today

TDSec/MInst	Inflation gauge	Dec
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US Data Tonight

ISM manufacturing	Dec
ADP private employment	Dec
Challenger job cuts	Dec
ISM New York	Dec
Construction spending	Nov
Initial jobless claims	30 Dec
MBA mortgage applications	28 Dec

Other Overseas Data Today & Tonight

UK	Construction PMI	Dec
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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.

CLF	Tomorrow	1.25	100	5.15
HNG	Mon	1.5	100	6.52
BHP	10 Jan	~141.8	100	4.72
CYB	17 Jan	5.479	0	1.68
TRA	21 Jan	~3.75	0	5.14

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