

Tuesday 4 October 2016

Markets

SFE 200 Futures (9.25am AEST)	5442	-22	-0.4
NZX 50	7333	-39	-0.5
DJIA Futures	18175	19	0.1
S&P 500 Futures	2155	2	0.1
NASDAQ Futures	4870	4	0.1

Local Markets Commentary

The Australian market faces negative US equities leads, as the Reserve Bank of Australia (RBA) convenes its first policy meeting under a new governor.

Most key commodities also traded lower overnight. **Gold** extended Friday's fall. **Oil** gained further. **Copper** turned and fell. **Iron ore** continued to wane, to where (Tianjin Port) prices were Thursday last week.

The **\$A** ultimately ended overnight trade little changed, after climbing above ~US76.75c yesterday evening, but has gained this morning.

Locally today, the **RBA** convenes a policy meeting from which it will release a statement **2.30pm** AEDST.

Monthly job advertisements and building approvals are due 11.30am, and Dun & Bradstreet is expected to report the results of its business expectations survey.

Post-trade, the RBA releases its monthly commodity price index.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	18254	-54	-0.3
S&P 500	2161	-7	-0.3
NASDAQ	5301	-11	-0.2
FTSE 100	6984	84	1.2
DAX 30	10511	Public	Holiday
Shanghai Comp	3005	Public	Holiday

Overseas Markets Commentary

UK and US equities markets diverged overnight, UK equities bouncing from a Friday fall but major US indices opening, trading and settling lower.

In the **UK**, the British pound traded 1% lower against the \$US on a 'by 31 March' government promise to commence European Union (EU) separation negotiations.

Chancellor Philip Hammond discarded a deficit target in favour of targeted spending to support the UK through possible 'turbulence' while sorting new EU and international relationships.

A September final manufacturing PMI of 55.4 pleased, representing a 2.1 gain on August, the best monthly improvement in 27 months. The lower £ boosted manufacturing and export sentiment even further during last night's trade.

Final September manufacturing PMI readings for the **euro zone** and **Germany** came in flat, at 52.6 and 54.3 respectively.

RBA – policy meeting outcomes statement 2.30pm AEDST.

Yesterday was a non-settlement day (except for ETOs).

Trades executed Thursday last week settle today.
Friday's and yesterday's will settle tomorrow.

Today's Stock Watch

Bradken Ltd (↓ BKN)

Hitachi Construction Machinery Co is offering \$3.25 cash-per-share in an agreed off-market takeover of BKN. BKN has left the door ajar for any superior bid. BKN traded at \$2.38 - \$2.46 yesterday, and \$2.28 - \$2.48 last week.

Henderson Group (HGG)

Proposing to merge (57:43) with Janus Henderson Global Investors. The merged entity would hold \$US320B AUM, boast an \$US6B market cap, and apply for a NYSE listing. Presentation lodged post-trade yesterday. HGG recouped 4.2% in ASX trade yesterday, settling at \$3.98.

Dimerix Ltd (DXB)

DXB's proposed chronic kidney disease treatment has produced positive Phase 2 study interim clinical statistics, including a significant reduction in proteinuria. Final data anticipated by year's end for part A of the study.

MyNetFone Ltd (MNF) / Telstra Corporation (TLS)

Mobile virtual network operator agreement secured with Telstra Wholesale, enabling 4G and 3G offerings.

Etherstack Plc (ESK)

A technology licensing contract secured with NEC Corporation, expected to deliver \$A770,000 of new revenue for 2016. ESK wireless technology will be incorporated in NEC products.

BrainChip Holdings (BRN)

Quantum Corp director and former Exar Corporation CEO and president Louis DiNardo has been appointed BRN CEO.

Bank of Queensland (BOQ)

Due to report full-year results Thursday.

Resources

St Barbara (SBM)

Buying back \$US55M worth of secured notes, using cash reserves from \$US gold sales. SBM expects interest to be reduced by an annual \$A6.5M.

WPG Resources (WPG)

WPG's Challenger gold mine in south Australia has its own power plant and has not been impacted by any storm damage. Hence, operations have continued as normal, apart from the delay of one FIFO flight.

Galaxy Resources (GXY)

Southern WA Mt Cattlin project plant feed classification and tantalum beneficiation wet commissioning underway.

Energy

Carnarvon Petroleum (CVN)

Further WA 437-P Roc-2 results anticipated within ~two weeks. Drill stem test tools will likely take a week to install ahead of flow-testing. CVN 20%; Quadrant Energy 80% and operator.

US data releases proved mixed.

The ISM's September manufacturing index returned to expansion mode with a 2.1-point rise to 51.5.

A 51.5 final September Markit manufacturing PMI represented a 0.5-point slip.

August construction spending pulled back a further 0.7%, in a second consecutive monthly fall, to the least in eight months.

Overall vehicle sales declined 0.5%.

Tonight in the **US**, ISM's New York activity index is Overnight, major vehicle manufacturers in the US reported a notable variance in September year-on-year sales. **Fiat Chrysler's** slid 9%, **Ford's** dropped 8% year-on-year, **Holden's** fell 6% but **Toyota's** rose 5%.

Netherlands bank **ING** said it was targeting a €900M reduction in annual costs and needed to cut 7000 (13%) jobs, the majority across Belgium and the Netherlands.

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Dec)	1313	oz	-3	-0.3
Silver (NY) (Dec)	18.9	oz	-0.4	-1.9
Gold (LON)	1313	oz	-9	-0.7
Platinum	1005	oz	-20	-2.0
WTI Crude (Nov)	48.8	bbl	0.6	1.6
Iron Ore (Tianjin)	55.1	t	-0.1	-0.2
Copper (LME)	4819	t	-46	-1.0
Nickel	10350	t	-225	-2.1
Aluminium	1678	t	5	0.3
Lead	2097	t	-27	-1.3
Zinc	2406	t	29	1.2
Tin	19925	t	-100	-0.5
CBT Wheat (Dec)	3.96	bshl	-0.07	-1.6

Commodities Commentary

Oil – **Iran's** president Hassan Rouhani reportedly encouraged co-operation towards an optimal output deal at the 30 November OPEC meeting. Meanwhile, Iran is expected to sign an additional export contract today.

WTI traded at three-month highs as the \$US swung from early peaks which had lowered prices.

Brent notably settled above \$US50/bbl, up 1.4% for the session, to \$US50.89/bbl.

Gold – An ISM (US) manufacturing report pushed the \$US higher, hurting gold sentiment. The absence of new firm news out of Deutsche Bank diluted any safe-haven trade.

Base metals – selling by funds reportedly impacted some copper trade, in a week where low-volume trade will exaggerate price moves.

An early stronger **\$US** dampened overall trade enthusiasm, with little exception.

In addition, key data releases to come, together with a new reporting season commencing this week, delivered some caution.

Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.7684	0.0010	0.13
EUR – USD	1.1212	0.0001	0.01

Pre-Open Announcements

Volpara Health Technologies (* VHT)

Initial sales achieved for VHT's breast imaging analytics software.

Antara Lifesciences (* ANR)

Application lodged to enable commercial marketing, in Australia, of ANR's piglet diarrhoea treatment Detach.

Thred Ltd (* THD)

CEO David Whitaker will become CIO and commercial director from tomorrow to concentrate on delivering THD products to Microsoft. THD executive director Chris Adams will be interim CEO from tomorrow. In addition, the non-executive chairman's role will become an executive on from tomorrow. Geoff Marshall remains chairman. In association, Graeme Fear has been appointed as an independent non-executive director.

Emeco Holdings (EHL)

Fitch Ratings has lowered its EHL credit rating from CC to C. EHL says this does not impact debt structure or finance costs. Importantly, nor does it impact the proposed recapitalisation and merger.

Resources

Metalicity Ltd (* MCT)

MCT is planning for three exploration licence applications to comprise a new cobalt project, dubbed Kyarra. The 201sq km area is located within the WA northern goldfields' Yerrida Basin.

GME Resources (* GME) / Zeta Resources (* ZER)

High-grade assays lodged this morning from WA Murrin Murrin gold JV RC drilling.

Trading Halts

Company	Code	Resuming
Pioneer Resources	PIO	4 Oct
8IH Holdings	8IH	5 Oct
American Patriot Oil & Gas	AOW	5 Oct
Zenith Minerals	ZNC	5 Oct

Suspensions (selected)

Company	Code	Since
Cleveland Mining Company	CDG	3 Oct
Cudoco Ltd	CDU	30 Sep
Drake Resources	DRK	23 Sep
KBL Mining	KBL	9 Sep
Magnum Gas & Power	MPE	30 Sep
Oakajee Corporation	OKJ	12 Sep
Realm Resources	RRP	13 Sep
Unilife Corporation	UNS	30 Sep
Windward Resources	WIN	20 Sep
Wolf Minerals	WLF	30 Sep
Zamia Metals	ZGM	3 Oct

**Australian Data Today**

ANZ/RoyMgn	Consumer sentiment	2 Oct
RBA	Policy statement	4 Oct
ANZ	Job advertisements	Sep
ABS	Building approvals	Aug
Dun&BradSt	Business expectations	Sep
RBA	Commodity price index	Sep

US Data Tonight

ISM New York	Sep
IBD/TIPP economic optimism	Oct

Other Overseas Data Today & Tonight

Japan	Consumer confidence	Sep
UK	Construction PMI	Sep
Euro zone	PPI	Aug

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Ex-Dividends

Code	Ex-Div	Div (c)	Fr (%)	Yield (%)
CAM	Today	1.2	100	5.93
DNA	Today	1	0	2.13
MYO	Today	5.5	0	2.81
NCK	Today	17	100	3.93
WMK	Today	3	75	5.16
CWP	Tomorrow	16.5	100	5.83
GOW	Tomorrow	6	100	3.33
ARB	Thu	17	100	1.72
EBG	Thu	0.33	100	6.40
GJT	Thu	261	0	6.47
GVF	Thu	3	100	5.53
MNY	Thu	2.5	100	3.01
QVE	Thu	1.8	100	2.75
SGM	Thu	12	100	2.35
WBA	Thu	1	100	0.87
ALR	Fri	1	100	4.55
AUB	Fri	28	100	3.60
TFC	Fri	3	100	1.99
ALF	10 Oct	5	100	6.56
BCN	10 Oct	0.25	0	0.00
FGX	10 Oct	2	100	3.45
REH	10 Oct	65	100	2.04