

Tuesday 5 June 2018

Markets

SFE 200 Futures (9.30am AEDST)	6003	-23	-0.4
NZX 50	8700	64	0.7
DJIA Futures	24802	6	0.0
S&P 500 Futures	2745	0	0.0
NASDAQ Futures	7145	-3	-0.1

Local Markets Commentary

Further key domestic data releases continue through Australian market trade today, ahead of the Reserve Bank of Australia's (RBA) post-policy meeting outcomes statement this afternoon.

In addition, final May PMIs are due for China and Japan today.

Major international equities indices settled higher again overnight, but in commodities trade, **oil** continued lower and **iron ore** (China port, 62% Fe) swung to a new fall. This will pressure select domestic stock today.

US **gold** futures settled slightly down.

LME **copper** rallied.

The **\$A** hovered near US76.50c after trading at US76.45c early yesterday evening. Yesterday, the \$A rose the most in a day against the \$US in more than nine months.

Locally today, the **RBA** holds a policy meeting from which outcomes will be announced **2.30pm AEST**.

The Australian Bureau of Statistics will release its March quarter balance of payments report **11.30am AEST**, warming speculation regarding tomorrow's GDP figures.

Pre-trade, the AiG's May services sector activity index and a weekly consumer sentiment reading are due.

Regionally, Caixin is expected to publish its final May services and composite PMIs for **China 11.45am AEST**.

Markit's equivalent figures for **Japan** are due 10.30am AEST.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	24814	178	0.7
S&P 500	2747	12	0.5
NASDAQ	7606	52	0.7
FTSE 100	7741	40	0.5
DAX 30	12771	46	0.4
Shanghai Comp	3091	16	0.5

Overseas Markets Commentary

Major European and US equities markets continued to settle higher overnight amid currency swings and international trade implications speculation, the NASDAQ ultimately achieving a new record settlement. The DAX 30 and NASDAQ notably vacillated intra-session.

The \$US had earlier traded at two-month lows, but began to ascend, and the tech sector rallied amid major deals, further user data-sharing reports and

RBA – monetary policy statement 2.30pm AEST

China – Caixin PMIs services, composite 11.45am AEST

Today's Stock Watch

Origin Energy (ORG)

Planning to reduce retail energy prices by up to four per cent in Queensland and South Australia from 1 July.

In addition, ORG will not increase prices 1 July in New South Wales and the ACT.

GUD Holdings (GUD)

Agreement secured to acquire Disc Brakes Australia (DBA) for \$20M.

DBA's customers included Bapcor, Repco and Supercheap.

GUD anticipated completion 2 July.

Fonterra Shareholders' Fund (FSF)

Fonterra Co-op April New Zealand collections fell 2% year-on-year, but milk collected in Australia rose 25%.

Charter Hall Retail REIT (CQR)

Proposing, in JV with Charter Hall Prime Retail Fund (CPRF), to acquire Gateway Plaza, Leopold (near Geelong, Victoria), for \$117M.

Centuria Industrial REIT (CIP)

NTA has risen 9.8% (23c) since June 2017.

Leasing success statistics also lodged post-trade yesterday.

Empired Ltd (EPD)

Expecting \$172M - \$175M FY 2018 revenue and \$16.6M - \$17.1M underlying EBITDA.

Double-digit revenue growth anticipated for FY 2019.

Race Oncology (RAC)

Heralding a Bisantrone acute myeloid leukaemia treatment success story to be published at an oncology conference in France 21 July.

RAC has acquired Bisantrone, which has been overlooked by larger companies in recent years.

Iron Mountain Inc (INM)

\$US1.75B revolving credit facility refinanced, together with a \$US250M term loan facility.

Meridian Energy (MEZ)

Proposing to offer \$NZ150M worth of seven-year, fixed-rate bonds, and to allow the offer to take oversubscriptions of up to \$NZ50M.

MYOB Group (MYO)

Ord Minnett has cancelled a MYO buy recommendation in favour of hold advice.

Energy

Australis Oil & Gas (ATS) / Macquarie Group (MQG)

\$US75M secured credit facility secured with Macquarie Bank, in support of exploration within assets in Mississippi and Louisiana. In addition, Macquarie is acquiring \$A14.82M (30M) worth of ATS options, 20M with a 49c exercise price and 10M carrying a 51c exercise price.

ATS has traded at 39.5 - 45.5c over the past five trading sessions.

Apple's developer conference.

In mixed data releases **US**, April factory orders fell 0.8%, impacted by a decline in transport sector demand. March orders had risen 1.7%.

The ISM's New York region manufacturing index rose to a robust 58.7 from 57.3 in April. The overall business conditions index appreciated 2.6 points to 66.9.

In the **euro zone**, April producer prices were reported flat for the month, following expectations of a 0.2% rise, after a 0.1% increase in March.

A **UK** May construction PMI remained at 52.5.

Tonight in the US, the ISM's May services sector activity index, an April job openings report and an economic optimism reading are due.

Elsewhere, a public address by **European Central Bank** (ECB) president Mario Draghi is keenly anticipated for any risk commentary, in particular following overnight revelations the ECB proportionally reduced purchases of Italian bonds during May.

In overnight corporate news, **Microsoft** revealed it was paying \$US7.5B for coding collaboration online host **GitHub**.

Meanwhile, **Apple** opened its yearly developer conference with an operating system update and new control and augmented reality features, helping the company's stock to a new record intra-session peak.

Weekend reports outlining alleged aspects of **Facebook's** multi-year practice of sharing user data with Apple, Amazon, Samsung and Microsoft pushed Facebook stock ~0.4% lower.

Network security company **Palo Alto Networks** was punished after undershooting current quarter profit expectations.

Merck appreciated 2.4% on positive indications for a proposed lung cancer treatment.

Germany's **Bayer** announced all approvals were in place for the completion of the **Monsanto** purchase Thursday this week.

Post-US trade, **Twitter** was announced as the Monsanto replacement on the S&P 500 and **Netflix** on the S&P 100.

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Jun)	1293	oz	-2	-0.1
Silver (NY) (May)	16.4	oz	-0.02	-0.1
Gold (LON)	1301	oz		
Platinum	900	oz	-2	-0.2
WTI Crude (Jul)	64.8	bbl	-1.06	-1.6
Brent Crude (Jul)	75.3	bbl	-1.5	-2.0
Iron Ore <small>(CHN port 62%)</small>	65.5	t	-0.7	-1.0
Copper <small>(LME,3m,pm)</small>	6975	t	75	1.2
Nickel	15485	t	40	0.3
Aluminium	2314	t	9	0.4
Lead	2506	t	62	2.5
Zinc	3122	t	21	0.7
Tin	20575	t	-175	-0.8
CBT Wheat (Jul)	5.05	bshl	-0.18	-3.4

Commodities Commentary

Oil – prices headed lower early despite a \$US fall, with no comment forthcoming from a weekend meeting between key energy personnel from

Pre-Open Announcements

Recce Pharmaceuticals (RCE)

Updated presentation lodged this morning.

NetLinkz Ltd (NET)

Directors Robert Turner and John Galt have resigned.

Energy

88 Energy (* 88E)

Alaska Icewine #2 flow-back scheduled to commence 11 June (Monday next week).

Trading Halts

Company	Code	Resuming
Argosy Minerals	AGY	5 Jun
Cougar Metals	CGM	5 Jun
Impelus Ltd	IMS	5 Jun
Talisman Mining	TLM	5 Jun
Tanga Resources	TRL	5 Jun
Avita Medical	AVH	6 Jun
Benjamin Hornigold	BHD	6 Jun
Dempsey Minerals	DMI	6 Jun
Greenpower Energy	GPP	6 Jun
Magnis Resources	MNS	6 Jun
Martin Aircraft Company	MJP	6 Jun
Six Sigma Metals	SI6	6 Jun
Taruga Gold	TAR	6 Jun
Tinybeans Group	TNY	6 Jun

Suspensions (select)

Company	Code	Since
Antilles Oil & Gas	AVD	10 May
HearMeOut Ltd	HMO	21 May
Mobecom Ltd	MBM	14 May
Mobilarm Ltd	MBO	30 May
Murray River Organics Group	MRG	4 Jun
Nusantara Resources	NUS	4 Jun
Pacific Bauxite	PBX	31 May

Ex-Dividends

Code	Ex-Div	Div (c)	Fr (%)	Yield (%)
VII	Today	1.5	0	4.84
ALQ	Tomorrow	9	40	2.15
JHX	Tomorrow	31.92	0	1.86
KMD	Thu	3.18	100	5.03
OFX	Thu	3	100	3.02
PTB	Thu	5	100	7.35
TCO	Thu	5	100	4.63
EVO	Fri	1.84	0	6.36
SLM	Fri	8	100	tbc

Algeria, Kuwait, Saudi Arabia and the UAE.

In addition, a Genscape report estimated Cushing, Oklahoma stored crude had increased by 210,046bbl 29 May – 1 June.

On a broader scale, Fitch Ratings predicted **China** GDP to fall to 4.5% in the medium-term, pushing oil and key metals prices between 5% and 10% lower.

Gold – an intra-session \$US appreciation toyed with gold sentiment, as did speculation regarding other commodities demand given newly announced trade tariffs and warnings of retaliatory ones across a broadening spectrum of goods and services.

Base metals – early comparative \$US weakness supported overnight LME trade in general.

In addition, *copper* benefited from the new industrial threat at the BHP-controlled Escondida operation, Chile.

Meanwhile, Chinalco has commenced a \$US1.3B expansion of the Totomocho, Peru copper project, hoping to boost output 45% by 2020.

Final Caixin May PMIs for China are anticipated today, as are equivalents for the euro zone, UK and US. Collectively these could influence some trade tonight.

Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.7651	0.0003	0.03
EUR – USD	1.1698	0.0002	0.02

Australian Data Today

RBA	Policy statement	Jun
AiG	PSI	May
ABS	Balance of payments	Mar Q
ANZ/RyMgn	Consumer sentiment	3 Jun

US Data Tonight

JOLTS job openings	Apr
ISM non-manufacturing	May
IBD/TIPP economic optimism	Jun
Markit services, composite PMIs (final)	May

Other Overseas Data Today & Tonight

China	Caixin PMIs services, composite	May
Japan	PMIs services, composite (final)	May
Japan	Household spending	Apr
UK	PMIs services, composite	May
Germany	PMIs services, composite (final)	May
Euro zone	Retail sales	Apr
Euro zone	PMIs services, composite (final)	May

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