

Friday 7 December 2018

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## Markets

<b>SFE 200 Futures</b> (9.30am AEDT)	5654	-3	<b>-0.1</b>
<b>NZX 50</b>	8749	-9	<b>-0.1</b>
<b>DJIA Futures</b>	24928	21	0.1
<b>S&amp;P 500 Futures</b>	2691	-11	-0.4
<b>NASDAQ Futures</b>	6825	21	0.3

## Local Markets Commentary

The Australian market opens Friday trade following overnight international equities trade which largely reflected perceptions of an escalation of US-China tensions, a reported preliminary production cut accord among OPEC members (prior to ally discussions later today and tonight), ahead of influential data out of China over the weekend and in the US tonight.

In overnight commodities trade, **oil** dropped.

US (February) **gold** futures turned slightly higher.

**Iron ore** (China port 62% Fe) swung lower.

LME **copper** continued to decline. **Nickel** slid.

**Aluminium** also picked up the pace of its latest pullback.

The **\$A** appreciated to ~US72.35c after falling to ~US72.05c early yesterday evening.

Also since yesterday's ASX trade, **Reserve Bank of Australia** (RBA) deputy governor Guy Debelle told an economists conference that lower interest rates and another quantitative easing program were not unthinkable given any new need.

**Locally** today, AiG releases its November **construction** sector activity index pre-trade.

Regionally, **China** is expected to publish November foreign reserves this evening, trade statistics tomorrow, and CPI and PPI Sunday.

## Overseas Markets

INDEX	CLOSE	+/-	%
<b>Dow Jones</b>	24948	-79	<b>-0.3</b>
<b>S&amp;P 500</b>	2696	-4	<b>-0.2</b>
<b>NASDAQ</b>	7188	30	<b>0.4</b>
<b>FTSE 100</b>	6704	-218	<b>-3.2</b>
<b>DAX 30</b>	10811	-389	<b>-3.5</b>
<b>Shanghai Comp</b>	2605	-45	<b>-1.7</b>

## Overseas Markets Commentary

Major European and US equities markets tumbled early overnight.

However, key European indices closed at session lows while US indices settled at session peaks, the NASDAQ ultimately recording a gain.

The early falls followed the arrest in Canada yesterday of an executive of **China** telco Huawei.

This was initially reported as linked to **US** sanctions threatened against companies attempting to continue business with Iran, suggesting a critical deterioration of China-US trade progress prospects.

Reports also emerged **OPEC** talks in Vienna were set to deliver a smaller-than-anticipated production cut

## Today's Stock Watch

### Aurizon Holdings (AZJ)

The Queensland Competition Authority final decision on AZJ's draft access undertaking for July 2017 – July 2021 includes a \$4.23/net tonne tariff against \$5.36 initially submitted by AZJ and \$4.90 in AZJ's March 2018 draft response.

### IOOF Holdings (I IFL)

APRA is planning court action to disqualify IFL's chair, MD, CFO, company secretary and general counsel. In addition, APRA is seeking new IFL licence conditions.

### Jumbo Interactive (J JIN)

Predicting 69% higher, \$20.5M FY 2019 NPAT, 38% higher, \$54.9M revenue, 44% higher and ~\$264M total transaction value. In addition, JIN has appointed former Tatts Group investor relations head Giovanni Rizzo as a non-executive director, effective 1 January.

### Adelaide Brighton (I ABC)

Profit warning, based on unaudited figures, lodged this morning.

### Inghams Group (ING)

Planning to pay up to \$50M in buying back up to 3% (11.4M shares) of ING shares over 12 months from yesterday.

The buy-back will not commence until 27 February.

In addition, ING shareholders have approved a 33c-per-share return of capital.

### Phylogica Ltd (PYC)

PYC's peptide vaccine has demonstrated it can prevent herpes simplex virus development in mice. Details lodged post-trade yesterday. PYC appreciated 6.9% yesterday, settling at 3.1c.

### Cardno Ltd (CDD)

Proposing to acquire Victoria-headquartered engineering services company TGM for up to \$21.6M cash.

One-fifth of the cash consideration is dependent on performance over two years.

CDD anticipates the TGM purchase will boost CDD revenue by \$23M in the coming year.

### WhiteHawk Ltd (WHK)

New cyber risk framework contract secured with a US defence industrial base company.

In addition, WHK has won a six-month, \$US250,000 contract extension with a US top-10 financial institution.

### Nine Entertainment Company (NEC)

Morgan Stanley has re-rated NEC as overweight.

## Energy

### Origin Energy (ORG)

Today's investor day program and materials lodged pre-trade. Update information includes interim success with a \$500M APLNG cost reduction program, a \$150M-target ORG cost reduction plan, and a debt reduction focus.

### Energy Resources of Australia (ERA) / Rio Tinto (RIO)

ERA expects rehabilitation associated with the closure of the Northern Territory Ranger uranium project will cost \$808M, after initially estimating a \$512M cost.

Anticipated total rehab costs have changed due to preliminary results from a formal feasibility study for the closure.

agreement, a 1MMbbl/d reduction claimed to be the figure agreed overnight to be put to allies to the current OPEC-led output agreement later today and tonight.

This sent oil prices tumbling.

In addition, a raft of **US** overnight data releases came in decidedly mixed.

These included a \$US55.5B trade deficit for October, up 1.7% for the month, delivering five consecutive months of deficit growth and representing the largest deficit in a decade.

Overall US exports pulled back 0.1% to \$US211B and imports rose 0.2% to a record \$US266.5B.

Notably, the US trade deficit with China jumped 7.1% to a record \$US43.1B.

October factory orders were reported to have dropped 2.1% following a 0.2% September rise.

September quarter productivity fell to 2.3% from 3% for the June quarter.

A private sector employment report estimated 179,000 jobs had been created in November, against forecasts of 190,000, and October's recorded 225,000.

Weekly new unemployment claims fell by 4000, following expectations of a 10,000 decline.

A jobs layoff report calculated 53,100 planned cuts in November following 75,600 announced in October.

The influential ISM services sector activity index was calculated at 60.7, up 0.4 from a previous robust reading.

Earlier, **Germany's** new data releases surprised on the upside, October factory orders rising 0.3% for the month, following a 0.1% September gain and forecasts of a 0.4% fall.

A November construction PMI switched to an expansionary 51.3, from 49.8 in October.

**Tonight** in the US, November employment statistics and a consumer sentiment update are keenly anticipated, together with consumer credit data.

Elsewhere, **UK** parliamentarians are considering potential changes to proposed arrangements covering the separation from the **European Union** (EU).

A vote is scheduled for Tuesday next week.

### Commodities

COMMODITY	CLOSE	\$US/	+/-	%
<b>Gold (NY) (Feb)</b>	<b>1244</b>	oz	0.6	<b>0.1</b>
<b>Silver (NY) (Dec)</b>	14.6	oz	-0.03	<b>-0.2</b>
<b>Gold (LON)</b>	1236	oz	-4	<b>-0.4</b>
<b>Platinum</b>	788	oz	-11	<b>-1.4</b>
<b>WTI Crude (Jan)</b>	<b>51.5</b>	bbbl	-1.4	<b>-2.7</b>
<b>Brent Crude (Jan)</b>	<b>60.1</b>	bbbl	-1.5	<b>-2.4</b>
<b>Iron Ore (CHN port 62%)</b>	<b>66.6</b>	t	-0.8	<b>-1.2</b>
<b>Copper (LME,3mth,PM)</b>	<b>6070</b>	t	-105	<b>-1.7</b>
<b>Nickel</b>	10850	t	-375	<b>-3.4</b>
<b>Aluminium</b>	1936	t	-33	<b>-1.7</b>
<b>Lead</b>	1984	t	1	<b>0.1</b>
<b>Zinc</b>	2593	t	-25	<b>-1.0</b>
<b>Tin</b>	18925	t	-255	<b>-1.3</b>
<b>CBT Wheat (Dec)</b>	5.09	bshl	-0.09	<b>-1.8</b>

### Commodities Commentary

**Oil** – prices again chopped overnight.

## Pre-Open Announcements

### Paradigm Biopharma (\* PAR)

Reporting positive pain reduction figures from osteoarthritis patients treated with PAR's pentosan polysulphate sodium.

### Propertylink Group (\* PLG)

All PLG directors have accepted the recommended off-market \$1.20 cash-per-security offer from ESR.

PLG has traded at \$1.175 - \$1.185 for the week to date.

### Growthpoint Properties Australia (GOZ)

\$135M raised in the recent rights offer, the retail component attracting over-subscriptions.

## Resources

### Silver Lake Resources (SLR)

WA Mount Belches mining hub diamond drilling results lodged this morning, together with visible gold claims.

## Energy

### Aspire Mining (AKM)

All conditions have been satisfied for the \$A15M financing package which will support early development plans for AKM's Mongolia Ovoot coal project, through to the completion of feasibility.

## Reports & Events

(selected scheduled)

When	Company	Report/Event
<b>Today</b>	<b>ORG</b> <b>SOL</b>	Investor day AGM
<b>Wed</b>	WBC	AGM
<b>Thu</b>	ELD	AGM
<b>Fri</b>	PDL	AGM
<b>19 Dec</b>	ANZ NAB ORI SYD	AGM AGM AGM Nov stats
<b>20 Dec</b>	DLX IPL	AGM AGM
<b>21 Dec</b>	AIA	Nov stats

## Trading Halts

Company	Code	Resuming
Agua Resources	AGR	7 Dec
Mount Burgess Mining	MTB	7 Dec
Norwood Systems	NOR	7 Dec
Westgold Resources	WGX	7 Dec
Arafura Resources	ARU	10 Dec
Cobalt Blue Holdings	COB	10 Dec
Core Lithium	CXO	10 Dec
Decimal Software	DSX	10 Dec
Helix Resources	HLX	10 Dec

Saudi Arabia suggested a 1MMbbl output cut ahead of the overnight OPEC meeting in Vienna, this later reported to be agreed by other members as the figure to be put to allies signed onto the current agreement later today and tonight.

Prior to the meeting, Iran had asked to be exempted from any production reduction requirement, and indicated the US would not be considered an ally to any broader agreement.

A weekly US petroleum inventories report, published overnight, revealed a 7.32MMbbl decline in stored crude, and 1.70MMbbl rise in petrol stocks.

In addition, import and export figures produced a net 211,000bbl/d in exports, the first time weekly exports have been recorded to have exceeded imports.

A weekly US petroleum drill rig count is due tonight.

**Gold** – an early slide in equities risk appetite, relative \$US weakness (down 0.3% against the euro) on some mixed economic indicators, and some safe-haven buying supported overnight gold interest.

Prices were reported close to five-month highs.

In addition to any new geopolitical developments, tonight's November US jobs and wages figures are likely to influence currency trade and hence gold sentiment.

**Base metals** – an early dent in LME sentiment, fuelled by seemingly worsening **US-China** relations and **oil** price drops, proved difficult to shake.

This was not unexpected, given China's November trade figures, CPI and PPI, are anticipated over the **weekend**.

### Exchange Rates

CURRENCIES	LAST	+/-	%
<b>AUD – USD</b>	0.7233	-0.0001	<b>-0.02</b>
<b>EUR – USD</b>	1.1379	0.0001	<b>0.01</b>

### Australian Data Today

AiG	PCI	Nov
RBA	Reserve assets (4.30pm)	Nov

### US Data Tonight

Employment (wages, jobs)	Nov
Wholesale inventories (final)	Oct
Uni of Michigan consumer sentiment (prelim)	Dec
Consumer credit	Oct

### Other Overseas Data Today & Tonight

<b>China</b>	Foreign reserves (7pm)	Nov
<b>Japan</b>	Household spending	Oct
Japan	Cash earnings	Oct
Japan	Leading index (4pm)	Oct
<b>Germany</b>	Industrial production	Oct
<b>Euro zone</b>	GDP (final)	Sep Q

### Need More Information?

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JCurve Solutions	JCS	10 Dec
Matrix Composites & Engineering	MCE	10 Dec
Medibio Ltd	MEB	10 Dec
Nusantara Resources	NUS	10 Dec
Sheffield Resources	SFX	10 Dec
Inabox Group	IAB	11 Dec
Zenith Minerals	ZNC	11 Dec

### Suspensions (select)

Company	Code	Since
Birimian Ltd	BGS	15 Nov
Department 13 International	D13	23 Nov
PayGroup Ltd	PYG	3 Dec
Planet Gas	PGS	23 Nov
PolarX Ltd	PXX	6 Dec
RCR Tomlinson	RCR	14 Nov
Sterling Plantations	SBI	27 Nov
VPCL Ltd	VPC	19 Nov
Zyber Holdings	ZYB	28 Nov

### Ex-Dividends

Code	Ex-Div	Div (c)	Franking (%)	Yield (%)
<b>FPH</b>	Today	<b>9.16</b>	0	1.74
CD3	Tues	1.3	0	0.00
ING	Tues	33	tbc	tbc
JHX	Tues	11.01	0	2.70
GTK	Wed	8.18	8.50	2.53
ECX	Thu	8	100	6.50
MTS	Thu	6.5	100	5.56
SEN	Thu	0.37	0	0.50
CLW	28 Dec	6.5	0	6.31
NEW	28 Dec	4	0	5.62
RCT	28 Dec	10.37	0	6.52
RFF	28 Dec	2.61	0	4.54
RFP	28 Dec	2.6	100	0.00
TCL	28 Dec	29	3.44	4.81

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