

Thursday 12 April 2018

## Markets

<b>SFE 200 Futures</b> (9.30am AEDST)	<b>5798</b>	<b>-10</b>	<b>-0.2</b>
<b>NZX 50</b>	8427	-27	-0.3
<b>DJIA Futures</b>	24222	55	0.2
<b>S&amp;P 500 Futures</b>	2646	5	0.2
<b>NASDAQ Futures</b>	6609	16	0.2

## Local Markets Commentary

The Australian market opens today's trade on negative overnight US equities leads but some good gains for select key commodities, amid Middle East uncertainty, which could result in new near-term military action involving the US, UK and France.

In mixed overnight commodities trade, US **gold** futures were propelled higher. **Oil** continued to settle in rally mode.

**Iron ore** (China port, 62% Fe) pulled back.

LME **copper** settled little changed, but **nickel** and **aluminium** continued to rally.

The **\$A** appreciated some after trading at ~US77.45c early yesterday evening.

Local today, the Australian Bureau of Statistics (ABS) reports February housing finance 11.30am AEST.

The Melbourne Institute publishes its monthly inflation expectations report 11am AEST.

Regionally, **Bank of Japan** governor Haruhiko Kuroda is scheduled to speak publicly 10.30am AEST.

## Overseas Markets

INDEX	CLOSE	+/-	%
<b>Dow Jones</b>	24189	-219	<b>-0.9</b>
<b>S&amp;P 500</b>	2642	-15	<b>-0.6</b>
<b>NASDAQ</b>	7069	-25	<b>-0.4</b>
<b>FTSE 100</b>	7257	-10	<b>-0.1</b>
<b>DAX 30</b>	12294	-103	<b>-0.8</b>
<b>Shanghai Comp</b>	3208	18	<b>0.6</b>

## Overseas Markets Commentary

Major European and US equities markets opened lower overnight, then chopped and swung, mostly closing at or near session lows.

US **Federal Reserve** March policy meeting minutes revealed most FOMC members had favoured increasing the pace of interest rate rises, pending risks posed by international matters including trade relationships.

In addition, argy-bargy had continued between the US and **Russia** regarding missile threats against pro-**Syrian** administration forces. Meanwhile, leaders in the UK and France were reported to be prepared to seek parliamentary approval to participate in select action.

Further, US November mid-term election expectations were jolted when a high-profile Republican parliamentarian revealed plans not to seek re-election.

Among data releases, **US** March CPI was estimated

**vonex**  
Creating Value

## VONEX LIMITED (ASX:VN8)

**VONEX** is presenting at **12.25pm** today at the **TechKnow** conference, at the **Grand Hyatt Hotel, Melbourne**.

Entry is free.

VONEX is a high-potential speculative telco stock already producing sales revenue of \$8M pa.

In addition, VONEX CEO and MD Matt Fahey will today highlight the company's unique range of telco products under development.

These products position VONEX as a potential future leader of the global telco sector.

Please also see pp2-3

## Today's Stock Watch

### HT&E Ltd (HT1) / oOh!media Ltd (OML)

HT1 has confirmed it was in receipt of an indicative proposal from OML for OML to acquire Adshel.

HT1 considered the offer inadequate and refused to negotiate.

### Bubs Australia (BUB)

March quarter net sales rose 422% year-on-year, and 180% for the three months, to \$5.18M.

Gross sales came in at \$5.46M, representing respective 361% and 174% increases.

\$5.57M cash reserves.

### Brambles Ltd (BXB)

Selling the company's 50% holding in the Hoover Ferguson Group JV to JV partner First Reserve.

BXB expects an ~\$US4.9M write-down. This will be included in FY 2018 accounts.

### Kogan.com Ltd (KGN)

Launching the 'Kogan Internet' under partnership with Vodafone Hutchison Australia, for fixed broadband services and nbn plans.

## Resources

### Mineral Resources (MIN)

Lowering previous 4.5Mt FY 2018 export guidance by ~ 10%.

However, Mt Marion lithium project spodumene concentrate will attract \$US960/t from 1 April through 30 June, against the previous \$US900/t.

Wodgina DSO lithium exports were impacted by adverse weather, port congestion and mechanical issues during the March quarter.

## Energy

### Oil Search (OSH)

Heralding a significant boost to PNG P'nyang field PRL3 1C and 2C certified resources. The 2C (recoverable resource) estimate has ballooned 84% to 4.36 trillion cu ft of gas. Additional details lodged this morning. OSH 38.51%; ExxonMobil 49.0%; JX Nippon 12.5%.

### Caltex Australia (CTX)

CEO Julian Segal is guest speaker at an AmCham lunch in Sydney today.

to have pulled back by 0.1% on 4.9% lower petrol prices.

Year-on-year, CPI had grown 2.4% however, and core CPI (excludes energy and food prices) came in at a 0.2% rise for the month.

During March, the national deficit grew by \$US33B to \$US209B.

Earlier, **UK** trade deficit was reported to have grown by £0.4B to £6.4B during the February quarter. Non-European Union (goods) exports fell by £2.1B.

Other UK data also disappointed, February quarter production output slipping 0.1%. However, this was mainly attributed to the Forties oil pipeline shutdown from December 2017.

For February, industrial production rose 0.1%, but this followed a 1.3% gain in January. Further, manufacturing output declined by 0.2%.

Construction output fell 1.6% during February, following a 3.1% drop in January, and came in 3.0% lower than a year earlier. Maintenance and repair work was cited as a major reason, falling 2.6% for the month, in part due to adverse winter weather.

In the meantime, **European Central Bank** (ECB) president Mario Draghi ventured that any ongoing trade spats between the US and China could impact the euro zone economy in terms of investor confidence and any broader retaliatory measures.

**Tonight** in the US, weekly new unemployment claims are due, together with import and export prices.

Elsewhere, **Bank of England** governor Mark Carney and Germany's **Bundesbank** (central bank) president Jens Weidmann are scheduled to speak publicly.

BlackRock, Delta Air Lines, Man Group, Mothercare, PZ Cussons and Yunnan Copper are among companies scheduled to report earnings or provide trading updates.

In overnight corporate news, UK supermarket group **Tesco** resumed final dividends on reporting a £1.3B full-year pre-tax profit and £57.5B revenue.

Online retailer **ASOS** reported £1.16B half-year revenue on the back of a 28% rise in orders. Cost containment was considered an issue, however.

### Commodities

COMMODITY	CLOSE	\$US/	+/-	%
<b>Gold (NY) (Jun)</b>	<b>1360</b>	oz	17	1.3
<b>Silver (NY) (May)</b>	16.7	oz	0.07	0.5
<b>Gold (LON)</b>	1339	oz	7	0.5
<b>Platinum</b>	930	oz	2	0.2
<b>WTI Crude (May)</b>	<b>66.8</b>	bbl	1.3	2.0
<b>Brent Crude (Jun)</b>	<b>72.1</b>	bbl	1.0	1.4
<b>Iron Ore</b> (CHN port 62%)	<b>64.8</b>	t	-0.5	-0.8
<b>Copper</b>	<b>6950</b>	t	5	0.1
<b>Nickel</b>	13865	t	170	1.2
<b>Aluminium</b>	2250	t	49	2.2
<b>Lead</b>	2409	t	17	0.7
<b>Zinc</b>	3238	t	-5	-0.2
<b>Tin</b>	21000	t	125	0.6
<b>CBT Wheat (May)</b>	<b>4.87</b>	bshl	-0.05	-1.0

### Commodities Commentary

**Oil** – prices headed higher early, were pushed lower on a weekly US petroleum stockpiles report, then rallied again on Middle East issues.

## Pre-Open Announcements

### Bod Australia (\* BDA)

An initial order for Linnea's 5% cannabidiol in MCT oil has been finalised ahead of delivery to Australia within weeks.

BDA is still seeking Therapeutic Goods Administration (TGA) approval for domestic sales.

BDA will in the meantime, bottle the oil at Australian facilities.

The company also intends to use the oil in a Phase 1 clinical trial of Linnea's cannabis extract.

### Select Harvests (\* SHV)

Anticipating an \$A8.10 - \$A8.50 pool price for this year's almond harvest, which is ~90% complete.

Commitments are in hand for 45% of the expected crop.

### Nearmap Ltd (\* NEA)

NEA's US annualised contract value (ACV) portfolio surpassed \$US10M during the March quarter.

### Michael Hill International (\* MHJ)

March quarter statistics lodged this morning.

### Spark Infrastructure (SKI)

SKI's 49%-held Victoria Power Networks is conducting inaugural 10-year Norwegian kroner and 12-year euro private placements.

Respective Nkr550M (\$A91M) and €24M (\$A38M) proceeds are earmarked for capital works and second-half 2018 refinancing.

### Skyfii Ltd (SKF)

Three-year services agreement secured to supply five Precision Group shopping centres with IO data collection, analytics and marketing services.

### Insurance Australia Group (IAG)

Yesterday's investor day transcript lodged post-trade yesterday.

## Resources

### Argent Minerals (\* ARD)

Heralding commercial-grade zinc and lead concentrates achieved using Kempfield project ore. Details lodged this morning.

### Mt Gibson Iron (MGX)

Sold 1.0Mt of iron ore during the March quarter, for \$60M (FOB) sales revenue. Additional details lodged this morning.

### Rio Tinto (RIO)

Presentation and speeches from RIO's AGM, held in London overnight, lodged this morning.



### VONEX LIMITED (ASX:VN8)

**State One is Lead Manager for the IPO of Vonex Limited - an innovative Australian telecom company currently generating revenue of +\$A8M.** Please find below a link to the IPO information pack:

<https://www.stateone.com.au/Vonex-IPO.html>

Application can be made online or by completing the application form, which can be found on pp 48-50 of the prospectus.

*Vonex, founded in 2009, is a Perth-based telecom company specializing in innovative Voice over Internet Protocol (VoIP) solutions and feature-rich Private Branch Exchange (PBX) technology.*

*A "once-in-a-lifetime" opportunity: we believe that the rollout of the National Broadband Network (NBN) will require millions*

For its part, **Saudi Arabia** revealed it had intercepted missiles above Riyadh, **Iran**-aligned Houthis in **Yemen** adding to an attack on a Saudi Aramco facility and last week's hit on a Saudi oil tanker.

Earlier, the **US** and **Russia** had traded threats regarding missile strikes on **Syria**.

Meanwhile, US government agency EIA reported crude stockpiles had risen by 3.3MMbbl last week, defying forecasts for a slight decrease.

Intra-session, Brent crude prices reached ~three-year peaks including \$US73.09/bbl. WTI traded as high as \$67.45/bbl, last seen more than two years ago.

**Gold** – geopolitical and data-driven safe-haven buying was considered the major driver for overnight gains.

Equities were out of favour in the risk-off mood and US Federal Reserve policy meeting minutes appeared to exert little influence on a key \$US index which traded at two-week lows, also supporting gold trade.

Further, **US domestic politics** was viewed as even more uncertain, following Speaker of the House Paul Ryan's revelation that he would not be seeking re-election in the November mid-terms.

**Base metals** – pushed and pulled overnight by relative \$US weakness and geopolitical risk.

**Russian** sanctions continued to support *aluminium*, Glencore reportedly preparing to declare force majeure on an expected drop in supply from customer and Glencore investee company Rusal.

Similarly for *nickel*, with Norilsk Nickel in focus and Rusal's 28% holding in its compatriot entity.

In addition, **China's** March CPI growth (2.2% year-on-year) and PPI, published yesterday, came in lower than anticipated.

February CPI growth had been estimated at a 2.9% four-year peak.

### Exchange Rates

CURRENCIES	LAST	+/-	%
<b>AUD – USD</b>	0.7763	0.0005	0.07
<b>EUR – USD</b>	1.2371	0.0003	0.03

### Australian Data Today

ABS	Housing finance	Feb
Melb Inst	Inflation expectations	Apr
RBA	Card transactions	Feb

### US Data Tonight

Initial jobless claims	7 Apr
Import, export prices	Feb

### Other Overseas Data Today & Tonight

<b>UK</b>	Credit conditions; bank liabilities	Mar
<b>UK</b>	RICS house prices	Mar
<b>Euro zone</b>	Industrial production	Feb

*of customers having to disconnect from Telstra's copper/landline network and reconnect to the new (government-owned) fibre-optic network; this will act as a catalyst to spread market share more evenly and provide opportunities for nimble technology-driven telco players like Vonex.*

*Vonex has also developed an innovative telecommunications/social media application – Oper8tor. Management is targeting a soft-launch of the App in Europe in 2018/2019.*

**For further information, call your State One adviser at 08 9288 3388 or 1300 651 898 or Email: [vonex@stateone.com.au](mailto:vonex@stateone.com.au)**

## Reports & Events

(selected scheduled)

When	Company	Report/Event
<b>Tomorrow</b>	CIM	AGM
<b>Mon</b>	LYC	Mar Q
	PRU	Mar Q
<b>Tue</b>	BOQ	Interim
	SAR	Mar Q
	WHC	Mar Q
<b>Wed</b>	AZJ	Mar Q
	RIO	Mar Q

## Trading Halts

Company	Code	Resuming
Boadicea Resources	BOA	12 Apr
Latitude Consolidated	LCD	12 Apr
Oklo Resources	OKU	12 Apr
Resources & Energy Group	REZ	12 Apr
A-Cap Resources	ACB	13 Apr
Alloy Resources	AYR	13 Apr
Alta Zinc	AZI	13 Apr
Finbar Group	FRI	13 Apr
Genesis Minerals	GMD	13 Apr
Murray Cod Australia	MCA	13 Apr
Powerhouse Ventures	PVL	13 Apr

## Suspensions (selected)

Company	Code	Since
Buddy Platform	BUD	26 Mar
Castillo Copper	CCZ	10 Apr
Chapmans Ltd	CHP	26 Mar
eSense-Lab Ltd	ESE	23 Mar
JV Global	JVG	21 Mar
Poseidon Nickel	POS	22 Mar
Syntonic Ltd	SYT	6 Apr
Tikforce Ltd	TKF	21 Mar
Wattle Health Australia	WHA	6 Apr

## Ex-Dividends

Code	Ex-Div	Div (c)	Fr (%)	Yield (%)
<b>FGX</b>	Today	<b>2.2</b>	100	3.71
<b>PIA</b>	Today	<b>3.5</b>	100	5.91

**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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<b>WAA</b>	Today	<b>2.85</b>	100	4.91
<b>WAM</b>	Today	<b>7.75</b>	100	6.12
<b>WAX</b>	Today	<b>4.75</b>	100	5.85
<b>WLE</b>	Today	<b>2.5</b>	100	3.95
<b>WMI</b>	Today	<b>2</b>	100	1.44
TRA	Tomorrow	3.61	0	2.75
NHC	Mon	6	100	5.69
PL8	Mon	0.5	100	3.17
TPM	Mon	2	100	0.74
GZL	Tue	8	100	6.72
NZM	Tue	5.6	0	10.50
SOL	Wed	23	100	2.89
1AL	Thu (19 Apr)	2	0	5.64