

Wednesday 17 October 2018

Markets

SFE 200 Futures (9.30am AEDT)	5886	32	0.6
NZX 50	8943	140	1.6
DJIA Futures	25735	-47	-0.2
S&P 500 Futures	2814	-4	-0.1
NASDAQ Futures	7335	-19	-0.3

Local Markets Commentary

The Australian market opens mid-week trade after a decisive overnight swing across US equities markets, amid multiple simmering international geopolitical and business scenarios, including those featuring Saudi Arabia, the UK and the European Union.

US futures have fallen this morning.

In mixed overnight commodities trade, **oil** ultimately extended Monday's gains.

US (December) **gold** futures settled slightly higher.

Iron ore (China port, 62% Fe) slipped a little.

LME **copper** fell. **Nickel** declined modestly but **aluminium** turned higher.

The **\$A** appreciated to ~US71.40c after falling below US71.15c early yesterday evening.

Locally this morning, **Reserve Bank of Australia** (RBA) deputy governor Guy Debelle has addressed a Sydney conference on the national labour market.

Also today, Westpac and the Melbourne Institute are due to publish a monthly leading index report.

Regionally today, Hong Kong's markets are scheduled to be closed.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	25798	548	2.2
S&P 500	2810	59	2.2
NASDAQ	7645	215	2.9
FTSE 100	7059	30	0.4
DAX 30	11777	162	1.4
Shanghai Comp	2546	-22	-0.9

Overseas Markets Commentary

US equities markets opened higher overnight and trended towards session highs, buoyed in part by some better-than-anticipated quarterly reporting from high-profile stocks.

Major European indices continued to chop but also mostly featured positive trade before ultimately adding to Monday's gains.

FTSE 100 sentiment vacillated the most ahead of a European Council meeting tonight, which will consider the UK's proposals covering its 2019 scheduled separation from the **European Union** (EU).

The EU's chief negotiator for the separation declared post-UK trade, however, that he was willing to extend the UK exit transition by one year on condition of a compromise regarding Northern Ireland border arrangements.

Australia - RBA deputy governor Guy Debelle was scheduled to speak on *The State of the Labour Market* from **8.20am** AEDT, Sydney

* Technology listing **11am** AEDT - **ID8** *

Today's Stock Watch

Boral Ltd (BLD)

Selling the group's Texas, US-headquartered Block business to Quikrete Holdings for \$US156M. Completion is anticipated mid-November. BLD acquired Block when purchasing Headwaters in May 2017.

The Reject Shop (TRS)

Expecting \$10M - \$11M 1H FY 2019 profit, rather than the previously forecast \$17.7M, following a 3.9% drop in comparable sales over the past eight weeks. Year-to-date comparable sales are 2.4% lower over 15 weeks. Planning for a strong end-of-year season. AGM today.

NEXTDC Ltd (NXT) / Asia Pacific Data Centre Group (AJD)

NXT takeover target AJD is required to repay \$29M to Bankwest within 14 days, following receipt of a default notice yesterday.

WiseTech Global (WTC)

Acquiring Sydney-headquartered logistics software specialist IFS Global Holdings (SmartFreight) for \$20M upfront plus a potential maximum \$35M earn-out.

Challenger Ltd (CGF)

\$81B FUM at 30 September. Investments grew by \$0.7B and net outflows totalled \$0.4B. Additional quarterly statistics lodged.

Link Administration Holdings (LNK)

UBS is recommending LNK as a buy.

identitii Ltd (* ID8)

Financial technology specialist scheduled to list **11am** AEDT following an \$11M IPO at 75c per share. 31.77M securities.

Resources

BHP Billiton (BHP)

September quarter iron ore output grew 10% year-on-year to 61Mt, petroleum slipped 1% to 33Mmboe, copper grew 1% to 409,000t, metallurgical coal fell 2% to 10Mt and energy coal declined 1% to 7Mt.

Reducing full year copper production guidance by ~3% to 1.62Mt - 1.71Mt.

Iron ore production fell 3% for the quarter, and copper by 12%, but (conventional) petroleum output rose by 15%.

BlueScope Steel (BSL)

BSL 100% subsidiary New Zealand Steel is outlaying \$A42.3M for 15.8% of customer Steel & Tube Holdings.

OZ Minerals (OZL)

Produced 31,919t of copper and 36,601oz of gold during the September quarter. US1.148/lb AISC. \$454M cash.

St Barbara (SBM)

Produced 98,547oz of gold during the September quarter at a \$A919/oz ASIC. Achieved a \$A1681/oz price, against \$A1731/oz for the June quarter. During the June quarter, SBM produced 119,436oz at a \$A812/oz AISC.

In overnight data releases, the **euro zone's** August trade balance fell to €11.7B from €17.6B at 31 July.

Germany's August import prices were reported flat for the month, after slipping 0.1% in July. Year-on-year, prices came remained 4.8% higher.

ZEW economic sentiment indices for the euro zone and Germany dropped to -19.4 and -24.7 respectively, from -7.2 and -10.6 in September.

In the **UK**, August quarter wages (excluding bonuses) rose by 3.1% after appreciating by 2.9% for the three months to the end of July.

This propelled the British pound 0.5% higher against the \$US.

Unemployment claims rose by 18,500 in September following a 14,200 August rise.

In the **US**, September industrial production rose 0.3% for the month, against expectations of a 0.2% gain.

A job openings report estimated 7.14M available positions in August, following forecast of 6.9M.

A home builders' sentiment index rose by one to 68, on par with a year earlier, against expectations of a one-point slip for the month.

Tonight in the US, the minutes of the **Federal Reserve's** September policy meeting are keenly anticipated.

Overnight, the US president repeated his discontent with current Fed policy.

September housing starts and building permits, plus weekly mortgage applications are also due.

Elsewhere, **Bank of England** policy meeting minutes are due, plus September **CPI** updates for both the euro zone and UK.

Abbott Laboratories, Alcoa, ASOS, BHP Billiton, eBay and US Bancorp are among companies scheduled to report earnings or provide updates today and tonight.

In overnight corporate news, large-cap stocks across a variety of sectors supported optimism.

Morgan Stanley and **Goldman Sachs** helped bolster early sentiment, quarterly profits for each rising 19% and exceeding expectations.

BlackRock revealed its first net investor outflows in three years.

UnitedHealth pleased, raising full year guidance after reporting \$US56.6B quarterly revenue.

A mix of positive cancer treatments and \$US20.0B+ quarterly revenue also prompted **Johnson & Johnson** to lift full-year profit guidance.

Domino's Pizza fell almost 5% however, after reporting disappointing sales and revenue.

Walmart lowered full-year earnings guidance citing an international e-commerce acquisition, but recorded a session gain, attributed to a positive outlook for the company's US business.

Netflix reported post-US trade, quarterly figures including better-than-expected subscriber growth, totalling 5.87M. \$US4b revenue reportedly matched industry forecasts.

The results, and those of **IBM**, which included lower-than-anticipated sales and revenue (-2.1% year-on-year), are likely to influence select trade tonight.

Pre-Open Announcements

Millennium Services Group (* MIL)

Former Reece (ASX: REH) CFO Neil Cathie has been appointed as a MIL independent, non-executive director, and chair of the audit risk & compliance committee, effective immediately.

Mr Cathie is non-executive chair of Coventry Group (ASX: CYG).

1300MILES Ltd (ONT)

ONT will provide dental assisting certificate training in a partnership with YWAM Medical Ships.

Smartgroup Corporation (SIQ)

CFO Tim Looi will be SIQ's acting CEO while CEO Deven Billimoria takes long service leave 19 October (Friday this week) – 4 February.

Resources

Millennium Minerals (** MOY)

Produced 22,414oz of gold during the September quarter, at a \$A1324/oz AISC. \$17.8M cash and bullion.

Sheffield Resources (* SFX)

Heralding three WA Canning Basin mineral sand discoveries, from SFX drilling, proximal to the company's Thunderbird project. Assays lodged this morning.

Regis Resources (RRL)

Planning to lodge the company's September quarter report pre-trade Friday and to host a conference call commencing 11am AEDT the same day.

Energy

Origin Energy (** ORG)

AGM today.

Buru Energy (* BRU)

WA onshore Canning Basin L20 Ungani West 1 drilling is underway. Drilling is expected to take 28 days.

BRU and Roc Oil each 50%; BRU operator.

Reports & Events

(selected scheduled)

When	Company	Report/Event
Today	BHP	Sep Q
	CGF	Sep Q
	CSL	AGM
	ORG	AGM
	OZL	Sep Q
	SBM	Sep Q
	TAH	AGM
	TRS	AGM
Tomorrow	ANN	AGM
	AZJ	AGM; Sep Q
	API	Full year
	GXY	Sep Q
	ING	AGM
	STO	Sep Q
	SKT	AGM
	S32	Sep Q
	SDF	AGM
	TWE	AGM
	WPL	Sep Q

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Dec)	1231	oz	0.7	0.1
Silver (NY) (Dec)	14.7	oz	-0.03	-0.2
Gold (LON)	1230	oz		
Platinum	839	oz	-1	-0.1
WTI Crude (Nov)	71.9	bbl	0.1	0.2
Brent Crude (Nov)	81.4	bbl	0.6	0.8
Iron Ore (CHN port 62%)	71.5	t	-0.16	-0.2
Copper (LME,3mth,PM)	6215	t	-86	-1.4
Nickel	12595	t	-20	-0.2
Aluminium	2034	t	7	0.4
Lead	2066	t	-19	-0.9
Zinc	2606	t	7	0.3
Tin	19200	t	55	0.3
CBT Wheat (Dec)	5.23	bshl	-0.02	-0.3

Commodities Commentary

Oil – pushed and pulled overnight by ongoing US, western ally and business sector tensions with **Saudi Arabia**, market deficit commentary and US stockpile speculation.

OPEC secretary-general Mohammad Barkindo urged greater investment and hence output, noting that international capacity had declined.

For its part, **Iran** claimed supply had already fallen short of demand.

A weekly US petroleum inventories report from government agency EIA is due tonight.

Post-US settlement, a US industry stockpiles report has estimated a fall in crude inventories for last week.

Gold – positive US corporate reports, data and equities sentiment contained gold prices overnight.

US Federal Reserve policy meeting minutes are considered a major influence on tonight's trade.

Bank of England policy meeting minutes could also swing currencies.

Base metals – overnight trade appeared impacted by international trade commentary and data.

The World **Steel** Association noted outlooks had become more fuzzy, due to freight trade relationships, but nonetheless doubled international steel demand predictions for both 2018 and 2019.

China's September CPI, reported yesterday, rose 0.7% for the month, and 2.5% year-on-year, following respective 0.7% and 2.3% figures for August.

Producer prices slowed, appreciating 3.6% after a 4.1% August rise.

Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.7142	0.0000	0.00
EUR – USD	1.1574	0.0000	0.00

Australian Data Today

Wsptc/MInst	Leading economic indices	Sep
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US Data Tonight

	Federal Reserve policy meeting minutes	Sep
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Fri	ARB	AGM
	EVT	AGM
	RRL	Sep Q
	SKC	AGM
	SYD	Sep
Mon (22 Oct)	FLT	AGM
Tue	ALX	Sep Q
	BGA	AGM
	BXB	AGM
	CIM	Sep Q
	IEL	AGM
	MMS	AGM
	NCK	AGM
	SGF	AGM
	SXL	AGM
	WOR	AGM

Trading Halts

Company	Code	Resuming
Alkane Resources	ALK	17 Oct
Byrah Resources	BYH	17 Oct
Calidus Resources	CAI	17 Oct
High Peak Royalties	HPR	17 Oct
Kazia Therapeutics	KZA	17 Oct
Protean Energy	POW	17 Oct
Troy Resources	TRY	17 Oct
eSense-Lab Ltd	ESE	18 Oct
MGC Pharmaceuticals	MXC	18 Oct
Oilex Ltd	OEX	18 Oct

Suspensions (select)

Company	Code	Since
AVZ Minerals	AVZ	9 Oct
Black Star Petroleum	BSP	21 Sep
buyMyplace.com.au Ltd	BMP	24 Sep
Classic Minerals	CLZ	28 Sep
Crusader Resources	CAS	1 Oct
GBM Gold	GBM	11 Oct
MMJ Phytotech	MMJ	8 Oct
MSM Corporation International	MSM	25 Sep
PLC Financial Solutions	PLC	5 Oct
Plukka Ltd	PKA	2 Oct
Updater Inc	UPD	9 Oct

Ex-Dividends

Code	Ex-Div	Div (c)	Franking (%)	Yield (%)
GOW	Today	6	100	4.29
KAT	Today	0.75	100	3.95
NWH	Today	2	100	1.02
AVG	Tomorrow	1.5	100	2.65
KSC	Tomorrow	2	100	2.43
PIC	Tomorrow	3.3	100	5.59
APL	Fri	5	50	4.42
APLN	Fri	5	50	0.00
APO	Fri	30	100	2.92
NHC	Fri	8	100	3.79



Housing starts	Sep
Building permits	Sep
MBA mortgage applications	12 Oct

Other Overseas Data Today & Tonight

UK	BoE policy meeting minutes	Sep
UK	CPI	Sep
UK	PPI	Sep
UK	Retail price index	Sep
Euro zone	CPI (final)	Sep
Euro zone	Construction output	Aug

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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.

FLK	Mon (22 Oct)	3.6	100	2.17
KPG	Mon	1.1	100	3.39
TRA	Mon	3.65	0	3.72
SNC	Tue	3.5	100	7.11
ACQ	Wed	3.5	100	5.08
BOQ	Wed	38	100	7.36
IS3	Wed	0.4	0	1.82
REX	Wed	8	100	7.38

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