

Monday 21 May 2018

Markets

SFE 200 Futures (9.30am AEDST)	6066	-30	-0.5
NZX 50	8639	-18	-0.2
DJIA Futures	24915	194	0.8
S&P 500 Futures	2730	17	0.6
NASDAQ Futures	6931	57	0.8

Local Markets Commentary

The Australian market opens a new week's trade on largely uninspiring overnight Friday international equities and commodities trade.

Since then, the US and China have essentially confirmed no definitive result from last week's trade talks in Washington. The US has talked of a trade war being 'on hold' and of an agreed framework for future negotiations.

In overnight Friday commodities trade, **oil** settled lower.

US **gold** futures rose a little.

Iron ore (China port, 62% Fe) was reported to have fallen for a second consecutive session.

LME **copper** turned lower. **Nickel** extended gains. **Aluminium** continued to fall.

The **\$A** effectively trod water after trading at US75.10c early Friday evening, but has appreciated this morning.

Regionally today, **Japan's** April trade balance is expected **9.50am** AEST.

Locally, a weekly capital city residential property price report is also due pre-trade.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	24715	1	0.0
S&P 500	2713	-7	-0.3
NASDAQ	7354	-28	-0.4
FTSE 100	7779	-9	-0.1
DAX 30	13078	-37	-0.3
Shanghai Comp	3193	39	1.2

Overseas Markets Commentary

Choppy trade featured across major European and US equities markets overnight Friday, amid falling oil prices, China's denial of media reports of a trade gap deal from **US-China** trade talks, and a new proposed deal between parties attempting to form a sustainable coalition government in Italy.

Since then, the US and China have confirmed they will keep discussing US energy and agricultural exports, in particular, in an attempt to arrive at an agreed trade position. Later, the US offered that a trade war was 'on hold' and that at least a framework had been agreed by the conclusion of last week's talks in Washington.

Among data releases, **Germany's** producer prices rose 0.5% during April, following a flat result for March. Year-on-year the PPI came in 2.0% higher.

The **euro zone's** trade surplus rose €8B to €26.9B during March.

Japan – trade balance **9.50am** AEST

Today's Stock Watch

Vocus Communications (VOC)

VOC has appointed former Optus CEO Kevin Russell as MD and CEO, effective 28 May (Monday next week).

IDP Education (IEL) / Mantra Group (MTR)

IEL will be added to the S&P/ASX200 when trade opens 24 May. IEL is replacing MTR which is being acquired by Accor subsidiary AAPC.

WiseTech Global (WTC)

WTC is issuing 7.56M shares, at \$13.30 each, to Capital Group's SmallCap World Fund.

WTC traded at \$13.49 - \$14.28 last week.

Virgin Australia Holdings (VAH)

Issuing \$A150M worth of five-year fixed-rate notes. The bonds are unsecured. Funds are earmarked for general corporate use and for refinancing other bonds.

Neuren Pharmaceuticals (NEU)

A US pharmaceutical company is proposing to develop and commercialise trofinetide with NEU.

Exclusive negotiations are continuing ahead of the US company potentially acquiring 1.33M NEU shares at \$A4.00 each.

NEU is trialling trofinetide as a possible treatment for Rett syndrome and Fragile X syndrome.

NEU traded at \$2.88 - \$3.05 last week.

Boral Ltd (BLD) / Asaleo Care (AHY)

Credit Suisse has re-rated BLD and AHY as underperform, from neutral.

Elders Ltd (ELD)

Trading ex-dividend (9c) today.

Resources

Lithium Australia (LIT)

WA Lake Johnson lithium project rock chip sampling has delivered 3.1% - 7.1% Li₂O assays.

Energy

AGL Energy (AGL)

AGL is knocking back the \$250M offer for the Liddell power station received last month from Cown Ti Fook Enterprises and Alinta Energy. Rather, AGL will continue with its plan to close Liddell December 2022.



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 at the back of the Prospectus. CLOSING DATE FOR APPLICATIONS: 4 JUNE 2018.

Vonex, founded in 2009, is a Perth-based telecom

Political angst in Italy pushed the euro lower against the \$US, pushing the \$US index to five-month highs.

Tonight in the US, the Chicago Fed national activity index is due.

In overnight Friday corporate news, **AstraZeneca** reported a 37% quarterly profit drop.

Campbell Soup also left a sour taste, pushed 12% lower after Thursday's quarterly report and a Friday announcement that the CEO had stepped down.

Markets in Germany are scheduled to remain closed tonight, due to a public holiday.

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Jun)	1293	oz	3	0.3
Silver (NY) (May)	16.4	oz	0.01	0.1
Gold (LON)	1290	oz		
Platinum	885	oz	-4	-0.5
WTI Crude (May)	71.3	bbl	-0.2	-0.3
Brent Crude (Jul)	78.5	bbl	-0.8	-1.0
Iron Ore (CHN port 62%)	67.0	t	-0.5	-0.8
Copper (LME,3m,pm)	6855	t	-24	-0.4
Nickel	14750	t	155	1.1
Aluminium	2270	t	-23	-1.0
Lead	2330	t	-44	-1.9
Zinc	3100	t	4	0.1
Tin	20780	t	130	0.6
CBT Wheat (Jul)	5.18	bshl	0.2	4.0

Commodities Commentary

Oil – trade vacillated overnight Friday on \$US strength, no new definitive news on Iran's position, but a media report claiming one proposal out of the European Commission was for governments to transfer payments direct to Iran's central bank.

Saturday, Iran's oil minister Bijan Zanganeh confirmed European Union efforts to retain the 2015 international agreement which had lifted sanctions against Iran could protect Iran's exports.

In addition, the minister claimed a Chinese company would take over a key field development, should France's Total pull out following US threats. The minister named Sinopec and CNPC as keen for a further presence in Iran.

Late last week, Iran announced an agreement with a UK consortium for the development of another field. The deal was yet to be approved by the UK, however.

Iran's current major crude customers are located in Asia.

A weekly US petroleum drill rig count, published overnight Friday, revealed no net addition to the number of oil rigs in operation within US territory.

Gold – analysts have ventured that any further US-China and US-Iran trade news this week could influence some gold trade, amid \$US strength that has been holding back interest.

Vacillating trade again featured overnight Friday, as the \$US index reached five-month peaks.

Base metals – currency swings supporting the \$US index to new 2018 peaks, inventories and select news produced mixed overnight Friday trade.

Jinchuan Group International Resources revealed it planned to double *copper* and *cobalt* production in Africa within two-three years.

company specialising 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 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

Pre-Open Announcements

Rhipe Ltd (* RHP)

Microsoft has added RHP to its list of New Zealand cloud solution providers.

SG Fleet Group (* SGF)

SGF will no longer supply fleet management services to the WA Government.

Details lodged this morning.

Spark Infrastructure (SKI)

SKI comments lodged post-trade Friday regarding various aspects of the Australian Energy Regulator's final determination for SKI's 15%-held TransGrid, for 1 July 2018 – 30 June 2023.

Further commentary expected at Thursday's AGM.

Patrys Ltd (* PAB)

PAB has raised the total value of its 3.4c-per-share placement to \$4.6M following demand from two strategic investors.

PAB traded at 3.5c – 3.9c last week.

Fluence Corporation (* FLC)

This month's Hong Kong road show presentation lodged this morning.

SkyCity Entertainment Group (* SKC)

Adelaide Casino expansion design finalised and construction contract awarded. Completion is anticipated late-2020.

Resources

First Cobalt Corp (FCC)

US Cobalt Inc shareholders have approved FCC's proposed acquisition of US Cobalt.

Pending regulatory and government approvals, the purchase could complete by month's end.

Matador Mining (MZZ)

MZZ has appointed Paul Criddle as MD, effective 2 July, pending shareholder approval 29 May (Tuesday week).

Energy

88 Energy (88E)

Planning to recommence Alaska Icewine #2 production testing 11 June.

Meanwhile, Icewine project 3D seismic survey processing is continuing.



Meanwhile, Vedanta Resources announced the Thootukudi copper smelter in India would not resume operations until at least 6 June.

Friday, **Japan** reported a 0.6% year-on-year rise in April inflation, this cited as part of the reason the \$US traded at four-month highs against the yen.

Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.7520	-0.0003	-0.03
EUR – USD	1.1762	-0.0011	-0.09

Australian Data Today

CLgc Cap city rsdntl propty prices 18 May

US Data Tonight

Chicago Fed national activity index Apr

Other Overseas Data Today & Tonight

Japan Trade balance Apr
UK Rightmove house prices May

Need More Information?

Contact your State One Stockbroking advisor on 08 9288 3388 or 1300 651 898, or by email, advice@stateone.com.au.

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Reports & Events

(selected)

When	Company	Report/Event
Tomorrow	JHX	Q4
	OFX	Full year
	SDA	Investor day
	TNE	Interim
Wed	AIA	April
	AAC	Full year
	BKL	Meet-mangmnt
	BLY	AGM
	RKN	AGM
Thu	AWC	AGM
	ALQ	Full year
	ALL	Interim
	BDR	AGM
	MUA	AGM
	SKI	AGM
	WFD	AGM
Fri	SYD	AGM

Trading Halts

Company	Code	Resuming
Paringa Resources	PNL	21 May
Alara Resources	AUQ	22 May
Great Boulder Resources	GBR	22 May
Lodestar Minerals	LSR	22 May
Metals Australia	MLS	22 May
Titan Minerals	TTM	22 May
Sky Space & Global	SAS	23 May

Suspensions (select)

Company	Code	Since
Antilles Oil & Gas	AVD	10 May
Antipa Minerals	AZY	18 May
Emergent Resources	EMG	4 May
Enhanced Oil & Gas Recovery	EOR	2 May
Flinders Mines	FMS	17 May
HearMeOut Ltd	HMO	21 May
Mobecom Ltd	MBM	14 May
Queensland Bauxite	QBL	4 May
TikForce Ltd	TKF	14 May

Ex-Dividends

Code	Ex-Div	Div (c)	Fr (%)	Yield (%)
AYK	Today	26	100	5.80
AYZ	Today	33	100	3.62
ELD	Today	9	100	1.80
AST	Tomorrow	4.62	0	5.61
IPL	Tomorrow	4.5	0	2.65
WHF	Wed	9	100	3.87
PDL	Thu	22	15	4.71
TLT	Thu	1.8	0	1.74
OPG	Fri	1	100	4.55