

Friday 22 June 2018

Markets

SFE 200 Futures (9.30am AEDST)	6171	-10	-0.2
NZX 50	8989	-9.7	-0.1
DJIA Futures	24461	-196	-0.8
S&P 500 Futures	2749	-18	-0.6
NASDAQ Futures	7712	-68	-0.9

Local Markets Commentary

The **ASX** hit a 10-year high this week and the benchmark top 200 was also up 3%, soaring 150 points to its highest level since January 2008 as Australia appeared somewhat insulated from the trade war carnage rocking world markets.

The Australian market appears to be a beneficiary of global investors fleeing emerging markets in the midst of the trade turmoil, with an appetite for **U.S-dollar** earning enterprises and the potential for **China** to divert U.S. exports from additional trade tariffs.

Australia could face a tricky diplomatic balancing act in any future escalation of U.S.-China economic tensions with almost 30% of the countries' exports going to China, versus 5% from the U.S., which has holds a 22% interest in all direct investment in Australia.

Australian shares were pointing lower ahead of opening this morning with ASX futures down 30 points. The Australian dollar regained some ground against the greenback in the wake of a strengthening sterling and euro overnight.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	24461	-196	-0.8
S&P 500	2749	-17.6	-0.6
NASDAQ	7712	-66.6	-0.9
FTSE 100	7556	-70.1	-0.9
DAX 30	12511	-183	-1.4
Shanghai Comp	2875	-39.9	-1.4

Overseas Markets Commentary

OPEC was close to securing a deal to increase oil output as **Saudi Arabia** pushed for an additional one million barrels a day from the 14-member oil cartel with only **Iran** still resisting easing the squeeze on the spigots.

Today's OPEC meeting in **Vienna** is expected to reach an agreement on easing supply constraints to cool rising crude prices. However, consensus failed yesterday with Iran's Oil Minister, **Bijan Zanganeh**, saying he did not believe a deal was possible.

Analysts are now tipping a likely 600,000-800,000 bpd increase, less than half the target non-OPEC member **Russia** had lobbied for in recent weeks.

Japan: CPI May data release, Nikkei manufacturing PMI June.
Eurozone: Markit manufacturing and services PMI for June.
USA: Markit manufacturing PMI for June.

This week's Stock Watch

Newscorp (NWS)

Walt Disney's arm-wrestle with **Comcast** in their rival bids for **21st Century Fox**, now on the table from Disney at US\$71.3 billion, has fattened Rupert Murdoch's shares by about US\$3 billion to US\$12 billion. Whether either company would agree to leave the Murdoch's in control of the **Fox news** and sports network - to be later consolidated into **Newscorp**, including its Australian assets, is a moot point. Newscorp shares have risen almost 7.5% on the ASX since early June.

Commonwealth Bank, NAB, Westpac, ANZ

Coalition success forcing tax cuts for middle and upper income earners, albeit only from July 2022, is manna from heaven for banking stocks (and retailers) already enjoying relief from a rally in banking stocks this week. Banking, hammered earlier in the month under the weight of a Royal Commission of Inquiry into its dirty laundering, is now rebounding in a catch-up as confidence returns to the sector.

Commodities

Coal

Swimming upstream against the sentiment that carbon-intensive coal's days are numbered, the **Mineral Council of Australia** released a study this week predicting that high-quality thermal and coking coal-exports have a shelf life of at least another 20-years. This follows increased coal royalty revenues confirmed by Queensland and New South Wales, with a record harvest flowing into the latter's coffers. Thermal coal prices touched **US\$112** a tonne this week, more than double what they fetched in early 2016.

Wheat

The **U.S. Department of Agriculture** has reduced estimates of Russia's wheat crop by 3.5 million tonnes to 68.5 mt and exports by 1.5mt to 35mt - well below the record harvest from a year ago - as a result of drought and delayed spring sowings. For the first time in six years global consumption is expected to exceed production next year, depleting stockpiles.

June quarter S&P/ASX indices re-balance

The following changes will be effected from commencement of trade **18 June**:

S&P/ASX 20

Out: AMP

In: AMC

S&P/ASX 50

Out: IPL

In: COH

S&P/ASX 100

Out: GNC

In: WHC

S&P/ASX 200

Out: AHY, INM, RFG

Crude futures recently soared to multi-year highs but Iran, OPEC's third biggest producer, is unlikely to benefit from rising production as a consequence of U.S.-imposed sanctions.

German car makers all suffered losses overnight as a result of trade tariff fallout that has revised **Daimler's** earnings forecast from rising profits to lower than expected yields from a year ago.

Mercedes and **BMW** are both exposed to tariff increases from the U.S. to China, but **Volkswagen** is largely insulated as it manufactures mainly in Europe and China.

Analysts are expecting China to encourage car makers to shift production from the United States to China.

Overnight the **Dow Jones** fell almost 200 points, extending its longest losing streak since March 2017 to eight days in continuation of world trade tensions.

Caterpillar and **Boeing**, both heavily exposed to overseas markets, dropped 2.5% and 1.5% respectively and auto makers also bled, with **General Motors**, **Ford** and **Fiat Chrysler** all slumping at least 1.5%.

The **Nasdaq**, in the midst of a bull run to record highs this week, eased back 0.9% on declines from **Amazon** and **Alphabet**. Amazon fell 1.1% after a Supreme Court ruling that states can force online shoppers to pay sales tax.

U.S. stocks, however, were faring better than China with the **Shanghai Composite** tumbling to a 23-month low.

The blue-chip index **CS1300** closed 1.2% down and the Shanghai Composite was 1.4% lower with the shares of over 100 companies shedding the daily limit of 10% in **Beijing**.

Thus far the Shanghai stock index is down 13% this year and the CS133 has fallen 10.9%.

Japan's **Nikkei** closed 0.61% up and in **Europe** the **Stoxx 600** was down 0.24% with most sectors in the negative.

Commodities

COMMODITY	CLOSE	\$US/	+/-	%
Gold (NY) (Aug)	1296	oz	-5.3	-0.4
Silver (NY) (May)	16.4	oz	0.0	0.1
Gold (LON)	1274	oz	-1.9	-0.2
Platinum	864	oz	-10	-1.2
WTI Crude (Jul)	65.81	bbl	0.1	0.2
Brent Crude (Jul)	73.11	bbl	-1.1	-1.5
Iron Ore <small>(CHN port 62%)</small>	66.50	t	-1	-1.5
Copper <small>(LME, 3m, pm)</small>	6788	t	25	0.4
Nickel	14905	t	12	0.1
Aluminium	2180	t	13	0.2
Lead	2362	t	-23	-0.1
Zinc	3107	t	-12	-0.4
Tin	20593	t	-288	-1.4
CBT Wheat (Jul)	501	bshl	-13	-2.4

In: APT, APX, ING

S&P/ASX All Australian 200

Out: AAC, MYR, RFG

In: BIN, CLQ, KDR

Trading Halts

Company	Code	Resuming
Sci Dev	SDV	25 Jun
Pacifico Minerals	PMY	25 Jun
Kibrans Resources	KNL	25 Jun
CSG Limited	CSV	25 Jun
Hawkstone Mining	HWK	26 Jun
E2Metals	E2M	26 Jun

Suspensions (select)

Company	Code	Since
HearMeOut Ltd	HMO	21 May
Lion Energy	LIO	7 Jun
Mobilarm Ltd	MBO	30 May
Murray River Organics Group	MRG	4 Jun
Talisman Mining	TLM	5 Jun
Winmar Resources	WFE	7 Jun

Ex-Dividends

Code	Ex-Div	Div (c)	Fr (%)	Yield (%)
INM	Thu	54.38	0	4.63
JIN	Thu	8	100	2.67
PL8	Thu	0.5	100	4.12
GTK	Fri	4.6	8.49	1.87

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**Exchange Rates**

CURRENCIES	LAST	+/-	%
AUD – USD	0.7376	-0.0002	-0.03
EUR – USD	1.1605	0.0002	0.01

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