

Friday 24 August 2018

## Markets

<b>SFE 200 Futures</b> (9.30am AEST)	<b>6240</b>	<b>19</b>	<b>0.3</b>
<b>NZX 50</b>	9144	4	0.1
<b>DJIA Futures</b>	25674	3	0.0
<b>S&amp;P 500 Futures</b>	2859	0	0.0
<b>NASDAQ Futures</b>	7430	6	0.1

## Local Markets Commentary

The Australian market commences Friday trade ahead of a potential vote for Australia's next PM, and possible subsequent early national election, following generally negative leads from overnight international equities and commodities trade.

Among key commodities, **oil** settled slightly lower.

US **gold** futures and other precious metals fell.

LME **copper** and **nickel** extended Wednesday's decline. **Aluminium** continued to gain.

The **\$A** was pushed yet lower, to ~US72.50c, after tumbling below US72.90c early yesterday evening.

**Locally** today, another swag of large-cap companies reports **earnings** and several high-profile stocks trade **ex-dividend**. *Details can be found on p4.*

**Regionally** today, **Japan** was scheduled to report July CPI **9.30am** AEST.

## Overseas Markets

INDEX	CLOSE	+/-	%
<b>Dow Jones</b>	25657	-77	<b>-0.3</b>
<b>S&amp;P 500</b>	2857	-5	<b>-0.2</b>
<b>NASDAQ</b>	7878	-11	<b>-0.1</b>
<b>FTSE 100</b>	7563	-11	<b>-0.2</b>
<b>DAX 30</b>	12366	-20	<b>-0.2</b>
<b>Shanghai Comp</b>	2725	10	<b>0.4</b>

## Overseas Markets Commentary

Major European and US equities markets swung and chopped their way through overnight trade, as new import tariffs kicked in, in both China and the US, on \$US16B worth of goods from each.

In the meantime, the US attorney general considered it appropriate to assure the US justice department would 'not be improperly influenced by political considerations'.

International trade angst again appeared the main reason for industrial and electronics sector stocks falling out of favour.

So, too, select currencies. Russia's rouble and Turkey's lira fell to two-year lows on US sanctions, and the British pound fell on government advice to business – specifically for contingency plans should a separation from the European Union occur with no firm business and trade agreements in place.

**European Central Bank** July policy meeting minutes underscored previous concerns regarding potentially adverse regional impacts on protectionist trade policies, but also highlighted expected ongoing economic progress in the near-term.

**Germany's** initial August manufacturing and

**Japan – July CPI 9.30am AEST**

\* Satellite operator listing **11am** AEST – **KSS** \*

\* Minerals exploration listing **midday** AEST – **KWR** \*

## Today's Stock Watch

### Westpac Banking Corporation (WBC)

2.06% June quarter net interest margin, against 2.17% for 1H 2018. 10.4% tier one capital ratio.

### Brambles Ltd (BxB)

Proposing to spin off crate supply business, IFCO RPC, which helps producers transport fresh produce to Asia, Europe and north and south America. Regulatory approvals required. Reporting a 293% higher (constant fx), \$US747.1M full year NPAT, including a \$US127.9M advantage from US tax changes. Sales revenue rose 6% to \$US5.597B. A14.5c final dividend. \$US2.31B net debt.

### Sims Metal Management (SGM)

Slightly lower (-0.0%) \$A203.5M full year NPAT. 26.9% higher, \$6.45B revenue. 30c fully franked final dividend. \$9.82 NTA.

### Medibank Private (MPL)

1.0% lower, \$445.1M full year NPAT. 1.0% higher, \$7.0B income. 7.2c fully franked final dividend. 53.7c NTA.

### Automotive Holdings Group (AHG)

41.2% lower, \$A32.64M full year NPAT. 6% higher, \$6.47B revenue. 6.8c fully franked final dividend.

### Costa Group Holdings (CGC)

99.5% higher, \$115.16M full year NPAT. 10.2% higher, \$1.0B revenue. 8.5c fully franked final dividend, up 1.5c (21.4%). 69.92c NTA.

### Mayne Pharma Group (MYX)

\$134.26M full year net loss, following a \$86.03M net profit a year ago. 7% lower, 530.31M revenue. 12c NTA.

### Steadfast Ltd (SDF)

14% higher, \$75.85M full year NPAT. 13% higher, \$468.1M revenue. 4.7c fully franked final dividend. 15c NTA.

### The Star Entertainment Group (SGR)

44.0% lower, \$148.1M full year NPAT. 5.5% higher, \$2.47B revenue. 13c fully franked final dividend. \$2.10 NTA.

### Afterpay Touch (APT)

Morgans has placed an 'add' on APT, cancelling hold advice.

### Webjet Ltd (WEB)

Ord Minnett has cancelled a WEB buy recommendation, in favour of hold advice.

## Resources

### Resolute Mining (RSG)

52% lower, \$A65.57M full year NPAT. 18% lower, \$445.56M revenue. 2c (cash or gold) final dividend. 96c NTA. \$A112M cash, bullion and listed investments. A streamed teleconference was scheduled to commence 9am AEST.

## Energy

### AGL Energy (AGL)

MD and CEO Andy Vesey is stepping down, but will remain an AGL advisor until 31 December. AGL CFO Brett Redman has been appointed interim CFO.

services PMIs came in at 56.1 and 55.2 respectively, from 56.9 and 54.1 in July.

The overall **euro zone** readings also reflected improvement in the services sector in general, but pullbacks from nonetheless strong manufacturing activity, with estimates of 54.6 and 54.4, following 55.1 and 54.2 for July.

**US** data releases included July new home sales, which fell 1.7% to a nine-month low, following a 2.4% drop in June.

Weekly new unemployment claims declined a further 2000, defying forecasts for an increase and representing the third consecutive week of falls.

Markit's initial August manufacturing PMI also turned in at a nine-month low, but as with the euro zone, comparatively strong at 54.5. The 0.8-point fall surprised some, who predicted a rise to 55.0.

The services sector activity index also fell 0.8, to 55.2.

The Kansas City Fed manufacturing index came in at 14, against expectations of 23, the same as for July.

**Tonight** in the US, **Federal Reserve** chair Jerome Powell will address the annual global central bankers' conference (hosted by the Kansas City Fed) in Jackson Hole, Wyoming.

July durable goods orders are also due.

Companies scheduled to report earnings later today and tonight include China Merchants Bank (interim), Foot Locker, Lloyds Bank (interim), Sinopec (interim) and Yanzhou Coal Mining (interim).

In overnight corporate news, **Alibaba** reported 61 higher quarterly revenue but ultimately traded 3% lower in the US.

A \$US1.5B **Nordstrom** buyback favoured the retailer 2%.

Specialist home products retailer **Williams-Sonoma** was also in favour, appreciating 16.5% on pleasing guidance and better-than-anticipated quarterly results.

Victoria's Secret parent **L Brands**, however, dropped 11% after reducing full year guidance.

*Numerous select markets remain closed, due to Eid observance.*

*UK markets will be closed Monday, due to a public holiday.*

## Commodities

COMMODITY	CLOSE	\$US/	+/-	%
<b>Gold (NY) (Dec)</b>	<b>1194</b>	oz	-9	-0.8
<b>Silver (NY) (Sep)</b>	14.6	oz	-0.3	-1.9
<b>Gold (LON)</b>	1197	oz		
<b>Platinum</b>	775	oz	-18	-2.3
<b>WTI Crude (Oct)</b>	<b>67.8</b>	bbl	-0.03	-0.1
<b>Brent Crude (Oct)</b>	<b>74.7</b>	bbl	-0.05	-0.1
<b>Iron Ore</b> (CHN port 62%)	67.95	t		
<b>Copper</b> (LME,3mth,PM)	<b>5987</b>	t	-18	-0.3
<b>Nickel</b>	13275	t	-250	-1.9
<b>Aluminium</b>	2075	t	10	0.5
<b>Lead</b>	2055	t	42	2.1
<b>Zinc</b>	2469	t	2	0.1
<b>Tin</b>	19100	t	-270	-1.4
<b>CBT Wheat (Sep)</b>	<b>5.41</b>	bshl	-0.05	-0.8

## Commodities Commentary

**Oil** – US-China trade tensions were cited during cautious overnight trade.

## Pre-Open Announcements

### Kleos Space (\* KSS)

Satellite operator scheduled to list **11am** AEST following an \$11M IPO at 20c per share/CDI.

Incorporated in Luxembourg. 71.07M quoted securities.

### Sky Network Television (\*\* SKT)

\$NZ240.7M full year net loss, against a \$NZ116.3M net profit a year ago. Accounts include a \$NZ360M goodwill impairment. NZ7.5c final dividend, against NZ12.5c.

### Macmahon Holdings (\*\* MAH)

\$33.2M full year NPAT. 97.5% higher, \$710.3M (continuing operations) revenue. 19c NTA. 2 November AGM.

### Platinum Asset Management (\*\* PTM)

1.7% higher, \$191.22M full year NPAT. 5.9% higher, \$353.29M revenue. 16c fully franked final dividend. 13% FUM growth.

### Cash Converters International (CCV)

CCV independent non-executive director Ellen Comerford has resigned, effective 30 September.

### Money3 Corporation (MNY)

MNY director treasury Siva Subramani has been appointed as CFO, effective yesterday. Mr Subramani has been MNY's acting CFO since April.

## Resources

### Kingwest Resources (\* KWR)

Scheduled to list **midday** AEST following a \$5M IPO at 20c per share.

31.455M quoted securities.

## State One Analyst Comment

### Quickstep Holdings (ASX: QHL)

SP 7.7c, TP 15c

Recommendation: **Buy** (Higher Risk)

Quickstep announced yesterday that it had signed an MOU with Lockheed Martin for a Long Term Flexible Contract (LTFC) for the ongoing supply of C-130J/LM-100J wing flaps for an additional five-years, covering the period 2020-2024.

We see this as a positive development, as we forecast that the C-130J contracts account for ~25% of QHL's current group revenues.

Security of work here over the next seven years provides a platform upon which the group can grow revenues from increased F-35 JSF parts production, and source new business opportunities.

Operational leverage from increased production/sales volumes of F-35 JSF parts, and the benefits of business reorganisation and cost cutting initiatives – the OneQuickstep change program – are starting to bear fruit. QHL posted positive operating cash flows in the March and June 2018 quarters.

We expect margins will continue to improve as volumes continue to ramp up over the next two - three years.

*State One executive chairman Alan Hill*



Meanwhile, reports emerged estimating Europe had imported 35% less oil from Iran for the year-to-date, but 30% more from Iraq and twice as much from Saudi Arabia.

Crude from Russia's Ural region is also considered a favoured equivalent alternative to Iran's oil by European refiners.

A weekly US petroleum drill rig count is due tonight.

**Gold** – the \$US turned higher overnight, mostly attributed to expectations for one more US rate rise this year. Gold prices subsequently traded lower.

US Federal Reserve chair Jerome Powell is scheduled to address the annual global central bankers' conference in Jackson Hole, Wyoming tonight.

A key US economic indicator, durable goods orders, is also keenly anticipated tonight.

**Base metals** – the \$US index rallied as much as 0.5%, adding to international trade tensions, to dilute overnight base metals appetite.

Cancelled warrants supported *aluminium*, in addition to a renewed focus on trade sanctions against Russia.

Manufacturing PMIs reported for the euro zone and US overnight, and in Japan (52.5; 52.3) yesterday, proved mixed.

China's July industrial profits are expected Monday.

Some positioning is expected tonight, ahead of a Monday public holiday weekend for the UK.

### Exchange Rates

CURRENCIES	LAST	+/-	%
<b>AUD – USD</b>	0.7248	-0.0002	<b>-0.03</b>
<b>EUR – USD</b>	1.1544	0.0000	0.00

### US Data Tonight

Durable goods orders	Jul
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### Other Overseas Data Today & Tonight

<b>Japan</b>	CPI	Jul
<b>UK</b>	Mortgage approvals	Jul
<b>Germany</b>	GDP (final)	Jun Q

### 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).

## Reports & Events

(selected scheduled)

When	Company	Report/Event
<b>Today</b>	<b>AHG</b>	Full year
	<b>BXB</b>	Full year
	<b>CGC</b>	Full year
	<b>MAH</b>	Full year
	<b>MYX</b>	Full year
	<b>MPL</b>	Full year
	<b>MYO</b>	Interim
	<b>RSG</b>	Full year
	<b>SGM</b>	Full year
	<b>SKT</b>	Full year
	<b>SDF</b>	Full year
<b>SGR</b>	Full year	
<b>TGR</b>	Full year	
<b>Mon</b>	CNU	Full year
	IFN	Full year
	JHC	Full year
	MHJ	Full year
	SHV	Full year
	SKI	Interim
<b>Tue</b>	APX	Interim
	BKL	Full year
	CTX	Interim
	ORE	Full year
	SHV	Teleconfnce
	SFH	Full year
<b>Wed</b>	SDA	Interim
	AGI	Full year
	BGA	Full year
	BAL	Full year
	BLD	Full year
	BWX	Full year
	DCG	Full year
	IGO	Full year
	MTS	AGM
	SRX	Full year
VAH	Full year	
<b>Thu</b>	AGI	Teleconfnce
	FNP	Full year
	GXY	Interim
	PPT	Full year
	RHC	Full year
	SFR	Full year

### Trading Halts

Company	Code	Resuming
National Storage REIT	NSR	24 Aug
Pental Ltd	PTL	24 Aug
Superior Lake Resources	SUP	24 Aug
Afterpay Touch Group	APT	27 Aug
Alto Metals	AME	27 Aug
Buxton Resources	BUX	27 Aug
Decmil Group	DCG	27 Aug
Magnis Resources	MNS	27 Aug

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United Networks	UNL	27 Aug
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**Suspensions** *(select)*

Company	Code	Since
Admedus Ltd	AHZ	6 Aug
Challenger Energy	CEL	7 Aug
Benjamin Hornigold	BHD	30 Jul
Cape Range	CAG	30 Jul
Lanka Graphite	LGR	3 Aug
Marindi Metals	MZN	23 Aug
Peninsula Mines	PSM	23 Aug
Pental Ltd	PTL	24 Aug
Queensland Bauxite	QBL	1 Aug
RCR Tomlinson	RCR	1 Aug
Roto-Gro International	RGI	22 Aug
The BetMakers Holdings	TBH	22 Aug
Wolf Petroleum	WOF	1 Aug

**Ex-Dividends**

Code	Ex-Div	Div (c)	Franking (%)	Yield (%)
<b>ANN</b>	Today	<b>25</b>	0	2.34
<b>ARG</b>	Today	<b>16</b>	100	3.82
<b>BIN</b>	Today	<b>2</b>	100	1.16
<b>CL1</b>	Today	<b>2.5</b>	100	2.33
<b>EAX</b>	Today	<b>4</b>	100	4.65
<b>INA</b>	Today	<b>5.65</b>	0	3.46
<b>PAI</b>	Today	<b>6</b>	100	7.87
<b>PMC</b>	Today	<b>6</b>	100	5.15
AZJ	Mon	13.1	60	6.16
CCL	Mon	21	65	4.81
GWA	Mon	9.5	100	5.36
GXL	Mon	5.5	100	3.88
HIT	Mon	4	100	7.27
PRY	Mon	5.5	100	3.83
SHM	Mon	4	100	9.65
SNZ	Mon	4.61	0	1.50
ATL	Tue	3	0	3.22
EVN	Tue	4	100	2.73
FID	Tue	11	100	4.00
GC1	Tue	3	100	3.64
LLC	Tue	35	0	3.42
MAI	Tue	1	100	2.00
NCM	Tue	11	100	1.04
WGN	Tue	3.5	100	1.23
WOR	Tue	15	0	1.24