

Friday 25 May 2018

Markets

SFE 200 Futures (9.30am AEDST)	6016	-27	-0.5
NZX 50	8631	40	0.5
DJIA Futures	24809	6	0.0
S&P 500 Futures	2729	2	0.1
NASDAQ Futures	6962	5	0.1

Local Markets Commentary

The Australian market commences Friday trade following a swag of announcements regarding international trade and relations, a couple of central bank warnings and overnight falls across major equities markets, and ahead of a key economic indicator out of Japan.

In addition, US and UK markets are heading into Monday holiday long weekends.

In decidedly mixed overnight commodities trade, US **gold** futures rallied.

Both Brent and WTI **crude** fell.

Iron ore (China port, 62% Fe) swung sharply higher.

LME **copper** turned to settle slightly higher. **Nickel** gained decisively.

The **\$A** was pushed to ~US75.80c after trading at US75.60c early yesterday evening.

Regionally today, **Japan** is scheduled to release a CPI update **9.30am** AEST.

China's April industrial profits are expected over the weekend.

Locally today, two new listings – one in the finance sector and the other in manufacturing – are likely to attract attention.

Overseas Markets

INDEX	CLOSE	+/-	%
Dow Jones	24812	-75	-0.3
S&P 500	2728	-6	-0.2
NASDAQ	7424	-1.5	-0.0
FTSE 100	7717	-72	-0.9
DAX 30	12855	-122	-0.9
Shanghai Comp	3155	-14	-0.5

Overseas Markets Commentary

Major European and US equities markets respectively swung in second and first-half overnight trade.

The \$US fell, oil was pushed lower and gold rallied as investors considered potential outcomes from a bevy of announcements and warnings, plus mixed data, selling out of stocks viewed as vulnerable and pushing up those seen to secure advantage.

US president Donald Trump confirmed a national security-based investigation was underway into **vehicle imports**, ahead of potential new **tariffs**.

Mr Trump also cancelled his planned 12 June meeting with **North Korean** leader Kim Jong-Un, citing North Korea's verbal attacks this week.

Earlier, the US president had withdrawn an

Japan – CPI 9.30am AEST

* Income trust listing **11am** AEST – **GCI** *

* Solar energy-focused manufacturer listing **12.30pm** AEST – **CVU** *

Today's Stock Watch

Commonwealth Bank of Australia (CBA)

Confirming mediation with AUSTRAC is ongoing. The Federal Court ordered in March that mediation occur by 25 May.

Spark New Zealand (SPK)

FY 2018 results will be impacted by SPK's decision to fast-forward the Quantum program, meaning \$25M - \$30M of additional costs anticipated in FY 2019 accounts will now be included in FY 2018 figures. \$50M - \$55M worth of implementation costs total costs are now anticipated in the FY 2018 accounts.

This in turn means FY 2018 EBITDA will likely decline by 0.5% - 2.5%, but that future benefits will be realised sooner rather than later.

Teleconference scheduled to commence 11am AEST. Access details lodged this morning.

Telstra Corporation (TLS)

UBS has placed a 'buy' on TLS, cancelling a neutral rating.

Compumedics Ltd (CMP)

\$15M worth of minimum sales commitments secured over three years across three new distribution contracts secured with existing China-based distributors.

In addition, CMP will ship a new \$A1.5M order by 30 June.

ERM Power (EPW)

US business is growing at a more moderate pace than previously anticipated, and may not be NPAT break-even in FY 2020.

Updated sales figures lodged this morning.

Sydney Airport (SYD)

Today's AGM addresses and presentation lodged.

Resources

Resolute Mining (RSG)

Mali Tabakoroni RC and diamond drilling has returned significant-width, high-grade intersections. Details lodged this morning.

Tabakoroni is located 35km south of RSG's Syama operation.

Energy

Whitehaven Coal (WHC) / Rio Tinto (RIO)

WHC has agreed to acquire the balance 25% of the Winchester South metallurgical coal JV.

WHC agreed in March to acquire RIO's 75% holding.

Completion of the two purchases is expected by year's end.

WHC has traded lower the past five trading sessions, settling at \$5.10 yesterday.



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:

invitation for **China** to join the US in naval exercises, citing China's growing military presence across the South China Sea.

In the UK, **Bank of England** governor Mark Carney advocated strongly for ordered negotiations as the UK sought to separate from the European Union.

European Central Bank (ECB) policy meeting minutes revealed expectations the region's economy could slow further in the face of broadening uncertainty, but also a view that growth alarm was not warranted.

The ECB's financial stability review revealed concern at any moves to dismantle the European Union at a time when some economic indicators have weakened.

In data releases, **Germany's** final March quarter GDP growth readings were confirmed at 0.3% for the quarter and 2.3% year-on-year, each seasonally adjusted. Unadjusted, annual growth came in at 1.6%.

UK April retail sales pleased, improving 1.4% after a 1.1% rise in March and forecasts of a 0.1% new increase.

Among **US** economic indicators, weekly new unemployment claims rose by 11,000.

April existing home sales dropped 2.5%, following expectations of a 0.2% slip on top of a 1.4% fall in March.

Tonight in the US, durable goods orders and the University of Michigan's final May consumer sentiment reading are due.

Elsewhere, US Federal Reserve chair Jerome Powell and Bank of England governor are each scheduled to address a conference hosted by Sweden's reserve bank.

In overnight corporate news, **Deutsche Bank** announced ~7000 jobs would go, in support of profitability.

The CEO and seven directors of aluminium producer **Rusal** resigned with a warning the company would struggle to repay debt.

US retailer **Best Buy** exceeded quarterly report expectations but was pushed ~6.5% lower.

Celgene recouped more than 2% after boosting buy-back plans by \$US3B.

Netflix rose more than 1%, notably helping push its market cap beyond that of Walt Disney.

US and UK equities markets will be closed Monday due to public holidays.

The London Metals Exchange (LME) will also be closed Monday.

Commodities will trade in the US until 1pm ET.

Commodities

COMMODITY	CLOSE	\$/US/	+/-	%
Gold (NY) (Jun)	1304	oz	15	1.2
Silver (NY) (May)	16.6	oz	0.19	1.2
Gold (LON)	1288	oz		
Platinum	908	oz	8	0.9
WTI Crude (Jul)	70.7	bbl	-1.1	-1.6
Brent Crude (Jul)	78.8	bbl	-1.0	-1.3
Iron Ore (CHN port 62%)	65.5	t	1.4	3.0
Copper (LME,3m,pm)	6880	t	13	0.2
Nickel	14900	t	250	1.7
Aluminium	2281	t	11	0.5
Lead	2494	t	18	0.7
Zinc	3034	t	5	0.2

<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 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

Gryphon Capital Income Trust (GCI)**

Fixed income specialist scheduled to list **11am** AEST following a \$175.3M IPO at \$2.00 per unit.

87.65M quoted units. LoanNet holds 14.26%.

ClearVue Technologies (CVU)**

Solar-powered glass and other building surface materials manufacturer scheduled to list **12.30pm** AEST following a \$5M IPO at 20c per share.

55.99M quoted shares.

Reliance Worldwide (* RWC)

Morgans is recommending RWC as an 'add', cancelling previous hold advice.

RWC remains in a trading halt while it completes the institutional component of a fundraiser.

Resources

Lithium Power International (LPI)

LPI co-founder, MD and CEO Martin Holland resigned yesterday. His directorship resignation was effective immediately, but he will remain as LPI CEO until 30 June.

LPI has traded lower the past five trading sessions, yesterday settling at 28c.

Champion Iron (CIA)

CIA is shipping its one-millionth tonne of Bloom Lake 66% iron ore concentrate from the Port of Sept-Iles, Quebec.

Energy

Energy Resources of Australia (ERA) / Rio Tinto (RIO)

ERA has appointed RIO copper and diamonds business analyst David Blanch as CFO, effective 9 July.

Current ERA CFO James May is moving to another role within RIO, which is ERA's parent.



Tin	20425	t	-200	-1.0
CBT Wheat (Jul)	5.30	bshl	-0.01	-0.3

Commodities Commentary

Oil – reports again claimed Russia, Saudi Arabia and the UAE would discuss a possible easing of production curbs at a meeting scheduled for last night in St Petersburg.

A weekly US petroleum rig count is due tonight.

Gold – a \$US pullback and the US cancellation of a planned US-North Korea leaders' meeting promoted greater gold interest and some safe-haven buying.

Base metals – a weaker \$US supported sentiment in general, but geopolitical factors and inventories also toyed with trade.

Lead reached three-month peaks on a drop in LME stocks.

Rusal confirmed *aluminium* shipments to some customers had resumed last week, but also warned production would be adversely impacted should US sanctions not be eased.

Yesterday, Japan's Tankan manufacturing index was reported at 22 (+1 for the month) and services sector index at 39 (+3).

Exchange Rates

CURRENCIES	LAST	+/-	%
AUD – USD	0.7574	-0.0005	-0.07
EUR – USD	1.1720	-0.0001	-0.01

US Data Tonight

Durable goods orders	Apr
Uni of Michigan consumer sentiment (final)	May

Other Overseas Data Today & Tonight

Japan	CPI	May
UK	GDP (final)	MarQ
UK	Residential property lending	Apr
Germany	IFO business climate	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
Today	SYD	AGM
Mon	FPH	Full year
	MLB	AGM
	MNC	AGM
Tue	CGF	Investor day
	TWR	Interim

Trading Halts

Company	Code	Resuming
American Pacific Borate & Lithium	ABR	25 May
Impact Minerals	IPT	25 May
King River Copper	KRC	25 May
Tesseract Ltd	TNT	25 May
Xped Ltd	XPE	25 May
Classic Minerals	CLZ	28 May
FirstWave Cloud Technology	FCT	28 May
Frontier Digital Ventures	FDV	28 May
Oro Verde	OVL	28 May
Reliance Worldwide Corporation	RWC	28 May
Knosys Ltd	KNO	29 May

Suspensions (select)

Company	Code	Since
Antilles Oil & Gas	AVD	10 May
Emergent Resources	EMG	4 May
Enhanced Oil & Gas Recovery	EOR	2 May
HearMeOut Ltd	HMO	21 May
Mobecom Ltd	MBM	14 May
Queensland Bauxite	QBL	4 May
TikForce Ltd	TKF	14 May
UltraCharge Ltd	UTR	24 May
Venus Metals Corporation	VMS	23 May
Wolf Petroleum	WOF	21 May

Ex-Dividends

Code	Ex-Div	Div (c)	Fr (%)	Yield (%)
OPG	Today	1	100	4.94
DLX	Mon	14	100	3.55
ALL	Tue	19	100	tbc
CSR	Thu	13.5	75	5.22
OCP	Thu	3	100	1.36
ORI	Thu	20	0	2.68
RBD	Thu	16.98	0	3.63
RHL	Thu	9	100	4.73
TNE	Thu	2.86	75.17	1.97
ECX	Fri	8	100	4.57
ED1	Fri	5	100	2.01



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