

18-December-2018

# Morningnote

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## Overseas Market Report

Foreign Equities	Latest Price	Time/Date (AEST)	Change	% Change
▼ Dow Jones (US)	23593	8:35am 18/12/2018	-508	-2.11
▼ S&P 500	2546	8:35am 18/12/2018	-54	-2.08
▼ NASDAQ	6754	8:55am 18/12/2018	-157	-2.27
▼ FTSE 100 Index	6773	3:50am 18/12/2018	-72	-1.05
▼ DAX 30	10772	4:00am 18/12/2018	-94	-0.86
▼ CAC 40	4800	4:15am 18/12/2018	-54	-1.11
▲ Nikkei 225 (Japan)	21507	5:20pm 17/12/2018	132	0.62
▼ HKSE	26088	7:23pm 17/12/2018	-7	-0.03
▲ SSE Composite Index	2598	6:16pm 17/12/2018	4	0.16
▲ NZ 50	8746	4:50pm 17/12/2018	23	0.26

## International Markets Roundup

[Morningstar with AAP]: The S&P 500 Index finished Monday's session at its lowest level since October 2017. The technology, healthcare and consumer sectors led the rout.

### Asia

Asian share markets have ticked up as investors cautiously looked to whether key policy events in the US and China could allay concerns about slowing global economic growth.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.25 per cent. The CSI 300 index of Shanghai and Shenzhen shares dipped 0.3 per cent but managed to stay above its November low.

Japan's Nikkei rose 0.6 per cent while US stock futures edged up 0.3 per cent.

MSCI's broadest gauge of the world's stocks covering 47 markets was up slightly after hitting the weakest close since July last year on Friday on mounting evidence of slowing growth in Europe and China.

China's economy has been losing momentum in recent quarters as a multi-year government campaign to curb shadow lending put increasing financial strains on companies in a blow to production and investment.

Investors are now looking to a major speech by President Xi Jinping on Tuesday to mark the 40th anniversary of China's reform and opening up.

China is also expected to hold its annual Central Economic Work Conference later this week, where key growth targets and policy goals for 2019 will be discussed.

The top decision-making body of the Communist Party, the politburo, said last week China will keep its economic growth within a reasonable range next year, striving to support jobs, trade and investment while pushing reforms and curbing risks.

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**Sunland Group Limited (SDG)** -Sunland Group Announces Buy-Back - Appendix 3C

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**Cardno Limited (CDD)** -Cardno Announces Acquisition of Raba Kistner

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**Havilah Resources Limited (HAV)** -Havilah Resources Trading Halted, Pending Company Announcement

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**Spark Infrastructure Group (SKI)** -Spark Infrastructure Group Releases 2018 ROR Instrument and Final Report on the Review of Regulatory Tax Approach

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## Europe

The FTSE 100 closed 1.1 per cent lower and the domestically focused mid-cap index lost 1.4 per cent at the start of the final full week of trading for the year.

The FTSE, which is down nearly 12 per cent this year, is on track for its worst yearly drop since the GFC, even as investors brace for a Bank of England meeting later this week.

In France, the CAC was down 1.1 per cent, while Germany's DAX fell 0.9 per cent.

The euro traded at \$1.1307, having fallen to \$1.1270 on Friday, its lowest level since 28 November.

IHS Markit's Flash Composite Purchasing Managers' Index slumped to 51.3, its weakest since November 2014, from a final November reading of 52.7. That was well below even the most pessimistic forecast in a Reuters poll where the median expectation was for a modest rise to 52.8.

The survey showed euro zone businesses ended the year in a gloomy mood, expanding their operations at the slowest pace in over four years as new orders growth all but dried up, hurt by trade tensions and violent protests in France.

Sterling hovered near its 20-month low touched last week, as concerns grew that Britain was headed for a chaotic exit from the European Union.

With just over 100 days until Britain leaves the bloc on 29 March, Brexit remains up in the air with growing calls for a no-deal exit, a potentially disorderly divorce that business fears would be highly damaging, or for a second referendum.

The pound traded at \$1.2580, about a cent above Wednesday's low of \$1.2477.

## North America

The S&P 500 Index finished Monday's session at its lowest level since October 2017. The technology, healthcare and consumer sectors led the rout.

Insurance stocks suffered after a court ruling jeopardised Obamacare, while Johnson & Johnson lost ground amid a deepening asbestos scandal.

The Federal Reserve is seen as almost certain to raise interest rates at its two-day policy meeting starting on Tuesday, further enhancing the dollar's yield attraction.

At the same time, many market players also expect the Fed to lower its projections for future interest rate hikes given increasing headwinds to the economy.

On Wall Street on Friday, the S&P 500 lost 1.91 per cent to 2599.95, marking its lowest close since 2 April.

The benchmark has dropped 11.3 per cent from its 20 September record close - the worst performance since it fell more than 14 per cent between May 2015 and January 2016.

In the currency market, the dollar held firm after having touched a 19-month high against a basket of six other major rivals on Friday as the US economy appeared to be in better shape than others.

US retail sales excluding cars, petrol, building materials and food services rose 0.9 per cent last month after an upwardly revised 0.7 per cent increase in October.

Still, some analysts said the dollar could be held back by the probability of a partial US government shutdown as President Donald Trump and federal politicians disagree over funding for a border wall. The stopgap funding bill agreed earlier this month will expire on 21 December.

Oil prices licked wounds after Friday's falls on concerns about the global economy.

US West Texas Intermediate crude futures stood almost flat at \$51.26 per barrel, after a loss of 2.7 per cent last week.

Commodities	Latest Price	Time/Date (AEST)	Change	% Change
▲ Aluminium	1943	5:21am 18/12/2018	35	1.83
▼ Copper	6096	5:21am 18/12/2018	-32	-0.53
▼ Nickel	10908	5:21am 18/12/2018	-102	-0.93
▲ Gold	1246	8:55am 18/12/2018	6	0.51
▲ Silver	14.6	8:54am 18/12/2018	0.1	0.82
▼ Oil - West Texas crude	50.2	8:55am 18/12/2018	-1.3	-2.47
▼ Lead	1924	5:21am 18/12/2018	-18	-0.91
▲ Zinc	2590	5:21am 18/12/2018	21	0.80
Ore	68	9:10am 15/12/2018	0	--

Currency	Latest Price	Time/Date (AEST)	Change	% Change
▲ \$A vs \$US	0.7177	8:55am 18/12/2018	0.0006	0.08
▼ \$A vs GBP	0.5690	8:55am 18/12/2018	-0.0011	-0.19
▼ \$A vs YEN	80.98	8:55am 18/12/2018	-0.38	-0.46
▼ \$A vs EUR	0.6325	8:55am 18/12/2018	-0.0020	-0.32
▼ \$A vs \$NZ	1.0542	8:55am 18/12/2018	-0.0019	-0.18
▼ \$US vs Euro	0.8811	8:55am 18/12/2018	-0.0032	-0.36
▼ \$US vs UK	0.7925	8:55am 18/12/2018	-0.0020	-0.25
▼ \$US vs CHF	0.9932	8:55am 18/12/2018	-0.0041	-0.41
▲ \$A vs \$CA	0.9625	8:55am 18/12/2018	0.0021	0.22

**Australian Market Report**

Australian Equities	Latest Price	Time/Date (AEST)	Change	% Change
▲ All Ordinaries	5733	7:20pm 17/12/2018	54	0.95
▲ S&P/ASX 200	5658	7:20pm 17/12/2018	56	1.00
▼ 10-year Bond Rate	2.43	8:54am 18/12/2018	-0.02	-0.82
▼ 90 Day Bank Accepted Bills SFE-Day	1.96	3:48am 18/12/2018	-0.01	-0.51
▼ 3-yr Bond Rate	1.90	8:55am 18/12/2018	-0.03	-1.55

## Local Markets Are Expected to Open Lower

Ahead of the local open SPI futures were 85 points lower at 5,587.

Monday 17 December - close. [Morningstar with AAP]: The Australian share market has closed higher after an afternoon rally led by the materials sector.

The benchmark S&P/ASX200 index sat flat for much of Monday but a push in the final three hours of trade meant it closed 56.3 points, or 1.0 per cent, higher at 5658.3 points.

The broader All Ordinaries closed 54.1 points, or 0.95 per cent, higher at 5732.9 points, while the Australian dollar was buying 71.73 US cents at 1630 AEDT, from 71.93 on Friday.

The materials sector had been strongest throughout the day, propelled by the promise of capital returns to shareholders of mining giants BHP and Rio Tinto.

BHP closed 3.5 per cent higher at \$33.53 after announcing it would pay a \$US1.02-per-share special dividend in January, fulfilling its promise to return the money made from the sale of its onshore US shale assets.

Rio Tinto wasn't far behind, closing 2.2 per cent higher at \$76.17 after completing the \$500 million sale of its French aluminium smelter, freeing up cash it also has said would be returned to shareholders.

The afternoon surge, which came amid rumours of a budget surplus-inspired splurge by federal government and as Asian markets shrugged off Wall Street's heavy Friday losses, lifted every major sector except the financials - which closed flat.

ANZ led the losses, falling 1.6 per cent to \$24.41, followed by Westpac's 0.9 per cent drop to \$24.65, and NAB's 0.6 per cent fall to \$23.55.

Commonwealth Bank was the only one of the big four banks to avoid the sell off, gaining 0.7 per cent to \$69.26.

Even the long-suffering consumer-related sectors were infected with enthusiasm, with JB Hi-Fi, Myer, Woolworths, Coles, Treasury Wine Estates and Wesfarmers all enjoying a pre-holiday bounce.

Energy stocks jumped despite lower oil prices, while CSL, Fisher and Paykel, and Cochlear lifted the healthcare sector with gains of more than two per cent.

Shares in Perth-based shipbuilder Austal closed up 3.8 per cent at \$1.93 after it was contracted to make another two combat vessels for the US Navy.

ON THE ASX:

The benchmark S&P/ASX200 index was up 56.3 points, or 1.0 per cent, at 5658.3

The All Ordinaries was up 54.1 points, or 0.95 per cent, at 5732.9

**Companies Reporting Today (ASX 300):**

ASX Code	Company Name	Report
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\* Estimated based on release date of previous report

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**Market Sensitive Announcements**


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08:00 AM

**Mercury NZ Limited (MCY) -Mercury NZ Sells Metrix Smart Metering Business**

Mercury NZ announced the sale of its smart-metering business, Metrix, to intelliHUB Group for a cash consideration of \$270m. Under the sale agreement the Company's retail business will continue to be a key partner of Metrix, benefitting from the metering services and innovation that Metrix will provide under its new ownership. The transaction is expected to settle on 1 March 2019. The annualised reduction to EBITDAF from the sale is forecast to be \$28m.

08:28 AM

**Austal Limited (ASB) -Austal Announces of Being Awarded LCS 36 and 38**

Austal announced that the US Department of Defence has awarded the Company a contract to build two additional Littoral Combat Ships (LCS) for the US Navy fleet. This brings the total of new LCS orders booked in calendar year 2018 to four ships. For competition reasons the US Navy has not announced the actual contract value but has stated that award is under the congressional cost cap of US\$584m per ship.

08:31 AM

**Speedcast International Limited (SDA) -Speedcast International Completes Globecomm Acquisition**

Speedcast International announced that on 14 December 2018 it completed the acquisition of Globecomm Systems (Globecomm) for cash consideration of \$134m (net of cash acquired). Globecomm is a provider of remote communications and multi-network infrastructure in over 100 countries and the acquisition strengthens the Company's global leadership with enhanced competitive positions in Government, Maritime, and Enterprise. The Company is confident of achieving a targeted US\$15m in annual cost synergies within 18 months of completing the acquisition.

08:34 AM

**LiveHire Limited (LVH) -LiveHire Secures Enterprise Agreement with Jemena**

LiveHire announced it has secured an enterprise agreement with Jemena, one of Australia's energy infrastructure and distribution organisations. Jemena owns and operates a diverse portfolio of energy and water transportation assets across the east coast of Australia. The enterprise agreement represents annualised recurring revenue (ARR) of more than twice the current average ARR across the Company clients, in addition to other non-recurring upfront revenue. The enterprise agreement with Jemena in Australia includes powering recruitment of all employees across its entire operations.

08:43 AM

**Viva Energy REIT (VVR) -Viva Energy REIT Announces Dividend**

Viva Energy REIT announced an unfranked dividend of 7.03 cps for a period of six months ending 31 December 2018, with a record date of 31 December 2018 and payment date of 28 February 2019. The Company's DRP will apply to this dividend.

08:48 AM

**Viva Energy REIT (VVR) -Viva Energy REIT Announces Estimated Distribution and Provides Update on Year-End Timetable and Activation of DRP**

Viva Energy REIT noted that VER advised that the estimated distribution for the half year ended 31 December 2018 is 7.03 cps. The Company announced that it is activating its DRP, which will provide stapled security holders with the option of reinvesting all or part of their distributions in additional Company securities without incurring brokerage fees. The DRP will be in operation for the Company's distribution for the period ending 31 December 2018. The record date is on 31 December 2018 and the payment date of distribution and issue of Company securities under DRP is 28 February 2019.

08:50 AM	<p><b>Dorsavi Ltd (DVL) -Dorsavi Trading Halted, Pending Company Announcement</b></p> <p>The securities of Dorsavi will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 19 December 2018 or when the announcement is released to the market.</p>
09:05 AM	<p><b>Woodside Petroleum Limited (WPL) -Woodside Petroleum Announces the Commencement of FEED Activities for SNE Field Development-Phase 1</b></p> <p>Woodside Petroleum advised that the Rufisque Offshore, Sangomar Offshore and Sangomar Deep Offshore (RSSD) JV has agreed to commence front-end engineering design (FEED) activities following the award of the subsea FEED contract to Subsea Integration Alliance for the SNE Field Development-Phase 1 (SNE development) offshore Senegal. The FEED work involves undertaking activities required to finalise the costs and technical definition for the proposed development to enable a final investment decision, targeted for mid-2019. Phase 1 of the development will target an estimated 230 MMbbl of oil resources (P50 gross) from the lower, less complex reservoirs and an initial phase in the upper reservoirs.</p>
09:23 AM	<p><b>Helios Energy Ltd (HE8) -Helios Energy Trading Halted, Pending Company Announcement</b></p> <p>The securities of Helios Energy will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 19 December 2018 or when the announcement is released to the market.</p>
09:33 AM	<p><b>Senex Energy Limited (SXY) -Senex Energy Completes Initial Flow Test of the Gemba-1 Gas Exploration Well</b></p> <p>Senex Energy announced that it has successfully completed the initial flow test of the Gemba-1 gas exploration well in the Cooper Basin, with stabilised flow rates of 8 mmscf, plus associated liquids. The Gemba-1 gas exploration well is located on the southwest margin of the Allunga Trough, close to existing infrastructure and 37km south west of the Moomba processing facility. Seven-day Gemba-1 flow test recovers 44m standard cubic feet of gas and 88 barrels of liquids.</p>
09:43 AM	<p><b>Sunland Group Limited (SDG) -Sunland Group Announces Buy-Back - Appendix 3C</b></p> <p>Sunland Group announced an on-market buy-back of 15.21m shares for capital management initiative. The buy-back is for the period of up to 12 months. Moelis Australia Securities will act as the broker on the Company's behalf.</p>
09:46 AM	<p><b>Cardno Limited (CDD) -Cardno Announces Acquisition of Raba Kistner</b></p> <p>Cardno agreed to acquire Raba Kistner, a Texas based 470-person engineering services firm specialising in Construction Materials Testing, Geotechnical Engineering Consulting, Project Management, and Independent Quality Assurance and Inspection primarily for transport infrastructure projects, government and commercial clients. Raba Kistner will become a part of Company's Construction Sciences division and increases Construction Sciences' geographic footprint. The total expected purchase price for Raba Kistner is US\$55.0m, which includes an upfront purchase price of US\$42.5m with \$12.5m of additional performance linked payments due over the next three years. The acquisition is funded through a combination of Company's existing debt facilities and cash resources.</p>
09:52 AM	<p><b>Havilah Resources Limited (HAV) -Havilah Resources Trading Halted, Pending Company Announcement</b></p> <p>The securities of Havilah Resources will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 19 December 2018 or when the announcement is released to the market.</p>

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09:55 AM

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**Spark Infrastructure Group (SKI) -Spark Infrastructure Group Releases 2018 ROR Instrument and Final Report on the Review of Regulatory Tax Approach**

Spark Infrastructure Group released its 2018 Rate of Return (ROR) Instrument and Final Report on the Review of Regulatory Tax Approach. The 2018 ROR Instrument will apply to all future regulatory revenue determinations to be made by the AER for all regulated businesses over the next four years. The Company's regulated network businesses have certainty of cash flows in the short term from their existing regulatory determinations.



### Recommendation Updates Over the Last Week

ASX Code	Company Name	Morningstar Rating	Date Changed	Latest Report
▼ DLX	DuluxGroup	★★	18/12/2018	Steady Top Line for Narrow-Moat Dulux Despite Soft Resi- Outlook; FVE Cut 20% on Analyst Transfer
▲ API	Australian Pharmaceutical Industries	★★★★	17/12/2018	Upgrade due to price change
▼ S32	South32	★★	17/12/2018	Downgrade due to price change
▲ SKT	Sky Network TV	★★★★	17/12/2018	Upgrade due to price change
▼ MCY	Mercury NZ	★★	14/12/2018	Downgrade due to price change
▲ OML	Oohmedia	★★★★	14/12/2018	Upgrade due to price change
▼ SHL	Sonic Healthcare	★★★	14/12/2018	Downgrade due to price change
▲ SKT-NZ	Sky Network Television	★★★★	14/12/2018	Upgrade due to price change
▲ VOC	Vocus Group	★★★	14/12/2018	Upgrade due to price change
▲ TPM	TPG Telecom	★★★	13/12/2018	Upgrade due to price change
▼ WHC	Whitehaven Coal	★★	13/12/2018	Downgrade due to price change
▼ BWP	BWP Trust	★★	12/12/2018	Downgrade due to price change
▼ DXS	Dexus	★★	12/12/2018	Downgrade due to price change
▲ NUF	Nufarm	★★★★	12/12/2018	Upgrade due to price change
▲ BPT	Beach Energy	★★★★	11/12/2018	Upgrade due to price change
▲ LLC	LendLease	★★★★★	11/12/2018	Upgrade due to price change
▲ PMV	Premier Investments	★★★	11/12/2018	Upgrade due to price change
▲ QBE	QBE	★★★★	11/12/2018	Upgrade due to price change
▲ ABC	Adelaide Brighton	★★★★	10/12/2018	Upgrade due to price change
▲ AHG	Automotive Holdings Group	★★★★★	10/12/2018	Upgrade due to price change
▲ ANZ	ANZ Bank	★★★★	10/12/2018	Upgrade due to price change
▲ ARB	ARB Corporation	★★★	10/12/2018	Upgrade due to price change
▲ PGH	Pact Group Holdings	★★★★★	10/12/2018	Upgrade due to price change
▲ QAN	Qantas Airways	★★★	10/12/2018	Upgrade due to price change

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