

18 JUL, 2019

## ASX ends higher amid wait for jobs data

Australian Financial Review, Australia

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## Equities

### William McInnes and Luke Housego

Australian shares ended a quiet day of trading higher on Wednesday as investors await an indication as to when the Reserve Bank of Australia will next cut rates.

The S&P/ASX 200 Index firmed 32.3 points, or 0.5 per cent, to 6673.3 while the broader All Ordinaries added 28.2 points, or 0.4 per cent to end the session at 6764.

"The local market news was largely quiet given the lack of top-tier data coming out. The Aussie employment figures on Thursday will be closely watched," said NAB market strategist Tapas Strickland.

"The only development of note domestically is a few banks revising up their house price outlooks while NAB's Cashless Retail Indicator suggests a bounce in retail in June."

The major banks were slightly firmer on Wednesday. Commonwealth Bank lifted 0.6 per cent to \$81.32, Westpac advanced 0.1 per cent to \$27.68, NAB rose 0.4 per cent to \$26.94, ANZ finished trade 0.7 per cent higher at \$27.19 and Macquarie Group firmed 1.4 per cent to \$128.21.

Other index heavyweights were also stronger. BHP Group added 1.4 per cent to \$41.74, CSL rose 0.7 per cent to \$224.08, Wesfarmers firmed 1 per cent to \$38.41 and Woolworths closed at \$34.30, up 0.7 per cent.

Elders returned from a two-day trading halt after completing a \$100 million capital raise. The company had announced earlier in the week it would acquire 100 per cent of Australian Independent Rural Retailers but its shares had not traded since the announcement. It added 16.4 per cent to end the session at \$7.05.

Aristocrat Leisure rose 1.3 per cent to \$29.57 after the gaming stock was upgraded from 'equal-weight' to 'over-

weight' at Morgan Stanley. The broker also increased its price target on the company by more than 20 per cent, saying there was solid earnings momentum in its land business and its leverage to offshore growth would support its price.

Oil Search shares fell for a third straight session on Wednesday after a number of brokers reduced their price targets on the company.

## What moved the market

### Diatreme Resources

Junior mineral sands miner Diatreme Resources signed a preliminary supply agreement with Chinese solar panel manufacturer Fengsha Group. Diatreme will supply 500,000 tonnes of solar-grade silica. The news pushed Diatreme's share price up nearly 40 per cent in intraday trade on Tuesday, but selling on Wednesday saw the stock close at 1.3¢, down 7.1 per cent the day. While the off-take deal is a step forward, it is still early days. Feasibility studies, regulatory approvals and funding milestones are all still to come.

### Xtek

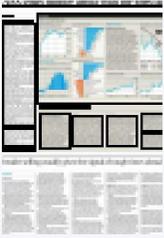
Defence supplies company XTEK entered the US, the world's largest defence market, with the acquisition of Ohio-based armour and protective equipment supplier HighCom. After a trading halt was lifted on Wednesday, the stock closed 2.2 per cent higher at 47¢. The deal will boost revenue for the Australian company by close to 60 per cent based on XTEK's previous full-year results. The deal is worth about \$4.7 million in cash and scrip, including an earn-out component.

### Austral

Shares in ship builder and defence contractor Austral rose 11.2 per cent to \$3.96 after the company announced it expected 2019-20 earnings before interest and tax to be at least 14 per cent higher than 2018-19. Austral said while it "does not typically provide" earnings guidance, its outlook compared with analysts' expectations meant the company "considered it appropriate." Buoyed by a strong contract pipeline, the company's share price has risen more than 120 per cent over the last 12 months.

### Ramsay Health Care

Macquarie downgraded its rating for Ramsay Health Care from 'outperform' to 'neutral' as recent gains bring the stock closer to full value. Its shares closed 0.9 per cent lower Wednesday at \$71.84 but the company has still risen more than 20 per cent this year. Growing waiting lists suggest demand is increasing for their assets in the UK. While the broker acknowledged favourable outcomes in the UK and France would support earnings growth next fiscal year, it said the growth had largely been priced in.



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## Overview

### Markets roundup Wednesday

**S&P/ASX 200 Index (points)**

**Sector performance (%)**

Cons stap	+1.11
Industrials	+0.80
Comms services	+0.70
Financials	+0.60
Materials	+0.59
Cons disc	+0.43
IT	+0.37
Healthcare	+0.33
Utilities	+0.28
Energy	-0.27
Real estate	-0.31

### Stock watch

#### Galaxy Resources

Morgan Stanley retained its equal-weight rating on Galaxy Resources after research outlined the oversupply problem weighing lithium producers. The broker said it did not expect the lithium market to tighten until beyond 2025 when demand for the commodity with electric vehicle adoption would take up the slack. Morgan Stanley also noted a preference for vertically integrated producers with processing capabilities such as Albemarle, Mineral Resources, and Orocobre over pure mining plays like Galaxy. Production at the company's Mt Caitlin mine in WA in the June quarter was 22 per cent higher than expected. Morgan Stanley held its price target on Galaxy at \$1.45.

52wk high	\$3.25	Fwd EPS	-\$0.02
52wk low	\$1.21	Fwd P/E	n/a
1yr return	-59.6%	Div yield	n/a

### Chart of the day

#### Lithium market balance (kilotonne LCE)

**Best and worst stocks (%)**

Elders	+16.44
Austal	+11.24
Western Areas	+8.70
BlueScope	+4.30
Independence	+3.80
Emeco	+3.29
Speedcast International	-6.74
Galaxy Resources	-6.59
Estia Health	-5.78
Domino's Pizza Enterprises	-5.13
Mineral Resources	-5.02
Hub24	-3.41

#### Austal share price (\$)

#### Diatreme Resources share price (\$)

SOURCE: BLOOMBERG, MORGAN STANLEY