

MONTHLY REPORT

Monthly Report

Our May monthly report is out now. See the global and Australian updates and trends.

+1.13%

ASX performance

-6.69%

US markets. The S&P 500 (-6.58%) and Dow Jones (-6.69%) logged negative monthly returns for the first time since December.



- Long-dated US treasury yields were lower, with the 2-Yr yield at 2.06% and 10-Yr yield at 2.12%. The U.S. Treasury yield curve fell into inversion with the yield gap between three-month and 10-year Treasuries sliding to a 2007 low of -13bps.
- European markets. European markets were weaker in the month with the Stoxx Europe 600 Index down -5.70%, UK FTSE down -3.46% and German DAX down -5.00%.
- Asian markets. Asian markets were lower over the month, with the Nikkei down -7.45%, KOSPI down -7.34%, and the Shanghai Composite down -5.84%.
- Commodities. Over the month, WTI oil price declined -16.38% to US\$53.50/bbl, whilst spot gold gained +1.72% to US\$1,306 per ounce. Iron ore prices increased +12.44% to US\$98.94 per tonne, on concern there's a global shortage in the seaborne market.

IN POLITICAL NEWS:

- • Brexit talks between the opposition Labour party and the U.K. government broke down and U.K. Prime Minister Theresa May confirmed her resignation and would step down on June 7.
- • U.S. President Donald Trump increased tariffs on more than \$200bn of Chinese goods to 25% from 10% and signed an order to blacklists China's telecommunications companies including Huawei Technologies Co. from accessing the U.S markets.
- • The conservative Liberal-National Coalition won a surprise victory in the Australian elections, defeating opposition Labor Party.
- • Indian PM Narendra Modi secured another five-year term after winning a landslide general election victory.

IN ECONOMIC NEWS:

- Australian RBA decision. As widely expected, the RBA left the cash rate unchanged at 1.5%.
- Europe Growth. EU slashed its growth forecasts for the region and downgraded its forecast for German growth by more than half.
- EU is considering a disciplinary procedure for Italy over its failure to rein in debt, which could result in a penalty of as much as \$4bn.
- U.S. factory activity took a hit in the month as the tariff war with China and an overhang of inventory damped orders, adding to signs the economy could slow in the second quarter.
- U.S. Federal Reserve left rates unchanged with upperbound of 2.50% and stressed a patient approach to interest-rate changes.

ON STOCK SPECIFIC NEWS (WHICH CAUSED SIGNIFICANT INTRADAY MOVES DURING THE MONTH):

- **Adelaide Brighton Ltd (ABC)** - was down -10.3%, after the company forecast FY19 underlying profit ex-property would be 10%-15% below FY18.
- **Aristocrat Leisure Ltd (ALL)** - was up +7.1%, after the Company reported strong 1H19 results, with normalised operating revenue of A\$2.1bn (up +30%) and Normalised NPATA of A\$422.3m (up +17%).
- **Aveo Group Ltd (AOG)** - was up +10.4%, following the news that the Company is in talks with a bidder who may be prepared to make an offer valuing AOG at A\$2.50- A\$2.70/share.
- **Bingo Industries Ltd (BIN)** - closed +5.3% higher, after the Company announced that its underlying business remained on track to achieve its revised FY19 EBITDA guidance.

- **Computershare Ltd (CPU)** - was down -8.5%, after the Company reported that the migration of U.K. Asset Resolution has been delayed 12-months and will have a 'significant' cost impact in FY20.
- **Costa Group Holdings Ltd (CGC)** - was down -27.6%, after the company slashed its NPAT-SL guidance to A\$57-66m amid deteriorating operating environment.
- **Domain Holdings Australia Ltd (DHG)** - fell -7.5% , after reporting -6% decline in 3Q19 revenue.
- **Fortescue Metals Group Ltd (FMG)** - gained +7.4%, after the Company declared a fully franked dividend of A\$0.60 per share amid strong cashflow generation.
- **IOOF Holdings Ltd (IFL)** - declined -7.1%, after APRA issued directions to companies within the IOOF group for failing to comply with licence conditions.

- **Kidman Resources Ltd (KDR)** - surged +42.4%, after the news that Wesfarmers entered into a Process and Exclusivity Deed with the Company to acquire the outstanding shares in KDR for A\$1.90 cash per share.
- **Lynas Corp Ltd (LYC)** - gained +14.4%, after the Company reported that it aims to lift production, invest in new downstream processing and extend its footprint into the U.S.
- **Mayne Pharma Group Ltd (MYX)** - fell - 15.0%, after the Company reported that 2H19 sales had been negatively affected by competition and trading pressure in the generics segment.
- **NRW Holdings Ltd (NWH)** - shares jumped +10.6%, after the news that the Company has been awarded the Koodaideri Rail Formation South Earthworks contract by Rio Tinto valued in excess of A\$137m.
- **Reliance Worldwide Corp Ltd (RWC)** - declined -15.6%, after downgrading its FY19 EBITDA guidance from A\$280-290m to A\$260-270m.
- **ResMed Inc (RMD)** - was up +9.9%, after the Company's 3Q19 revenue and adjusted EPS came in above analyst forecast.

- **TPG Telecom Ltd (TPM)** - slumped -13.5%, on news that the planned \$7.7bn merger of Vodafone Group Plc's Australian business with TPG Telecom Ltd. has been blocked by ACCC.
- **Vocus Group Ltd (VOC)** - surged +17.0%, after the Company received a takeover offer from a Swedish infrastructure investment firm EQT Infrastructure for A\$5.25 per-share, valuing VOC at A\$3.27bn.
- **Westpac Banking Corp (WBC)** - was up +9.2% after Scott Morrison's government killed opposition plans to wind back tax breaks for property and stock market investors by pulling off a shocking election win.
- **Xero Ltd (XRO)** - shares jumped +10.8% after posting full year results which saw strong growth in subscribers (up +31%) (international subscriber growth surpassed the local market for the first time) and positive free cash flow of NZ\$6.5m.

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