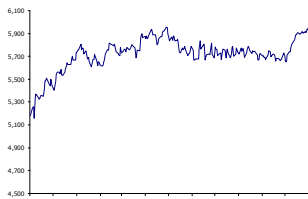


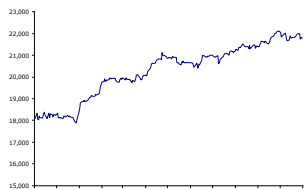
# STATE ONE SPINNAKER

**5 November 2017**  
**Issue 389**

## 12 month XJO chart



## 12 month Dow Jones chart



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## Global Wrap – 5 November 2017

World Markets	4/11/2017	28/10/2017	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	5960	5903	1.0%	3.3%	14.1%
Dow Jones	21798	21988	-0.9%	-1.0%	18.0%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2588	2581	0.3%	1.3%	23.9%
FTSE 100	7560	7505	0.7%	0.4%	11.3%
DAX30	13479	13218	2.0%	3.9%	25.6%
Shanghai Composite	3372	3390	-0.5%	-0.4%	7.8%
Nikkei 225	22539	22012	2.4%	7.6%	31.5%
Hang Seng	28604	28439	0.6%	0.8%	26.1%
<b>Currency</b>					
AUD/USD	0.7651	0.7688	-0.5%	-0.2%	-0.3%
<b>Commodities</b>					
Oil (\$/bbl)	55.6	54.2	2.7%	9.1%	24.6%
Gas (\$/gal)	3.0	3.0	0.7%	2.7%	3.9%
Iron Ore (\$/t)	0.0	53.9	-100.0%	-100.0%	-100.0%
Copper (\$/t)	6915	6832	1.2%	3.4%	40.6%
Lead (\$/t)	2475	2431	1.8%	-2.0%	20.1%
Zinc (\$/t)	3332	3201	4.1%	0.8%	36.5%
Aluminium (\$/t)	2165	2119	2.2%	1.9%	25.4%
Nickel (\$/t)	12560	11370	10.5%	14.4%	20.3%
Tin (\$/t)	19700	19800	-0.5%	-5.3%	-7.2%
Gold (\$/oz)	1269	1272	-0.2%	-1.9%	-2.6%
Silver (\$/oz)	16.8	16.8	0.5%	-2.1%	-8.3%
Platinum (\$/oz)	922	915	0.8%	-1.4%	-7.6%
Wheat (\$/t)	425.000	426.750	-0.4%	-1.9%	3.2%

Source: Iress

## Global Wrap

### Key points

1. Apple soars on iPhone X release
2. The “Jay” curve: Markets welcome next Fed chair
3. Bank of England raises rates for first time in decade
4. Aussie energy sector up with oil price
5. Stock picks for week ahead

## US

A surge in shares of heavyweight Apple helped push up major Wall Street indexes on Friday, as investors also assessed a mixed US labour market report, Reuters said.

Shares of Apple, the world's most valuable publicly traded company, rose 2.8% as shoppers streamed into stores to buy the iPhone X. Apple also announced a better-than-expected sales forecast for the holiday shopping season.

The market was also bolstered by US job growth accelerating in October after hurricane-related disruptions in the previous month, the US Labor Department said.

But wages grew at their slowest annual pace in more than 18 months in a sign that inflation probably will continue to undershoot the Federal Reserve's 2% target, which puts the US in a "Goldilocks" scenario of growth without inflationary pressure – for now.

All three indexes were on track to record gains for the week, which had a series of significant events, including the appointment of a new Fed chair and the long-awaited unveiling of a tax-cut bill from US President Donald Trump's fellow Republicans.

Trump confirmed on Friday morning that Federal Reserve governor Jerome "Jay" Powell had received the nod to replace current chief Janet Yellen, whose term expires in February. Analysts and investors took the well-flagged news calmly.

The multi-millionaire former banker is seen as someone whose stated economic and monetary policy views largely mirror those of Yellen, but is expected to bring a somewhat lighter touch to financial regulation.

Third-quarter corporate reports also have continued at a positive pace. With more than 400 of S&P 500 companies having reported, earnings for the quarter are expected to have climbed 8% compared with an expectation of a 5.9% rise at the start of October, according to Thomson Reuters I/B/E/S.

Next week current Fed Chair Janet Yellen will deliver a speech on Monday. The Economic Optimism Index compiled by The Investor's Business Daily (IBD) TechnoMetrica Institute of Policy and Politics (TIPP) will be out on Tuesday.

## **China**

China's major indexes slid on Friday to end the week lower, led by Shanghai stocks posting their worst week since August. Sluggish growth in the nation's service sector in October heightened worries about an economic slowdown, The Economic Times reported.

A private survey showed on Friday that activity had picked up slightly in China's services sector in October but growth remained modest and much weaker than historical trends.

The Caixin/Markit services purchasing managers' index (PMI) rose to 51.2 in October, up slightly from September's 21-month low but suggesting only a subdued expansion in activity and new orders. A reading above 50 indicates growth, and any lower signals deterioration on a monthly basis. The index had hit a three-month high in August.

The findings, together with other private and official business readings this week, are likely to reinforce views that the economy will slow down in the fourth quarter after racing ahead earlier in the year. An official government gauge of the non-manufacturing sector on Tuesday showed slower but still relatively solid growth in October.

China's leaders are counting on growth in services and consumption to rebalance their economic growth model from its heavy reliance on investment and exports.

The services sector now accounts for over half of the economy, with rising wages giving Chinese consumers more spending power that is being felt at home and overseas.

Also dampening sentiment in China was its securities regulator approving last Friday nine IPOs that will raise a total of 9.5 billion yuan (\$1.43 billion), more than double the average funds raised in the past weeks.

That sparked fears more equity supply could come onto the market, pushing the tech-heavy start-up index ChiNext to a five-week low.

Next week China's trade balance will be released on Wednesday, and CPI and PPI on Thursday.

## Japan

Japan's Nikkei share average extended its strong rally to top a new 21-year peak on Thursday, ahead of a long weekend, with investors piling into miners and companies such as Honda Motor and Sony on robust earnings prospects, Reuters reported.

The market was closed on Friday for Culture Day.

Next week Japan's Leading Economic Index will be flashed and its trade balance released on Wednesday, the same day as the Bank of Japan will publish its Summary of Opinions, or projection for inflation and economic growth.

## Europe

The pan-European Stoxx 600 closed provisionally higher, up almost 3%, with most sectors and major bourses in positive territory on Friday.

The big news out of Europe this week was that the Bank of England raised interest rates from 0.25% to 0.5% on Thursday - the first increase since July 2007. The decision reversed a cut made last year in the aftermath of the Brexit vote amid fears for the health of the economy.

On Friday the FTSE 100 index of top British-listed companies closed the day's trading at a record high for the second time in a month, ITV reported.

Markets were driven forward by the weak pound, which slumped as Brexit negotiations progressed without any sign of a breakthrough.

A weak pound can benefit international firms listed in London, which tend to do better when foreign currencies are stronger than sterling.

However news of the latest rise has added to concerns that the market could be becoming overvalued.

Next week euro zone Markit PMI (Purchasing Managers Index) and PPI (Producer Price Index) will be released on Monday, followed by euro zone retail sales on Tuesday.

The European Commission will release its growth forecasts on Thursday.

On Friday it's the UK's turn for a data dump, with the trade balance, and manufacturing and industrial production data released.

## Australia

Australian shares pushed firmly higher on Friday to their highest close since 2015 after a dramatic night during which investors witnessed the appointment of a new US central bank chief and the release of long-awaited American tax reform legislation, Fairfax Media reported.

Energy was the best performing corner of the sharemarket over the week, adding 4.6 % as well-received quarterly updates from Origin Energy and Beach Energy boosted those stocks.

Continued strength in the oil price, which has hit multi-year highs, continues to drive the segment higher. Miners also enjoyed gains with BHP, Rio Tinto and South32 all adding more than 4 %.

Strong trade and buildings approval data was welcomed by economists on Thursday, with the Australian dollar pushing back above US77¢. That was short-lived, however, as weak retail sales data on Friday immediately dented rate hike expectations and sent the Aussie lower.

Next week the TD Securities YoY inflation index for October will be released on Monday and it is expected to be 2.5%.

The RBA will hand down its rate decision on Tuesday - Melbourne Cup day - with no change expected, with the statement coming out on Friday.

Home loan data will be released on Thursday.

## **Commodities**

*Oil* prices were mostly flat this week, but held onto their gains at a roughly two-year high, oilprice.com reported. A strong rig count on Friday drove oil prices higher still. However OPEC will likely be the main driving force behind the oil price narrative for the next few weeks, until their meeting on November 30. The flurry of comments in recent weeks from OPEC officials has steadily ratcheted up expectations for what they will agree to at their upcoming meeting in Vienna. The latest report, from Reuters, suggests that OPEC is likely set to agree to an extension through the end of 2018 rather than just for three months beyond March.

“The feeling in OPEC is that \$60 (a barrel) should be the floor for oil prices next year,” the source said.

*Iron ore* prices remained at \$60 per tonne cfr China on Friday amid limited trading activity due to a correction in China's futures market, and after falling to \$58.52 per tonne cfr on Tuesday, MetalBulletin reported.

In the steel market, China's domestic hot-rolled coil (HRC) prices lost their upward momentum on Friday, and ended the day flat due to inactivity. China's domestic rebar prices also lost their way ahead of the weekend amid a softening of the billet and futures markets.

*Base metals* prices on the London Metal Exchange were mostly higher as LME Week comes to a close. London nickel prices were the hot topic in the base metals markets as they renewed their advance on Friday. The surge put the metal on course for a gain of nearly 10% this week and 27% year-to-date on expectations of bullish demand from the electric vehicle (EV) battery sector, Reuters reported.

### *Gold lacklustre*

As one trader told Kitco this week: “Who wants to be in gold when equities are at record highs.”

Additionally the bullion market was shaken this week on news that a Canadian bank sold a fake gold bar to an Ottawa-based jeweller. The bar was in a blister pack with markings from the Royal Canadian Mint.

## **Stock picks**

While positive sentiment has propelled the ASX All Ordinaries past 6,000 points for the first time since the GFC (August 2007), it has been a hard struggle over the past 10 years.

We note that the ASX peaked on 1 November 2007 at 6,829 points.

Relative to the US markets however, the ASX has significantly underperformed.

The Dow Jones Index closed at 13,567 on 1 November 2017 and the blue-chip Index is now closer to the 23,377 mark having set 70 new record closing highs since the 2016 presidential election.

So where to from here ... either the US market is significantly overvalued (relative to the Australian market) and is set for a fall (bringing the Australian and other equity markets down with it), or the Australian market is undervalued and is set to play catch-up with its bigger US brother.

While we believe that the US market – on valuation grounds – is looking expensive, we are cognisant that “animal sentiments” in the US investment community are very much in evidence.

In addition, global interest rates are still low and synchronised growth in the US, Europe, and China - something we haven't seen for some time - underpin fundamental earnings growth in the corporate sector.

One sector though that continues to face headwinds in both the US and Australia is Consumer Discretionary.

The threat of e-commerce (in particular Amazon), looms large for most traditional “bricks and mortar” retailers.

At this point, Retail Food Group (RFG) and Super Retail (SUL) offer the most upside relative to their IRESS consensus target price.

Metcash (MTS) and Breville Group (BRG) offer the least upside potential. See table below.

**Forecast total return for selected ASX-listed retail /discretionary consumer stocks**

Security	Name	Share Price (A\$)	Target Price (A\$)	Capital upside / (downside) (%)	FY18E Dividend (A\$)	FY18E DY (%)	Total Return (%)
RFG	Retail Food Group	4.54	5.70	25.6%	0.30	6.6%	32.2%
SUL	Super Retail	7.58	9.30	22.7%	0.50	6.6%	29.3%
JBH	JB Hi-Fi Limited	22.37	25.66	14.7%	1.33	5.9%	20.7%
WEB	Webjet Limited	11.44	13.23	15.6%	0.24	2.1%	17.7%
PMV	Premier Investments	13.42	14.93	11.3%	0.58	4.3%	15.6%
HVN	Harvey Norman	3.77	4.03	6.9%	0.27	7.2%	14.1%
WES	Wesfarmers Limited	42.50	41.84	-1.6%	2.20	5.2%	3.6%
WOW	Woolworths Limited	26.03	25.88	-0.6%	0.90	3.5%	2.9%
MYR	Myer Holdings	0.74	0.70	-5.4%	0.05	6.8%	1.4%
FLT	Flight Centre	47.16	45.09	-4.4%	1.51	3.2%	-1.2%
MTS	Metcash Limited	2.70	2.26	-16.3%	0.13	4.8%	-11.5%
BRG	Breville Group	12.19	10.22	-16.2%	0.34	2.8%	-13.4%

Source: IRESS, compiled by State One Stockbroking

## Economic Calendar 6/11/2017 – 10/11/2017

Monday November 06 2017		Actual	Previous	Consensus
12:00 PM	ID GDP Growth Rate YoY Q3		5.01%	5.13%
11:00 PM	CA Ivey PMI s.a OCT		59.6	60.2
Tuesday November 07 2017		Actual	Previous	Consensus
11:30 AM	AU RBA Interest Rate Decision		1.5%	1.50%
Wednesday November 08 2017		Actual	Previous	Consensus
11:00 AM	CN Balance of Trade OCT		\$28.61B	\$39.50B
11:00 AM	CN Exports YoY OCT		8.1%	8.8%
11:00 AM	CN Imports YoY OCT		18.7%	13.5%
	EA ECB Non-Monetary Policy Meeting			
Thursday November 09 2017		Actual	Previous	Consensus
09:30 AM	CN Inflation Rate YoY OCT		1.6%	
03:00 PM	DE Balance of Trade SEP		€20.0B	
Friday November 10 2017		Actual	Previous	Consensus
08:30 AM	AU RBA Statement on Monetary Policy			
05:30 PM	GB Balance of Trade SEP		£-5.63B	
11:00 PM	US Michigan Consumer Sentiment Prel NOV		100.7	101.0

Source: [www.tradingeconomics.com](http://www.tradingeconomics.com)

## Economic Calendar 13/11/2017 – 17/11/2017

Monday November 13 2017		Actual	Previous	Consensus Forecast		
09:00 PM	RU GDP Growth Rate YoY Prel Q3		2.5%	2.2%		
Tuesday November 14 2017		Actual	Previous	Consensus Forecast		
08:30 AM	AU NAB Business Confidence OCT		7	7		
03:00 PM	DE GDP Growth Rate QoQ Flash Q3		0.6%	0.5%		
03:00 PM	DE GDP Growth Rate YoY Flash Q3		2.1%	2.2%		
05:00 PM	IT GDP Growth Rate QoQ Adv Q3		0.4%	0.4%		
05:00 PM	IT GDP Growth Rate YoY Adv Q3		1.5%	1.7%		
05:30 PM	GB Inflation Rate YoY OCT		3%	3.2%		
06:00 PM	EA GDP Growth Rate QoQ 2nd Est Q3		0.7%	0.6%	0.6%	
06:00 PM	EA GDP Growth Rate YoY 2nd Est Q3		2.3%	2.5%	2.5%	
06:00 PM	DE ZEW Economic Sentiment Index NOV		17.6	6.66		
Wednesday November 15 2017		Actual	Previous	Consensus Forecast		
07:30 AM	AU Westpac Consumer Confidence Index NOV		101.35	97.2		
07:30 AM	AU Westpac Consumer Confidence Change NOV		3.6%			
07:50 AM	JP GDP Growth Rate QoQ Prel Q3		0.6%	0.30%		
07:50 AM	JP GDP Growth Annualized Prel Q3		2.5%	2.6%		
05:30 PM	GB Claimant Count Change OCT		1.7K	8.9K		
05:30 PM	GB Unemployment Rate SEP		4.3%	4.3%		
09:30 PM	US Core Inflation Rate YoY OCT		1.7%	1.7%		
09:30 PM	US Inflation Rate YoY OCT		2.2%	1.9%		
09:30 PM	US Retail Sales MoM OCT		1.6%	0.31%		
Thursday November 16 2017		Actual	Previous	Consensus Forecast		
08:30 AM	AU Employment Change OCT		19.8K	23.8K		
02:30 PM	FR Unemployment Rate Q3		9.5%	9.5%		
Friday November 17 2017		Actual	Previous	Consensus Forecast		
08:30 AM	AU Unemployment Rate OCT		5.5%	5.5%		
09:30 PM	CA Inflation Rate YoY OCT		1.6%	1.6%		

Source: [www.tradingeconomics.com](http://www.tradingeconomics.com)



## All Ords Top 10 Week Ending 3 November 2017

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
ORE	Orocobre Limited	15.6	MYX	Mayne Pharma Ltd	-8.8
SDA	Speedcast Int Ltd	14.7	HT1	Ht&E Limited	-8.7
WHC	Whitehaven Coal	13.4	BEN	Bendigo and Adelaide	-7.4
BPT	Beach Energy Limited	12.7	BGA	Bega Cheese Ltd	-7.4
CGC	COSTA GROUP HOLDINGS	12.1	MYR	Myer Holdings Ltd	-7.0
RWC	Reliance Worldwide	9.6	SYR	Syrah Resources	-6.9
MND	Monadelphous Group	7.9	SUL	Super Ret Rep Ltd	-6.5
GXY	Galaxy Resources	7.8	SXL	Sthn Cross Media	-6.5
WOR	WorleyParsons Ltd	6.8	AMC	Amcor Limited	-6.5
CCP	Credit Corp Group	6.8	TME	Trade Me Group	-6.3

Source: IRESS

## S & P Indices Week Ending 3 November 2017

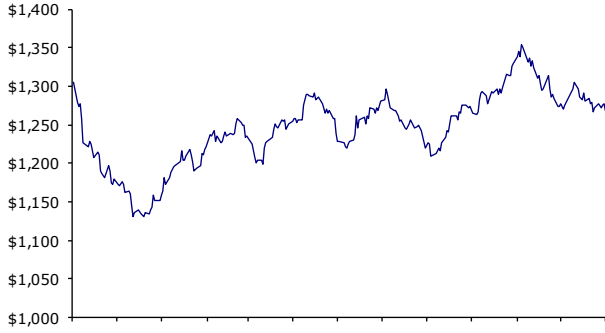
S&P Indices	4/11/2017	28/10/2017	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	10110	9672	4.5%	9.5%	25.0%
S&P 200 Materials	11032	10769	2.4%	4.9%	21.1%
S&P 200 Industrials	5995	5828	2.9%	3.6%	21.5%
S&P 200 Consumer Disc.	2256	2252	0.2%	3.1%	12.2%
S&P 200 Consumer Staples	9808	9631	1.8%	4.3%	15.0%
S&P 200 Healthcare	24113	23963	0.6%	3.8%	23.9%
S&P 200 Financials	6609	6628	-0.3%	1.6%	13.3%
S&P 200 Info Technology	951	938	1.4%	6.2%	27.0%
S&P 200 Telecommunicatic	1252	1258	-0.5%	1.8%	-28.3%
S&P 200 Utilities	8522	8454	0.8%	7.3%	19.9%
S&P 200 Property Trusts	1355	1348	0.6%	2.4%	3.8%
S&P 200 Financials ex PT	7372	7393	-0.3%	1.6%	13.3%

Source: IRESS

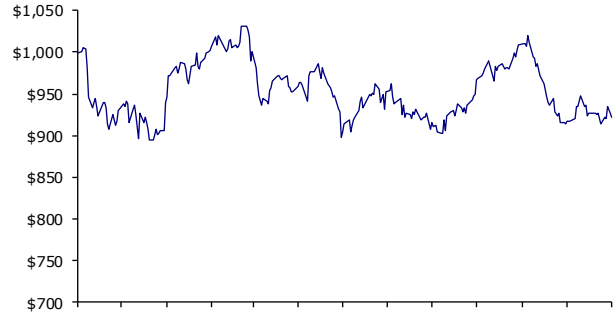


### 1 Year Commodity Price Charts

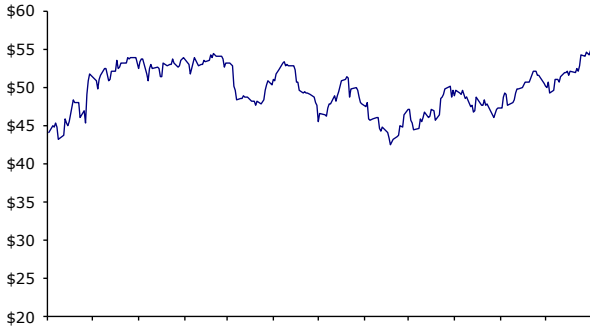
**1 Year Gold**



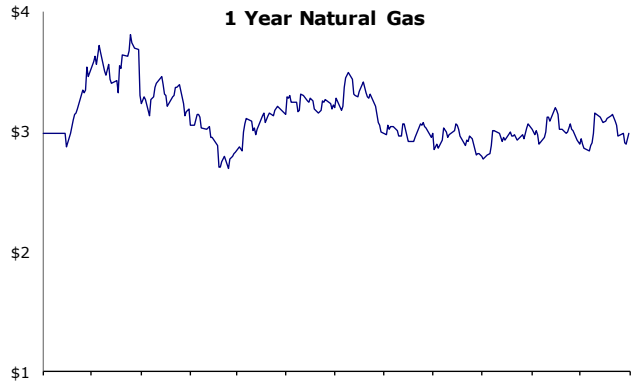
**1 Year Platinum**



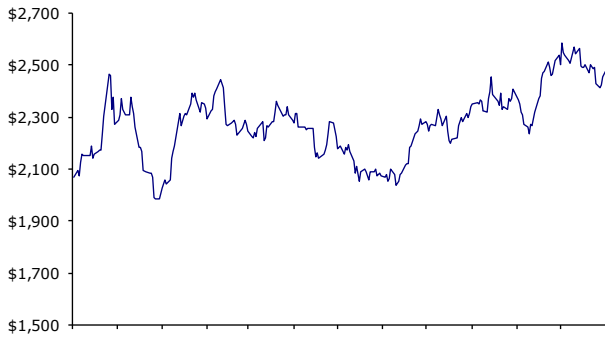
**1 Year Oil**



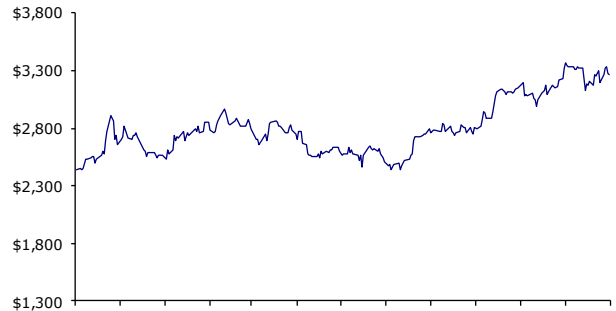
**1 Year Natural Gas**



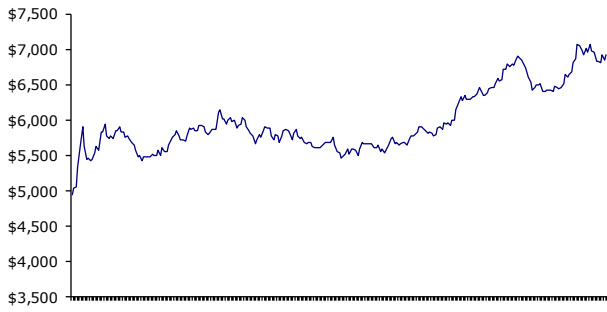
**1 Year Lead**



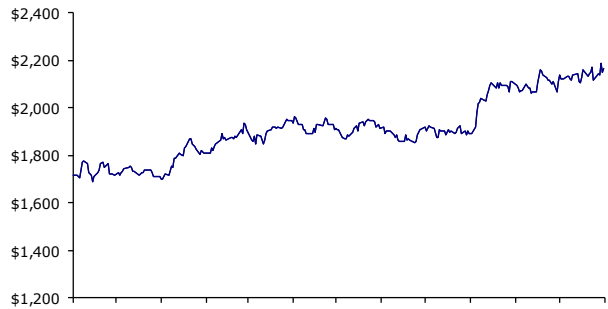
**1 Year Zinc**



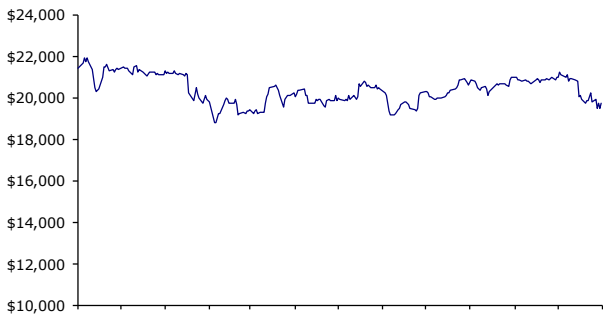
**1 Year Copper**



**1 Year Aluminium**

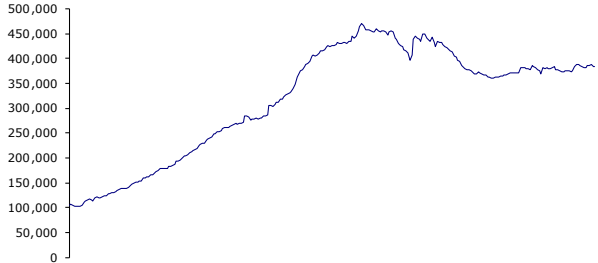


**1 Year Tin**

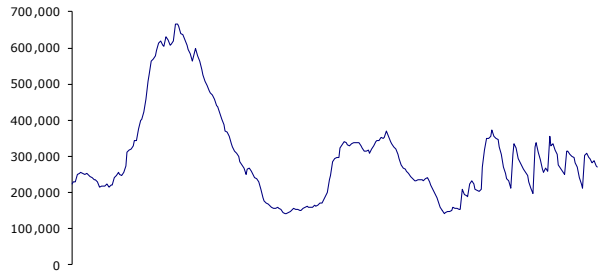


**5 Year Metals Stockpiles**

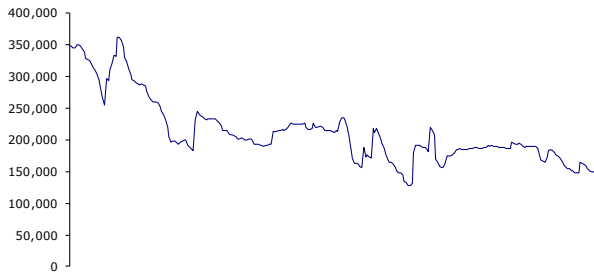
**Nickel LME Stockpiles - 5 Year**



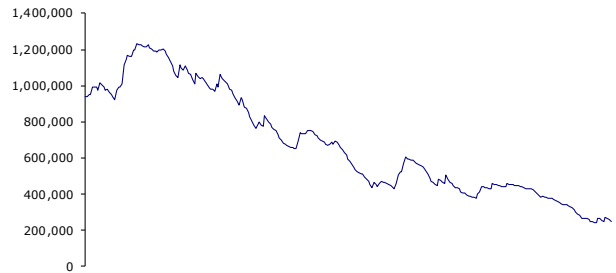
**Copper LME Stockpiles - 5 Year**



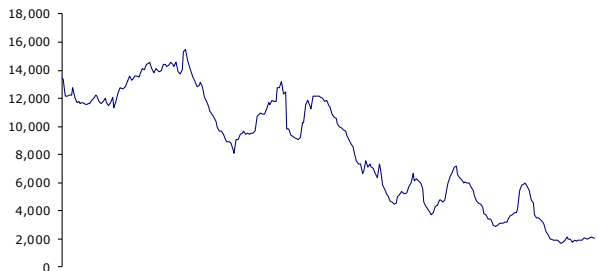
**Lead LME Stockpiles - 5 Year**



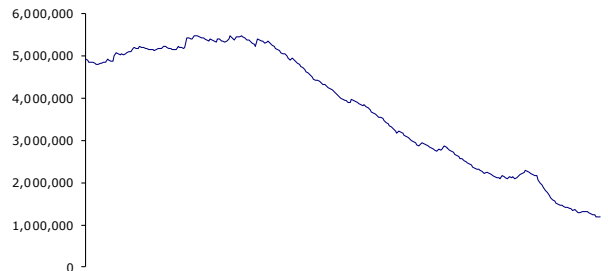
**Zinc LME Stockpiles - 5 Year**



**Tin LME Stockpiles - 5 Year**



**Aluminium LME Stockpiles - 5 Year**



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