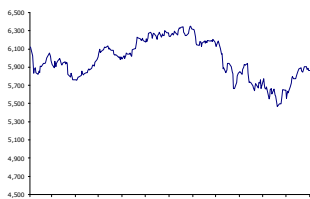


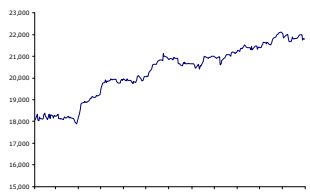
## STATE ONE SPINNAKER

**3 February 2019**  
**Issue 446**

### 12 month XJO chart



### 12 month Dow Jones chart



#### State One Research Products

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## Global Wrap – 3 February 2019

World Markets	3/02/2019	27/01/2019	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	5863	5906	-0.7%	1.5%	5.8%
Dow Jones	21798	21988	-0.9%	-1.0%	18.0%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2707	2665	1.6%	4.7%	20.5%
FTSE 100	7020	6809	3.1%	1.6%	1.3%
DAX30	11181	11282	-0.9%	2.6%	-8.3%
Shanghai Composite	2618	2597	0.8%	3.3%	-18.6%
Nikkei 225	20788	20649	0.7%	3.1%	10.8%
Hang Seng	27931	27569	1.3%	5.5%	22.2%
<b>Currency</b>					
AUD/USD	0.7253	0.7165	1.2%	2.3%	-8.4%
<b>Commodities</b>					
Oil (\$/bbl)	55.3	52.1	6.3%	5.9%	-14.9%
Gas (\$/gal)	2.7	3.1	-11.0%	-4.0%	4.4%
Iron Ore (\$/t)	0.0	53.9	-100.0%	-100.0%	-100.0%
Copper (\$/t)	6098	5901	3.3%	2.2%	4.4%
Lead (\$/t)	2094	2085	0.4%	6.5%	-10.2%
Zinc (\$/t)	2673	2636	1.4%	5.6%	-2.6%
Aluminium (\$/t)	1873	1867	0.3%	1.7%	8.1%
Nickel (\$/t)	12460	11715	6.4%	11.2%	9.6%
Tin (\$/t)	20830	20750	0.4%	3.0%	-2.6%
Gold (\$/oz)	1322	1304	1.4%	2.1%	12.8%
Silver (\$/oz)	15.9	15.7	1.5%	0.9%	-6.8%
Platinum (\$/oz)	827	818	1.0%	-0.3%	-11.8%
Wheat (\$/t)	522.750	521.000	0.3%	0.5%	28.0%

Source: Iress

## Global Wrap

### Key points

**1. Iron ore up - see stock analysis below**

**2. US-China trade tensions ease**

**3. Oil price lifts**

## US

On Friday US stocks eked out a small gain as a better-than-expected jobs report and signs of progress in trade talks overshadowed a disappointing sales forecast from Amazon, Bloomberg reported.

The S&P 500 Index rose less than 0.1%, extending a weekly advance to 1.6%. Tech-heavy gauges slumped as Amazon capped a 20% drop from its September high.

Energy companies were the best performers as oil rose to the strongest in more than two months and data showed non-farm payrolls increased by 304,000 last month, the most in almost a year.

The dollar was steady and US Treasury yields rose.

After US stocks posted their best month in three years in January on the back of dovish Federal Reserve comments, traders are keeping a careful watch on earnings season for signals about the outlook for growth.

China promised to boost purchases of US goods after the latest round of trade talks, and both sides planned further discussions.

Among key events in the coming days:

Earnings season rolls on with notable releases from Alphabet, Toyota, BP and Disney.

The Personal Consumption Expenditures (PCE) inflation rate, which measures price changes for household goods and services, will be released on Monday.

### **China**

China stocks end Year of the Dog with the biggest loss since 2008, The South China Morning Post reported.

The benchmark Shanghai Composite Index advanced 1.3% on Friday to close at 2,618.23, after trade talks between China and the US made progress and China further loosened restrictions on both domestic brokers and foreign institutions to invest in the capital markets.

Still, the index fell 18.2% in the Year of Dog from February 22, 2018, to February 1, 2019, the biggest loss for a lunar year since 2008 (the Year of Rat), when it plummeted nearly 57% amid the global financial crisis.

In Hong Kong, the Hang Seng Index closed Friday virtually flat at 27,930.74.

On the economic front, newly disappointing China data arrived with the Caixin/Markit purchasing managers index, which fell to a three-year low of 48.3 in January, down from 49.7 in December. Soft demand underpinned the first fall in purchasing activity for 20 months, and businesses registered lower inventories of purchased and finished items.

In trade talks news, US President Trump said at the White House during a meeting with Chinese Vice-Premier Liu He that he would meet Chinese President Xi Jinping soon to try to seal a trade deal and he was optimistic that the two countries could reach “the biggest deal ever made”, according to a statement by the White House.

The Chinese trade delegation also said the two days of high level talks made “important progress”, according to China’s state-run Xinhua news agency.

The Chinese markets will be shut next week for the Lunar New Year holiday and reopen on February 11. Hong Kong stock market will be open for half-day trading on Monday, before closing for three days from Tuesday to Thursday. It will resume trading next Friday.

### **Japan**

Stocks were higher after the close on Friday, as gains in the Precision Instruments, Transport and Retail sectors led shares higher, investing.com reported.

At the close in Tokyo, the Nikkei 225 gained 0.07% to hit a new one-month high.

Japan’s trade balance and household expenditure figures will be released on Thursday.

### **Europe**

European stocks closed higher Friday, as market participants monitored a flurry of corporate results and key economic reports, CNBC reported.

The pan-European Stoxx 600 closed provisionally up by 0.29%, with most sectors and major bourses in positive territory.

Europe’s banking index led the losses amid earnings news.

Deutsche Bank reported its first full-year net profit in four years on Friday. However, shares came under pressure, losing 0.59% as Germany’s largest lender continues to face growing merger speculation and a series of uphill struggles.

On the data front, euro zone inflation slipped as expected last month. Official data published Friday showed inflation in the 19 countries sharing the euro slowed to 1.4% in January, from 1.6% a month earlier.

This provides another reason for the European Central Bank to ease off removing stimulus, as inflation falls further away from its target.

On Thursday the Bank of England will announce its rates decision and inflation report.

## **Australia**

Australian shares began the month on a subdued note, as a negative confession season wrapped up ahead of first-half company results due next week, the AFR reported.

The S&P/ASX 200 Index recorded a weekly loss of 0.1%, closing down 1.8 points at 5862 on Friday.

The Australian dollar edged down 0.5% to US78.82¢ in response to the PMI result.

There was continued strength for miners, with the sector extending weekly gains.

BHP rose 0.5% to \$35.00, while Rio Tinto climbed 0.6% to \$87.57. Newcrest rose 1.3% to \$24.76.

Fortescue's 3.4% advance to \$5.84 on Friday took weekly gains for the iron ore miner to over 20%. **(See more in stock analysis below).**

Banks were softer ahead of next week's final banking royal commission report, with ANZ off 0.4% at \$24.93 and Commonwealth Bank down 0.2% at \$69.76.

Also next week the trade balance and Reserve Bank of Australia interest rate decision will be announced on Tuesday, with the cash rate widely expected to remain at 1.5%.

## **Commodities**

**Oil** climbed past \$55 a barrel in New York, reaching the highest since November, amid falling OPEC production and speculation that a robust economy will fuel demand.

**Gold** fell 0.2% to \$1,319.07 an ounce.

### ***Stock analysis: Prices for iron ore are exploding***

Iron ore prices continue to soar and with Chinese futures ripping higher again in overnight trade on Thursday, it looks like there may be even further gains to come.

According to Metal Bulletin, the spot price for benchmark 62% fines surged by a further 3.4% to \$85.34 a tonne, extending its rally so far this week to 14.3%.

Higher grade ore was also in demand with the price for 65% fines also up 3.4% to \$100.90 a tonne, reclaiming the \$100 a tonne level for the first time since September 2017.

After jumping 13% in the prior two sessions, lower grade ore was the relative laggard on Thursday, only lifting 0.3% to \$60.62 a tonne.

As seen in the first chart below, the move this week has been spectacular, sparked by concerns over supply disruptions to seaborne markets following another mine disaster in Brazil last weekend.

From November 26 last year, the prices for 58%, 62% and 65% fines have now risen 62.6%, 32.8% and 24.6% respectively.

The sharp and sudden rally has seen analysts scramble to revise up their near and medium-term iron ore price forecasts.

"We have raised our short term price forecasts for iron ore," said Daniel Hynes, Senior Commodities Strategist at ANZ Bank. "We now see spot prices breaching \$80 a tonne in Q1, with further upside likely if the losses in Brazil are greater than expected."

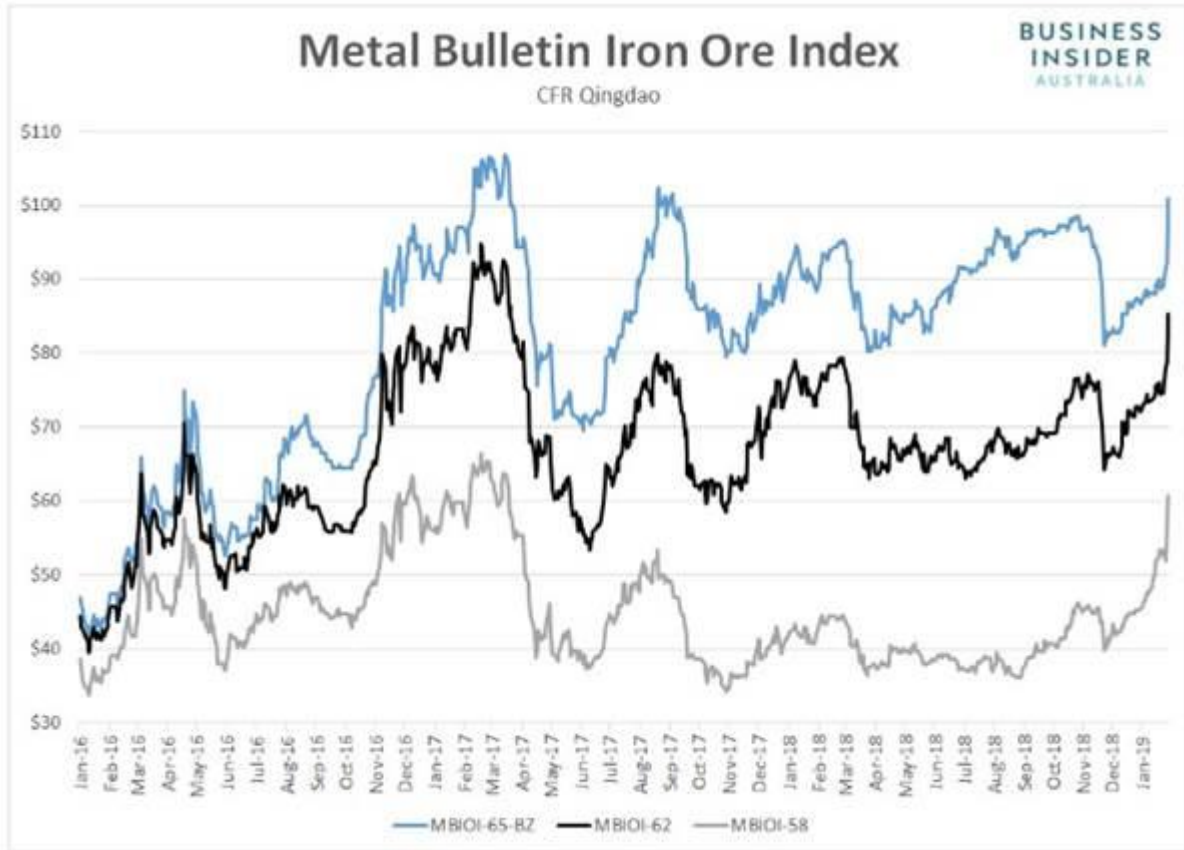
Looking further ahead, ANZ sees the benchmark price sitting at \$82 per tonne by the end of June before easing lower to \$72 a tonne as we enter 2020.

Commodity Strategists at Morgan Stanley agree that recent price gains may not be reversed anytime soon. "Whilst uncertainty remains, it is possible that the iron ore price will remain at more elevated levels in the near-term," it said, referring to the outlook for Brazilian supply.

While the outlook for Brazilian iron ore supply remains in the driving seat, the gains in spot markets on Thursday were likely helped by signs that Chinese steel demand is strengthening.

The China Steel Industry PMI, released by China's National Bureau of Statistics (NBS), rose to 51.5 in January from 45.6 in December, signalling that activity levels across the sector improved in early 2019. Of note, the new orders subindex jumped to 53.4 from 39.5 a month earlier, signalling an increase in steel demand.

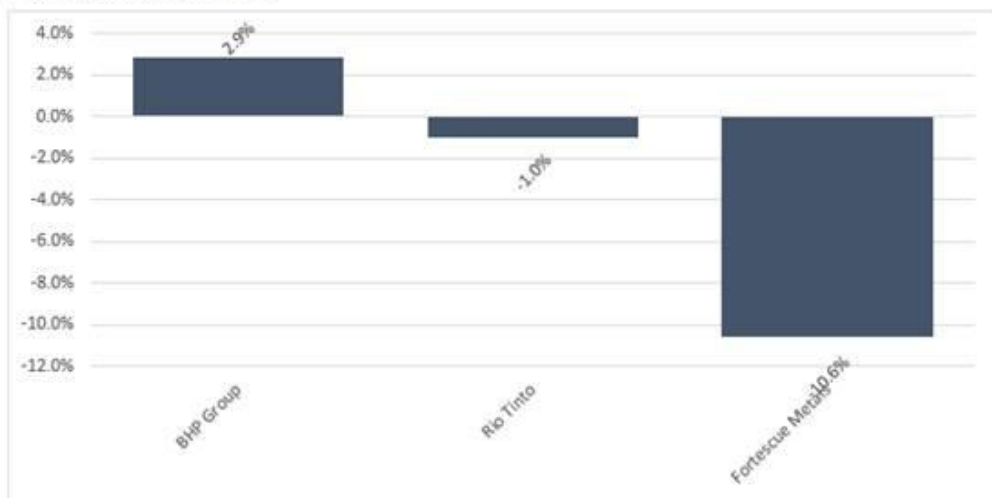
The share prices of the large listed iron ore miners have run strongly on the back of the sudden and unexpected hike in the iron ore price, and the share prices look fully priced relative to current IRESS consensus target prices. However, sell-side analysts have yet to catch up, and we imagine that there will soon be a raft of earnings upgrades and target price revisions as they slot the higher ore price environment into their models. We would not be selling our iron ore exposed stocks at this juncture!












#### Forecast total return for major ASX-listed iron ore miners

Security	Name	Share Price (A\$)	Target Price (A\$)	Capital upside / (downside) (%)	FY19E Dividend (A\$)	FY19E DY (%)	Total Return (%)
BHP	BHP Group	35.00	33.65	-3.9%	2.35	6.7%	2.9%
RIO	Rio Tinto	87.57	83.83	-4.3%	2.89	3.3%	-1.0%
FMG	Fortescue Metals	5.84	5.00	-14.4%	0.22	3.8%	-10.6%

Source: IRESS, compiled by State One Stockbroking





















**Economic Calendar 4/02/2019 – 8/02/2019**

<b>Tuesday February 05 2019</b>			Actual	Previous	Consensus
<b>09:30 PM</b>	 CA	Balance of Trade DEC		C\$-2.06B	
<b>11:00 PM</b>	 US	ISM Non-Manufacturing PMI JAN		58 <sup>Ⓢ</sup>	57
<b>Wednesday February 06 2019</b>			Actual	Previous	Consensus
<b>09:30 PM</b>	 US	Balance of Trade NOV		\$-55.5B	\$-54B
<b>11:00 PM</b>	 CA	Ivey PMI s.a JAN		59.7	60.2
<b>Thursday February 07 2019</b>			Actual	Previous	Consensus
<b>08:00 PM</b>	 GB	BoE Interest Rate Decision		0.75%	0.75%
<b>08:00 PM</b>	 GB	MPC Meeting Minutes			
<b>08:00 PM</b>	 GB	BoE Quantitative Easing		£435B	£435B
<b>Friday February 08 2019</b>			Actual	Previous	Consensus
<b>08:30 AM</b>	 AU	RBA Statement on Monetary Policy			
<b>03:00 PM</b>	 DE	Balance of Trade DEC		€20.5B	

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

**Economic Calendar 11/02/2019 – 15/02/2019**

<b>Monday February 11 2019</b>			Actual	Previous	Consensus
<b>05:30 PM</b>	 GB	Balance of Trade DEC		<b>£-2.904B</b>	
<b>09:30 PM</b>	 US	Personal Income MoM DEC		0.2%	0.5%
<b>09:30 PM</b>	 US	Personal Spending MoM DEC		0.4%	0.3%
<b>Tuesday February 12 2019</b>			Actual	Previous	Consensus
<b>08:30 AM</b>	 AU	NAB Business Confidence JAN		3	
<b>Wednesday February 13 2019</b>			Actual	Previous	Consensus
<b>07:30 AM</b>	 AU	Westpac Consumer Confidence Change FEB		<b>-4.7%</b>	
<b>07:30 AM</b>	 AU	Westpac Consumer Confidence Index FEB		99.6	
<b>05:30 PM</b>	 GB	Inflation Rate YoY JAN		2.1%	
<b>09:30 PM</b>	 US	Core Inflation Rate YoY JAN		2.2%	2.1%
<b>09:30 PM</b>	 US	Inflation Rate YoY JAN		1.9%	1.7%
<b>Thursday February 14 2019</b>			Actual	Previous	Consensus
<b>11:00 AM</b>	 CN	Balance of Trade JAN		<b>\$57.06B</b>	\$35B
<b>11:00 AM</b>	 CN	Exports YoY JAN		<b>-4.4%</b>	-2.2%
<b>11:00 AM</b>	 CN	Imports YoY JAN		<b>-7.6%</b>	-9%
<b>03:00 PM</b>	 DE	GDP Growth Rate QoQ Flash Q4		<b>-0.2%</b>	
<b>09:30 PM</b>	 US	Durable Goods Orders MoM DEC		0.8%	1.8%
<b>Friday February 15 2019</b>			Actual	Previous	Consensus
<b>09:30 AM</b>	 CN	Inflation Rate YoY JAN		1.9%	2%
<b>09:30 PM</b>	 US	Retail Sales MoM DEC		0.2%	0.2%
<b>09:30 PM</b>	 US	Retail Sales MoM JAN			0.2%
<b>11:00 PM</b>	 US	Michigan Consumer Sentiment Prel FEB		91.2	

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

## All Ords Top 10 Week Ending 1 February 2019

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
FMG	Fortescue Metals Grp	21.7	SYR	Syrah Resources	-27.6
SAR	Saracen Mineral	13.3	ECX	Eclipx Group Ltd	-15.4
SBM	St Barbara Limited	10.9	QAN	Qantas Airways	-11.2
NST	Northern Star	9.8	RMD	ResMed Inc.	-9.4
BAL	Bellamy's Australia	9.5	CYB	Cybg PLC	-9.3
RIO	Rio Tinto Limited	8.8	MYX	Mayne Pharma Ltd	-8.7
WSA	Western Areas Ltd	7.5	API	Australian Pharm.	-8.0
RRL	Regis Resources	7.1	HVN	Harvey Norman	-8.0
NCM	Newcrest Mining	6.8	ALG	Ardentleisuregrpltd	-7.2
S32	South32 Limited	6.4	ELD	Elders Limited	-7.2

Source: IRESS

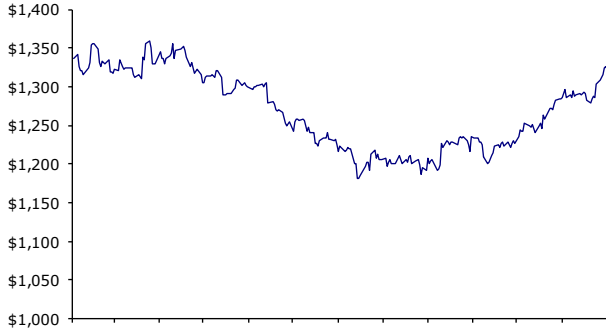
## S & P Indices Week Ending 1 February 2019

S&P Indices	3/02/2019	27/01/2019	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	10757	10785	-0.3%	3.9%	21.0%
S&P 200 Materials	12157	11565	5.1%	5.2%	22.8%
S&P 200 Industrials	5841	5926	-1.4%	1.1%	14.5%
S&P 200 Consumer Disc.	2193	2231	-1.7%	2.6%	4.7%
S&P 200 Consumer Staples	10664	10835	-1.6%	1.9%	24.6%
S&P 200 Healthcare	29902	30614	-2.3%	-0.2%	55.1%
S&P 200 Financials	5545	5747	-3.5%	-2.2%	-13.0%
S&P 200 Info Technology	1175	1167	0.6%	5.7%	51.1%
S&P 200 Telecommunicatic	1101	1078	2.2%	5.2%	-37.3%
S&P 200 Utilities	7924	7895	0.4%	3.5%	5.1%
S&P 200 Property Trusts	1455	1466	-0.8%	4.2%	8.4%
S&P 200 Financials ex PT	6184	6409	-3.5%	-2.2%	-13.0%

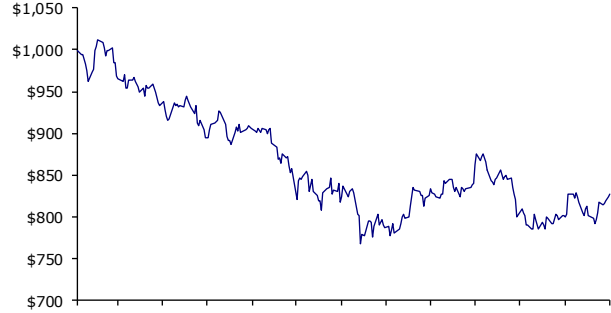
Source: IRESS

### 1 Year Commodity Price Charts

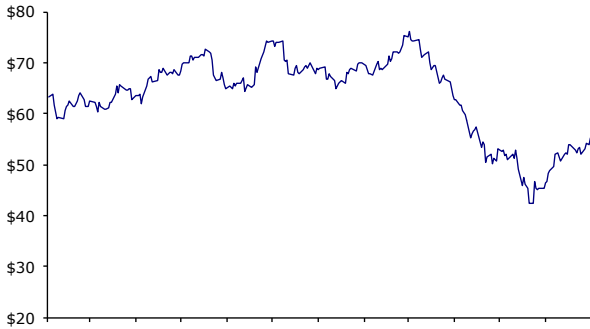
**1 Year Gold**



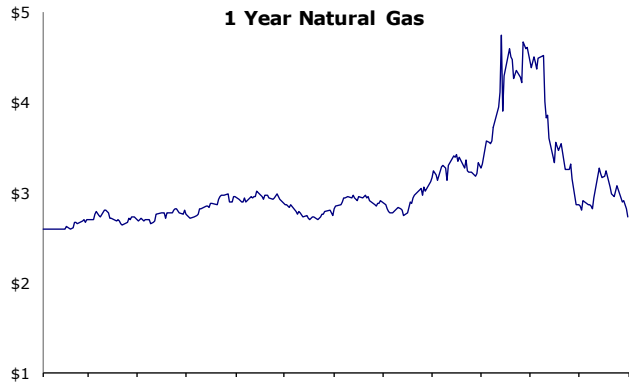
**1 Year Platinum**



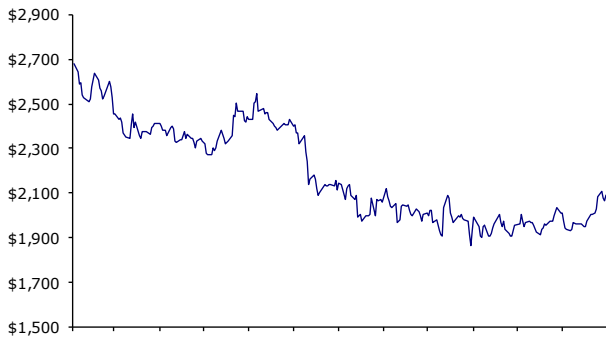
**1 Year Oil**



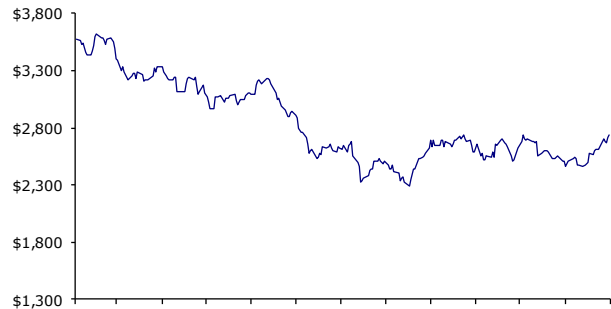
**1 Year Natural Gas**



**1 Year Lead**

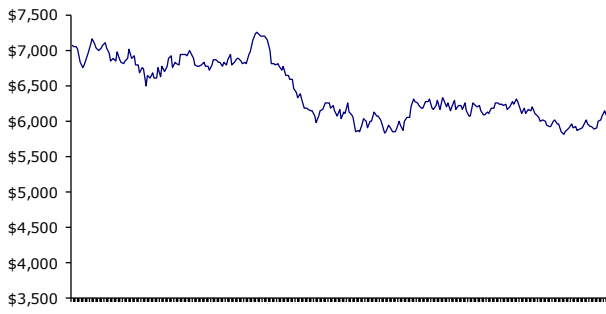


**1 Year Zinc**

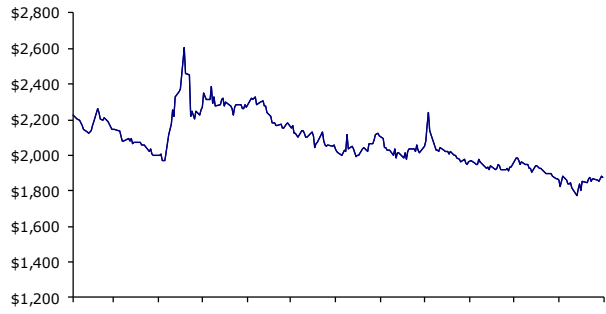




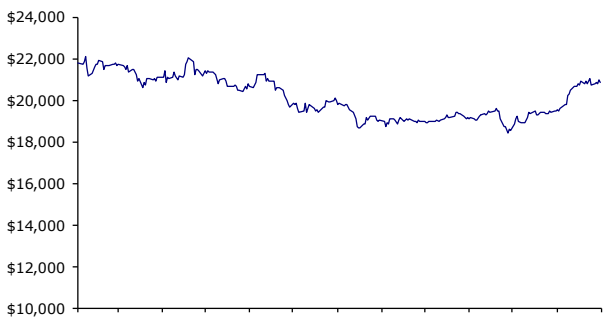
**1 Year Copper**



**1 Year Aluminium**

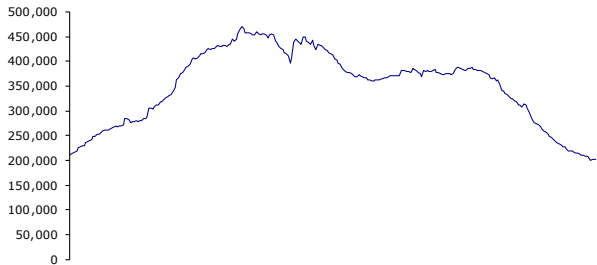


**1 Year Tin**

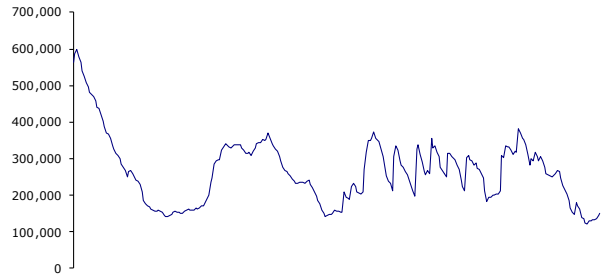


**5 Year Metals Stockpiles**

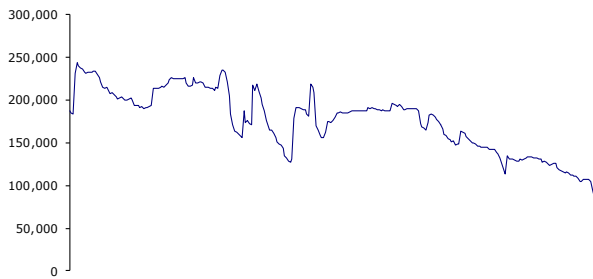
**Nickel LME Stockpiles - 5 Year**



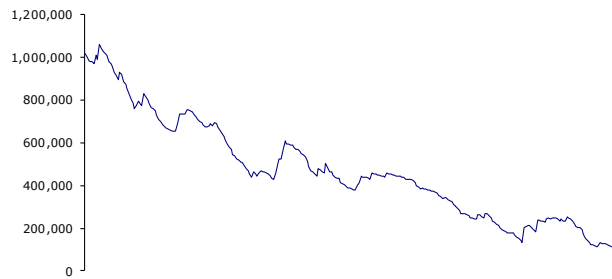
**Copper LME Stockpiles - 5 Year**



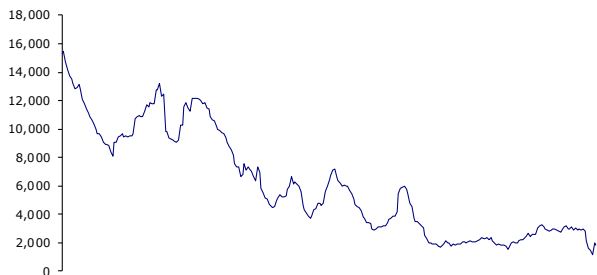
**Lead LME Stockpiles - 5 Year**



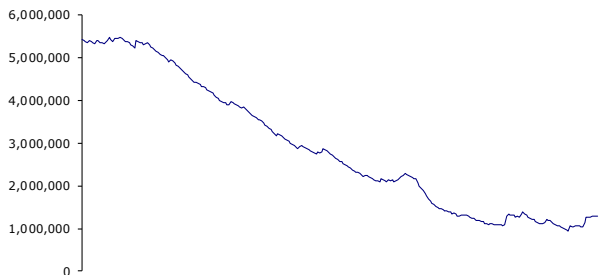
**Zinc LME Stockpiles - 5 Year**



**Tin LME Stockpiles - 5 Year**



**Aluminium LME Stockpiles - 5 Year**



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