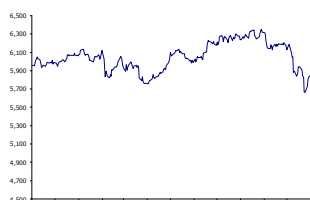


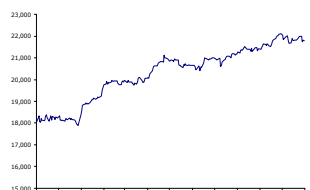
STATE ONE SPINNAKER

4 November 2018
Issue 435

12 month XJO chart



12 month Dow Jones chart



State One Research Products

Spinnaker Free Weekly

Market Opener Free Daily

Daily Resources [Clients Only](#)

Overview

For more research visit:

www.stateone.com.au/research

State One Stockbroking Ltd

Head Office

Level 14, State One House

172 St George's Terrace

Perth WA 6000

Perth Tel: (+61 8) 9288 3388

Sydney Tel: (+61 2) 9024 9105

Email: broker@stateone.com.au

Web: www.stateone.com.au

Global Wrap – 4 November 2018

| World Markets | 4/11/2018 | 28/10/2018 | Wkly Chg | Mthly Chg | Yearly Chg |
|--------------------|-----------|------------|----------|-----------|------------|
| ASX 200 | 5849 | 5665 | 3.2% | -3.3% | 5.5% |
| Dow Jones | 21798 | 21988 | -0.9% | -1.0% | 18.0% |
| Nasdaq | 5284 | 5284 | 0.0% | -0.2% | 21.9% |
| S&P 500 | 2723 | 2659 | 2.4% | -2.2% | 21.2% |
| FTSE 100 | 7094 | 6940 | 2.2% | -0.7% | 2.3% |
| DAX30 | 11519 | 11201 | 2.8% | -1.7% | -11.6% |
| Shanghai Composite | 2676 | 2542 | 5.3% | 3.6% | -16.8% |
| Nikkei 225 | 22244 | 21150 | 5.2% | -1.5% | 18.5% |
| Hang Seng | 26486 | 24718 | 7.2% | 1.1% | 15.9% |
| Currency | | | | | |
| AUD/USD | 0.7201 | 0.7057 | 2.0% | 1.7% | -5.9% |
| Commodities | | | | | |
| Oil (\$/bbl) | 62.8 | 66.7 | -5.8% | -11.5% | 12.7% |
| Gas (\$/gal) | 3.3 | 3.2 | 2.6% | 1.1% | 4.4% |
| Iron Ore (\$/t) | 0.0 | 53.9 | -100.0% | -100.0% | -100.0% |
| Copper (\$/t) | 6254 | 6159 | 1.5% | -0.6% | 7.1% |
| Lead (\$/t) | 1995 | 1982 | 0.7% | 4.2% | -14.4% |
| Zinc (\$/t) | 2590 | 2686 | -3.6% | -4.0% | -5.6% |
| Aluminium (\$/t) | 1967 | 1961 | 0.3% | -3.1% | 13.6% |
| Nickel (\$/t) | 11980 | 11835 | 1.2% | -6.2% | 5.4% |
| Tin (\$/t) | 19175 | 19350 | -0.9% | 0.9% | -10.4% |
| Gold (\$/oz) | 1233 | 1236 | -0.2% | 2.9% | 5.2% |
| Silver (\$/oz) | 14.8 | 14.7 | 0.4% | 3.1% | -13.7% |
| Platinum (\$/oz) | 876 | 834 | 4.9% | 5.9% | -6.6% |
| Wheat (\$/t) | 509.000 | 501.750 | 1.4% | -0.5% | 24.7% |

Source: Iress

Global Wrap

Key points

1. Trade tweets buoy global markets

2. Lithium miners up

3. Stock analysis: the 'big four'

US

Stocks traded in a wide range on Friday as investors digested different comments and reports on global trade, while Apple shares dented the broader tech sector, CNBC reported.

The Dow Jones Industrial Average closed 109.91 points lower at 25,270.83 after falling 300 points earlier in the session.

The S&P 500 pulled back 0.7% to 2,723.06 as Apple's 6.6% decline dragged down other major tech names like Facebook and Alphabet. The tech-heavy Nasdaq Composite dropped 1% to end the day at 7,356.99.

The major indexes pared some of their losses after President Donald Trump told reporters on Friday the US and China were much closer to striking a deal on trade, saying the two countries would soon have a good deal in place.

Apple fell after the company's iPhone shipments for last quarter missed estimates. The company also offered light guidance and announced major changes to its reporting structure. These were enough to overshadow stronger-than-expected earnings and revenue.

Stocks initially surged after the Labor Department said the US economy added 250,000 jobs last month, up on expectations of 190,000.

Wages rose 3.1% on an annualised basis in October for the first time since the recession.

Amid this positive news investors are worried that rising wages and increasing inflationary pressures will push the Federal Reserve to raise rates at a faster pace than expected. The central bank has hiked rates three times this year and is forecast to raise them once more before year-end.

This coming week investors' attention will be on the results of the mid-term elections, to be held on Tuesday US time, then the Fed's rate decision on Thursday.

China

Stock markets posted large gains on Friday on the back of Trump's on trade, CNBC reported.

Hong Kong's [Hang Seng index](#) surged 4.21% to close at 26,486.35 while the [Shanghai composite](#) gained 2.7% to close at around 2,676.48 and the Shenzhen composite advanced 3.428% to finish at 1,351.09.

Those markets, which had been higher all day, climbed higher after Bloomberg reported that Trump had asked officials in his administration to [start drafting a potential trade deal with China](#).

In **South Korea** the [Kospi](#) jumped 3.53% to close at 2,096, with heavyweights [Samsung Electronics](#) and [SK Hynix](#) seeing gains of 4.74 and 6.3%, respectively.

The main data out of China this coming week is the trade balance on Thursday and CPI on Friday.

Japan

The receding jitters over US-China trade friction helped stocks rebound sharply on the Tokyo Stock Exchange on Friday, sending the benchmark Nikkei above 22,000 for the first time in over one week.

Among data out of Japan this coming week is the trade balance, Leading Index and Coincident Index on Wednesday.

Europe

Shares in Europe also jumped on Friday on the hopes of a trade agreement between China and the US, Reuters reported.

The pan-European [Stoxx 600](#) closed provisionally 0.33% higher with the bulk of sectors in positive territory.

Autos and banks were among the best-performing sectors.

UK shares had an additional boost as mining and luxury goods stocks led a rally amid growing optimism about a Brexit deal.

As well as Brexit developments next week, investors will be watching British GDP and the trade balance on Friday.

Australia

A late rally on Friday lifted local shares to their best weekly gain since November 2016, as the market recorded its sixth straight gain, Fairfax reported.

The S&P/ASX 200 index advanced 8.4 points, or 0.1%, on Friday to 5849.20, taking its advance in the past five days to 184 points, or 3.2%.

CSL led the market gains this week as it rebounded from a poor two months. The healthcare giant, fell 17.3% during September and October, but rallied this week, closing 8.6% higher at \$192.18.

BHP Billiton was also among the market leader after it [announced the details of its \\$US10.4 billion shareholder return program](#). The mining giant announced half would be distributed by an off-market buyback while the remainder would be paid in the form of a special dividend. Its shares closed the week 7.4% higher at \$33.50.

It led a strong materials sector this week. Rio Tinto shares closed 5.7% higher at \$78.37, while South32 rose 4.3% to \$3.66.

Lithium miners were particularly strong this week, rising on the back of an interview with Argentina's national mining secretary Carolina Sanchez.

She said the country had incentives in place to encourage development of mining projects and is focused on winning foreign investment. Argentina focused lithium miners Orocobre and Galaxy Resources were among the index's best performers this week.

Orocobre rose 19.4% to \$4.19 while Galaxy Resources advanced 17.8% to \$2.58. Local lithium miners followed with Pilbara Minerals rising 13.2% to 86¢ and Mineral Resources closing the week 11.4% higher at \$15.45.

AMP rebounded from a big loss last week, closing 13% higher at \$2.69. The Australian newspaper reported on Thursday that Macquarie was running the numbers on a possible takeover bid for the embattled AMP.

As well as the Melbourne Cup it is rates Tuesday next week in Australia.

Oil prices continued to slide on Friday afternoon, despite a small decline in the US/Canadian rig count, oilprice.com reported.

Iran sanctions are just days away but the market has come around to the idea that Iranian oil exports won't be going to zero, despite months of promises from the Trump administration. New reports suggest waivers are in the offing.

Gold dropped \$5 per ounce on news of stronger-than-expected US jobs growth on Friday, heading for the first weekly drop in five as world stock markets extended their bounce from October's slump, BullionVault reported.

Stock analysis: The 'big four'

The banking sector has underperformed over the past two years, but bad news is perhaps now discounted into the share prices

On Thursday, NAB announced a 14% per cent fall in its full-year net profit to \$5.7 billion.

This adds to the fallout from the Royal Commission coinciding with risks emerging to the continued strength of the Australian and global economy.

Australian banks are busy trying to re-invent their image and place in the social fabric of the country as vital institutions focused on more than making money for shareholders and well-paid executives.

In the results announcement, NAB's CEO Andrew Thorburn referred to the costs of "reputation and trust impacts across the sector".

"I think trust has fallen for a lot of corporates and governments, not just banks," he told analysts, insisting NAB was "facing into this".

"If you want to build long-term trust, we have to think about things differently ... we do need to challenge

some of the long-established practices we have had."

The most savage destruction of the banks' reputation is largely – but certainly not solely – due to the mismanagement of the expansion into the business of wealth management nearly 20 years ago. This certainly bulked up the banks at the expense of greatly confused lines of internal accountability and responsibility.

But not only did wealth management and the lure of "cross-selling" not deliver the expected financial returns, the inherent conflicts of interest have spectacularly imploded, leading inevitably to tighter regulation as well as the need for large-scale customer remediation.

Thorburn, for example, announced payments of \$348 million for customer remediation as well \$530 million in restructuring costs.

Such costs can be expected to climb due to the impact of more regulation and compliance to come as well as the potential for higher remediation.

Just how enduring this sort of cost increase will be is less clear cut.

As ANZ announced a 5% per cent fall in its full-year cash profit to \$6.5 billion this week, chief executive Shayne Elliott rejected the argument the Royal Commission will translate into a permanently higher cost base for banks. Instead, the new fashion for banks going back to basics in banking is supposed to make up for past errors, with three of the big four exiting wealth management to radically simplify their structures as well as their product lists.

Westpac alone remains resolutely committed to keeping BT – a stance that will no doubt be sharply queried when the bank announces its results next Monday.

Even accepting Brian Hartzer's promise that Westpac has radically overhauled its approach in order to better protect the interests of customers, the decision to stick with BT may become trickier, depending on the recommendations of the Royal Commission next February.

But the price anticipated from the sale of other parts of the company is more complicated. According to NAB, it is still planning [to exit MLC](#) by the end of next year with all options – demerger, trade sale or IPO – on the table.

Although AMP is selling AMP Life to Resolution Group, based in Britain and Bermuda, Japanese financial groups in particular have shown a big interest in expansion in the Australian market.

NAB is also promoting the strength of its business bank lending as a key competitive advantage.

But net interest margins in mortgage lending are also falling, compounded by tighter bank credit accelerating steep falls in house prices in Sydney and Melbourne.

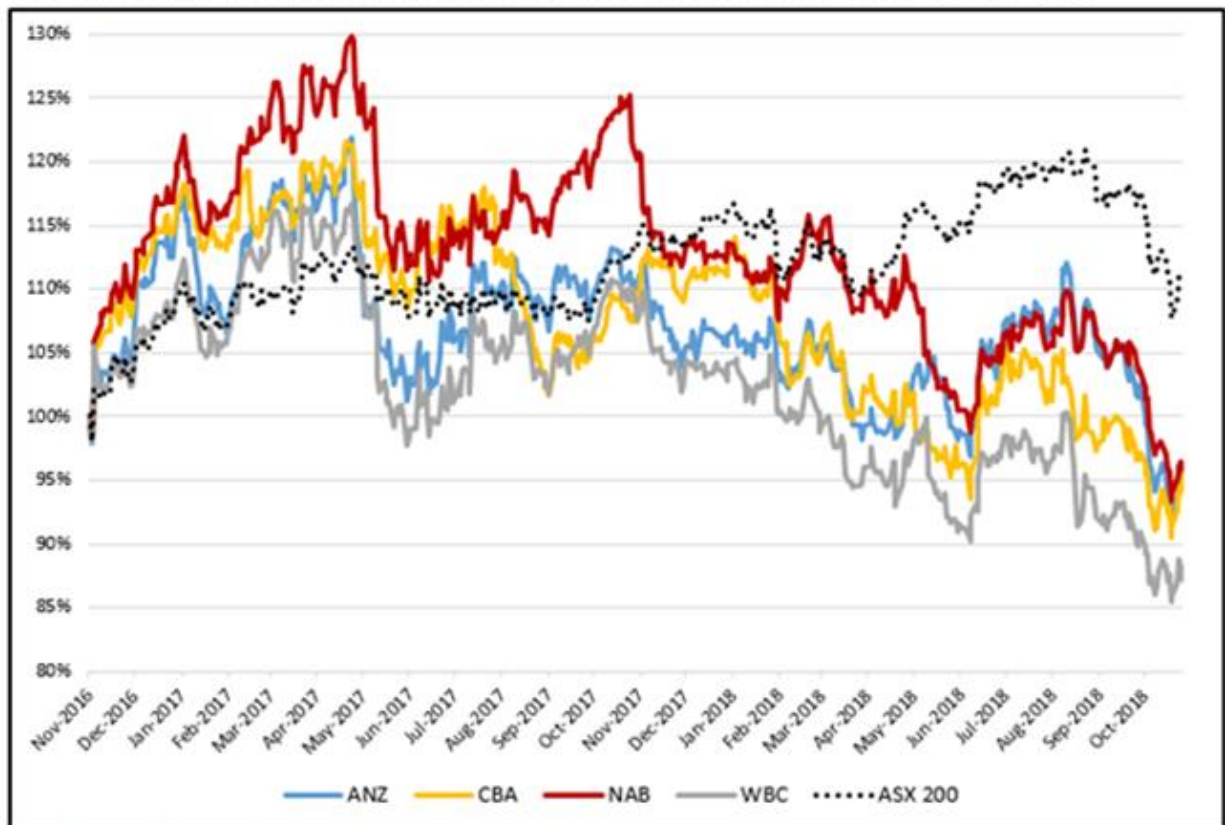
There won't be any quick change. According to CoreLogic's figures for October, Sydney's housing market has fallen by 7.4% over the past year and the Melbourne market is 4.7%.

Fewer than 40% of Sydney properties sold at auction on a recent weekend, the worst level in a decade.

Over the past two years, the "Big 4" banks have significantly underperformed the broader market. See chart below.

But the sector may now start to offer value with the bad news – tightening margins, increased government regulation, remediation / penalty expenses, restructuring costs – now fully discounted (or close to fully discounted) into the share prices. Relative to IRESS consensus forecasts, ANZ, CBA, NAB, WBC offers capital upside potential of 13%, 11%, 21%, and 18% respectively, with a FY19E dividend yield of 6.4%, 6.4%, 7.9%, and 7.1% respectively. With the "Big 4" offering total return potential of between 17% and 29%, we suspect value and yield investors will be looking closely at the sector.

The "Big 4" Banks - share price performance versus ASX All Share Index (Base November 2016 = 100%)



Source: IRESS, compiled by State One Stockbroking

Economic Calendar 5/11/2018 – 9/11/2018

| Monday November 05 2018 | | | Actual | Previous | Consensus |
|----------------------------|----|--------------------------------------|--------|----------|-----------|
| 07:50 AM | JP | BoJ Monetary Policy Meeting Minutes | | | |
| 12:00 PM | ID | GDP Growth Rate YoY Q3 | | 5.27% | 5.15% |
| 11:00 PM | US | ISM Non-Manufacturing PMI OCT | | 61.6 | 59.3 |
| Tuesday November 06 2018 | | | Actual | Previous | Consensus |
| 11:30 AM | AU | RBA Interest Rate Decision | | 1.5% | 1.5% |
| | US | Mid-Term Elections | | | |
| Wednesday November 07 2018 | | | Actual | Previous | Consensus |
| 11:00 PM | CA | Ivey PMI s.a OCT | | 50.4 | + |
| | EA | ECB Non-Monetary Policy Meeting | | | |
| Thursday November 08 2018 | | | Actual | Previous | Consensus |
| 11:00 AM | CN | Balance of Trade OCT | | \$31.69B | \$36.27B |
| 11:00 AM | CN | Exports YoY OCT | | 14.5% | 12% |
| 11:00 AM | CN | Imports YoY OCT | | 14.3% | 14% |
| 03:00 PM | DE | Balance of Trade SEP | | €17.2B | + |
| Friday November 09 2018 | | | Actual | Previous | Consensus |
| 03:00 AM | US | Fed Interest Rate Decision | | 2.25% | + |
| 08:30 AM | AU | RBA Statement on Monetary Policy | | | + |
| 09:30 AM | CN | Inflation Rate YoY OCT | | 2.5% | 2.5% |
| 05:30 PM | GB | Balance of Trade SEP | | £-1.274B | + |
| 05:30 PM | GB | GDP Growth Rate YoY Prel Q3 | | 1.2% | 1.5% |
| 05:30 PM | GB | GDP Growth Rate QoQ Prel Q3 | | 0.4% | 0.6% |
| 11:00 PM | US | Michigan Consumer Sentiment Prel NOV | | 98.6 | 98.0 |

Source: www.tradingeconomics.com

Economic Calendar 12/11/2018 – 16/11/2018

| Tuesday November 13 2018 | | | Actual | Previous | Consensus |
|----------------------------|----|--|--------|----------|-----------|
| 08:30 AM | AU | NAB Business Confidence OCT | | 6 | + |
| 05:30 PM | GB | Claimant Count Change OCT | | 18.5K | + |
| 05:30 PM | GB | Unemployment Rate SEP | | 4% | 4% |
| 06:00 PM | DE | ZEW Economic Sentiment Index NOV | | -24.7 | -12.0 |
| 09:00 PM | RU | GDP Growth Rate YoY Prel Q3 | | | + |
| Wednesday November 14 2018 | | | Actual | Previous | Consensus |
| 07:30 AM | AU | Westpac Consumer Confidence Index NOV | | 101.5 | + |
| 07:30 AM | AU | Westpac Consumer Confidence Change NOV | | 1% | + |
| 07:50 AM | JP | GDP Growth Rate QoQ Prel Q3 | | 0.7% | + |
| 07:50 AM | JP | GDP Growth Annualized Prel Q3 | | 3% | 1.4% |
| 03:00 PM | DE | GDP Growth Rate QoQ Flash Q3 | | 0.5% | + |
| 03:00 PM | DE | GDP Growth Rate YoY Flash Q3 | | 2% | + |
| 05:30 PM | GB | Inflation Rate YoY OCT | | 2.4% | 2.6% |
| 06:00 PM | EA | GDP Growth Rate QoQ 2nd Est Q3 | | 0.4% | 0.2% |
| 06:00 PM | EA | GDP Growth Rate YoY 2nd Est Q3 | | 2.2% | 1.7% |
| 09:30 PM | US | Core Inflation Rate YoY OCT | | 2.2% | 2.2% |
| 09:30 PM | US | Inflation Rate YoY OCT | | 2.3% | 2.4% |
| Thursday November 15 2018 | | | Actual | Previous | Consensus |
| 08:30 AM | AU | Employment Change OCT | | 5.6K | 15K |
| 08:30 AM | AU | Unemployment Rate OCT | | 5% | 5.3% |
| 09:30 PM | US | Retail Sales MoM OCT | | 0.1% | 0.4% |

Source: www.tradingeconomics.com

All Ords Top 10 Week Ending 2 November 2018

| 10 Best Performing Stocks Weekly (%) | | | 10 Worst Performing Stocks Weekly (%) | | |
|--------------------------------------|----------------------|------|---------------------------------------|----------------------|-------|
| SYR | Syrah Resources | 24.4 | CTD | Corp Travel Limited | -26.5 |
| ORE | Orocobre Limited | 19.4 | ASL | Ausdrill Limited | -8.2 |
| LYC | Lynas Corporation | 18.3 | SWM | Seven West Media Ltd | -6.2 |
| GXY | Galaxy Resources | 17.8 | IVC | InvoCare Limited | -4.0 |
| APT | Afterpay Touch | 15.0 | VEA | Viva Energy Group | -3.7 |
| BPT | Beach Energy Limited | 13.6 | BIN | Bingo Industries Ltd | -3.6 |
| PLS | Pilbara Min Ltd | 13.2 | MGR | Mirvac Group | -3.6 |
| AMP | AMP Limited | 13.0 | RRL | Regis Resources | -3.0 |
| EHL | Emeco Holdings | 12.3 | AOG | Aveo Group | -3.0 |
| PRY | Primary Health Care | 11.5 | CAR | Carsales.Com Ltd. | -2.9 |

Source: IRESS

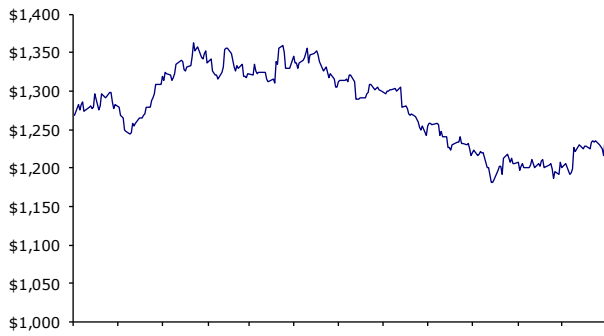
S & P Indices Week Ending 2 November 2018

| S&P Indices | 4/11/2018 | 28/10/2018 | Wkly Chg | Mthly Chg | Yearly Chg |
|--------------------------|-----------|------------|----------|-----------|------------|
| S&P 200 Energy | 10856 | 10713 | 1.3% | -12.0% | 22.1% |
| S&P 200 Materials | 11573 | 11017 | 5.0% | -1.6% | 16.9% |
| S&P 200 Industrials | 5775 | 5651 | 2.2% | -1.6% | 13.2% |
| S&P 200 Consumer Disc. | 2296 | 2247 | 2.2% | -5.0% | 9.7% |
| S&P 200 Consumer Staples | 10540 | 10228 | 3.0% | -3.0% | 23.2% |
| S&P 200 Healthcare | 29627 | 27759 | 6.7% | -1.7% | 53.7% |
| S&P 200 Financials | 5749 | 5554 | 3.5% | -2.8% | -9.8% |
| S&P 200 Info Technology | 1126 | 1067 | 5.5% | -4.9% | 44.8% |
| S&P 200 Telecommunicatic | 1117 | 1110 | 0.6% | -6.4% | -36.4% |
| S&P 200 Utilities | 7408 | 7252 | 2.2% | -3.4% | -1.7% |
| S&P 200 Property Trusts | 1351 | 1375 | -1.8% | -3.4% | 0.7% |
| S&P 200 Financials ex PT | 6412 | 6194 | 3.5% | -2.8% | -9.8% |

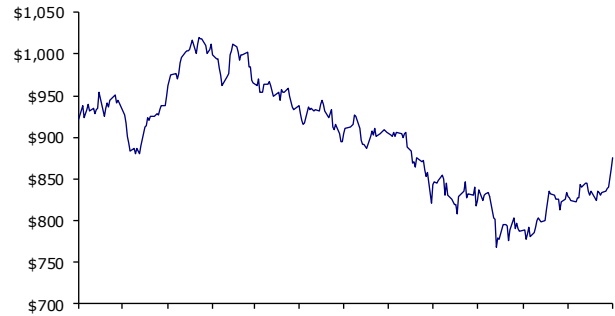
Source: IRESS

1 Year Commodity Price Charts

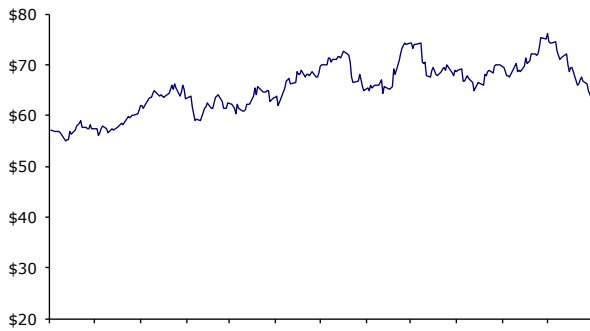
1 Year Gold



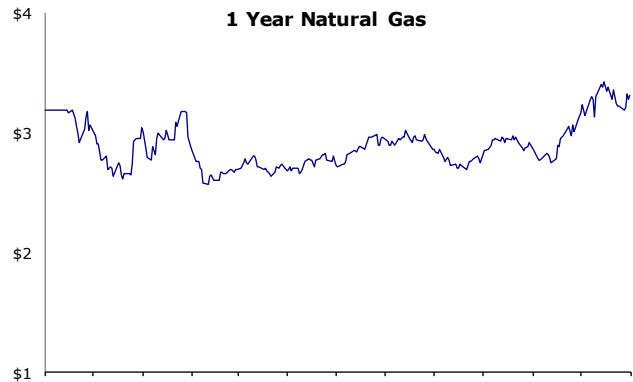
1 Year Platinum



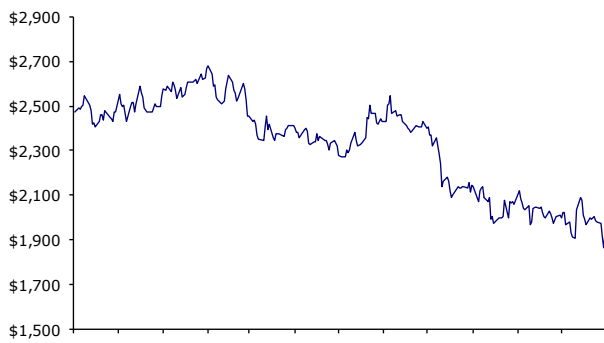
1 Year Oil



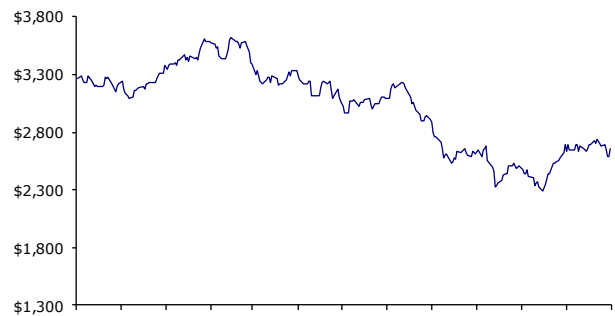
1 Year Natural Gas



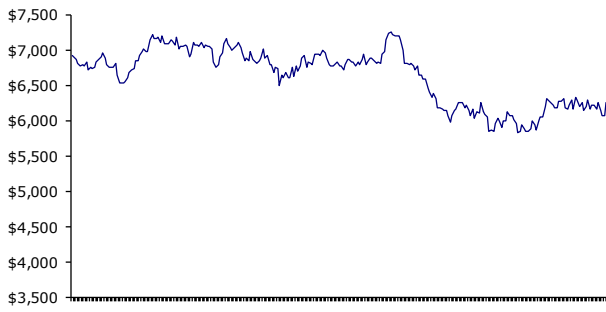
1 Year Lead



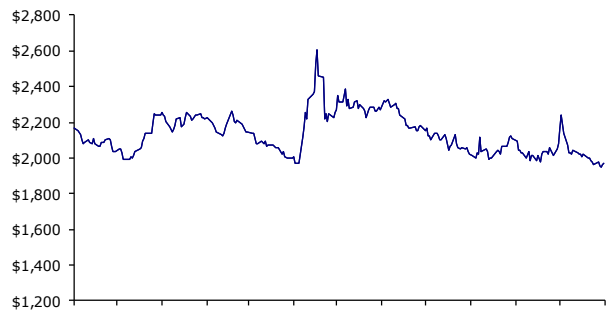
1 Year Zinc



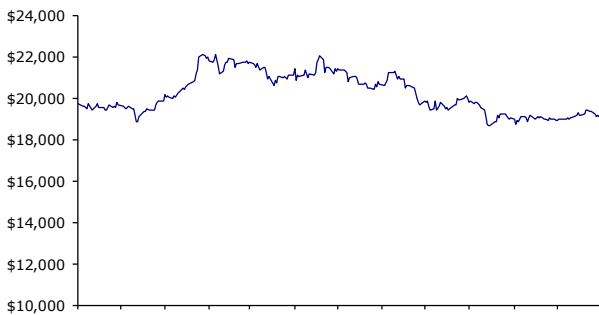
1 Year Copper



1 Year Aluminium

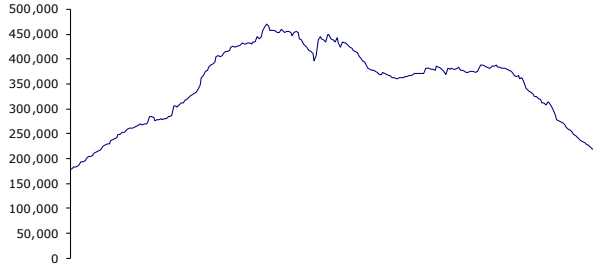


1 Year Tin

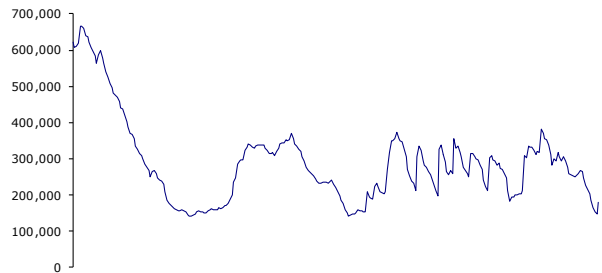


5 Year Metals Stockpiles

Nickel LME Stockpiles - 5 Year



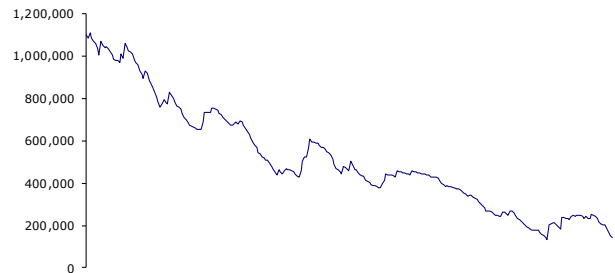
Copper LME Stockpiles - 5 Year



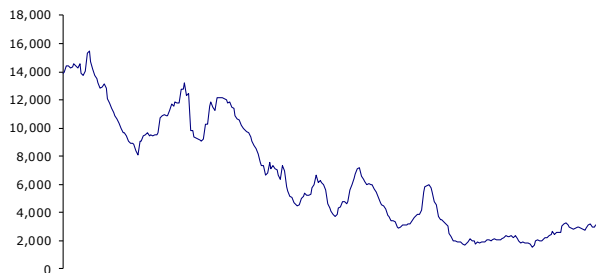
Lead LME Stockpiles - 5 Year



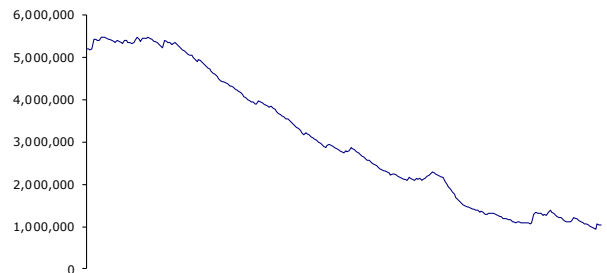
Zinc LME Stockpiles - 5 Year



Tin LME Stockpiles - 5 Year



Aluminium LME Stockpiles - 5 Year



Alan Hill
Executive Chairman
Phone: +61 8 9288 3388
ahill@stateone.com.au

Mark Sullivan
Institutional Dealer
Phone: +61 2 9024 9134
msullivan@stateone.com.au

Yitz Barber
Equities Advisor
Phone: +61 2 9024 9107
ybarber@stateone.com.au

Graeme Johnson
Equities & Derivatives Advisor
Phone: +61 8 9288 3316
gjohnson@stateone.com.au

Karen Tan
Equities Advisor
Phone: +61 8 9288 3303
ktan@stateone.com.au

David Zhang
Equities Advisor
Phone: +61 2 9024 9130
dzhang@stateone.com.au

David Brennan
Senior Investment Analyst
Phone: +61 2 9024 9142
DBrennan@stateone.com.au

Tammie Wong
Equities Advisor
Phone: +61 2 9024 9133
twong@stateone.com.au

Ric Heydon
Equities & Derivatives Advisor
Phone: +61 8 9288 3307
rheydon@stateone.com.au

Robert Chen
Equities Advisor
Phone: +61 2 9024 9132
rchen@stateone.com.au

Morris Levitzke
Equities Advisor
Phone: +61 8 9288 3315
mlevitzke@stateone.com.au

General Advice Warning

The contents of this document have been prepared by State One Stockbroking Ltd (ABN 95 092 989 083, Australian Financial Services Licence ("AFSL") 247100) without taking account of your objectives, financial situation or needs. To the extent that any of the content constitutes advice, it is general advice. You should, before taking any action to acquire or deal in, or follow a recommendation (if any) in respect of any of the financial products or information mentioned in this document, consult your own investment advisor to consider whether that is appropriate having regard to your own objectives, financial situation and needs.

Whilst State One Stockbroking Ltd believe the data and content contained in this document is based on information which is believed to be reliable, its accuracy and completeness are not guaranteed and no warranty of accuracy or reliability is given or implied and no responsibility for any loss or damage arising in any way for any representation, act or omission is accepted by State One Stockbroking Ltd or any of their officers, agents or employees. Some material is copyright and published under licence from ASX Operations Pty Limited ACN 004 523 782 ("ASXO").

If applicable, you should obtain the Product Disclosure Statement relating to the relevant financial product mentioned in this document (which contains full details of the terms and conditions of the financial product) and consider it before making any decision about whether to acquire the financial product.

For more information please refer to the State One Stockbroking Ltd Financial Services Guide (FSG) at https://www.stateone.com.au/Download/Download?file=stateone_fsg.pdf

Disclosure

The directors and associated persons of State One Stockbroking Ltd may have an interest in the financial products discussed in this document and they may earn brokerage, commissions, fees and advantages, pecuniary or otherwise, in connection with the making of a recommendation or dealing by a client in such financial products.

This research at all times remains the property of State One Stockbroking Ltd and is not for public circulation or reproduction whether in whole or in part and is not to be disclosed to any person other than the intended recipient, without obtaining prior written consent.