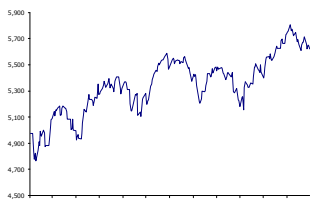


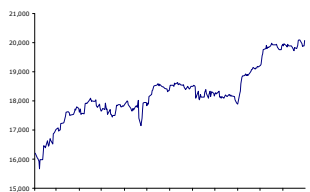
# STATE ONE SPINNAKER

**5 February 2017**  
**Issue 355**

## 12 month XJO chart



## 12 month Dow Jones chart



### State One Research Products

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## Global Wrap – 5 February 2017

World Markets	5/02/2017	29/01/2017	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	5622	5714	-1.6%	-2.6%	6.8%
Dow Jones	20071	20094	-0.1%	0.6%	14.8%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2297	2295	0.1%	1.0%	11.9%
FTSE 100	7188	7184	0.1%	-1.4%	12.7%
DAX30	11651	11814	-1.4%	0.0%	27.5%
Shanghai Composite	3140	3159	-0.6%	0.7%	-6.8%
Nikkei 225	18918	19369	-2.3%	-1.1%	2.6%
Hang Seng	23129	23361	-1.0%	0.8%	1.2%
Currency					
AUD/USD	0.7681	0.7554	1.7%	2.0%	8.6%
Commodities					
Oil (\$/bbl)	53.8	52.6	2.4%	1.5%	73.8%
Gas (\$/gal)	3.1	3.4	-9.9%	-7.1%	58.6%
Iron Ore (\$/t)	53.9	53.9	0.0%	6.9%	7.8%
Copper (\$/t)	5836	5847	-0.2%	2.2%	10.7%
Lead (\$/t)	2294	2365	-3.0%	6.0%	32.2%
Zinc (\$/t)	2848	2762	3.1%	5.9%	66.1%
Aluminium (\$/t)	1809	1828	-1.0%	3.4%	22.2%
Nickel (\$/t)	10160	9380	8.3%	-2.8%	-2.4%
Tin (\$/t)	19795	19975	-0.9%	-6.4%	23.9%
Gold (\$/oz)	1222	1194	2.3%	2.5%	4.8%
Silver (\$/oz)	17.5	17.2	2.2%	4.5%	10.6%
Platinum (\$/oz)	1006	988	1.8%	3.2%	-0.5%
Wheat (\$/t)	430.250	420.500	2.3%	2.7%	-12.3%

Source: Iress

## Global Wrap

### US

The US Federal Reserve's post-policy meeting statement produced some disappointment this past week, in that it offered no indication of when rates might next move.

Keenly anticipated for any new commentary, the statement did, however, indicate FOMC members anticipated higher inflation.

In addition, the committee remained satisfied with economic indicators, in particular in association with the jobs market and consumer confidence.

In December, the Federal Reserve raised the overnight interest rate range to 0.50% - 0.75%.

An indication of the pace of further moves may come mid-month when Federal Reserve chair Janet Yellen meets with parliamentarians as per the usual six-monthly schedule.

Whatever, Ms Yellen is sure to be quizzed regarding the bank's views of any change in conditions that might come from proposed tax cuts and infrastructure promotion.

The January national employment report, released Friday, also delivered some disappointment.

While 227,000 jobs had been added for the month, the most in the past four months, average hourly earnings rose just 0.1% (US3c).

In addition, the December earnings increase was revised to 0.2% from an initially estimated 0.4% gain.

The January employment rate ticked 0.1% higher to 4.8%, due to an increase in the number of people wanting to be employed or seeking greater employment.

Tuesday, as the two-day Federal Reserve meeting commenced, the \$US had reacted to euro valuation/German advantage comments from president Donald Trump's most senior trade advisor.

The president had expressed similar sentiment, regarding the currencies of Japan and China, while meeting with pharmaceutical sector representatives.

Fears grew for the likely extent of fallout from geopolitical, corporate and intra-Republican party dissent should more wide-reaching views or policies be announced with little consultation.

Equities trade in general appeared wary, market watchers suggesting the apparent minimal due diligence style under which US administrative decisions were being made had raised doubt sufficiently to outweigh optimism on business tax reform and infrastructure spending.

Tax reform, the prospect of which supported some late-2016 equities gains, was said to be on the agenda this coming week, after a media report quoted a US administrative source claiming that the president had directed key Congress members to 'start talking tax reform'.

Security and nuclear warfare issues threaten to overtake however, given the US administration has also let it be known that Iran will face new sanctions due to reports of a ballistic missile test, and that North Korea could expect 'effective and overwhelming' US force should it seek to utilise any nuclear weapons.

Closer to home, the president reportedly threatened to send troops to Mexico, to prevent border crossings.

## **Europe**

Regional data releases provided plenty to ponder this past week.

Euro zone January CPI growth quickened to an annualised 1.8%, from 1.1% for December, boosted in no small part by energy prices. While the year-on-year result was the best in almost four years, core CPI remained at 0.9%.

The figures are initial estimates so may well be revised. Nonetheless they do not point to any change in policy by the European Central Bank (ECB).

The next ECB policy meeting is scheduled for 9 March, but this week, at least two ECB officials publicly warned against lowering stimulus. Further, the central bank's bulletin (and hence economists) warned against changing policy on any 'transient, oil-fuelled inflation bounce'.

Euro zone December quarter GDP growth was also reported this week, estimated at 0.5%, following 0.4% for the September quarter and 0.3% for the June quarter.

In the meantime Fitch Ratings estimated €26B worth of corporate euro-denominated bonds was issued in January, ~four times that of a year earlier.

Across the Channel, the Bank of England held a policy meeting, unanimously voting for status quo rates and bond purchase targets while raising its 2017 GDP growth forecast 0.6% to 2.0%. Just six months ago, the Bank of England had forecast 0.8% GDP growth for 2017. 2018 GDP is expected to rise 1.6%.

The British pound suffered Tuesday after Bank of England figures showed consumer credit had pulled back in December. It fell against the \$US again Thursday, on Bank of England warnings of wages and consumer spending risks in association with the UK's proposed EU exit. Late-week, the pound remained ~15% below its \$US level immediately prior to last June's EU referendum.

In the meantime, the UK parliament, in an initial vote, approved the triggering of the process to begin separating from the European Union (EU).

Two more votes are to follow for final legislation to come into effect, but the government still anticipates being able to formally commence negotiations with the EU by the end of March.

## **China**

China's Lunar New Year/Spring Festival holiday holidays continued through Thursday, meaning China's markets did not resume trade (from Thursday 26 January) until Friday.

The People's Bank of China (PBOC) in the meantime lifted interest rates on open market operations by 0.1%, and equities, several commodity futures and bonds were sold down.

The PBOC action meant 70B yuan (~\$10USB) worth of market liquidity delivered in the New Year approach was effectively removed.

Other reports claimed the PBOC had also raised standing lending facility loan rates.

Also Friday, Caixin released a 51.0 January manufacturing PMI for China, down 0.9 from the record December reading. Nonetheless, new export orders grew at the best monthly rate since September 2014.

The official (NBS/CFLP) January manufacturing and services PMIs were published Wednesday.

The manufacturing PMI slipped for a second consecutive month, falling 0.1 to 51.3, but also represented the best January manufacturing reading since 2012.

The services sector activity index rose 0.1 to 54.6.

This coming week, Caixin will publish its January services sector activity index for China.

A new round of foreign direct investment, lending and trade figures is also due.

In other China news, a mainland financier who had resided in Hong Kong over the past few years was reported to have been forcibly removed from his residence and taken to China's mainland.

## **Japan**

The Bank of Japan's policy meeting produced plenty of commentary this week after the post-meeting statement noted domestic risks from uncertain outlooks for the economies of China, the US and European Union.

As expected, the central bank did not change rates or bond purchase programs.

Notably, neither did it tweak any inflation forecasts for the 2017 fiscal year commencing in April. Core CPI is still expected to rise 1.5% during 2017 and 1.7% in 2018.

The bank's December quarter report lowered the current fiscal year inflation outlook to -0.2%, from -0.1%.

In addition this week, the bank raised its fiscal 2017 and 2018 GDP forecasts 0.2% to 1.5% and 1.1% respectively.

In data releases, December retail sales were reported 1.7% lower for the month and 0.6% higher year-on-year.

December industrial production improved 0.5% for the month.

Japan premier Shinzo Abe's visit to the US this week will likely include discussion surrounding currency policies, given the US president's accusations this past week that Japan was one country manipulating its currency to the detriment of the US.

## **Australia**

The Reserve Bank of Australia (RBA) will hold its first policy meeting for 2017 this coming Tuesday.

Post-meeting commentary is particularly anticipated, due to domestic December trade figures.

These, released Thursday, bolstered the \$A against the \$US, and suggested Australia would avoid the recession, and credit rating downgrade risk, indicated by last year's numbers.

The value of Australia's exports rose ~5.5% during December, to \$A31.1B, supported by a 46% rise for coking coal, 27% for iron ore, 23% for gold and 12% for wool.

Imports cost \$28.6B, up 0.7% for the month, delivering a record \$3.51B trade surplus.

From 30 June 2016 to 31 December, the trade balance improved \$6.5B, as exports grew 26% (\$6.7B) over the two quarters. By contrast the value of imports increased just by just \$0.2B.

Australia recorded a \$3.8B trade deficit for the September quarter, but a \$4.8B surplus for the December quarter.

Monday and Tuesday this week, prior to the RBA meeting, new inflation, retail trade, construction sector activity and job advertisements reports will be published.

This past week, NAB's December business survey report included a rise for both the business conditions and confidence indices, but a far steeper one for conditions (>50%) than for sentiment (20%).

Private sector credit was estimated by the RBA as rising 0.7% in December following a 0.5% increase in November.

A services sector activity index fell 3.2 points in January to a nonetheless healthy 54.5. The employment, new orders and sales components each rose.

This coming Friday, the RBA will also release a quarterly monetary policy statement.

Given the change in leadership in the US and potential implications for Australian and regional trade relationships, some associated comment is expected, in addition to an expanded analysis on housing, employment levels, wages growth, household debt and likely inflation levels.

Among the forecasters, UBS is expecting the RBA to stay its hand on any rate moves until mid-2018 at the earliest, but Goldman Sachs is opting for a likely rise in February 2018.

Interim (and for some stocks, full-year) reporting season continues this week, after some mixed results for Downer EDI (ASX: DOW) and Tabcorp Holdings (TAH) late this past week and a caution from James Hardie Industries (JHX).

Almost every key sector will be represented this week by at least one high-profile company lodging figures.

Given the recent appreciation in commodity prices, the mining and energy sectors will attract more than the usual attention, this week in particular Rio Tinto (RIO) and AGL Energy (AGL).

## **Commodities**

Oil prices began the week lower, after another weekly rise in the number of operational oil rigs in the US.

An additional 29 oil rigs had been reported to be operation in the US during the previous week.

Come Tuesday, however US administrative comments regarding perceived undervaluation of the euro sent the \$US lower and consequently oil higher.

In addition, JBC Energy reported general compliance by signatories to OPEC's late-2016 production cut agreement.

A key crude pipeline in Texas was also shut down due to a spillage.

In the meantime, reports emerged of likely oversupply continuing in Asia, as OPEC members and Russia were favouring Asian customers during the output cuts while reducing supplies to Europe and North and South America.

In corporate news this week, Royal Dutch Shell announced it was selling 10 North Sea assets for a combined £2.5B, and followed this Thursday with the worst annual profit (\$US3.5B) in a decade. December quarter

profit had dropped 44%. One analyst noted Shell's debt remained ~three times greater than prior to the BG Group acquisition which had impacted annual results.

ExxonMobil reported 51% lower annual profit of \$US7.8B, following a \$US2B write-down.

In other oil news, Glencore was reported to have taken over from Trafigura in January as the largest purchaser of Ural crude from Rosneft. This was in a large part associated with a deal whereby Glencore and the Qatar Investment Authority reportedly purchased a combined 19.5% of Rosneft, via QHG Trading.

Those analysing records and funds transfers associated with the equity stake continue to question whether the deal has masked at least another buyer, who has gained (and paid more for) a greater portion of this stake than Glencore.

Iron ore (China port, 62% Fe) prices remained stagnant through to Thursday, due to no China port trade during the Lunar New Year and Spring Festival holidays.

Comex gold futures were supported this week by \$US drops Tuesday and Thursday (12-week lows), and safe-haven purchases over at least three sessions.

The previous week, prices had settled lower for the week for the first time in five weeks, but traded early this past Thursday at 12-week peaks.

Some analysts and hedge fund managers this week predicted safe-haven buying would persist, if the US president Donald Trump's style of leadership kept producing equities markets volatility.

Richard Bernstein offered however, that expectations of higher inflation were sufficient reason to boost gold exposure.

In other gold news, the London Bullion Market Association (LBMA) reported an 8.8% increase in the average daily traded ounces of gold during December, to 24.2M. The LBMA said this was likely due to a 6.8% price fall for the month.

The average number of daily transfers dropped 18.6% to 3072 and value of transfers rose 1.4% to \$US27.9B.

In the meantime, an industry website produced the results of an outlook survey, revealing price forecasts had come in at \$US1101/oz - \$US1379/oz.

London Metals Exchange (LME) base metals trade was expected to be light this past week, due to Chinese traders being on holiday through to Thursday.

The volatility often associated with comparatively low-volume trade was attributed this week, however, to \$US swings.

Late-week, reports emerged that UK Financial Conduct Authority concerns over LME surveillance measures for detecting and analysing suspicious trade had perhaps contributed to the loss of the exchange's COO and CEO over the past two months.

Copper continued to receive support early-week from industrial action anticipated at BHP Billiton's Escondida copper operation in Chile.

Prices reached almost 20-month highs, but a five-day Escondida mediation period commenced following Tuesday's vote, and with global stores remaining high, traders opted to take profits over the next two sessions.

Activity at the Cudelco Andina copper mine, also in Chile, was suspended the week previous due to a fatality, the Philippines this week demanded the shut-down of ~50% of metal ore mines, and unrest is expected to continue at the Grasberg operation in Indonesia.

Hence, some industry watchers have predicted further near-term rallying.

Nickel prices benefited from the Philippines order from mid-week, rallying as copper retreated.

The Philippines exports the most nickel of any nation but the directive, on environmental grounds, requires 21 operations to be shut in and an additional six suspended.

The aluminium outlook was again debated, largely on China's need to improve environmental conditions against administrators keen to maintain economic progress ahead of a plenary session (Communist Party

AGM) scheduled for October.

A government document had reportedly proposed shutting down ~33% of production capacity across four provinces during winter, as 25% - 40% of aluminium production costs are attributed to coal-fired electricity generation.

Prices were pushed to 20-month highs, in no small part due to China's position as the most prolific world aluminium producer.

In other 'commodity' news, Mead Johnson's stock price appreciated more than 20% in US trade during one session, after Reckitt Benckiser revealed it had offered the baby food manufacturer \$US90 cash-per-share (~\$US16.7B in total) and had entered 'advanced' acquisition negotiations.

## Economic Calendar 6/02/2017 – 10/02/2017

Monday February 06 2017		Actual	Previous	Consensus	Forecast	
12:00 PM	ID GDP Growth Rate YoY Q4		5.02%	5.07%	5.1%	
12:00 PM	ID Full Year GDP 2016		4.79%	5.03%	5%	
Tuesday February 07 2017		Actual	Previous	Consensus	Forecast	
11:30 AM	AU RBA Interest Rate Decision		1.5%	1.5%	1.5%	
02:45 PM	CH Consumer Confidence Q1		-13		-9	
09:30 PM	CA Balance of Trade DEC		C\$0.53B	C\$0.1B	C\$-0.1B	
09:30 PM	US Balance of Trade DEC		\$-45.2B	\$-45B	\$-45B	
11:00 PM	CA Ivey PMI s.a JAN		60.8		55.6	
Wednesday February 08 2017		Actual	Previous	Consensus	Forecast	
05:00 PM	IN RBI Interest Rate Decision		6.25%	6%	6%	
Thursday February 09 2017		Actual	Previous	Consensus	Forecast	
03:00 PM	DE Balance of Trade DEC		€22.6B		€19.5B	
Friday February 10 2017		Actual	Previous	Consensus	Forecast	
10:00 AM	CN Balance of Trade JAN		\$40.82B		\$32B	
10:00 AM	CN Exports YoY JAN		-6.1%			
10:00 AM	CN Imports YoY JAN		3.1%			
05:30 PM	GB Balance of Trade DEC		£-4.17B		£-2.7B	
09:30 PM	CA Employment Change JAN		53.7K	-10K	-13K	
09:30 PM	CA Unemployment Rate JAN		6.9%	6.9%	6.9%	
11:00 PM	US Michigan Consumer Sentiment Prel FEB		98.5	98	98.2	
Sunday February 12 2017		Actual	Previous	Consensus	Forecast	
	DE German Presidential Election					

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

## Economic Calendar 13/02/2017 – 17/02/2017

Monday February 13 2017		Actual	Previous	Consensus Forecast		
<b>07:50 AM</b>	JP GDP Growth Rate QoQ Prel Q4		0.3%	0.3%	0.4%	
<b>07:50 AM</b>	JP GDP Growth Annualized Prel Q4		1.3%	1.1%	1.5%	
Tuesday February 14 2017		Actual	Previous	Consensus Forecast		
<b>08:30 AM</b>	AU NAB Business Confidence JAN		6	7		
<b>09:30 AM</b>	CN Inflation Rate YoY JAN		2.1%	2.3%		
<b>03:00 PM</b>	DE GDP Growth Rate QoQ Flash Q4		0.2%	0.5%		
<b>03:00 PM</b>	DE GDP Growth Rate YoY Flash Q4		1.5%	1.9%		
<b>05:00 PM</b>	IT GDP Growth Rate QoQ Adv Q4		0.3%	0.2%		
<b>05:00 PM</b>	IT GDP Growth Rate YoY Adv Q4		1%	1%		
<b>05:30 PM</b>	GB Inflation Rate YoY JAN		1.6%	1.25%		
<b>06:00 PM</b>	EA GDP Growth Rate QoQ 2nd Est Q4		0.3%	0.5%	0.5%	
<b>06:00 PM</b>	EA GDP Growth Rate YoY 2nd Est Q4		1.7%	1.8%	1.8%	
<b>06:00 PM</b>	DE ZEW Economic Sentiment Index FEB		16.6	15.76		
Wednesday February 15 2017		Actual	Previous	Consensus Forecast		
<b>07:30 AM</b>	AU Westpac Consumer Confidence Change FEB		0.1%			
<b>07:30 AM</b>	AU Westpac Consumer Confidence Index FEB		97.4			
<b>05:30 PM</b>	GB Claimant Count Change JAN		-10.1K	7K		
<b>05:30 PM</b>	GB Unemployment Rate DEC		4.8%	5%		
<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		2.1%	1.81%		
<b>09:30 PM</b>	US Retail Sales MoM JAN		0.6%	0.3%		
	EA ECB Non-Monetary Policy Meeting					
Thursday February 16 2017		Actual	Previous	Consensus Forecast		
<b>08:30 AM</b>	AU Employment Change JAN		13.5K	13K		
<b>08:30 AM</b>	AU Unemployment Rate JAN		5.8%	5.7%		
<b>02:30 PM</b>	FR Unemployment Rate Q4		10%	9.8%		

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



## All Ords Top 10 Week Ending 3 February 2017

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
RSG	Resolute Mining	12.3	ACX	Aconex Limited	-45.5
BAL	Bellamy'S Australia	8.9	VRT	Virtus Health Ltd	-17.1
MTR	Mantra Group Ltd	7.7	ORE	Orocobre Limited	-15.5
SBM	St Barbara Limited	7.3	ILU	Iluka Resources	-11.2
SAR	Saracen Mineral	7.0	ANN	Ansell Limited	-9.3
A2M	The A2 Milk Company	6.6	HGG	Henderson Group	-8.0
NST	Northern Star	6.4	QAN	Qantas Airways	-7.9
DOW	Downer EDI Limited	6.2	TPM	TPG Telecom Limited	-7.9
NCM	Newcrest Mining	5.7	JHC	Japara Healthcare Lt	-7.8
EVN	Evolution Mining Ltd	5.7	REG	Regis Healthcare Ltd	-7.1

Source: IRESS

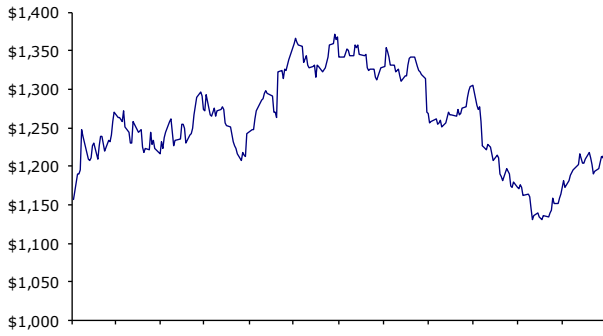
## S & P Indices Week Ending 3 February 2017

S&P Indices	5/02/2017	29/01/2017	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	9075	9323	-2.7%	-2.2%	0.2%
S&P 200 Materials	10106	10439	-3.2%	0.2%	23.2%
S&P 200 Industrials	4974	5014	-0.8%	-5.3%	4.7%
S&P 200 Consumer Disc.	2043	2087	-2.1%	-4.4%	11.4%
S&P 200 Consumer Staples	8873	8944	-0.8%	-0.3%	1.2%
S&P 200 Healthcare	20801	21019	-1.0%	2.5%	15.1%
S&P 200 Financials	6421	6521	-1.5%	-4.3%	5.6%
S&P 200 Info Technology	783	823	-4.8%	-4.7%	8.9%
S&P 200 Telecommunicatic	1775	1791	-0.9%	-3.7%	-10.2%
S&P 200 Utilities	8083	8000	1.0%	1.0%	20.2%
S&P 200 Property Trusts	1334	1343	-0.7%	-3.4%	5.3%
S&P 200 Financials ex PT	7162	7273	-1.5%	-4.3%	2.9%

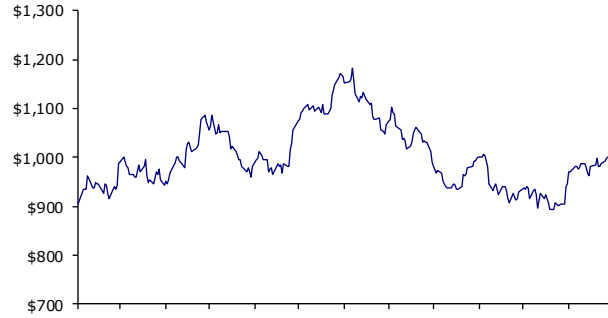
Source: IRESS

### 1 Year Commodity Price Charts

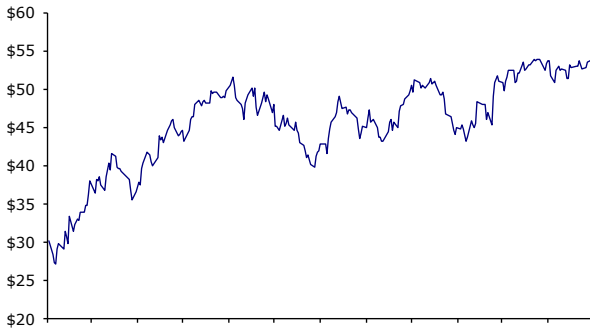
**1 Year Gold**



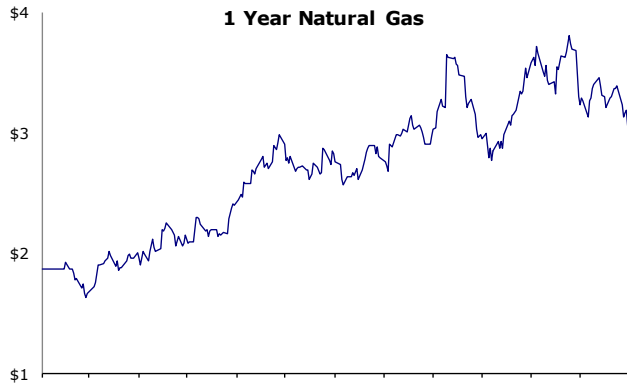
**1 Year Platinum**



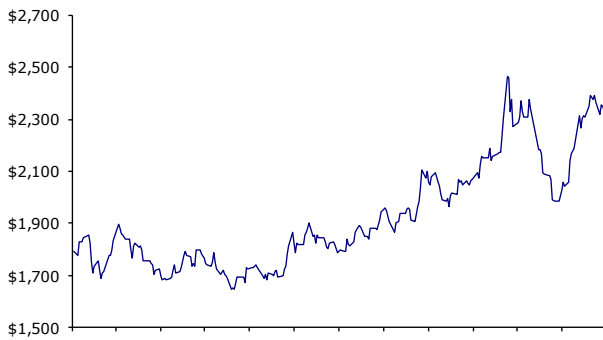
**1 Year Oil**



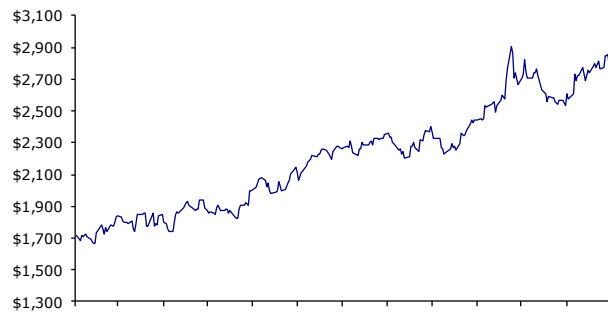
**1 Year Natural Gas**



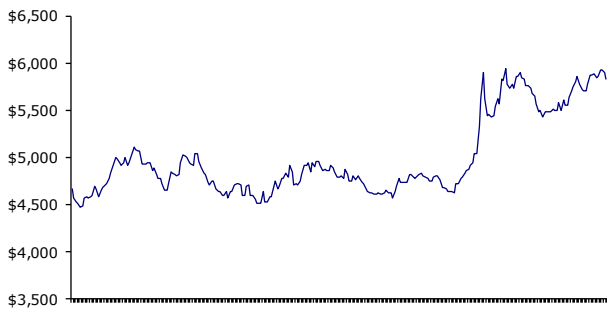
**1 Year Lead**



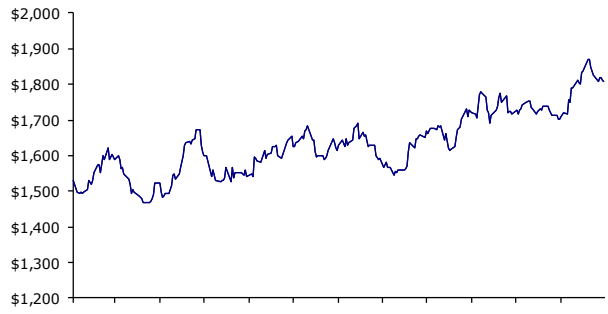
**1 Year Zinc**



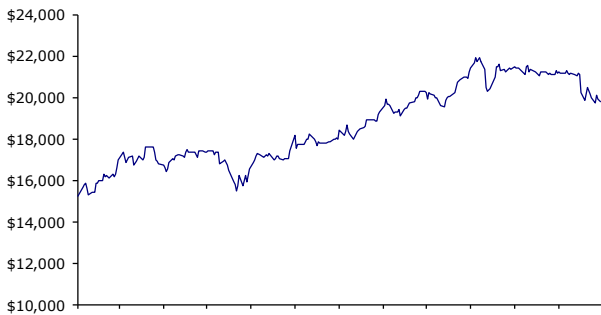
**1 Year Copper**



**1 Year Aluminium**

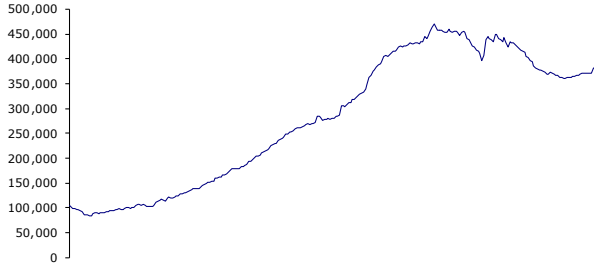


**1 Year Tin**

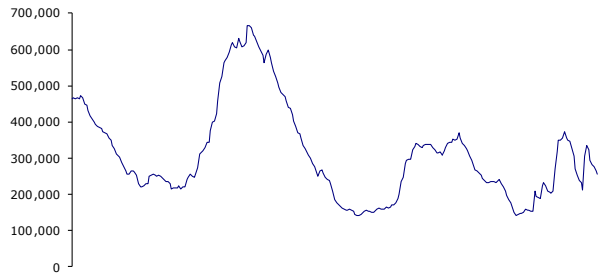


**5 Year Metals Stockpiles**

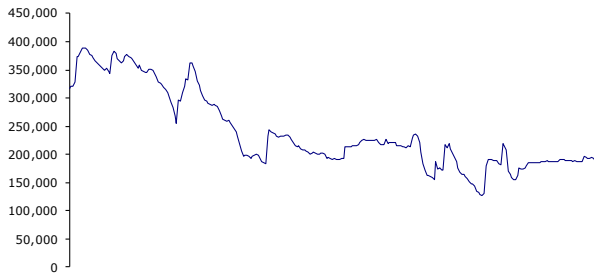
**Nickel LME Stockpiles - 5 Year**



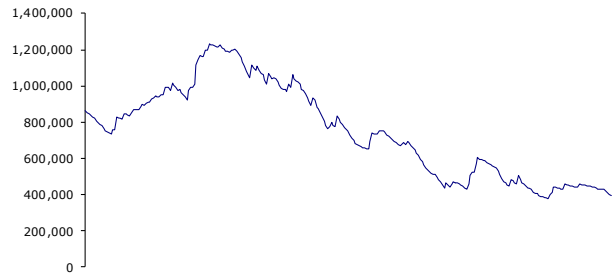
**Copper LME Stockpiles - 5 Year**



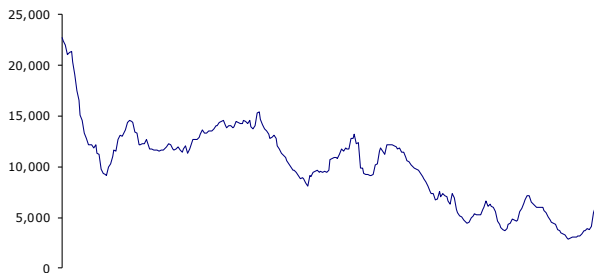
**Lead LME Stockpiles - 5 Year**



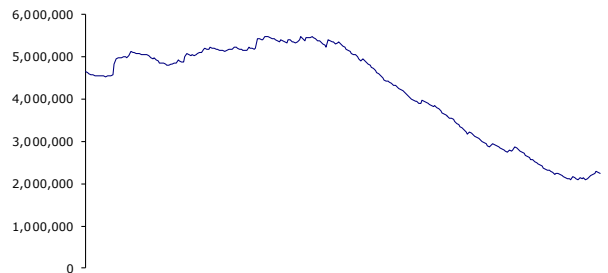
**Zinc LME Stockpiles - 5 Year**



**Tin LME Stockpiles - 5 Year**



**Aluminium LME Stockpiles - 5 Year**



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