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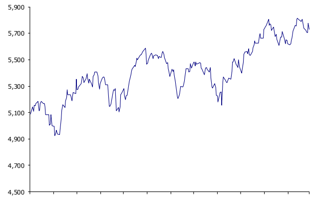
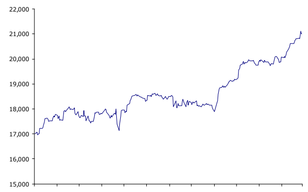
STATE ONE SPINNAKER

5 March 2017
Issue 359

12 month XJO chart



12 month Dow Jones chart



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Global Wrap – 5 March 2017

World Markets	5/03/2017	26/02/2017	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	5730	5739	-0.2%	1.4%	8.8%
Dow Jones	21006	20822	0.9%	4.7%	20.1%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2383	2367	0.7%	3.9%	16.1%
FTSE 100	7374	7244	1.8%	2.6%	15.7%
DAX30	12027	11804	1.9%	4.2%	21.1%
Shanghai Composite	3218	3229	-0.3%	1.1%	-4.5%
Nikkei 225	19469	19107	1.9%	3.0%	5.6%
Hang Seng	23553	23966	-1.7%	0.3%	3.1%
Currency					
AUD/USD	0.7595	0.7674	-1.0%	-1.5%	2.1%
Commodities					
Oil ($/bbl)	53.2	54.0	-1.5%	0.2%	46.7%
Gas ($/gal)	2.8	2.8	0.9%	-10.1%	40.5%
Iron Ore ($/t)	53.9	53.9	0.0%	6.9%	7.8%
Copper ($/t)	5910	5881	0.5%	0.8%	12.1%
Lead ($/t)	2248	2231	0.7%	-5.5%	29.5%
Zinc ($/t)	2872	2822	1.8%	1.6%	67.5%
Aluminium ($/t)	1909	1877	1.7%	4.8%	29.0%
Nickel ($/t)	10900	10680	2.1%	4.4%	4.8%
Tin ($/t)	19425	19250	0.9%	3.5%	21.6%
Gold ($/oz)	1235	1258	-1.8%	-0.7%	5.9%
Silver ($/oz)	18.0	18.4	-2.3%	1.2%	13.6%
Platinum ($/oz)	1001	1032	-3.0%	-1.9%	-1.1%
Wheat ($/t)	453.500	448.000	1.2%	4.9%	-7.6%

Source: Iress

Global Wrap

US

February jobs figures this coming Friday will be interpreted almost exclusively in light of one event – the following week's Federal Reserve policy meeting.

This past Wednesday, the chances of a March rate rise were boosted by the comments of a Federal Reserve official considered closely aligned to chair Janet Yellen. Indeed, through the week several other officials also promoted the idea that data was supporting a near-term rise.

Phrases used included 'appropriate soon' and 'no question' (that rates should rise).

Among new releases across the past week, the ISM's February manufacturing PMI rose 1.7 points for the month to 57.7, a 2.5-year peak.

The Chicago PMI came in at a robust 57.4, 7.1 points higher for the month and the best reading since January 2015.

A Conference Board consumer confidence index was calculated 3.2 points higher for the month at 114.8, decidedly in optimism mode.

New unemployment claims dropped 19,000 within the one week and the four-week moving average by 6250. Moreover, for the whole of February the four-week moving average dropped by 21,500.

Apart from economic reports, president Donald Trump's address to a joint session of Congress Tuesday US time included a figure for planned infrastructure spending - $US1 trillion worth.

Europe

The European Central Bank (ECB) policy meeting this Thursday will likely spawn some pre-sparring, given the euro zone's February CPI was calculated at an annual 2.0%, following 1.8% for January.

The ECB's medium-term CPI target is just below 2%, but officials say they will not reduce stimulus measures while inflation is mostly boosted by higher energy prices.

February core CPI (excluding energy and food prices) remained at 0.9%.

Also this past week, the euro zone's final February manufacturing PMI was reported at 55.4, notably supported by new export orders, and the best reading since April 2011.

Meanwhile, the UK parliament's House of Lords voted for an amendment to the bill proposed to trigger negotiations for separating from the European Union (EU). This could delay the targeted end-of-month start date, as parliamentarians argue the planned rights of EU citizens currently living and/or working in the UK.

A survey also revealed ~25% of European investors expect the euro zone to lose at least one member (of 19) in the medium-term.

This week, Greece and creditors continued their rescue-funding-tied-to-reforms-but-no-debt relief argy bargy. In the meantime, bank deposits in Greece were reported to have fallen by €3.42B during December, to their least since 2001, and by a further €1.63B in January.

Banks throughout the euro zone will face stress-testing based on a higher interest rate scenario, the ECB revealed this week.

Among the week's equity index statistical data, the pan-European STOXX 600 traded at a 15-month high Wednesday, and the FTSE 100 achieved a record high settlement.

France's near-term national election continued to sway sentiment during the week and is expected to do so at least through to the results of final polling in April.

China

February trade figures and CPI due Wednesday and Thursday this week will spark plenty of speculation following the National People's Congress (annual parliamentary meetings), scheduled to commence this weekend.

Especially as this leads later this year into the five-yearly Communist Party National Congress.

Following a new target growth announcement, expected within the next few days, administrators are expected to be particularly sensitive to economic figures and perceived bubbles.

Indeed, this past week some policy tweaking had been anticipated amid speculation further reforms would be prioritised above stimulus.

Late-week the State Administration of Foreign Exchange revealed plans to establish a competitive domestic currency market with a flexible exchange rate system.

Among the week's data releases, February manufacturing PMIs came in better than anticipated, immediately sparking speculation of monetary policy tightening.

China's official (NBS-calculated) manufacturing PMI was reported at 51.6, following 51.3 for January. Caixin's rose 0.7 to 51.7.

Notably, the new export orders component rose the most in a month in almost 2.5 years.

Service sector activity slowed for a fourth consecutive month, however. The NBS February services PMI reading slipped 0.2 to 54.2 and Caixin's pulled back 0.5 to 52.6. New business was reportedly growing, but so was competition.

Japan

A GDP update and trade figures will this week maintain a spotlight on the Bank of Japan, which is due to hold a policy meeting 16 March.

Among Friday's data releases, Japan's January core CPI (excluding fresh food) was reported 0.1% higher year-on-year. This represented the first time the measure had risen on an annual basis since December 2015. For January, core CPI had fallen 0.2%.

Also late this past week, the Bank of Japan was reported to be lowering its 25-year – 40-year sovereign bond purchases by ¥20B to ¥100B.

The coming week's commentary is also likely to include government policy, given a plethora of mixed data releases this past week.

Among them, household spending was reported 0.5% higher for the month, but 1.2% lower year-on-year.

January retail sales rose 1% on an annual basis.

Industrial production fell 0.8% during January, after improving 0.7% in December.

The February services sector activity index fell 0.6 to 51.3, but the employment component rose the most in 45 months.

The final February manufacturing PMI slipped 0.2 from the initial estimate to 53.3, but remained the strongest reading in almost three years.

December quarter business spending also rose more than anticipated.

Australia

The Reserve Bank of Australia (RBA) holds its second policy meeting of the year this coming Tuesday.

Board members are armed with an interesting set of figures.

December quarter **GDP** delivered Australia 25 successive years of growth, with a 1.1% rise and 2.4% annual rate.

Commodity prices boosted export income. Company profits, private and public spending also contributed to the headline figure, as did non-residential property investment.

The -0.5% September quarter reading dragged the national GDP growth rate to just 0.6% for the six months to 31 December, and some said this ought not be dismissed, given low wages growth will likely again moderate consumer spending.

In addition, high household debt, any shift higher in rates and potential government policy change could dampen residential property investment.

Economists also ventured mining sector investment could pull back, in particular given predictions the boost to iron ore and coal prices over the past several months is not likely to be sustained. Nonetheless, December quarter mining investment rose ~1.3%, the first rise after 12 consecutive quarterly declines.

Some pointed to a significant proportion of mining company profits going to shareholders, rather than into development and expansion, as a sign sector executives remained cautious regarding international conditions and outlooks. Not only the miners, but also businesses across other sectors, would likely remain focused on paying down debt and boosting cash reserves, some analysts ventured.

Economists also warned GDP was not the only indicator of economic health.

Indeed, national treasury secretary John Fraser was keen to describe Australia's economic outlook as 'finely balanced'. Mr Fraser included an ongoing transition away from mining investment reliance, and US policy uncertainty, in his rationale.

Among the week's notable numbers, the December quarter **current account deficit** slimmed to $3.9B from

$10.2B at the end of the September quarter, with export earnings up 11.8% ($9.7B).

January **trade** figures, released a day after December quarter GDP, set the proverbial cat among the pigeons regarding March quarter GDP, however.

The national trade surplus plummeted $A2B to $A1.3B.

This came from a 3.7% ($1.09B) increase in the value of imports against a 2.9% ($945M) fall for exports.

Exports had been expected to rise 1.2% and imports to perhaps come in flat.

Further, December's surplus was lowered from $3.5B to $3.3B.

Economists were quick to point out however, that Newcrest Mining's flood-affected output impacted gold exports, which fell 39% ($671M).

Coal exports fell 7% ($406M), also attributed to adverse weather, but on the other side of Australia.

January **private sector credit** grew just 0.2% in January, although this followed a 0.7% increase for December.

Business credit slipped 0.3%, but had risen 1.1% in December.

January **building approvals**, also released the day following the GDP figures, surprised with a 1.8% increase for residential approvals, following a 2.5% drop in December.

Year-on-year, though, housing approvals fell 12%.

House prices rose again, but the variance between States appeared even more marked. Sydney's prices jumped 18.4% in the year to 28 February and Perth's fell 4.5%.

Meanwhile, the AiG's February **manufacturing** PMI rose 8.1 points to 59.3, the highest estimate since May 2002. New orders, sales and employment each supported the increase.

The services sector PMI came in at a contractionary 49, 5.5 points lower than for January.

New vehicle sales notably dropped 7.7% year-on-year for February, although one less selling day was noted.

Early-week, the Australian Bureau of Statistics released a mixed December quarter business indicators report, calculating company gross profits had risen 20.1% for the quarter and 26.2% for the year. December quarter wages and salaries had fallen 0.5% however, and were just 1.0% higher for the year.

By Tuesday, the RBA will also have in hand February retail sales, a February construction sector activity index from the AiG, February job advertisements courtesy of ANZ, and an inflation report from TD Securities and the Melbourne Institute.

An Organisation for Economic Co-operation & Development (OECD) report in the meantime has echoed others' concerns regarding ability to service high household debt should Sydney and Melbourne property prices drop quickly.

This could happen due to external events that could force commodity prices down, the OECD reasoned. This would in turn impact property demand, and hence values, and the effects would flow through the broader economy.

This week, the Australian Prudential Regulation Authority (APRA) noted that some lenders were approaching a 10% regulatory cap on lending growth to residential property investors.

For its part, the Australian Securities & Investments Commission (ASIC) acknowledged it had been investigating several financial institutions regarding a tendency to offer property mortgages without sufficient checks on borrowers' abilities to service the loans.

The $A languished this week, after January's trade statistics were revealed, and Westpac economists advised that those who have been still been betting on $A/$US strength were overdue in taking profits. However, Westpac also admonished that it was not too late to take action, predicting further downward drifts.

Commodities

Oil prices suffered from the strengthening $US over consecutive sessions this past week, trading at three-week lows come Thursday.

Plenty of other commentary and figures continued to sway intra-session trade, however.

US government agency Energy Information Administration (EIA) reports proved interesting.

US exports dropped to a daily 721,000bbl after exceeding 1MMbbl/d for each of the two previous weeks, the EIA calculated.

January – February daily exports had averaged 764,000bbl for the week ending 24 February, against a daily 423,000bbl for January-February 2015.

Daily production for the four weeks to 24 February was calculated to have averaged 9MMbbl.

Nigeria's oil minister Emmanuel Ibe Kachikwu highlighted a certain angst for fellow OPEC members, warning they needed to reduce costs to compete with shale producers.

The comment came the same week as Nigeria reported December quarter GDP had contracted 1.3% on an annual basis, representing a fourth consecutive quarterly fall. Nigeria's economy had grown 2.8% in 2015 but for 2016 declined 1.5%, the first annual pullback in 25 years.

A stoush was potentially brewing regarding the output cut agreement brokered by OPEC late-2016. Commerzbank claimed Saudi Arabia was doing the heavy lifting towards the estimated 94% overall compliance, but that the United Arab Emirates, Iraq and Russia (non-OPEC) were notably behind in achieving their promised reductions.

Angola was also reported to be reducing its output at a faster pace than several other nations who agreed to pull back on production.

Estimates for Russia's output placed the nation's cut by the end of February at a daily 100,000bbl, the same as at 31 January, against a promised target of three times that amount. Moreover, Russia had agreed to cut by a daily 200,000bbl during the March quarter, so this month, to be in compliance, needs to reduce production a further 100,000bbl/d.

Saudi Arabia is reportedly hoping the overall reductions deliver ~$US60/bbl prices – sufficient to entice investment but not prompt producers to overdo supply.

Of particular interest this week was BP's revelation that it was working towards a $US35/bbl - $US40/bbl break-even range by 2021.

Russia's energy minister Alexander Novak predicted Brent crude would likely average $US55/bbl - $US60/bbl this year. Crude blend from the Urals would probably come in $US2/bbl - $US3/bbl lower than for Brent, Mr Novak also offered.

In other energy sector news and commentary, Moody's would not be surprised should Korea Gas Company not renew up to 10 Middle East LNG supply contracts, given some perception that demand is softening and that an abundance of competitive product is available from Australia and the US.

RBC Capital Markets however, noted that LNG demand had appeared strong across China, Japan and South Korea during early-2017.

Metallurgical coal prices have continued to pull back, this week prompting UBS to revise its 2017 average price forecast from $US213/t to $US181/t.

Prices for Australian metallurgical coal reached $US308/t in November 2016.

Iron ore (China port, 62% Fe) prices and Dalian iron ore and steel futures chopped this week.

Wednesday, the higher-grade ore prices barely changed, even though coking coal prices rallied, indicating something other than recent factors was at play.

Indeed, talk has grown louder concerning a possible end to steel and iron ore futures rallies, mostly due to recent prices encouraging smaller operators to recommence or boost output.

Softening construction sector demand was the key factor, others claimed.

Yet others pointed to late-February reports of regulators looking into commodity futures speculation and possible market distortion.

Nonetheless spot high-grade iron ore prices remain relatively robust, remaining at ~17% higher than December 2016 prices.

Among the forecasters, UBS has raised its 2017 iron ore price prediction from $US56/t to $US71/t and the 2018 forecast has moved from $US52/t to $US57/t.

Higher steel prices and hence margins for manufacturers were expected to support iron ore through the first half of 2017, UBS reasoned.

HSBC is of the view that a steeper price fall is in store the longer iron ore prices stay comparatively high. The bank is predicting a 40Mt surplus by the December quarter and prices at ~$US50/t. Despite record high stockpiles at ports in China, iron ore has been estimated to be in deficit by 10Mt during the March quarter.

China Hanking Holdings chief Pan Guocheng argues however, that as China's iron ore output had fallen ~33% since 2013 on lower prices, the smaller domestic iron ore operations could resume on prices stronger than $US80/t.

Steel prices have apparently sparked a similar effect. Argonaut securities reported China's national steel production the initial 10 days of February following Lunar New year was ~9% higher than for the same period in 2015.

Comex gold futures attained new 3.5-month peaks Monday, but US interest rate expectations and hence $US strength produced declines from as early as Tuesday.

Among facts of interest this past week, Venezuela was reported to be holding $US10.5B worth of foreign reserves as at 31 December 2016, $US7.7B of these in gold. This, even though the gold reserves were $2.3B lower than for the end of 2015.

Commerzbank sounded a silver warning, given that prices had been pushed 15% higher for the year to date, largely on spec positioning. The bank's economists suggested mid-year prices would be sitting at ~$US18.5/oz.

London Metals Exchange (LME) base metals mostly trade reacted to manufacturing data, $US strength and general investor sentiment this week.

Copper was at times also supported by the Escondida, Chile and Grasberg, Papua production cutbacks. However, industry experts also continued to caution prices may have rallied beyond fundaments.

Deutsche Bank has warned aluminium prices could pull back, in part due to China's production looking set to surpass output forecasts.

China's regulators placed some environmentally-based restrictions on output during the colder months and this continued to support prices for part of this week, until outweighed by $US strength.

As with steel, higher prices mean higher margins and hence it is more tempting for manufacturers to try to circumnavigate curbs.

In other commodity news, Australian wool prices continued to appreciate at auctions this week. Prices have reportedly risen 35% over the past two years. This past week, the AWEX Eastern Market Indicator reached $A15/kg. The wool most in demand is headed not only for China, but also India and Italy.

Economic Calendar 6/03/2017 – 10/03/2017

Time	Country	Event	Actual	Previous	Consensus	Forecast
Tuesday March 07 2017			Actual	Previous	Consensus	Forecast
11:30 AM	AU	RBA Interest Rate Decision		1.5%		1.5%
06:00 PM	EA	GDP Growth Rate QoQ 3rd Est Q4		0.3%		0.5%
06:00 PM	EA	GDP Growth Rate YoY 3rd Est Q4		1.7%		1.8%
08:00 PM	BR	GDP Growth Rate QoQ Q4		-0.8%		-0.2%
08:00 PM	BR	GDP Growth Rate YoY Q4		-2.9%		-2.1%
09:30 PM	CA	Balance of Trade JAN		C$0.92B		
09:30 PM	US	Balance of Trade JAN		$-44.3B		$ -44.2B
11:00 PM	CA	Ivey PMI s.a FEB		57.2		55.51
Wednesday March 08 2017			Actual	Previous	Consensus	Forecast
07:50 AM	JP	GDP Growth Annualized Final Q4		1.3%	1%	1%
08:30 AM	AU	NAB Business Confidence FEB		10		8.75
10:00 AM	CN	Balance of Trade FEB		$51.35B		
10:00 AM	CN	Exports YoY FEB		7.9%		
10:00 AM	CN	Imports YoY FEB		16.7%		
09:15 PM	US	Adp Employment Change FEB		246K		150K
Thursday March 09 2017			Actual	Previous	Consensus	Forecast
09:30 AM	CN	Inflation Rate YoY FEB		2.5%		2.62%
08:45 PM	EA	ECB Interest Rate Decision		0%		0%
09:30 PM	EA	ECB Press Conference				
Friday March 10 2017			Actual	Previous	Consensus	Forecast
03:00 PM	DE	Balance of Trade JAN		€18.7B		
05:30 PM	GB	Balance of Trade JAN		£-3.30B		
09:30 PM	CA	Employment Change FEB		48.3K		29.4K
09:30 PM	CA	Unemployment Rate FEB		6.8%		6.8%
09:30 PM	US	Non Farm Payrolls FEB		227K		175K
09:30 PM	US	Unemployment Rate FEB		4.8%		4.8%

Source: www.tradingeconomics.com

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Economic Calendar 13/03/2017 – 17/03/2017

Tuesday March 14 2017	Actual	Previous	Consensus	Forecast
08:30 AM AU **NAB Business Confidence** FEB		10		8.75
06:00 PM DE **ZEW Economic Sentiment Index** MAR		10.4		9.5
Wednesday March 15 2017	**Actual**	**Previous**	**Consensus**	**Forecast**
07:30 AM AU **Westpac Consumer Confidence Index** MAR		99.6		
07:30 AM AU **Westpac Consumer Confidence Change** MAR				
05:30 PM GB **Unemployment Rate** JAN		4.8%		5%
08:30 PM US **Core Inflation Rate YoY** FEB		2.3%		2.2%
08:30 PM US **Inflation Rate YoY** FEB		2.5%		2.5%
08:30 PM US **Retail Sales MoM** FEB		0.4%		0.34%
Thursday March 16 2017	**Actual**	**Previous**	**Consensus**	**Forecast**
02:00 AM US **Fed Interest Rate Decision**		0.75%		1%
02:00 AM US **FOMC Economic Projections**				
02:30 AM US **Fed Press Conference**				
08:30 AM AU **Employment Change** FEB		13.5K		13.3K
08:30 AM AU **RBA Bulletin**				
08:30 AM AU **Unemployment Rate** FEB		5.7%		5.7%
11:00 AM JP **BoJ Interest Rate Decision**		-0.1%		-0.1%
04:30 PM CH **SNB Interest Rate Decison**		-0.75%		
08:00 PM GB **MPC Meeting Minutes**				
08:00 PM GB **BoE Interest Rate Decision**		0.25%	0.25%	0.25%
08:00 PM GB **BoE Quantitative Easing**		£435B	£435B	£435B
Friday March 17 2017	**Actual**	**Previous**	**Consensus**	**Forecast**
10:00 PM US **Michigan Consumer Sentiment Prel** MAR		96.3		95.52

Source: www.tradingeconomics.com

All Ords Top 10 Week Ending 3 March 2017

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
WOR	WorleyParsons Ltd	30.2	RSG	Resolute Mining	-23.9
NAN	Nanosonics Limited	13.7	ORE	Orocobre Limited	-19.8
CTD	Corp Travel Limited	9.9	SYR	Syrah Resources	-17.3
S32	South32 Limited	9.8	SBM	St Barbara Limited	-15.9
CGC	COSTA GROUP HOLDINGS	8.8	SPO	Spotless Grp Hld Ltd	-12.3
GTY	Gateway Lifestyle	7.4	ISD	Isentia Group Ltd	-11.0
CWY	Cleanaway Waste Ltd	7.3	NCM	Newcrest Mining	-10.3
BRG	Breville Group Ltd	7.2	SAR	Saracen Mineral	-9.8
TME	Trade Me Group	6.9	EVN	Evolution Mining Ltd	-9.7
ALL	Aristocrat Leisure	6.8	RFG	Retail Food Group	-9.6

Source: IRESS

S & P Indices Week Ending 3 March 2017

S&P Indices	5/03/2017	26/02/2017	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	8787	8995	-2.3%	-1.8%	-2.9%
S&P 200 Materials	9915	9978	-0.6%	-2.4%	20.9%
S&P 200 Industrials	5076	5136	-1.2%	0.0%	6.8%
S&P 200 Consumer Disc.	2085	2066	0.9%	2.3%	13.7%
S&P 200 Consumer Staples	9181	9350	-1.8%	3.2%	4.7%
S&P 200 Healthcare	21799	21489	1.4%	3.9%	20.6%
S&P 200 Financials	6696	6665	0.5%	3.6%	10.1%
S&P 200 Info Technology	816	805	1.3%	3.3%	13.4%
S&P 200 Telecommunicatic	1622	1698	-4.5%	-8.8%	-17.9%
S&P 200 Utilities	8261	8101	2.0%	3.5%	22.8%
S&P 200 Property Trusts	1373	1367	0.4%	1.7%	8.4%
S&P 200 Financials ex PT	7468	7434	0.5%	3.6%	7.3%

Source: IRESS

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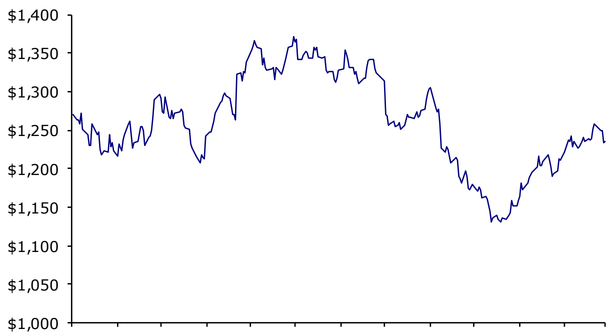
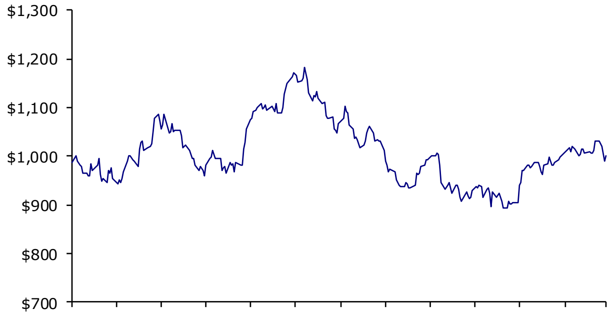
1 Year Commodity Price Charts

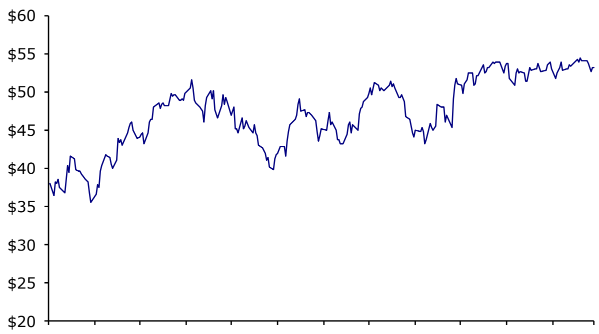
1 Year Gold



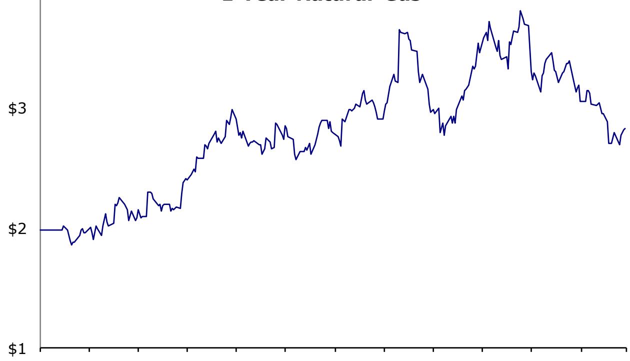
1 Year Platinum



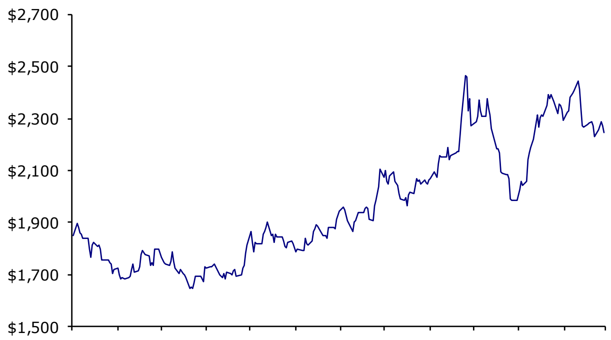
1 Year Oil



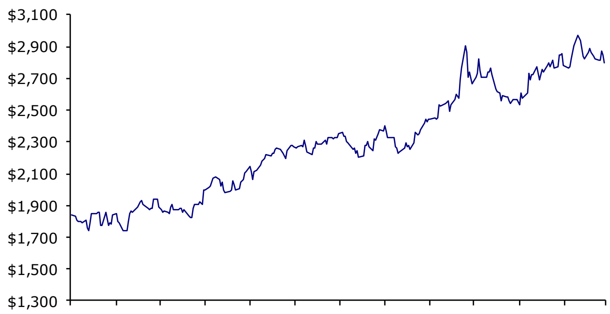
1 Year Natural Gas

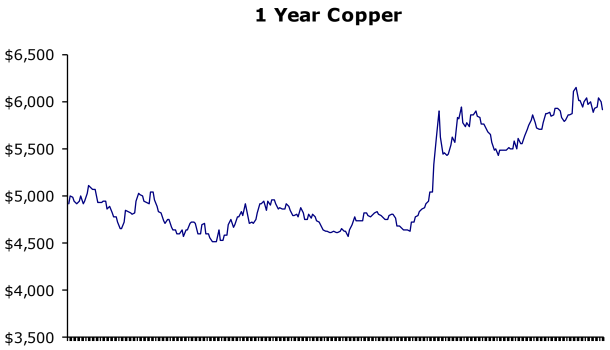


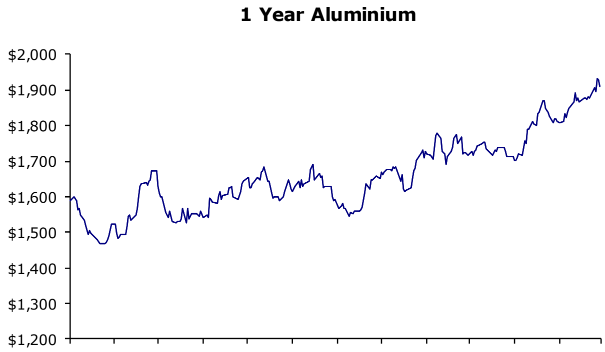
1 Year Lead

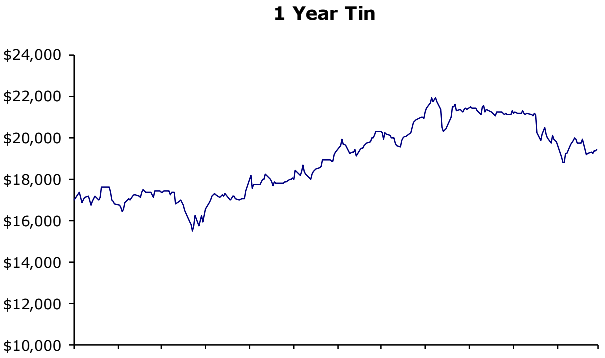


1 Year Zinc

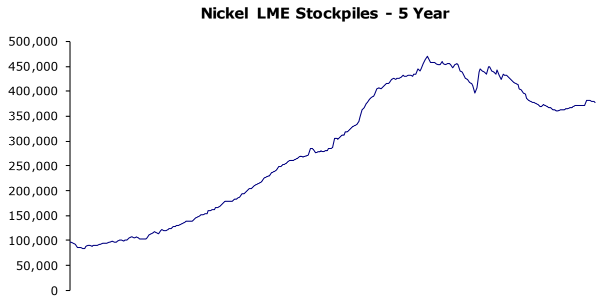


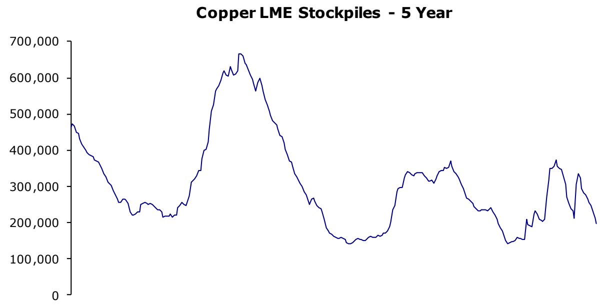


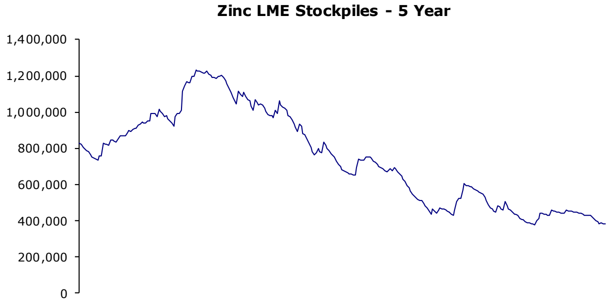


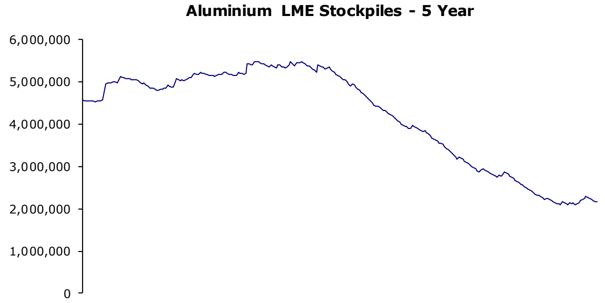


5 Year Metals Stockpiles









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