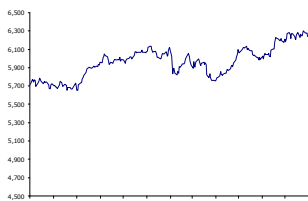


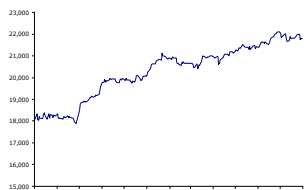
STATE ONE SPINNAKER

5 August 2018
Issue 422

12 month XJO chart



12 month Dow Jones chart



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Overview

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Global Wrap – 5 August 2018

World Markets	5/08/2018	29/07/2018	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	6235	6300	-1.0%	0.3%	12.5%
Dow Jones	21798	21988	-0.9%	-1.0%	18.0%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2840	2819	0.8%	2.4%	26.5%
FTSE 100	7659	7701	-0.5%	0.9%	10.5%
DAX30	12616	12860	-1.9%	1.6%	3.6%
Shanghai Composite	2740	2869	-4.5%	-3.4%	-14.8%
Nikkei 225	22525	22545	-0.1%	1.5%	20.0%
Hang Seng	27676	28804	-3.9%	-2.2%	21.1%
Currency					
AUD/USD	0.7399	0.7408	-0.1%	0.3%	-6.7%
Commodities					
Oil (\$/bbl)	68.6	70.1	-2.1%	-2.5%	38.6%
Gas (\$/gal)	2.9	2.8	2.6%	2.1%	-3.5%
Iron Ore (\$/t)	0.0	53.9	-100.0%	-100.0%	-100.0%
Copper (\$/t)	6167	6252	-1.4%	-0.2%	5.6%
Lead (\$/t)	2136	2138	-0.1%	-4.8%	-8.4%
Zinc (\$/t)	2628	2596	1.2%	2.1%	-4.2%
Aluminium (\$/t)	2016	2055	-1.9%	-4.9%	16.4%
Nickel (\$/t)	13130	13720	-4.3%	-3.7%	15.5%
Tin (\$/t)	19875	19925	-0.3%	2.2%	-7.1%
Gold (\$/oz)	1223	1233	-0.8%	-1.5%	4.3%
Silver (\$/oz)	15.5	15.5	-0.2%	-2.3%	-9.6%
Platinum (\$/oz)	837	832	0.6%	0.8%	-10.7%
Wheat (\$/t)	578.500	529.750	9.2%	22.4%	41.7%

Source: Iress

Global Wrap

Key points

1. Earnings offset trade tensions in US
2. Banks, resources weigh on ASX
3. Stock analysis: Vonex and other telcos

US

The S&P 500 and the Dow Jones Industrial Average gained ground but the Nasdaq was essentially flat on Friday as positive earnings helped investors overlook heightened trade tensions and weaker than expected July jobs growth, Reuters reported.

The S&P 500 index rose 13.13 points, or 0.5%, to 2,840.35. The Dow Jones Industrial Average gained 136.42 points, or 0.5%, to 25,462.58. The Nasdaq composite rose 9.33 points, or 0.1%, to 7,812.01.

China upped the ante on the trade dispute, announcing new retaliatory tariffs on 5,207 goods imported from the US, including liquefied natural gas (LNG) and some aircraft.

Chinese officials had vowed to reciprocate earlier last week when the Trump administration proposed hiking tariffs to 25% on \$200 billion worth of goods imported from China.

The trade-sensitive industrials sector edged down 0.1% on the developments.

A report from the Labor Department showed the US economy had added 157,000 jobs in July, fewer than the 190,000 economists expected, though the unemployment rate edged down to 3.9%.

Other data showed the US trade deficit in June surged 7.3% to \$46.3 billion, its biggest increase since November 2016.

The politically sensitive trade gap with China widened by 0.9% to \$33.5 billion.

Shares of Apple were up modestly a day after becoming the first publicly traded US company to reach \$1 trillion in market value.

The second-quarter reporting season nears its final stretch next week, with 406 of the companies in the S&P 500 having reported, 78.6% of which came in above Street estimates, according to Thomson Reuters data.

The main data releases next week are jobless claims on Thursday and CPI on Friday.

China

China-focused stocks and the renminbi fell in the morning session in Asia on Friday as fears over the trade war between the US and China continued to worry investors, The Financial Times reported.

The CSI 300 index of major Shanghai and Shenzhen stocks fell 0.5 per cent, while in Hong Kong, the Hang Seng China Enterprises index dropped 0.4 per cent. Both indices are trading just ahead of their lowest points since mid-2017.

Investors remained wary after US-China trade tensions intensified.

Meanwhile a gauge of China's services sector growth showed it had slowed in July, as business confidence fell to a near-record low.

This coming week China's trade balance will be released on Wednesday and its CPI on Thursday.

Japan

Tokyo's key Nikkei index closed flat on Friday as investors retreated to the sidelines over global trade frictions and ahead of the release of key jobs data, The Japan Times reported.

The Nikkei 225 edged up only 0.06% or 12.65 points to 22,525.18. The broader Topix index fell 0.54% or 9.51 points to end at 1,742.58, dragged down by drops in bank shares.

Meanwhile Japan's stock market overtook China's to be the world's second-biggest as China suffers from the threat of a trade war with the US and slowing economic growth.

Data from Bloomberg News in intra-day trade on Friday showed the value of equities on the mainland had slipped behind those in their neighbouring country for the first time since taking the number-two spot in 2014.

The figures showed Chinese stocks were worth \$6.09 trillion, compared with \$6.17 trillion in Japan.

Next week Japanese investors will be watching Overall Household Spending data on Monday; the Leading and Coincident Indexes, and trade balance on Tuesday; and the Economic Watchers Survey on Wednesday.

Europe

The pan-European [Stoxx 600](#) closed down 0.82% with almost every sector in the red. Basic resources dropped 2.96% and auto stocks fell 1.02% on the back of trade concerns.

The main data releases out of Europe this coming week are the UK trade balance, industrial production and GDP on Friday.

Australia

The ASX ended a downbeat week on a lacklustre note as banks led index losses on Friday, Fairfax Media reported.

The S&P/ASX 200 index slipped 6 points, or 0.1%, to 6234 on Friday, for a weekly loss of 1%.

The All Ordinaries ended the day 1 point lower at 6326 and the Australian dollar traded at US73.62c.

The sector was 1.6% lower for the week, with investors fretting about the sustainability of earnings ahead of Apple's results after some less than stellar reports from other technology companies.

Banks were under pressure on Friday after the Productivity Commission lashed lenders for flooding the market with products that offered only temporary and illusory benefits.

Commonwealth Bank shares declined 1.2% to \$72.83, Westpac shares dipped 1% to \$28.91, National Australia Bank fell 0.6% to \$27.64 and ANZ shares lost 0.9% to \$28.64.

The losses at the end of the week for the banks brought weekly declines for the financial sector of to 2%, with round five of royal commission hearings into the financial sector set to start next week.

However miners were the worst performing sector over the week, with the sector recording a loss of 2.4% over the five-day period.

Renewed worries about trade between the US and China gripped commodity-sector investors this week while a strengthening US dollar provided another headwind for the sector.

On Friday BHP fell 1.6% to \$33.38 and South32 fell 2.6% to \$3.43 while Rio Tinto lost 1.4% to \$76.54.

Some of the smaller names were the weakest performers over the week, with Orocobre down 11.7% at \$4.27 and Independence Group dropping 10.9% to \$4.37.

On the plus side, telecoms climbed 2.1% over the week and energy stocks rose 1.1%.

The Reserve Bank of Australia's interest rate decision will be announced on Tuesday, with no change expected from the current cash rate of 1.5%. Governor Philip Lowe will deliver a speech on Wednesday, which will be scrutinised by investors.

Commodities

Gold prices bounced Friday after weaker-than-expected US jobs data, but still headed for the lowest weekly finish of 2018 or worse versus most major currencies, BullionVault reported.

Oil prices fell on Friday as OPEC production increased. However a falling rig count and fears that US production may be below estimates is providing some support.

Stock analysis: Vonex and other telcos

It is estimated that the rollout of the National Broadband Network (NBN) will require millions of customers having to disconnect from Telstra's copper/landline network and reconnect to the new (government-owned) fibre-optic network.

This will act as a catalyst to spread market share more evenly and provide opportunities for nimble technology-driven telco players.

Australia has 2.1 million small to medium businesses (SME), with 1.75 million still to connect to NBN over the next five years.

One player which stands to benefit from this "forced disruption" to the domestic telecom scene is recently listed Vonex Limited (ASX:VN8).

On 2 August 2018, Vonex Limited (ASX:VN8) announced that it had secured a one-year, renewable, Cooperative Marketing and Master Partnering Agreement with NASDAQ and TSX-listed CounterPath Corporation.

The partnership agreement will involve both parties collaboratively working on new customer growth in Australia.

VN8 believes that this could open much larger opportunities to work with enterprise clients previously not

targeted, plus enable the group to expand its offering to existing business, enterprise, and channel customers.

Vonex will also white-label selected CounterPath products and sell under its own brand.

To this end, VN8 has made an initial order of 10,000 licenses for the Bria and Stretto products.

In turn, existing Counterpath customers, who currently only access software solutions, can now be offered connection to Vonex's VoIP solutions.

In addition to the joint marketing activities, the development and engineering divisions of both groups will engage in a range of collaborative engineering activities.

Our indicative NPV₁₀ (after-tax) valuation for VN8's Retail business is A\$105m (48c per fully diluted share).

Including the wholesale business and a deeply discounted risk-weighted valuation for VN8's Oper8tor communications application, we calculate a group sum-of-the-parts valuation closer to A\$150m (A\$68c per fully diluted share).

At current share price levels, we suggest that VN8 offers significant upside potential for speculative investors as the group grows its footprint in the Australian telecommunications sector.

Risks to our revenue and target price forecasts include but are not limited to: new customer acquisition growth profile, price competition from existing and new telecom players targeting small to medium businesses in Australia, government regulation, timing of Oper8tor launch and subsequent uptake.

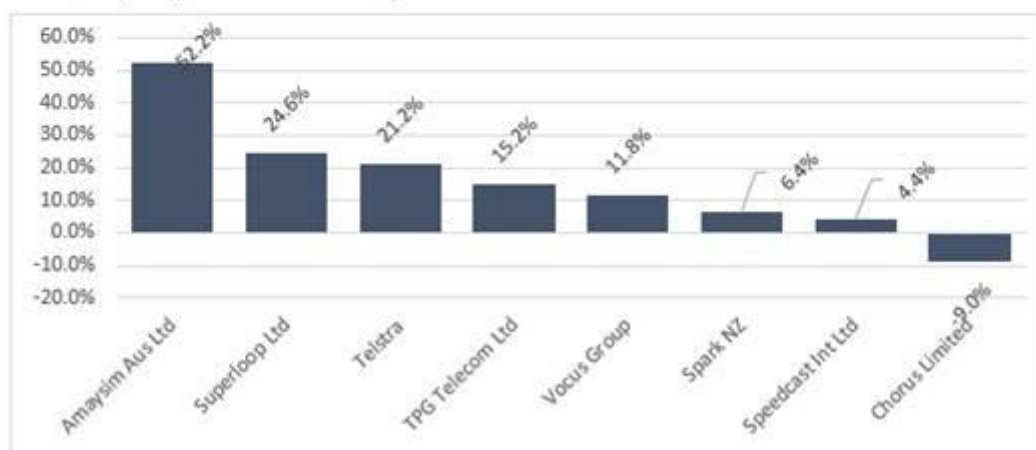
Looking at larger cap plays, Amaysim (ASX:AYS), Superloop (ASX:SLC), and Telstra (ASX:TLC) offer the most upside (52%, 25%, and 21% respectively). relative to their IRESS-consensus target prices and FY18E dividend yields.

See table below.





















Forecast total return for S&P/ASX 300 Telecommunications stocks

Security	Name	Share Price (A\$)	Target Price (A\$)	Capital upside / (downside) (%)	FY18E Dividend (A\$)	FY18E DY (%)	Total Return (%)
AYS	Amaysim Aus Ltd	0.92	1.37	48.9%	0.03	3.3%	52.2%
SLC	Superloop Ltd	2.32	2.88	24.1%	0.01	0.4%	24.6%
TLS	Telstra	2.83	3.21	13.4%	0.22	7.8%	21.2%
TPM	TPG Telecom Ltd	5.78	5.88	1.7%	0.78	13.5%	15.2%
VOC	Vocus Group	2.45	2.74	11.8%	0.00	0.0%	11.8%
SPK	Spark NZ	3.42	3.41	-0.3%	0.23	6.7%	6.4%
SDA	Speedcast Int Ltd	6.19	6.37	2.9%	0.09	1.5%	4.4%
CNU	Chorus Limited	3.98	3.40	-14.6%	0.22	5.5%	-9.0%

Source: IRESS, compiled by State One Stockbroking





















Economic Calendar 6/08/2018 – 10/08/2018

Monday August 06 2018			Actual	Previous	Consensus
12:00 PM	 ID	GDP Growth Rate YoY Q2		5.06%	5.16%
Tuesday August 07 2018			Actual	Previous	Consensus
12:30 PM	 AU	RBA Interest Rate Decision		1.5%	1.5%
02:00 PM	 DE	Balance of Trade JUN		€19.7B	+
10:00 PM	 CA	Ivey PMI s.a JUL		63.1	64.8
Wednesday August 08 2018			Actual	Previous	Consensus
11:00 AM	 CN	Balance of Trade JUL		\$41.61B	\$38.75B
11:00 AM	 CN	Exports YoY JUL		11.3%	10%
11:00 AM	 CN	Imports YoY JUL		14.1%	17%
Thursday August 09 2018			Actual	Previous	Consensus
09:30 AM	 CN	Inflation Rate YoY JUL		1.9%	2%
Friday August 10 2018			Actual	Previous	Consensus
07:50 AM	 JP	GDP Growth Rate QoQ Prel Q2		-0.2%	0.3%
07:50 AM	 JP	GDP Growth Annualized Prel Q2		-0.6%	1.4%
09:30 AM	 AU	RBA Statement on Monetary Policy			+
04:30 PM	 GB	Balance of Trade JUN		£-2.79B	+
04:30 PM	 GB	GDP Growth Rate QoQ Prel Q2		0.2%	0.4%
04:30 PM	 GB	GDP Growth Rate YoY Prel Q2		1.2%	1.3%
04:30 PM	 GB	Monthly GDP 3-Month Avg JUN		0.2%	0.4%
08:30 PM	 CA	Employment Change JUL		31.8K	17.5K
08:30 PM	 CA	Unemployment Rate JUL		6%	5.9%
08:30 PM	 US	Core Inflation Rate YoY JUL		2.3%	2.3%
08:30 PM	 US	Inflation Rate YoY JUL		2.9%	3%
09:00 PM	 RU	GDP Growth Rate YoY Prel Q2		1.3%	+

Source: www.tradingeconomics.com

Economic Calendar 13/08/2018 – 17/08/2018

Tuesday August 14 2018			Actual	Previous	Consensus
09:30 AM	 AU	NAB Business Confidence JUL		6	+
01:30 PM	 FR	Unemployment Rate Q2		9.2%	+
02:00 PM	 DE	GDP Growth Rate YoY Flash Q2		2.3%	+
02:00 PM	 DE	GDP Growth Rate QoQ Flash Q2		0.3%	0.4%
04:30 PM	 GB	Claimant Count Change JUL		7.8K	+
04:30 PM	 GB	Unemployment Rate JUN		4.2%	+
05:00 PM	 EA	GDP Growth Rate YoY 2nd Est Q2		2.5%	2.1%
05:00 PM	 EA	GDP Growth Rate QoQ 2nd Est Q2		0.4%	0.3%
05:00 PM	 DE	ZEW Economic Sentiment Index AUG			+
Wednesday August 15 2018			Actual	Previous	Consensus
08:30 AM	 AU	Westpac Consumer Confidence Change AUG		3.9%	+
08:30 AM	 AU	Westpac Consumer Confidence Index AUG		106.1	+
04:30 PM	 GB	Inflation Rate YoY JUL		2.4%	2.6%
08:30 PM	 US	Retail Sales MoM JUL		0.5%	0.4%
Thursday August 16 2018			Actual	Previous	Consensus
07:50 AM	 JP	Balance of Trade JUL		¥721B	¥534B
09:30 AM	 AU	Employment Change JUL		50.9K	+
09:30 AM	 AU	Unemployment Rate JUL		5.4%	+
Friday August 17 2018			Actual	Previous	Consensus
08:30 PM	 CA	Inflation Rate YoY JUL		2.5%	2.4%
10:00 PM	 US	Michigan Consumer Sentiment Prel AUG		97.9	+

Source: www.tradingeconomics.com

All Ords Top 10 Week Ending 3 August 2018

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
CCP	Credit Corp Group	18.9	RRL	Regis Resources	-16.7
ALQ	ALS Ltd	12.2	WTC	Wisetech Global Ltd	-13.3
NEC	Nine Entertainment	8.2	ORE	Orocobre Limited	-11.7
FXJ	Fairfax Media Ltd	7.5	IGO	Independence Group	-10.9
GXL	Greencross Limited	7.3	AAD	Ardent Leisure Group	-10.2
GUD	G.U.D. Holdings	7.3	SYR	Syrah Resources	-9.0
GMA	Genworth Mortgage	7.0	SFR	Sandfire Resources	-8.2
AMP	AMP Limited	6.1	LYC	Lynas Corporation	-8.2
SWM	Seven West Media Ltd	5.8	GEM	G8 Education Limited	-8.0
JHX	James Hardie Indust	5.6	JHG	Janus Henderson	-7.7

Source: IRESS

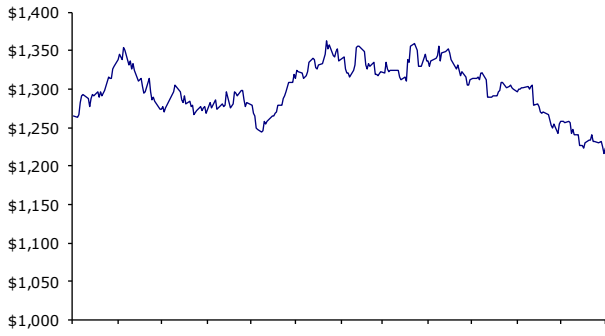
S & P Indices Week Ending 3 August 2018

S&P Indices	5/08/2018	29/07/2018	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	12149	12014	1.1%	0.6%	36.6%
S&P 200 Materials	11967	12258	-2.4%	-1.7%	20.9%
S&P 200 Industrials	6153	6141	0.2%	3.6%	20.6%
S&P 200 Consumer Disc.	2514	2539	-1.0%	1.5%	20.1%
S&P 200 Consumer Staples	11288	11266	0.2%	-0.5%	31.9%
S&P 200 Healthcare	31170	31379	-0.7%	2.1%	61.7%
S&P 200 Financials	6238	6368	-2.0%	-0.3%	-2.1%
S&P 200 Info Technology	1132	1150	-1.5%	1.7%	45.5%
S&P 200 Telecommunicatic	1055	1034	2.1%	2.7%	-39.9%
S&P 200 Utilities	8075	8046	0.4%	1.0%	7.1%
S&P 200 Property Trusts	1431	1422	0.6%	0.8%	6.6%
S&P 200 Financials ex PT	6957	7102	-2.0%	-0.3%	-2.1%

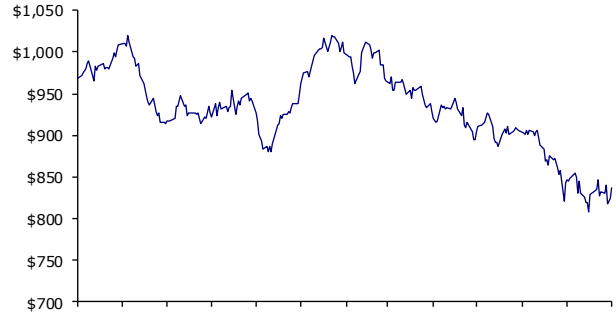
Source: IRESS

1 Year Commodity Price Charts

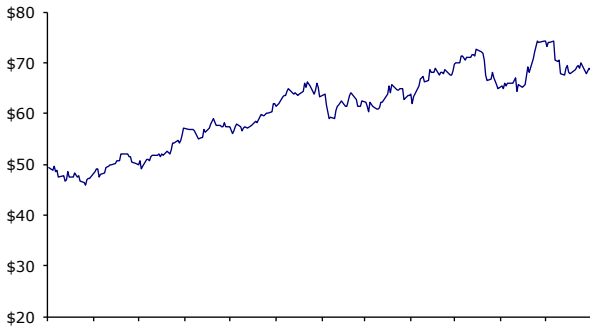
1 Year Gold



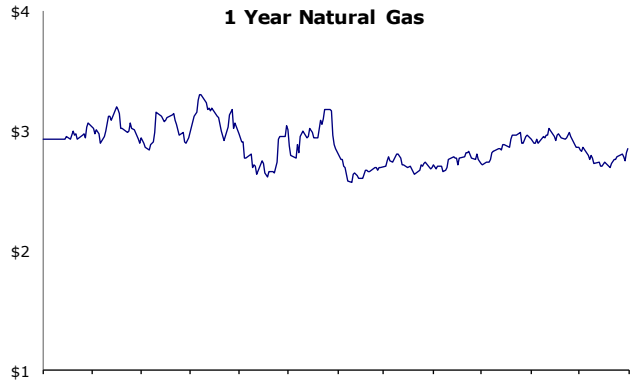
1 Year Platinum



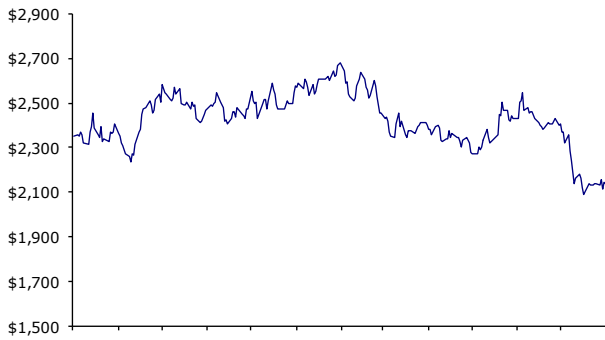
1 Year Oil



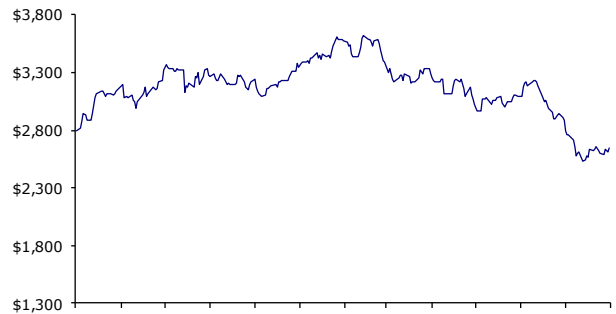
1 Year Natural Gas



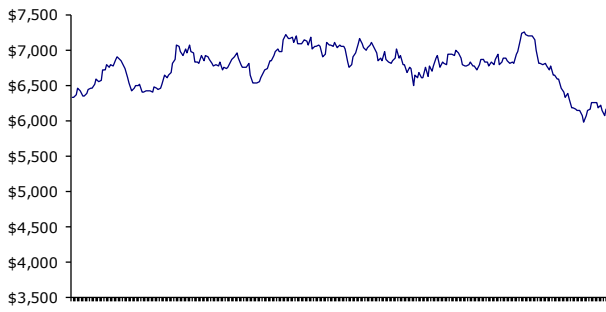
1 Year Lead



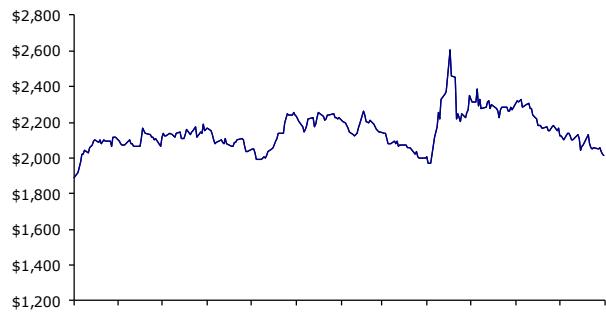
1 Year Zinc



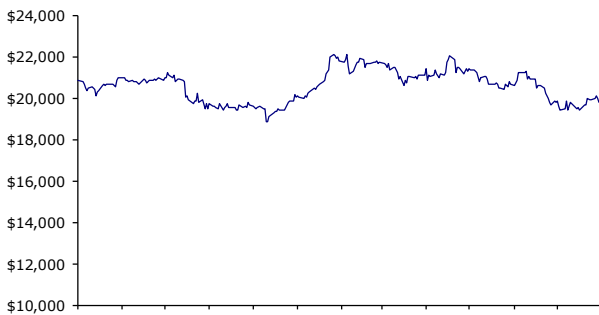
1 Year Copper



1 Year Aluminium

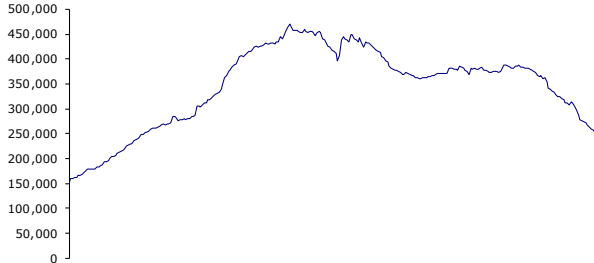


1 Year Tin

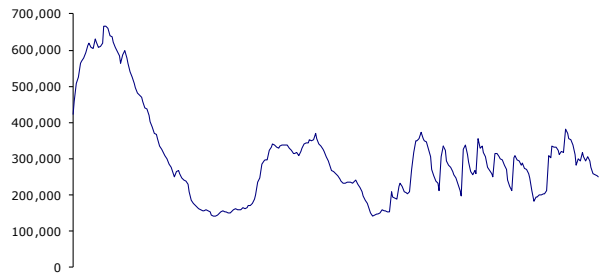


5 Year Metals Stockpiles

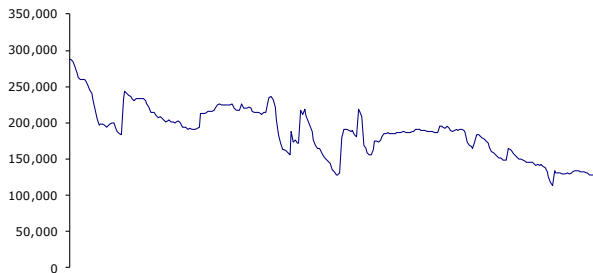
Nickel LME Stockpiles - 5 Year



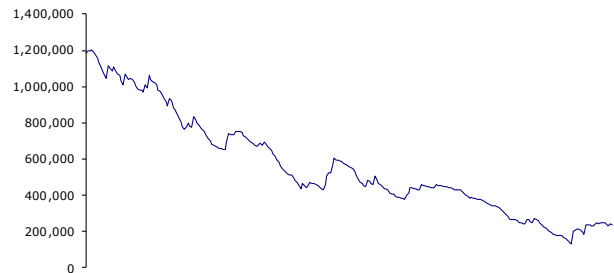
Copper LME Stockpiles - 5 Year



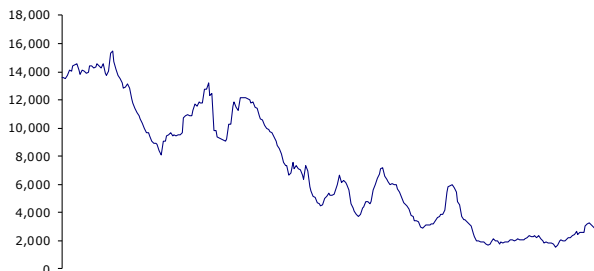
Lead LME Stockpiles - 5 Year



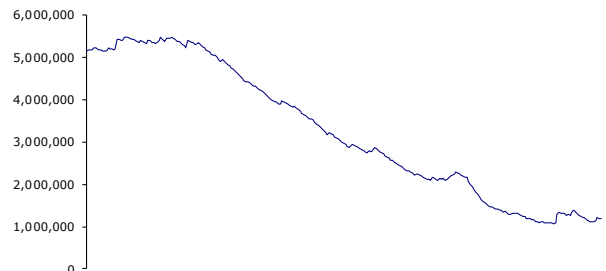
Zinc LME Stockpiles - 5 Year



Tin LME Stockpiles - 5 Year



Aluminium LME Stockpiles - 5 Year



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