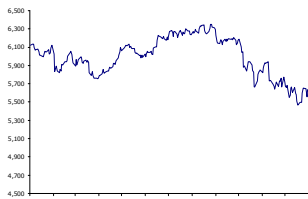


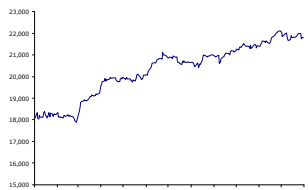
STATE ONE SPINNAKER

6 January 2019
Issue 442

12 month XJO chart



12 month Dow Jones chart



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Overview

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Global Wrap – 6 January 2019

| World Markets | 6/01/2019 | 30/12/2018 | Wkly Chg | Mthly Chg | Yearly Chg |
|--------------------|-----------|------------|----------|-----------|------------|
| ASX 200 | 5619 | 5654 | -0.6% | -0.6% | 1.4% |
| Dow Jones | 21798 | 21988 | -0.9% | -1.0% | 18.0% |
| Nasdaq | 5284 | 5284 | 0.0% | -0.2% | 21.9% |
| S&P 500 | 2532 | 2486 | 1.9% | -4.5% | 12.7% |
| FTSE 100 | 6837 | 6734 | 1.5% | -0.6% | -1.4% |
| DAX30 | 10768 | 10559 | 2.0% | -1.5% | -18.7% |
| Shanghai Composite | 2515 | 2494 | 0.8% | -4.5% | -21.8% |
| Nikkei 225 | 19562 | 20015 | -2.3% | -10.3% | 4.2% |
| Hang Seng | 25626 | 25504 | 0.5% | -2.1% | 12.1% |
| Currency | | | | | |
| AUD/USD | 0.7118 | 0.7054 | 0.9% | 1.2% | -9.5% |
| Commodities | | | | | |
| Oil (\$/bbl) | 48.2 | 45.4 | 6.2% | -8.7% | -21.6% |
| Gas (\$/gal) | 2.9 | 3.1 | -7.7% | -24.0% | -2.7% |
| Iron Ore (\$/t) | 0.0 | 53.9 | -100.0% | -100.0% | -100.0% |
| Copper (\$/t) | 5840 | 6018 | -3.0% | -5.1% | 0.0% |
| Lead (\$/t) | 1936 | 2033 | -4.8% | -1.5% | -16.9% |
| Zinc (\$/t) | 2462 | 2543 | -3.2% | -7.6% | -10.3% |
| Aluminium (\$/t) | 1879 | 1881 | -0.1% | -2.5% | 8.5% |
| Nickel (\$/t) | 10920 | 10670 | 2.3% | 1.9% | -4.0% |
| Tin (\$/t) | 19575 | 19425 | 0.8% | 2.1% | -8.5% |
| Gold (\$/oz) | 1286 | 1283 | 0.2% | 2.8% | 9.7% |
| Silver (\$/oz) | 15.8 | 15.4 | 2.3% | 6.4% | -7.7% |
| Platinum (\$/oz) | 827 | 796 | 3.9% | 2.9% | -11.8% |
| Wheat (\$/t) | 517.750 | 511.750 | 1.2% | -1.9% | 26.8% |

Source: Iress

Global Wrap

Key points

- Jobs data, trade talks lift US, Chinese, Euro markets**
- Gold stocks, oil up**
- Stock analysis: Dangerous times offer opportunities**

US

Stocks rallied on Friday after two positive pieces of news, CNBC reported.

The Labor Department said the US economy added 312,000 jobs in December, which surpassed an expectation of 176,000.

Later in the morning, Federal Reserve Chairman Jerome Powell said the central bank would be patient in raising rates, quelling fears of tighter monetary policy in the near future.

The Dow Jones Industrial Average closed 746.94 points higher at 23,433.16, or 3.3%, and briefly rose more than 800 points. The S&P 500 rallied 3.4% to 2,531.94, with the tech sector gaining more than 4%. The Nasdaq Composite climbed 4.26% to 6,738.86.

This was a rebound from Thursday's 5.07% plunge, which was triggered by a massive drop in Apple's stock.

That sharp move lower was triggered by Apple slashing its fiscal first-quarter revenue guidance earlier in the week. The tech giant cited the unexpected slowdown in Chinese manufacturing, which propelled Apple to its worst day in six years and dampened market sentiment across the world.

This coming week the ISM non-manufacturing/services composite will be released on Monday, followed by the trade balance on Tuesday.

Investors will also be interested in the Fed's December meeting minutes, which will be released on Wednesday. The CPI will be out on Friday.

China

Asian markets were mostly higher on Friday as developments on the US-China trade front overcame fears of a slowdown in the global economy, which resulted in multi-year lows earlier in the week.

This followed data released on Tuesday showing Chinese manufacturing had contracted for the first time since mid-2017.

The Shanghai composite bounced about 2.05% higher to close at 2,514.87 and the Shenzhen composite jumped 2.658% to finish at approximately 1,279.49. Hong Kong's Hang Seng index extended gains to rise about 2%, as of its final hour of trade.

The positive moves in China came after the country's commerce ministry announced that vice ministerial level trade talks with the US would be held on 7-8 January.

The development on the trade front was also bolstered by positive data from China's services sector. The Caixin/Markit services purchasing managers' index jumped to a six-month high of 53.9 in December, rising from 53.8 in the previous month. The figure was significantly higher than the 50.0 mark which separates expansion from contraction.

There were also reports on Friday that top officials had met with banks to help revive risk appetite, with brokerages surging as traders took it as a sign that Beijing would prioritise the financial sector, the South China Morning Post reported.

More key economic data will come out of China this Thursday, including CPI.

Japan

Stocks tanked on Japan's first trading day of the new year as investors played catch-up with the downward trend seen across other markets, The Japan Times reported.

The blue-chip 225-issue Nikkei average closed 2.26%, or 452.81 points, lower at 19,561.96, after briefly dipping more than 3.8% to 19,241.37.

The strong yen dampened sentiment greatly as it clouds the outlook for Japanese exporters.

Apple's warning on Chinese growth contributed to a rally by the yen, which tends to benefit from a "flight to safety" when investor anxiety is high.

Amid some mid-level data releases out of Japan next week the trade balance will be out on Thursday.

Europe

European shares extended their gains in Friday trading, following stronger-than-expected US non-farm payroll data as well as news that China and the US would have further trade talks next week.

The pan-European Stoxx 600 index rallied 2.8% provisionally, with all sectors and major bourses in positive territory. The German Dax ended up by 3.3%. Britain's FTSE 100 ended Friday higher by 2.2%. Basic resources stocks — with their heavy exposure to China — were the top gainers in Europe. Auto stocks, a sector highly sensitive to trade dynamics, were also among the top gainers.

The main data out of Europe next week is the German trade balance and eurozone unemployment on Wednesday.

Australia

Australian shares closed a turbulent first week of trading for the year lower as the volatility across global markets in 2018 seeped into 2019, the AFR reported.

The S&P/ASX 200 Index closed the week 31.3 points, or 0.6%, lower at 5619.4 while the broader All Ordinaries slid 39 points, or 0.7%, to 5677.

Concerns of a slowdown in economic growth in China rattled the local sharemarket as it began the new year.

The news hit the major mining stocks this week, with most of them heavily reliant on China's consumption.

Retail stocks were also hit during the week after Kathmandu flagged a weaker Christmas selling period as it downgraded profit expectations.

With most retailers yet to report their figures, investors took the downgrade as a sign of broad based weakness in the sector.

The more defensive sectors of the market had another strong week as investors sought out safe-haven assets.

The price of gold has enjoyed a strong start to the year, as gold futures rose to their highest level since June, amid volatility in the equity and currency markets. (See more on gold below).

Newcrest Mining climbed 7.9% to \$23.53 this week, Evolution Mining rose 5.7% to \$3.90, Northern Star Resources climbed 5.1% to \$9.71, Saracen Minerals advanced 8.2% to \$3.17 and St Barbara closed 6.2% higher at \$4.99.

GP clinic and pathology centre owner Healius received a \$2 billion takeover offer from China's Jangho Group, with the offer worth \$3.25 a share.

Pilbara Minerals closed the week 12.8% higher at 70.5¢ after it announced it had secured \$231 million worth of expansion funding from Chinese backers and separately announced it had signed a memorandum of understanding with South Korean steel giant POSCO to pursue a joint venture in chemical conversion.

Australia's trade balance will be released on Tuesday.

Commodities

Oil prices popped on Friday as signs of a trade thaw emerged and data showed strong OPEC cuts in December, oilprice.com reported.

Brent and WTI were set to close the week with the largest weekly gain, of as much as 10%, since December 2016. This is due to Saudi production cuts and a broader sense that the oil selloff has gone far enough.

The **gold** price rose to its highest level in six months this week as investors sought safety from turbulent global stock markets.

The metal reached \$1,287.31 an ounce on Wednesday, its highest level since June 2018, and rose further on Thursday to \$1,287.66 an ounce.

The rise comes after a steady decline in the price of gold since the start of last year following interest rate rises in the US, denting the appeal of non-interest earning assets such as gold.

Stock analysis: Dangerous times offer opportunities

In December 2018, Australia's first two state-of-the-art F-35A stealth fighters landed at Williamtown RAAF

Base near Newcastle. More than 50 of the aircraft will eventually be stationed at this base, with a further 12 or so on rotation to Tindal Air Force Base in the Northern Territory.

The single-engine F-35A Joint Strike Fighter has been labelled the most advanced in the world and can reach a top speed of 1,975 km/h.

The Royal Australian Air Force has taken delivery of nine early-model F-35As. The remaining seven continue to operate out of a US Arizona training facility.

The Federal Government will spend a total of \$17 billion on the F-35 aircraft, with the cost being widely criticised, including by US President Donald Trump. The project is widely cited as the most expensive in history, with the total projected cost - once research, development and sustainment is factored in - estimated to be over \$US1 trillion

All three versions of the Joint Strike Fighter — the F-35A built for the US air force and the RAAF, the F-35B 'jump jet' built for the US Marines and UK navy, and the F-35C built for the US Navy — have begun a seven-month in-depth assessment in the US. If they make the grade, the F-35's current 'low-level' production runs will be accelerated.

The assembly lines will be cranked into high gear to mass-produce the hundreds ordered by the US and its allies, including Australia.

ASX investors have direct exposure to the F-35 programme via Quickstep Holdings (ASX:QHL).

QHL is the largest independent aerospace-grade advanced composite manufacturer in Australia, and is a key supplier globally for F-35 composite parts including doors, panels, and vertical tail fins. Underpinned by a predicted ramp-up in F-35 parts orders, we forecast group revenue increasing from A\$59m in FY18A to A\$75m in FY19E and over A\$100m in FY20E. Our target price for QHL is 15cps (versus current share price levels of 7.2cps). Recommendation: Speculative Buy.

We believe that the defence sector, in general, is an attractive investment thematic. Certainly, there appears to be an escalation in the number of potential trouble spots around the world. The US-based Council on Foreign Relations lists global conflicts as either critical, significant, or limited with the categorisation dependent on whether the conflict is likely to trigger US military involvement or threaten the supply of critical US strategic resources.

Conflicts per category identified as at 4 January 2019 are:

Critical

Afghanistan - ongoing war against ISIS

Iraq – political instability

Syria – civil war

South China Sea – territorial disputes between China and various countries including Vietnam, the Philippines, Taiwan, Indonesia

East China Sea - territorial dispute between China and Japan

North Korea - nuclear missile testing

Significant

Pakistan – Islamist militancy

Lebanon - political instability

Egypt – political instability

Ukraine – conflict with Russia

Turkey – conflict with armed Kurdish groups

Mexico – criminal (drugs) violence

Israeli-Palestinian conflict

Nigeria – conflict with Islamist Boko Haram

Libya – effectively at civil war

India and Pakistan - territorial dispute

Yemen - war

Limited

Mali – destabilisation

Central African Republic – violence

Democratic Republic of Congo – violence

South Sudan – civil war

Somalia – conflict with Islamist Al-Shabab

Burundai – political crisis

Myanmar – Rohingya crisis


















Armenia and Azerbaijan – territorial dispute

ASX-listed stocks with exposure to the defence sector are tabled below.

| Company | ASX Code | M' Cap (A\$m) | Share price (A\$) | Activity |
|-------------------------|----------|---------------|-------------------|--|
| Austal | ASB | 681 | 1.94 | Ship designer / builder |
| Codan | CDA | 532 | 2.97 | Radio communications |
| Electric Optics Systems | EOS | 237 | 2.45 | Electro optic fibre control systems |
| Titomic | TTT | 139 | 2.15 | 3D printing of metal parts |
| Brainchip | BRN | 110 | 0.11 | AI and machine learning |
| Sky and Space Global | SAS | 103 | 0.06 | Nanosatellites for global communication |
| Bisalloy | BIS | 42 | 0.94 | Manufacturer of high tensile steel plate |
| Quickstep | QHL | 39 | 0.07 | Carbon fibre parts manufacturer |
| Alexium | AJX | 38 | 0.11 | Chemicals and reactive surface treatments |
| Elsight | ELS | 33 | 0.69 | Video/data capturing |
| Orbital Corp | OEC | 32 | 0.41 | Propulsion systems for drones |
| Bluechip | BCT | 28 | 0.05 | Custody tracking and monitoring |
| Department 13 | D13 | 22 | 0.04 | Wireless and mobile communication |
| Droneshield | DRO | 21 | 0.11 | Anti-drone protection systems |
| XTEK | XTE | 16 | 0.40 | Provides arms & equipment including drones |
| Mobilicom | MOB | 12 | 0.09 | Wireless and mobile communication |













Source: IRESS, companies, compiled by State One Stockbroking

Economic Calendar 7/01/2019 – 11/01/2019

| Monday January 07 2019 | | | Actual | Previous | Consensus |
|----------------------------------|--|--------------------------------------|--------|-----------|-----------|
| 11:00 PM |  CA | Ivey PMI s.a DEC | | 57.2 | |
| 11:00 PM |  US | ISM Non-Manufacturing PMI DEC | | 60.7 | 59.1 |
| |  CN | US-China Trade Talks | | | |
| Tuesday January 08 2019 | | | Actual | Previous | Consensus |
| 08:30 AM |  AU | Balance of Trade NOV | | A\$2.316B | A\$2.165B |
| 01:00 PM |  JP | Consumer Confidence DEC | | 42.9 | |
| 06:00 PM |  EA | Business Confidence DEC | | 1.09 | 0.99 |
| 09:30 PM |  CA | Balance of Trade NOV | | C\$-1.17B | C\$-2.05B |
| 09:30 PM |  US | Balance of Trade NOV | | \$-55.5B | \$-53.8B |
| |  CN | US-China Trade Talks | | | |
| Wednesday January 09 2019 | | | Actual | Previous | Consensus |
| 03:00 PM |  DE | Balance of Trade NOV | | €18.3B | |
| Thursday January 10 2019 | | | Actual | Previous | Consensus |
| 03:00 AM |  US | FOMC Minutes | | | |
| 08:30 AM |  AU | NAB Business Confidence DEC | | 3 | |
| 09:30 AM |  CN | Inflation Rate YoY DEC | | 2.2% | 2.1% |
| 08:30 PM |  EA | ECB Monetary Policy Meeting Accounts | | | |
| Friday January 11 2019 | | | Actual | Previous | Consensus |
| 05:30 PM |  GB | Balance of Trade NOV | | £-3.3B | |
| 09:30 PM |  US | Core Inflation Rate YoY DEC | | 2.2% | 2.2% |
| 09:30 PM |  US | Inflation Rate YoY DEC | | 2.2% | 1.9% |

Source: www.tradingeconomics.com

Economic Calendar 14/01/2019 – 18/01/2019

| Monday January 14 2019 | | | Actual | Previous | Consensus |
|----------------------------------|--|--|--------|----------|-----------|
| 03:00 AM |  CN | Exports YoY DEC | | 5.4% | |
| 03:00 AM |  CN | Imports YoY DEC | | 3.0% | |
| Tuesday January 15 2019 | | | Actual | Previous | Consensus |
| 09:00 AM |  DE | Full Year GDP Growth 2018 | | | |
| 09:00 AM |  DE | Government Budget 2018 | | | |
| Wednesday January 16 2019 | | | Actual | Previous | Consensus |
| 07:00 AM |  DE | Inflation Rate YoY Final DEC | | 2.3% | 1.7% |
| 09:30 AM |  GB | Inflation Rate YoY DEC | | 2.3% | |
| 01:30 PM |  US | Retail Sales MoM DEC | | 0.2% | |
| 11:30 PM |  AU | Westpac Consumer Confidence Change JAN | | 0.1% | |
| 11:30 PM |  AU | Westpac Consumer Confidence Index JAN | | 104.4 | |
| Thursday January 17 2019 | | | Actual | Previous | Consensus |
| 11:30 PM |  JP | Inflation Rate YoY DEC | | 0.8% | |
| Friday January 18 2019 | | | Actual | Previous | Consensus |
| 01:30 PM |  CA | Inflation Rate YoY DEC | | 1.7% | |
| 03:00 PM |  US | Michigan Consumer Sentiment Prel JAN | | 98.3 | |

Source: www.tradingeconomics.com

All Ords Top 10 Week Ending 4 January 2019

| 10 Best Performing Stocks Weekly (%) | | | 10 Worst Performing Stocks Weekly (%) | | |
|--------------------------------------|----------------------|------|---------------------------------------|----------------------|------|
| HLS | Healius | 17.5 | EHL | Emeco Holdings | -9.8 |
| PLS | Pilbara Min Ltd | 12.8 | ASL | Ausdrill Limited | -9.7 |
| NCM | Newcrest Mining | 11.7 | JBH | JB Hi-Fi Limited | -8.2 |
| SAR | Saracen Mineral | 11.2 | AHG | Automotive Holdings. | -7.4 |
| EVN | Evolution Mining Ltd | 6.8 | SUL | Super Ret Rep Ltd | -6.9 |
| SYR | Syrah Resources | 6.2 | NEC | Nine Entertainment | -6.8 |
| SBM | St Barbara Limited | 6.2 | BIN | Bingo Industries Ltd | -6.6 |
| NST | Northern Star | 5.1 | MTS | Metcash Limited | -6.6 |
| APA | APA Group | 5.1 | PDL | Pendal Group Ltd | -6.3 |
| FMG | Fortescue Metals Grp | 3.9 | AWC | Alumina Limited | -6.0 |

Source: IRESS

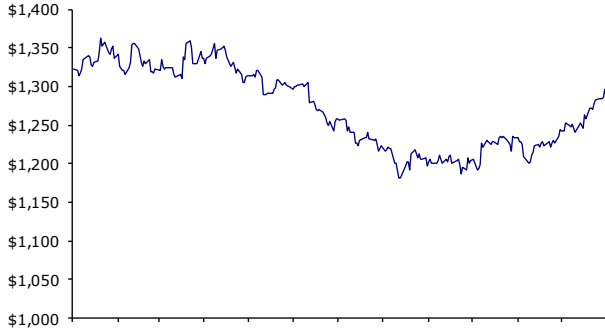
S & P Indices Week Ending 4 January 2019

| S&P Indices | 6/01/2019 | 30/12/2018 | Wkly Chg | Mthly Chg | Yearly Chg |
|--------------------------|-----------|------------|----------|-----------|------------|
| S&P 200 Energy | 9854 | 9752 | 1.1% | -2.9% | 10.8% |
| S&P 200 Materials | 11236 | 11276 | -0.4% | 2.9% | 13.5% |
| S&P 200 Industrials | 5594 | 5715 | -2.1% | -2.7% | 9.6% |
| S&P 200 Consumer Disc. | 2077 | 2111 | -1.6% | -1.6% | -0.8% |
| S&P 200 Consumer Staples | 10207 | 10426 | -2.1% | -0.8% | 19.3% |
| S&P 200 Healthcare | 29045 | 28895 | 0.5% | 2.4% | 50.6% |
| S&P 200 Financials | 5529 | 5546 | -0.3% | -0.5% | -13.2% |
| S&P 200 Info Technology | 1038 | 1056 | -1.7% | -3.9% | 33.5% |
| S&P 200 Telecommunicatic | 1030 | 1023 | 0.7% | -6.1% | -41.3% |
| S&P 200 Utilities | 7556 | 7389 | 2.3% | 1.6% | 0.2% |
| S&P 200 Property Trusts | 1376 | 1413 | -2.6% | -4.7% | 2.6% |
| S&P 200 Financials ex PT | 6167 | 6186 | -0.3% | -0.5% | -13.2% |

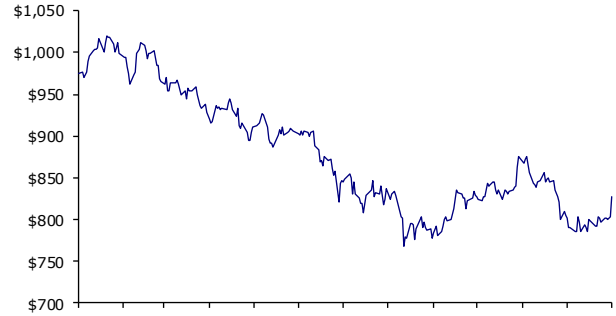
Source: IRESS

1 Year Commodity Price Charts

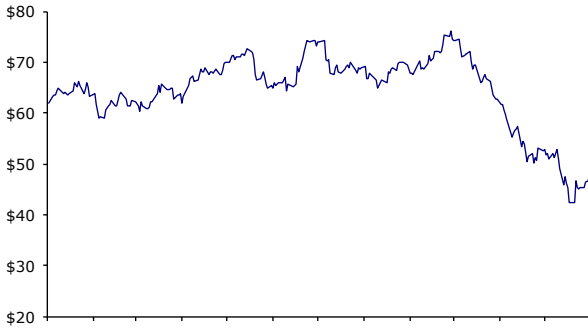
1 Year Gold



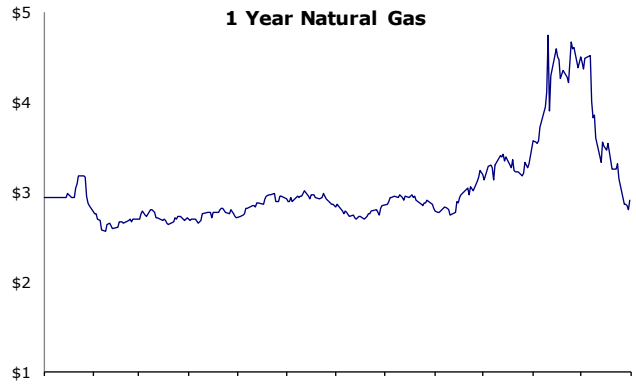
1 Year Platinum



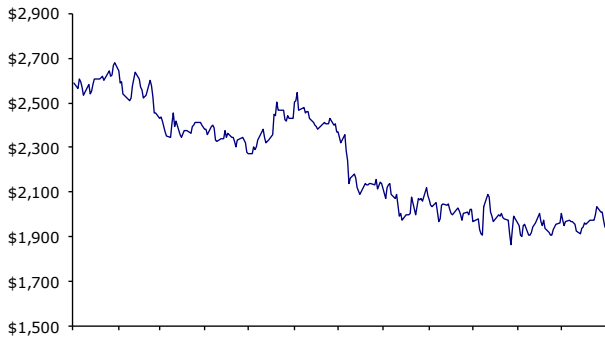
1 Year Oil



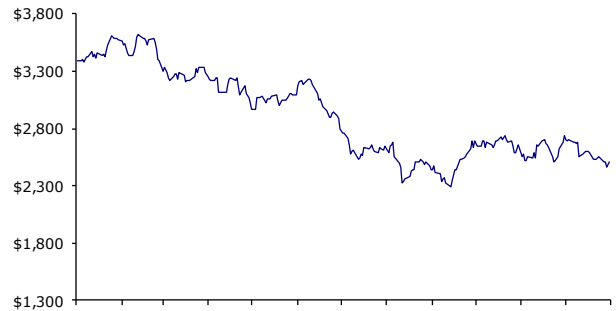
1 Year Natural Gas



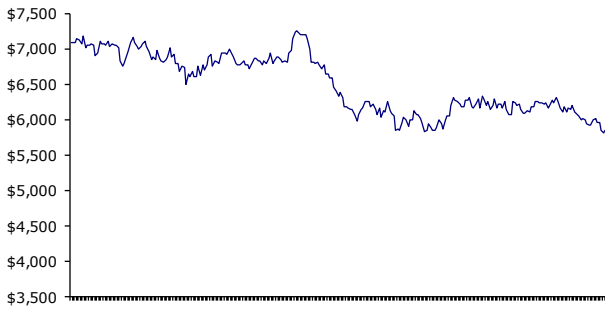
1 Year Lead



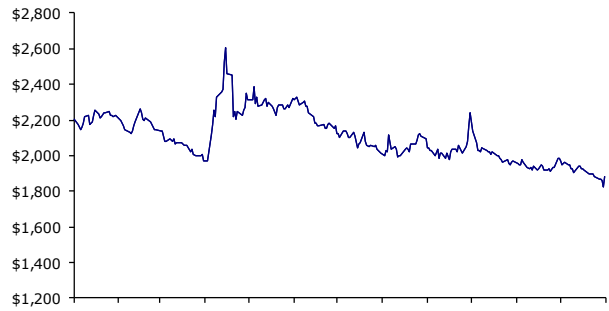
1 Year Zinc



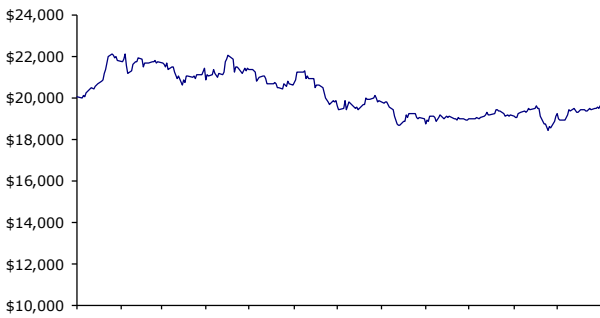
1 Year Copper



1 Year Aluminium

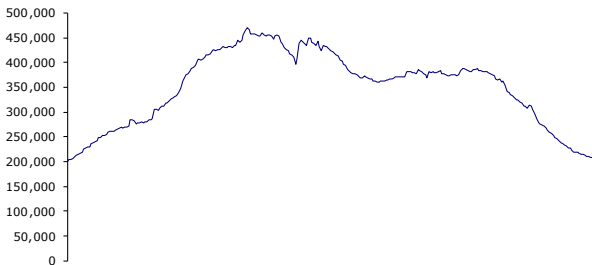


1 Year Tin

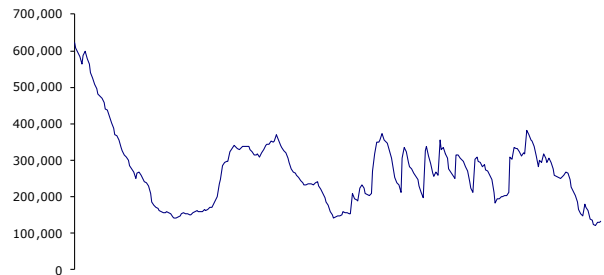


5 Year Metals Stockpiles

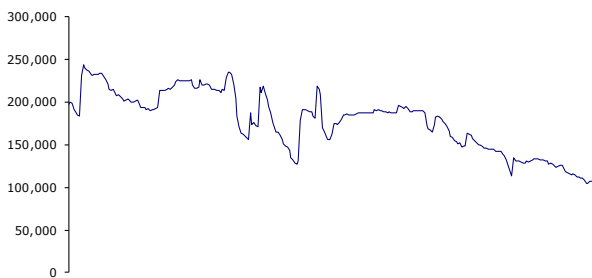
Nickel LME Stockpiles - 5 Year



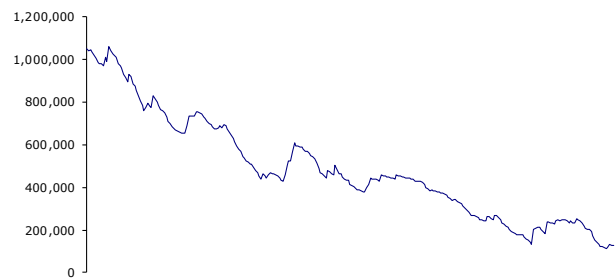
Copper LME Stockpiles - 5 Year



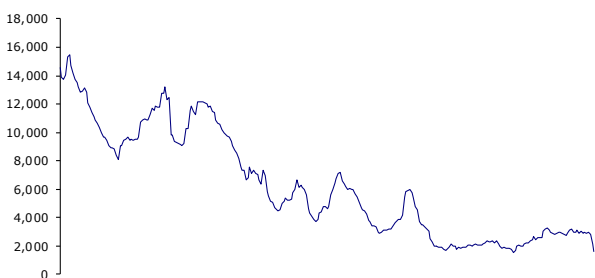
Lead LME Stockpiles - 5 Year



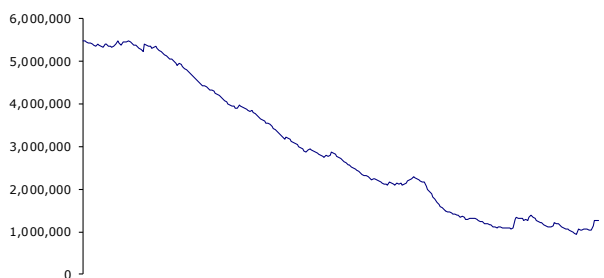
Zinc LME Stockpiles - 5 Year



Tin LME Stockpiles - 5 Year



Aluminium LME Stockpiles - 5 Year



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