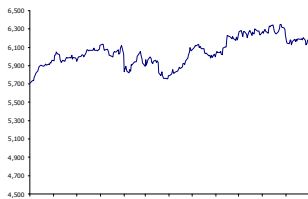


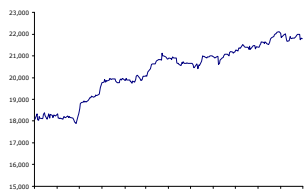
STATE ONE SPINNAKER

7 October 2018
Issue 431

12 month XJO chart



12 month Dow Jones chart



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Overview

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Global Wrap – 7 October 2018

World Markets	7/10/2018	30/09/2018	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	6185	6208	-0.4%	0.2%	11.6%
Dow Jones	21798	21988	-0.9%	-1.0%	18.0%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2886	2914	-1.0%	-0.1%	28.5%
FTSE 100	7319	7510	-2.6%	0.1%	5.6%
DAX30	12112	12247	-1.1%	0.7%	-6.8%
Shanghai Composite	2821	2821	0.0%	5.0%	-12.3%
Nikkei 225	23784	24246	-1.9%	4.2%	26.7%
Hang Seng	26573	27789	-4.4%	0.9%	16.2%
Currency					
AUD/USD	0.7053	0.7225	-2.4%	-2.1%	-9.3%
Commodities					
Oil (\$/bbl)	74.2	75.5	-1.6%	7.9%	50.9%
Gas (\$/gal)	3.1	3.0	4.5%	11.6%	1.6%
Iron Ore (\$/t)	0.0	53.9	-100.0%	-100.0%	-100.0%
Copper (\$/t)	6183	6180	0.0%	4.9%	5.9%
Lead (\$/t)	1971	2002	-1.5%	-0.6%	-15.4%
Zinc (\$/t)	2633	2573	2.3%	11.8%	-4.1%
Aluminium (\$/t)	2140	2012	6.4%	8.0%	23.6%
Nickel (\$/t)	12400	12480	-0.6%	0.9%	9.1%
Tin (\$/t)	18950	18950	0.0%	0.4%	-11.4%
Gold (\$/oz)	1206	1196	0.8%	-0.5%	2.8%
Silver (\$/oz)	14.6	14.7	-0.4%	2.5%	-14.3%
Platinum (\$/oz)	825	822	0.3%	3.0%	-12.1%
Wheat (\$/t)	520.750	508.000	2.5%	2.8%	27.6%

Source: Iress

Global Wrap

Key points

1. Aussie resources stocks up
2. US jobs figures spark rates fears
3. Stock analysis: Aged care sector plays

US

Speculation that the latest jobs report clears the path for the Fed to raise interest rates pulled US stocks to their worst week in a month.

Technology shares led the losses on Friday, sending the Nasdaq 100 Index to a weekly drop of 3% amid concern the US-China trade spat will intensify. Intel Corp. dropped the most in the Dow Jones Industrial Average after Bloomberg's report on Chinese hacking.

The S&P 500 closed 0.6% lower at 2,885.57, the [Dow Jones Industrial Average](#) dropped 180.43 points to 26,447.05 and the [Nasdaq Composite](#) pulled back 1.2% to 7,788.45.

Just a week after US stocks rose to fresh records, investors continued to sell the bull market's biggest winners, ditching high-flyers from Amazon.com to Netflix. The tech rout is the latest blow for global stocks in a week during which 10-year US Treasury yields climbed to seven-year highs, reducing demand for riskier assets.

Fed Chairman Jerome Powell stoked the rates surge when he said the central bank could eventually boost its benchmark past the neutral level.

The latest jobs report revealed the US economy created 134,000 jobs in September, [below market expectations](#). Economists polled by Reuters were expecting to see the States add 185,000 last month.

This was the lowest level of job creation in a year. However the unemployment rate sank to a level that hasn't been seen in 48 years.

Gold futures rose and **crude** gained on the news.

This coming week US CPI will be released on Thursday.

China

The Shanghai Stock Exchange was closed for National Day holidays.

Next week the markets will swing back into action as the keenly watched Caixin PMI data (Purchasing Managers' Index) are released on Monday. The trade balance comes out on Friday.

Japan

Japan's Nikkei fell to its lowest close in two-weeks on Friday, tracking weakness on Wall Street as the rising US Treasury yields dimmed the allure of most stocks except financial ones, Reuters reported.

The Nikkei share average ended 0.8% lower to 23,783.72. However earlier this week, the index traded above the 24,000 mark and hit 27-year highs.

Analysts told Reuters the stock market had become overbought in a very short timeframe, leaving shares vulnerable to profit-taking.

Japan's trade balance will be released on Monday.

Europe

Europe finished Friday's session on a negative note as investors digested the latest jobs report out of the US, while monitoring moves in the bond markets, CNBC reported.

The pan-European [Stoxx 600](#) closed down 0.86%, with all sectors closing around the flatline or in the red. Technology and basic resources tanked more than 2% each as a sector. On the week, the Stoxx 600 tumbled 1.77%.

The [FTSE 100](#) sank 1.35%, weighed down by the miners; while France's [CAC 40](#) slipped 0.95% and Germany's [DAX](#) dropped 1.08%.

Europe's basic resources stocks were the worst performers Friday, closing down 2.53% amid heightened global trade war fears. Vice President [Mike Pence](#) accused China of "[malign](#)" efforts to undermine President [Donald Trump](#) on Thursday, prompting Beijing to respond by saying his remarks were "unwarranted" and "slandered" the Asian giant.

This coming Wednesday is a big day for UK data, with GDP, the trade balance and industrial production figures being released.

Australia

The S&P/ASX 200 index advanced 9.2 points, or 0.2%, on Friday to close at 6185.5, but recorded a fall of 22.1 points or 0.4% for the week, Fairfax reported.

It was a tough week for the major banks this week, leading the market losses as [the prospect of a credit crunch increased](#).

Fitch Ratings said on Tuesday that the findings of the royal commission [would put pressure on bank profits](#), even if it did not immediately affect their credit ratings.

Commonwealth Bank led the losses for the major four, falling 2% this week to \$70.00. NAB fell 2.2% to \$27.21, Westpac closed 1.6% lower at \$27.49 and ANZ ended the week at \$27.72, down 1.6%.

The major resource stocks were able to lift during the first week of the quarter, with the materials sector leading the market gains this week as the Bloomberg Commodity index lifted to a two-month high.

Alumina exposed stocks performed particularly well this week as a full shutdown of the Alunorte, the world's largest alumina refinery, sidelined 5% of the world's supply.

South32 rose 7.9% to \$4.23, Alumina Limited closed the week 10.1% higher at \$3.05 and Rio Tinto closed at \$80.06, lifting 1.7% during the past five sessions.

BHP Billiton led the market as the price of **oil** hit a four-year high during the middle of the week. It closed the week 2.5% higher at \$35.50.

Origin Energy rose 4% to \$8.59 and Woodside Petroleum closed at \$39.00, up 1.1%.

Meanwhile the International Energy Agency said on Friday that plastics would displace fuels as the main driver for crude oil demand, adding that petrochemicals will come to account for more than 33% of oil demand growth globally in the period to 2030. By 2050, they will drive half of the global oil demand growth, raising this demand by 7 million bpd by that year.

The report that contains the projection is titled The Future of Petrochemicals.

Gold miners also closed the week higher as investors once again turned to the precious metal as a safe-haven investment.

In a slow week for Australian data, the Westpac consumer confidence index will be released on Tuesday, CPI expectations on Thursday and home loan figures on Friday.

Stock analysis: Aged care stocks - a difficult time

The listed aged care sector was already on the nose with investment markets before the surprise announcement of a royal commission into the sector last month. Shares in the three listed players had fallen as a government funding squeeze coincided with rising staffing costs and people entering the system later and therefore requiring higher levels of care.

After listing in a cluster in 2014 and peaking about a year later, the three listed players Estia (ASX:EHE), Regis (ASX:REG) and Japara (ASX: JHC) have each fallen more than 50%.

See charts below.

On government figures, the need for another 83,000 aged care places over the next decade as Baby Boomers retire represents an alluring growth prospect but uncertainty about who will fund the industry's expansion has taken its toll

About 70% of the cost of supporting an aged care resident currently comes from government coffers rather than residents and the sector is constantly on a roller-coaster of differences in government policy and government funding.

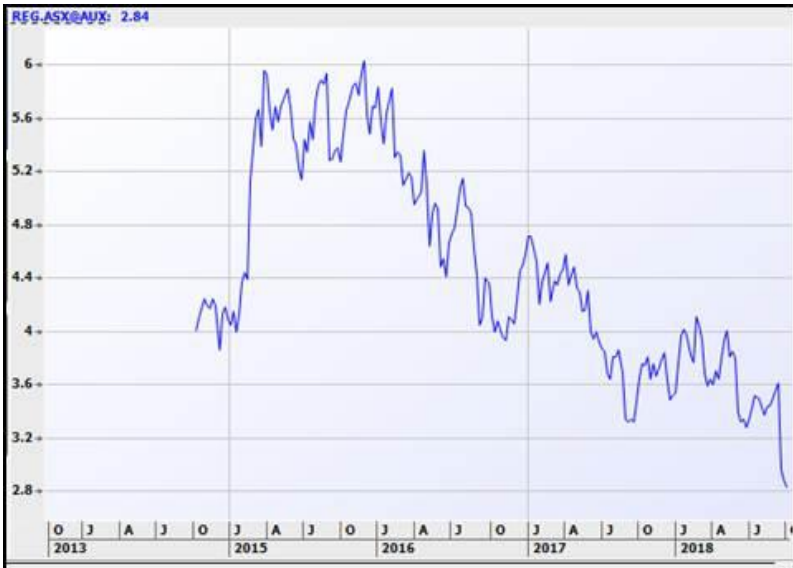
From an investor perspective, the aged care sector is highly complex, has significant levels of regulatory oversight and has a history of poor capital allocation.

On the negative side, with regulatory focus increasing, it is becoming increasingly difficult working out how to appropriately value forward cash flows.

On the positive side, a royal commission could be a wake-up call to providers, the public and the government about the need to better prepare for the retirement of the Baby Boomers.

If the stronger entities that exist now can consolidate and remain strong during this volatile situation, they will probably be able to capitalise on sector developments. On the one hand investors are somewhat spooked, with parallels being drawn to the royal commission into the finance industry.

- The IRESS consensus target price for EHE is A\$3.10 => 34% upside potential + 7.4% dividend yield = total potential return of over 40%.
- The IRESS consensus target price for REG is A\$3.64 => 28% upside potential + 6.2% dividend yield = total potential return of 34%.
- The IRESS consensus target price for JHC is A\$1.65 => 24% upside potential + 6.2% dividend yield = total potential return of over 30%.




















Economic Calendar 8/10/2018 – 12/10/2018

Tuesday October 09 2018			Actual	Previous	Consensus
08:30 AM	AU	NAB Business Confidence SEP		4	5
02:00 PM	DE	Balance of Trade AUG		€16.5B	+
Wednesday October 10 2018			Actual	Previous	Consensus
07:30 AM	AU	Westpac Consumer Confidence Index OCT		100.5	+
07:30 AM	AU	Westpac Consumer Confidence Change OCT		-3%	+
04:30 PM	GB	Balance of Trade AUG		£-0.111B	+
	EA	ECB Non-Monetary Policy Meeting			
Thursday October 11 2018			Actual	Previous	Consensus
07:30 PM	EA	ECB Monetary Policy Meeting Accounts			+
08:30 PM	US	Core Inflation Rate YoY SEP		2.2%	2.3%
08:30 PM	US	Inflation Rate YoY SEP		2.7%	2.4%
Friday October 12 2018			Actual	Previous	Consensus
08:30 AM	AU	RBA Financial Stability Review			+
10:30 AM	CN	Balance of Trade SEP		\$27.91B	\$21B
10:30 AM	CN	Exports YoY SEP		9.8%	9.1%
10:30 AM	CN	Imports YoY SEP		20%	15%
10:00 PM	US	Michigan Consumer Sentiment Prel OCT		100.1	100.5

Source: www.tradingeconomics.com

Economic Calendar 15/10/2018 – 19/10/2018

Monday October 15 2018			Actual	Previous	Consensus
12:30 PM	 US	Retail Sales MoM SEP		0.1%	0.5%
Tuesday October 16 2018			Actual	Previous	Consensus
01:30 AM	 CN	Inflation Rate YoY SEP		2.3%	2.5%
08:30 AM	 GB	Claimant Count Change SEP		8.7K	10K
08:30 AM	 GB	Unemployment Rate AUG		4%	4%
09:00 AM	 DE	ZEW Economic Sentiment Index OCT		-10.6	-14.0
Wednesday October 17 2018			Actual	Previous	Consensus
08:30 AM	 GB	Inflation Rate YoY SEP		2.7%	2.4%
06:00 PM	 US	FOMC Minutes			+
11:50 PM	 JP	Balance of Trade SEP		¥-445B	¥-469B
Thursday October 18 2018			Actual	Previous	Consensus
12:30 AM	 AU	Employment Change SEP		44K	15K
12:30 AM	 AU	Unemployment Rate SEP		5.3%	5.3%
11:30 PM	 JP	Inflation Rate YoY SEP		1.3%	+
	 EU	European Council Meeting			
Friday October 19 2018			Actual	Previous	Consensus
02:00 AM	 CN	GDP Growth Rate YoY Q3		6.7%	6.6%
02:00 AM	 CN	GDP Growth Rate QoQ Q3		1.8%	1.6%
12:30 PM	 CA	Inflation Rate YoY SEP		2.8%	+
02:00 PM	 US	Existing Home Sales SEP		5.34M	5.35M
	 EU	European Council Meeting			

Source: www.tradingeconomics.com

All Ords Top 10 Week Ending 5 October 2018

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
LYC	Lynas Corporation	11.9	WTC	Wisetech Global Ltd	-9.0
AWC	Alumina Limited	10.1	BAL	Bellamy's Australia	-8.6
GXY	Galaxy Resources	8.8	WEB	Webjet Limited	-8.4
S32	South32 Limited	7.9	NUF	Nufarm Limited	-8.1
ECX	Eclixp Group Ltd	7.8	BIN	Bingo Industries Ltd	-7.6
SOL	Soul Pattinson (W.H)	7.5	CGC	COSTA GROUP HOLDINGS	-6.2
SAR	Saracen Mineral	6.7	SYR	Syrah Resources	-6.1
SBM	St Barbara Limited	6.0	ALU	Altium Limited	-6.0
ORE	Orocobre Limited	5.9	A2M	The A2 Milk Company	-5.9
GNC	GrainCorp Limited	5.4	REA	REA Group	-5.7

Source: IRESS

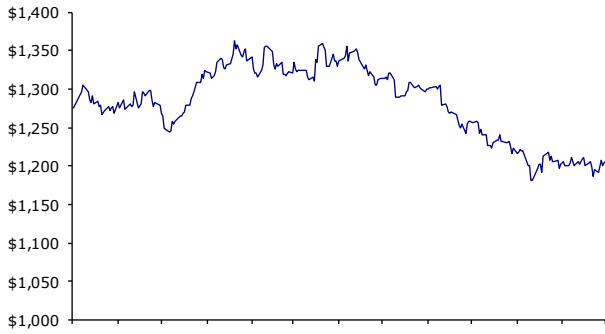
S & P Indices Week Ending 5 October 2018

S&P Indices	7/10/2018	30/09/2018	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	12610	12368	2.0%	5.3%	41.8%
S&P 200 Materials	12146	11920	1.9%	8.5%	22.7%
S&P 200 Industrials	6003	6083	-1.3%	-3.1%	17.6%
S&P 200 Consumer Disc.	2408	2462	-2.2%	-3.7%	15.0%
S&P 200 Consumer Staples	11046	11060	-0.1%	-2.2%	29.1%
S&P 200 Healthcare	31286	31326	-0.1%	-3.6%	62.3%
S&P 200 Financials	6040	6127	-1.4%	-1.5%	-5.2%
S&P 200 Info Technology	1226	1241	-1.2%	1.7%	57.6%
S&P 200 Telecommunicatic	1214	1206	0.7%	0.8%	-30.9%
S&P 200 Utilities	7824	7729	1.2%	1.2%	3.8%
S&P 200 Property Trusts	1401	1427	-1.8%	-3.8%	4.5%
S&P 200 Financials ex PT	6736	6834	-1.4%	-1.5%	-5.2%

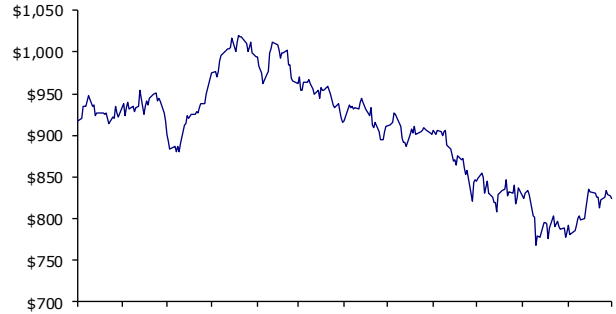
Source: IRESS

1 Year Commodity Price Charts

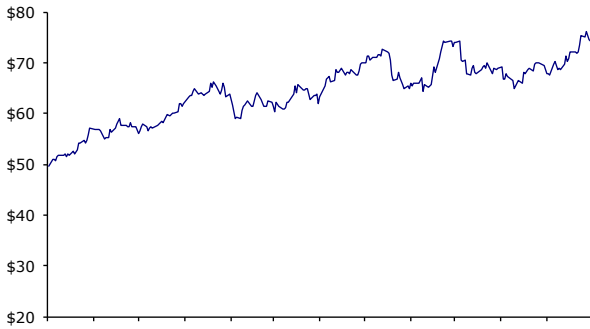
1 Year Gold



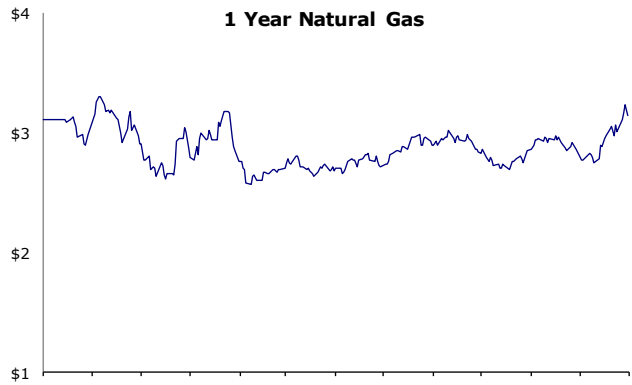
1 Year Platinum



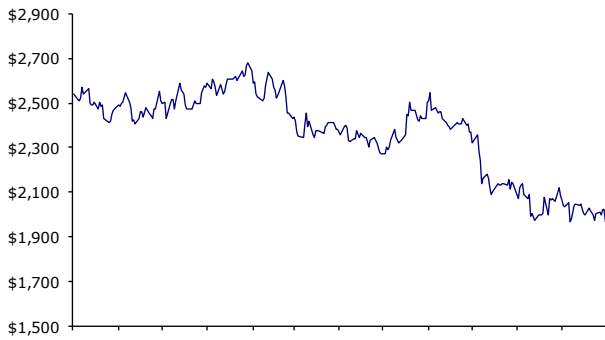
1 Year Oil



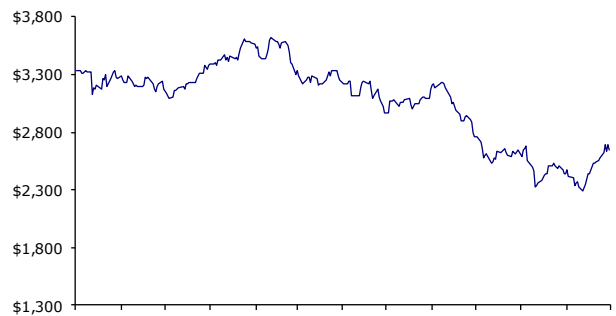
1 Year Natural Gas



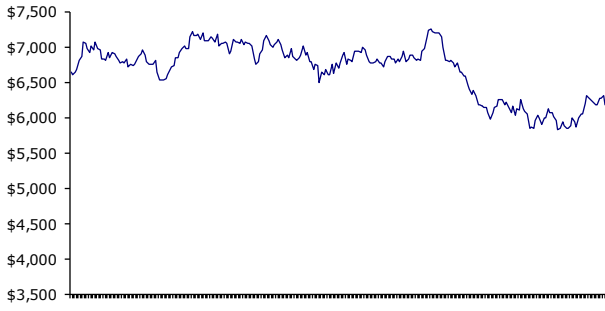
1 Year Lead



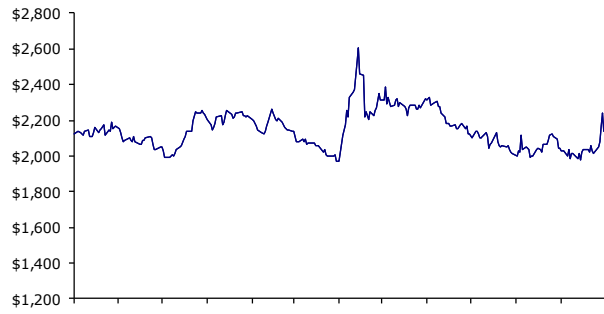
1 Year Zinc



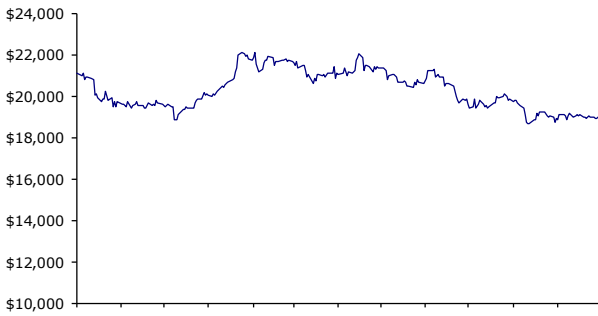
1 Year Copper



1 Year Aluminium

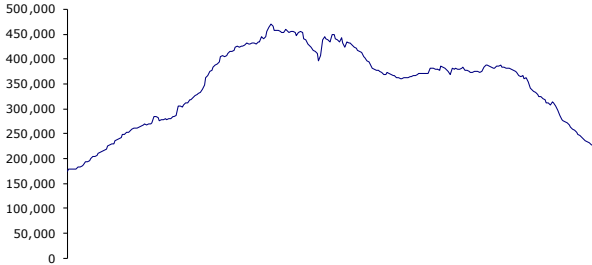


1 Year Tin

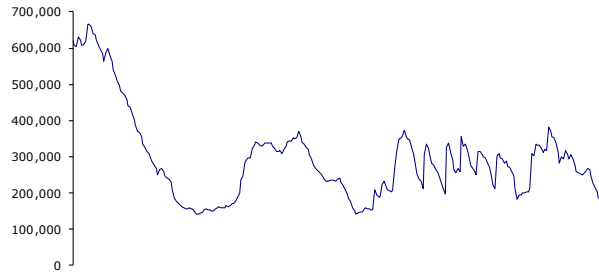


5 Year Metals Stockpiles

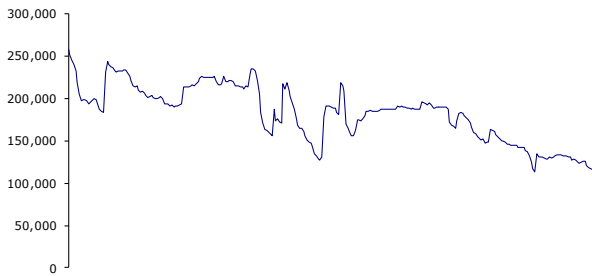
Nickel LME Stockpiles - 5 Year



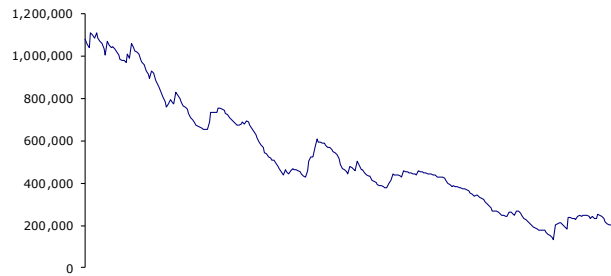
Copper LME Stockpiles - 5 Year



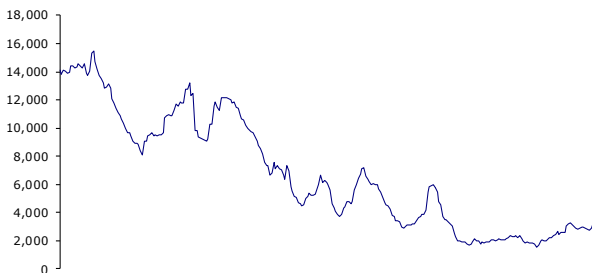
Lead LME Stockpiles - 5 Year



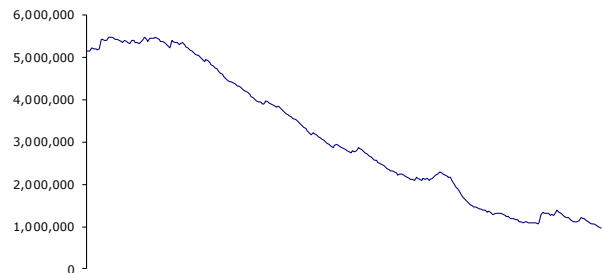
Zinc LME Stockpiles - 5 Year



Tin LME Stockpiles - 5 Year



Aluminium LME Stockpiles - 5 Year



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