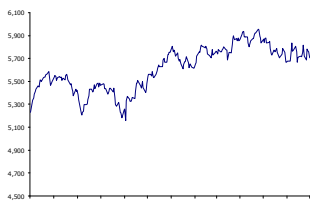


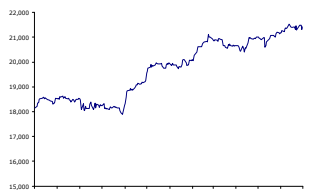
# STATE ONE SPINNAKER

**9 July 2017**  
**Issue 373**

## 12 month XJO chart



## 12 month Dow Jones chart



### State One Research Products

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**Overview**

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## Global Wrap – 9 July 2017

World Markets	9/07/2017	2/07/2017	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	5704	5721	-0.3%	-2.2%	8.4%
Dow Jones	21414	21350	0.3%	0.2%	22.4%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2425	2423	0.1%	-0.5%	18.2%
FTSE 100	7351	7313	0.5%	-1.7%	15.3%
DAX30	12389	12325	0.5%	-3.3%	24.1%
Shanghai Composite	3218	3196	0.7%	2.7%	-4.5%
Nikkei 225	19929	20056	-0.6%	0.5%	8.1%
Hang Seng	25341	25765	-1.6%	-2.1%	10.9%
Currency					
AUD/USD	0.7605	0.7660	-0.7%	-1.0%	0.5%
Commodities					
Oil (\$/bbl)	44.3	47.0	-5.8%	0.2%	-1.8%
Gas (\$/gal)	2.9	3.0	-5.6%	-3.3%	7.7%
Iron Ore (\$/t)	53.9	53.9	0.0%	6.9%	7.8%
Copper (\$/t)	5809	5908	-1.7%	2.2%	10.1%
Lead (\$/t)	2270	2274	-0.2%	10.5%	30.8%
Zinc (\$/t)	2767	2754	0.5%	11.9%	61.3%
Aluminium (\$/t)	1920	1909	0.6%	1.8%	29.7%
Nickel (\$/t)	8950	9280	-3.6%	1.5%	-14.0%
Tin (\$/t)	20050	20200	-0.7%	3.4%	25.5%
Gold (\$/oz)	1210	1242	-2.6%	-4.2%	3.8%
Silver (\$/oz)	15.4	16.6	-7.2%	-8.6%	-2.6%
Platinum (\$/oz)	904	926	-2.4%	-3.5%	-10.6%
Wheat (\$/t)	535.000	526.000	1.7%	20.8%	9.0%

Source: Iress

## Global Wrap

1. Government bond sell-off weighs on equity markets
2. US markets closed higher on Friday after the release of strong jobs data
3. Oil under renewed pressure, but lithium miners enjoy boost
4. Iron ore up – for now
5. Stock picks for the trading week ahead

## US

US markets closed higher on Friday, as strong jobs data helped stocks bounce back from losses earlier in the week.

US employers added 222,000 jobs in June, the US Labor Department said.

The Department said unemployment ticked up to 4.4% from 4.3% as more job-seekers entered the market.

Economists polled by MarketWatch had forecast a rise of 180,000.

A strong rebound in tech stocks also helped the major benchmarks on Friday.

Amazon shares added 1.4% on Friday after a report that its Prime subscriber service had attracted 85 million members in the US - more than a quarter of the country's population.

Mid last week the Federal Reserve's June policy meeting minutes release revealed general consensus that additional rate rises and the commencement of asset trimming were appropriate.

However there was division among FOMC members on the timing and whether soft inflation growth should be viewed as temporary or not.

Next Wednesday the Fed's Beige Book, or Summary of Commentary on Current Economic Conditions, will be released. This will help inform the next Federal Open Market Committee Meeting on July 25-26.

On Thursday the PPI for June will be released.

A data dump on Friday will include business inventories for May, and June CPI, industrial production and retail sales.

## **China**

The Shanghai Composite added 0.16% on Friday, and the smaller, tech-centric Shenzhen Composite rose 0.19%.

Fresh foreign exchange reserve data released at the end of the week showed Beijing's reserves rose for the fifth month in a row.

China's reserves were up \$3bn to \$3.057trn in June, just short of the forecast for \$3.06trn.

Earlier in the week, the Caixin-IHS Markit services Purchasing Managers Index (PMI) came in at 51.6 in for June, falling back from the four-month high of 52.8 in May.

Though above the 50 level that signals activity levels improved, it was the second-lowest reading in the past 13 months.

The composite PMI measures changes in activity levels across China's manufacturing and services sector from one month to the next.

A reading above 50 means the industry is growing, whereas it would be contracting if it fell below that number.

At the start of last week China widened access to its \$US10 trillion (\$13 trillion) bond market in a move analysts said would boost Beijing's drive to internationalise the yuan and more deeply integrate its markets into the world financial system.

The new window for foreign investors was opened via Hong Kong, where "qualified investors" can buy bonds in China — the world's third-largest bond market after the US and Japan.

Qualified investors include central banks, sovereign wealth funds and other major financial institutions.

Tomorrow (Monday) China will release its CPI and PPI for June, followed by its trade balance for June on Thursday.

## Japan

Japan's Nikkei 225 was down 0.32% on Friday at 19,929.09, as the yen weakened against the \$US.

Also on Friday, the Bank of Japan increased its bond-buying program as part of its quantitative easing strategy, in keeping with its target of maintaining the 10-year yield at zero.

Long-term 30 and 40-year bonds had reached their highest yield levels since February last year earlier in the week, and the 10-year bond hit a five-month high of 0.105%.

Japan's Producer Price Index (PPI) for June will be released on Wednesday.

## Europe

European shares slipped on Friday but made slight gains for the week following a sell-off sparked by expectations of tightening monetary conditions.

The pan-European STOXX 600 index fell 0.2% but remained above the 11-week low hit in the previous session, when European Central Bank minutes showed it had left the door open to scrapping its bond-buying pledge.

This resulted in a spike in government bond yields across Europe, which sent regional benchmarks falling by more than 1% at one point on Thursday.

German yields climbed to their highest level in 18 months. Most analysts remain bearish on bonds, as investors adjust to comments by ECB President Mario Draghi last week that sparked speculation policy makers would announce a tapering of bond purchases before the end of the year.

On investors' watch list next week is the Eurozone industrial production for May and UK unemployment figures for May, to be released on Wednesday.

The Eurozone trade balance for May will be released on Friday.

## Australia

The overseas government bond sell-off spooked Australian equity markets on Friday, which lost the week's gains after enjoying the best day of the year on Tuesday.

During the week almost \$10 billion was paid to investors in dividends, which traders had hoped would support the local index, but rising bond yields weighed on the key benchmarks.

Listed property stocks were the worst performing sector of the market, falling 4%.

On Tuesday the big four banks drove a \$28 billion rally as the South Australian opposition announced it would vote against that state's bank tax, but they ended the week mixed.

Gains in the iron ore price helped the big miners limit losses in the index mid-week.

Also supporting on Friday were the ASX200's largest lithium miners.

Orocobre Limited (ASX:ORE) and Galaxy Resources (ASX:GXY), got a boost as South Australia's government announced Tesla would build the world's largest lithium battery in the state.

ORE rose 2.2% on Friday and GXY 5%.

As expected on Tuesday, the Reserve Bank of Australia kept the official cash rate steady for a 10th straight monthly meeting. Unlike major overseas counterparts, the RBA signalled it was not be in any rush to raise rates.

On Wednesday, Australia posted a larger-than-expected trade surplus in May this week, driven by a coal and LNG export recovery after Cyclone Debbie earlier in the year.

The nation recorded a seasonally adjusted trade surplus of \$2.47 billion in May, compared with a surplus of \$90 million in April, the Australian Bureau of Statistics said.

The sometimes volatile figure was wider than analysts' expectations of a surplus of \$1 billion.

Retail spending posted an unexpectedly strong 0.6% rise in May, which was ahead of market expectations of a 0.2% rise. It follows the 1% increase in April.

But ANZ senior economist Daniel Gradwell said this would be temporary because consumers would soon be feeling the pressures from weak wages growth and APRA-driven credit tightening.

On investors' watch list this week are May housing finance figures and NAB business confidence for June on Tuesday.

## **Commodities**

### **Oil**

This week's oil price rally started to unwind on Friday as a result of rising OPEC exports, increasing US shale output and a rising rig count, oilprice.com reported.

Crude prices surged on Thursday as the EIA report showed a significant drawdown in crude inventories. Oil storage dipped by 6.3 million barrels and gasoline inventories fell by 3.7 million barrels.

But by Friday the markets had turned their attention back to the news from OPEC showing a recent surge in oil exports - and crude benchmarks tanked.

A day earlier Russia was reported to be opposed to any further production cuts should OPEC members suggest this at this month's regular meeting.

In the meantime, Saudi Arabia's Aramco announced it would reduce August prices to Asia.

Into this mix there was no shortage of news about progress in the electric vehicle sector this week. First Tesla announced that its first Model 3 cars would be rolling off the assembly line this week, with large-scale production to ramp up by the end of the year.

Then Volvo announced its decision to phase out gasoline and diesel-only vehicles. By 2019, the Swedish carmaker would only build electric and hybrid vehicles.

Bloomberg New Energy Finance published new findings that predict electric vehicles will make up a majority of light-duty vehicle sales in the US by 2040.

The accelerated adoption of EVs will be possible because of the dramatic decline in battery costs. The end result will be the displacement of 8 million barrels of oil demand per day by 2040.

Qatar Petroleum announced plans last week to scale up LNG production and exports in the coming years.

The plans call for a doubling of gas production from its North Pars Field in the Persian Gulf. That will allow Qatar – already the world's largest LNG exporter – to raise its LNG export capacity by nearly 30% from 77 million tonnes annually today to 100 million tonnes annually by 2022-2024.

More LNG capacity could worsen the already oversupplied LNG market, keeping prices depressed for years to come, oilprice.com said.

Top executives from ExxonMobil, Royal Dutch Shell and Total SA reportedly met with Qatari officials and expressed interest in working on the gas project.

**Iron ore** prices made gains on Friday July 7, almost reaching \$63 per tonne cfr, boosted by gains in futures market.

But the sector in Australia came under some pressure on Friday, as the Department of Industry, Science and Innovation lowered its price forecasts for both coal and iron ore.

"Global resource and energy commodity demand growth, particularly for steel making commodities, is expected to slow in the next two years, driven largely by a slowdown in infrastructure spending and construction activity in China," the department's chief economist, Mark Cully said.

### **Gold**

Gold's uptrend since the start of the year could be at risk next week with growing expectations that prices will test key support levels, according to some analysts cited by Kitco.

On Friday the "solid" US employment report pushed prices below initial support at \$1,220 an ounce.

Gold has closed in negative territory for five consecutive weeks and with renewed downside momentum for the metal, analysts have said there is a risk it could drop to key support at \$1200 an ounce in the near term.

**Silver** is also suffering from significant downward pressure as the market tries to recover from an 11% flash crash on Thursday, which renewed fears that computer-driven trading has gone too far.

### Stock picks

**Metals X (ASX:MLX) BUY.** MLX recently announced a positive DFS on its Renison Tailings Retreatment Project (Tasmania) which could expand group tin production to 12,400tpa from 7,000t at present. MLX offers investors one of the few opportunities to gain exposure to a listed tin producer. With a lack of meaningful production coming online globally, the tin market appears structurally sound in the medium term. At A\$0.70ps, the stock offers a 3% dividend yield plus some 54% upside potential relative to an IRESS consensus target price of A\$1.08ps.

**Neometals (ASX:NMT). Speculative Buy.** Earlier this week NMT announced that it had secured a 12% price hike (effective 1 July) for 6% spodumene (lithium) concentrate from its Mt Marion operation. We believe that market concern over Li price direction is largely to blame for the broad-based sell-off seen in Li stocks in the first half of the year. As these fears are allayed (even reversed), we suggest that lithium stock prices could rebound significantly. At A\$0.29ps, the stock offers 45% upside potential relative to State One's target price of A\$0.42ps.

**Oz Minerals (ASX:OZL). BUY.** We believe the medium-term outlook for "Dr Copper" is positive, and OZL is well positioned to take advantage of any uptick in the underlying metal price. First-quarter production was weaker than expected while weaker Au price momentum in the June quarter dampened the share price. Growth is focused on Prominent Hill, Carrapateena, and a pipeline of base metal exploration assets. At A\$7.43ps, the stock offers a 1.8% dividend yield and 14% upside potential relative to an IRESS consensus target price of A\$8.44ps.

## Economic Calendar 10/07/2017 – 14/07/2017

Monday July 10 2017	Actual	Previous	Consensus	Forecast	
<b>09:30 AM</b> 🇨🇳 CN Inflation Rate YoY JUN		1.5%	1.5%	1.5%	
<b>02:00 PM</b> 🇩🇪 DE Balance of Trade MAY		€18.1B		€17.2B	
Tuesday July 11 2017	Actual	Previous	Consensus	Forecast	
<b>09:30 AM</b> 🇦🇺 AU NAB Business Confidence JUN		7		5	
Wednesday July 12 2017	Actual	Previous	Consensus	Forecast	
<b>08:30 AM</b> 🇦🇺 AU Westpac Consumer Confidence Index JUL		96			
<b>08:30 AM</b> 🇦🇺 AU Westpac Consumer Confidence Change JUL		-1.8%		-0.7%	
<b>04:30 PM</b> 🇬🇧 GB Claimant Count Change JUN		7.3K		12K	
<b>04:30 PM</b> 🇬🇧 GB Unemployment Rate MAY		4.6%	4.6%	4.6%	
<b>10:00 PM</b> 🇨🇦 CA BoC Interest Rate Decision		0.5%	0.5%	0.75%	
<b>10:00 PM</b> 🇺🇸 US Fed Yellen Testimony Before Congress					
Thursday July 13 2017	Actual	Previous	Consensus	Forecast	
<b>10:00 AM</b> 🇨🇳 CN Balance of Trade JUN		\$40.79B	\$42.44B	\$40B	
<b>10:00 AM</b> 🇨🇳 CN Exports YoY JUN		8.7%	8.7%		
<b>10:00 AM</b> 🇨🇳 CN Imports YoY JUN		14.8%	13.1%		
<b>10:00 PM</b> 🇺🇸 US Fed Yellen Testimony Before Congress					
Friday July 14 2017	Actual	Previous	Consensus	Forecast	
<b>08:30 PM</b> 🇺🇸 US Core Inflation Rate YoY JUN		1.7%	1.7%	1.7%	
<b>08:30 PM</b> 🇺🇸 US Inflation Rate YoY JUN		1.9%	1.7%	1.8%	
<b>08:30 PM</b> 🇺🇸 US Retail Sales MoM JUN		-0.3%	0.1%	0.3%	
<b>10:00 PM</b> 🇺🇸 US Michigan Consumer Sentiment Prel JUL		95.1	95	95.4	

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

## Economic Calendar 17/07/2017 – 21/07/2017

Monday July 17 2017		Actual	Previous	Consensus	Forecast	
10:00 AM	CN GDP Growth Rate QoQ Q2		1.3%		1.4%	
10:00 AM	CN GDP Growth Rate YoY Q2		6.9%		6.8%	
Tuesday July 18 2017		Actual	Previous	Consensus	Forecast	
09:30 AM	AU RBA Meeting Minutes					
04:30 PM	GB Inflation Rate YoY JUN		2.9%		2.7%	
05:00 PM	DE ZEW Economic Sentiment Index JUL		18.6		17.92	
Thursday July 20 2017		Actual	Previous	Consensus	Forecast	
07:50 AM	JP Balance of Trade JUN		¥-203.4B			
09:30 AM	AU Employment Change JUN		42.0K		21.6K	
09:30 AM	AU Unemployment Rate JUN		5.5%		5.5%	
11:00 AM	JP BoJ Interest Rate Decision		-0.1%		-0.1%	
07:45 PM	EA ECB Interest Rate Decision		0%		0%	
08:30 PM	EA ECB Press Conference					
10:00 PM	EA Consumer Confidence Flash JUL		-1.3		-0.6	
Friday July 21 2017		Actual	Previous	Consensus	Forecast	
08:30 PM	CA Inflation Rate YoY JUN		1.3%		1.4%	

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

## All Ords Top 10 Week Ending 7 July 2017

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
GXY	Galaxy Resources	26.9	FXJ	Fairfax Media Ltd	-13.2
SYR	Syrah Resources	17.3	MYX	Mayne Pharma Ltd	-7.4
FLT	Flight Centre Travel	13.6	HT1	Ht&E Limited	-6.8
ORE	Orocobre Limited	8.9	EVN	Evolution Mining Ltd	-6.2
AAD	Ardent Leisure Group	8.5	ABP	Abacus Property Grp.	-6.2
PTM	Platinum Asset	6.0	MFG	Magellan Fin Grp Ltd	-6.1
GEM	G8 Education Limited	5.8	CCL	Coca-Cola Amatil	-6.1
AWC	Alumina Limited	5.7	ANN	Ansell Limited	-5.8
BHP	BHP Billiton Limited	5.6	DOW	Downer EDI Limited	-5.1
IFN	Infigen Energy	5.5	AOG	Aveo Group	-4.7

Source: IRESS

## S & P Indices Week Ending 7 July 2017

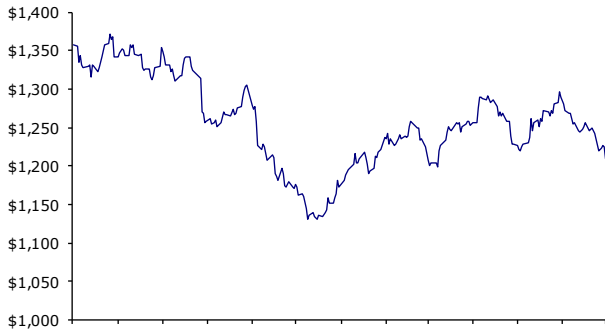
S&P Indices	9/07/2017	2/07/2017	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	8555	8712	-1.8%	-5.8%	-5.5%
S&P 200 Materials	10002	9797	2.1%	0.8%	21.9%
S&P 200 Industrials	5605	5702	-1.7%	-5.6%	18.0%
S&P 200 Consumer Disc.	2180	2210	-1.4%	-2.7%	18.9%
S&P 200 Consumer Staples	9105	9107	0.0%	-1.5%	3.9%
S&P 200 Healthcare	23461	24148	-2.8%	-3.8%	29.8%
S&P 200 Financials	6449	6466	-0.3%	-1.0%	6.1%
S&P 200 Info Technology	877	872	0.5%	-0.1%	22.0%
S&P 200 Telecommunicatic	1518	1511	0.5%	-1.0%	-23.2%
S&P 200 Utilities	8487	8685	-2.3%	-4.8%	26.2%
S&P 200 Property Trusts	1302	1311	-0.7%	-8.5%	2.8%
S&P 200 Financials ex PT	7193	7212	-0.3%	-1.0%	3.4%

Source: IRESS

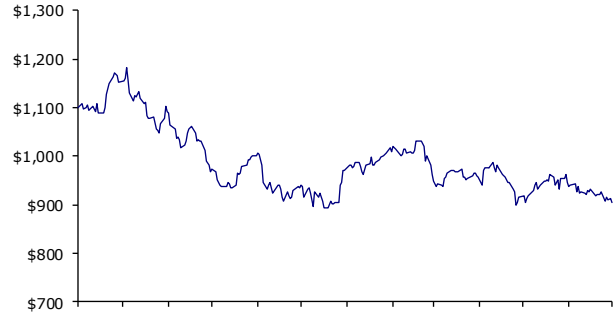


### 1 Year Commodity Price Charts

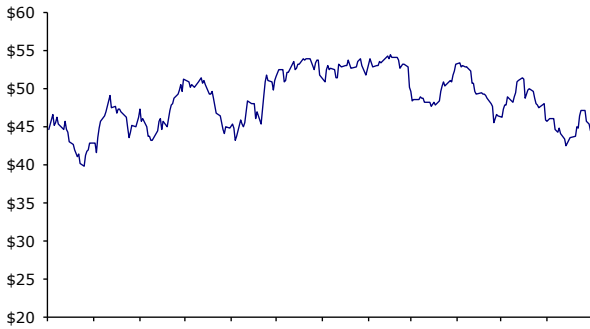
**1 Year Gold**



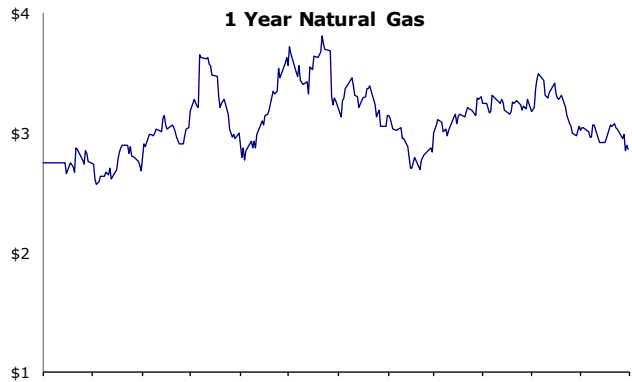
**1 Year Platinum**



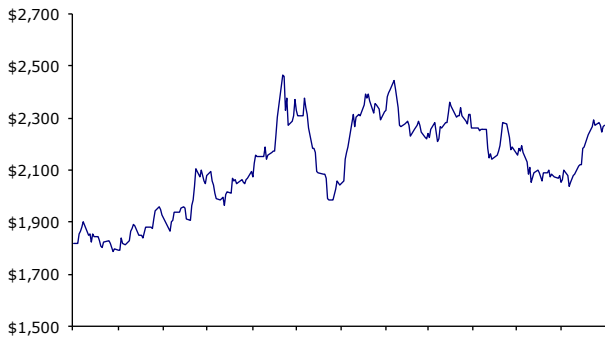
**1 Year Oil**



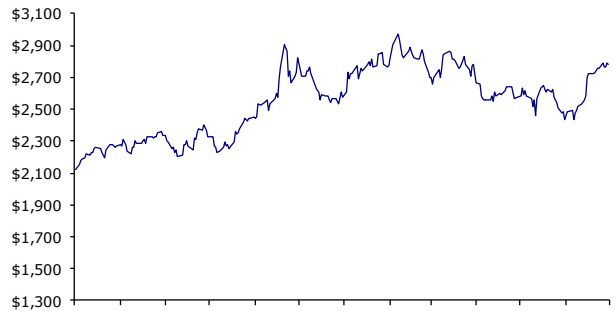
**1 Year Natural Gas**



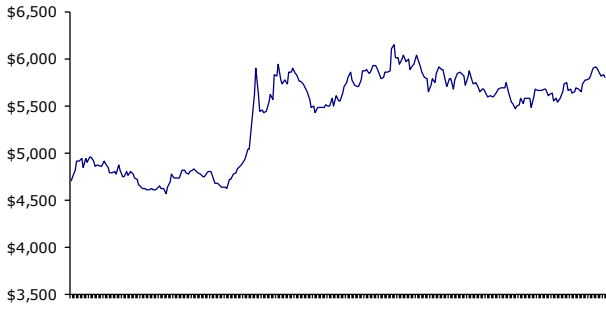
**1 Year Lead**



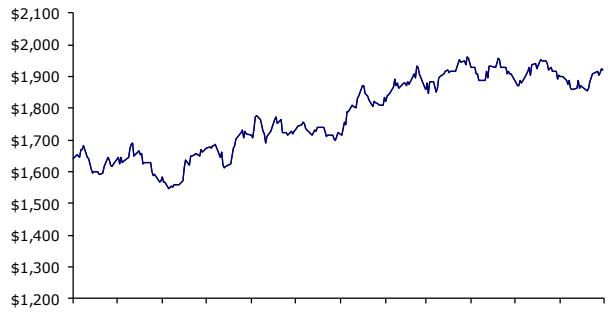
**1 Year Zinc**



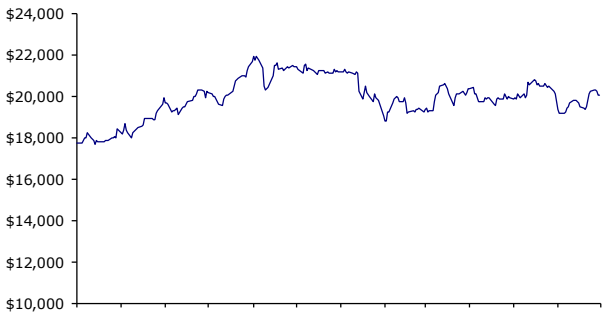
**1 Year Copper**



**1 Year Aluminium**

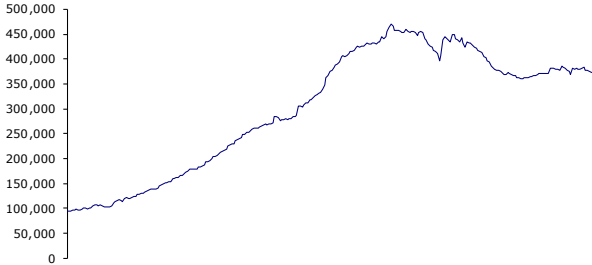


**1 Year Tin**

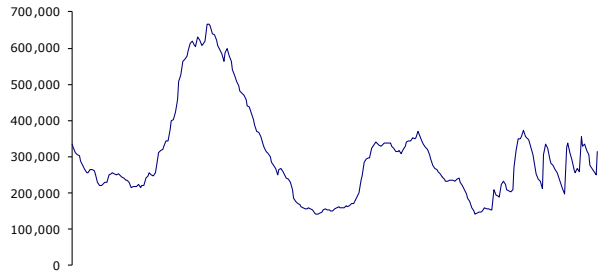


**5 Year Metals Stockpiles**

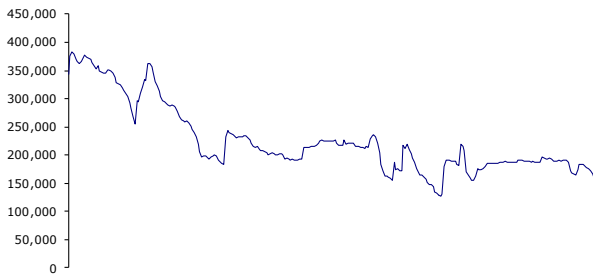
**Nickel LME Stockpiles - 5 Year**



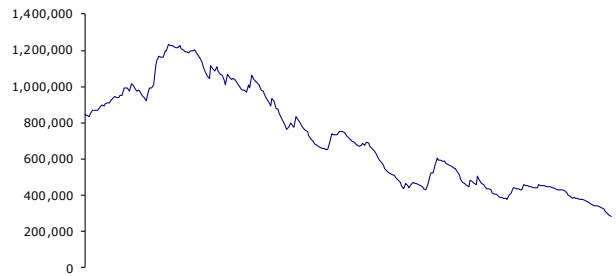
**Copper LME Stockpiles - 5 Year**



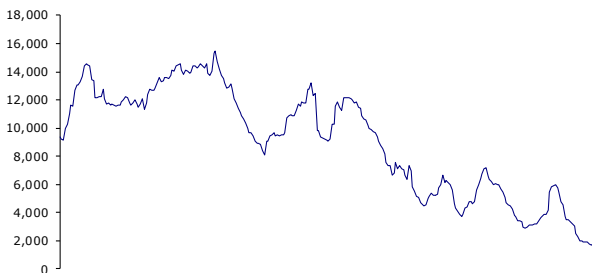
**Lead LME Stockpiles - 5 Year**



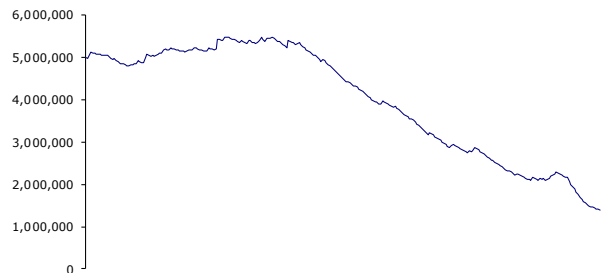
**Zinc LME Stockpiles - 5 Year**



**Tin LME Stockpiles - 5 Year**



**Aluminium LME Stockpiles - 5 Year**



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