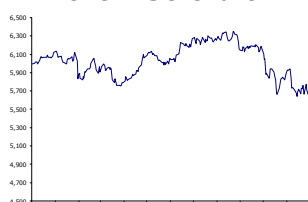


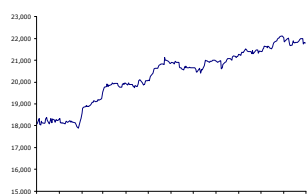
# STATE ONE SPINNAKER

**9 December 2018**  
**Issue 440**

## 12 month XJO chart



## 12 month Dow Jones chart



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## Global Wrap – 9 December 2018

World Markets	9/12/2018	2/12/2018	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	5681	5667	0.3%	-0.9%	2.5%
Dow Jones	21798	21988	-0.9%	-1.0%	18.0%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2633	2760	-4.6%	-2.5%	17.2%
FTSE 100	6778	6980	-2.9%	-3.6%	-2.2%
DAX30	10788	11257	-4.2%	-5.5%	-18.4%
Shanghai Composite	2606	2655	-1.8%	-2.3%	-19.0%
Nikkei 225	21679	22575	-4.0%	-0.6%	15.5%
Hang Seng	26064	26507	-1.7%	1.6%	14.0%
Currency					
AUD/USD	0.7201	0.7359	-2.2%	-1.6%	-4.1%
Commodities					
Oil (\$/bbl)	52.1	53.1	-1.8%	-7.8%	-9.1%
Gas (\$/gal)	4.5	4.6	-2.7%	-5.5%	72.1%
Iron Ore (\$/t)	0.0	53.9	-100.0%	-100.0%	-100.0%
Copper (\$/t)	6173	6238	-1.0%	1.1%	5.7%
Lead (\$/t)	1965	1957	0.4%	2.4%	-15.7%
Zinc (\$/t)	2706	2629	2.9%	6.4%	-1.4%
Aluminium (\$/t)	1962	1935	1.4%	1.6%	13.3%
Nickel (\$/t)	10815	11020	-1.9%	-3.7%	-4.9%
Tin (\$/t)	18930	18525	2.2%	-2.1%	-11.5%
Gold (\$/oz)	1253	1226	2.2%	3.4%	6.8%
Silver (\$/oz)	14.7	14.2	3.4%	4.2%	-14.0%
Platinum (\$/oz)	790	800	-1.2%	-5.7%	-15.7%
Wheat (\$/t)	531.500	517.750	2.7%	3.8%	30.2%

Source: Iress

## Global Wrap

### Key points

1. Defensive stocks up on ASX

2. Oil up on OPEC+ deal

3. Stock analysis: Utilities sector

## US

US equities closed up after a late rally in large technology stocks which helped propel the Nasdaq 100 higher in the biggest reversal for the index since April.

However the S&P 500 and Dow Jones Industrial Average ended in negative territory, The Sydney Morning Herald reported.

Financial markets remained volatile on bets that the trade truce between China and the US won't last after the arrest of Huawei's chief financial officer Sabrina Meng Xiaozhou, daughter of the founder of the Chinese telecom juggernaut, at the request of the US.

The arrest in Canada and reports that it may extradite her to the US are a blow to already fragile sentiment, just days after an apparent breakthrough on trade between America and China.

Huawei, the world's seventh-largest information technology company by revenue, is under investigation by US prosecutors over whether it breached banking laws to evade sanctions against Iran.

The S&P 500 fell 0.2% on Friday, while the Dow Jones Industrial Average lost 0.3% and the Nasdaq Composite Index rose 0.4% and the Nasdaq 100 climbed 0.6%.

Helping to ease the anxiety on Friday were comments from two regional Federal Reserve presidents urging policy caution from the US central bank amid mounting economic uncertainties and recent volatility in financial markets.

This came as data released on Friday showed non-farm payrolls increased by 155,000 for the month while the unemployment rate again held at 3.7%, its lowest since 1969.

While apparently good news, it was below forecasts. Economists surveyed by Dow Jones had been expecting payroll growth of 198,000 and the jobless rate to hold steady.

Average hourly earnings, a closely watched sign of whether inflation pressures are building, again rose at a 3.1% pace from a year ago. The monthly earnings gain of 0.2% fell short of estimates for a 0.3% increase.

However a separate gauge that includes discouraged workers and those holding part-time jobs for economic reasons, sometimes called the real unemployment rate, rose from 7.4% to 7.6%.

Some of the key events investors will be focused on this week:

- OPEC ministers meet in Vienna Thursday.
- Friday brings the US monthly employment report for November.
- China November trade data are due on Saturday.
- US CPI will be released on Wednesday.

## **China**

The Shanghai Composite Index closed 0.03% higher at 2,605.89.

In Hong Kong, the Hang Seng Index slipped by 0.4% to 26,063.76.

On Thursday, both gauges slumped by at least 1.7% after Canada said it had detained the Huawei CFO.

Trading was light on Friday, as investors analysed which way the 90-day trade talks between the US and China would head.

HSBC Holdings was in the spotlight on Friday, becoming the latest company to be associated with the developments at Huawei. The bank's stock slid by 1.9% to HK\$63.70 in Hong Kong.

Meanwhile news that China had given major phone operators the go-ahead to start testing fifth-generation wireless (5G) networks helped to ease selling at Huawei's suppliers.

Pharmaceutical stocks continued to perform poorly on concerns a pilot government procurement process, which has slashed prices of some generic drugs by about 60%, will be expanded nationwide.

Chinese CPI will be released on Monday, then a raft of production, employment and consumption figures on Friday.

## Japan

Stocks rebounded on the Tokyo Stock Exchange on Friday, supported by purchases after the previous day's plunge.

The 225-issue Nikkei average rose 177.06 points, or 0.82%, to end at 21,678.68. It tumbled 417.71 points on Thursday.

Friday's rebound resulted partly from futures-led buying prompted by the yen's weakening and relatively solid performances of other Asian markets, The Japan Times reported.

Japanese GDP will be released on Monday and industrial production data on Friday.

## Europe

European stocks recovered some ground Friday after slumping to a two-year low in the previous session, but significant gains were capped by lack of thrust from Wall Street and Asia.

The pan-European Stoxx 600 provisionally closed up over 0.7%, with all sectors and major bourses in positive territory.

Europe's tech stocks were among the top performers, up around 2% as worries of a fresh flare-up in tensions between the world's two largest economies cooled.

On Monday a slew of UK data will be released including GDP, industrial production and the trade balance, followed by jobs data on Tuesday. The European Central Bank rates decision will be announced on Thursday.

## Australia

Australian shares closed the week higher as defensive property and infrastructure stocks held firm.

The S&P/ASX 200 Index closed the week 14.3 points, or 0.3%, higher at 5681.5 while the broader All Ordinaries rose 8.6 points, or 0.1%, to 5757.9, The Australian Financial Review reported.

Transurban was among the market leaders this week, rising 4.1% to \$11.86. Scentre Group rose 6.7% to \$4.16, Goodman Group advanced 6.9% to \$10.96, Dexus closed 5.8% higher at \$11.07 and Stockland closed the week's trade at \$3.84, up 5.5%.

CSL also had a strong week after a study of more than a million patients in the US revealed the healthcare giant's cell-based flu vaccines gave 36% more protection than comparable egg-based vaccines. Its shares closed the week 3.7% higher at \$183.90.

GrainCorp shares rose 25.5% to \$9.16 after the group received a \$3.3 billion takeover offer from Long-Term Asset Partners (LTAP).

IOOF Holdings wiped more than a third of its value this week, sliding 33.3% to \$4.60 after APRA began a case in Federal court against five of its senior executives. The prudential regulator accused the executives including chief executive Chris Kelahe and chairman George Venardos did not act in the best interests of superannuation members.

A surprise decision by the Malaysian Government to force Lynas Corp to remove 400,000 tonnes of radioactive waste from the country sent the rare earths producer's shares down. The company will be forced to pay a \$60 million bill to remove the waste or risk losing its future licence to operate in the country. Its shares fell 20% to \$1.68 this week.

A key business confidence survey will be released on Tuesday and inflation expectations on Thursday.

## Commodities

Oil prices spiked by more than 4% on Friday after OPEC+ surprised markets with a last minute agreement to cut production by 1.2 million bpd starting in January 2019, with Brent finishing just about \$62.

The price of **copper** moved higher on Thursday as it recovered from its steepest slide in five weeks during Wednesday's trade. Copper on the London Metal Exchange climbed more than 1% after a report from The Wall Street Journal suggested the US Federal Reserve would consider pausing its current rate

hikes following a likely increase in December.  
 Copper's price closely tracks global growth sentiment.

**Gold** hit a five-month peak on Friday as the dollar slid following weaker-than-expected US jobs data, which added to expectations the US Federal Reserve may go slow on interest rate hikes next year. With a rise of nearly 2% this week, gold looked set to post its best gain since the week of March 23.

#### **Stock analysis: Utility Sector – not the safe-haven it once was**

Recent press reports indicate that two of Australia's biggest energy companies – Origin Energy (ASX:ORG) and EnergyAustralia - will delay investment in new generation capacity until there is more certainty around the country's energy policy. This follows on from Prime Minister Scott Morrison's "big stick" legislation to break up energy retailers being stalled in parliament.

EnergyAustralia's chairman Graham Bradley said the divestment bill – known as the Treasury Laws Amendment (Prohibiting Energy Market Conduct) Bill 2018 - was only the latest in a string of upsets for governance of the sector that would chill investment. This included deliberations on the expansion of the Snowy Hydro generation scheme, proposed new contracting powers for generators, and the effect of "green schemes" on renewable energy investment.

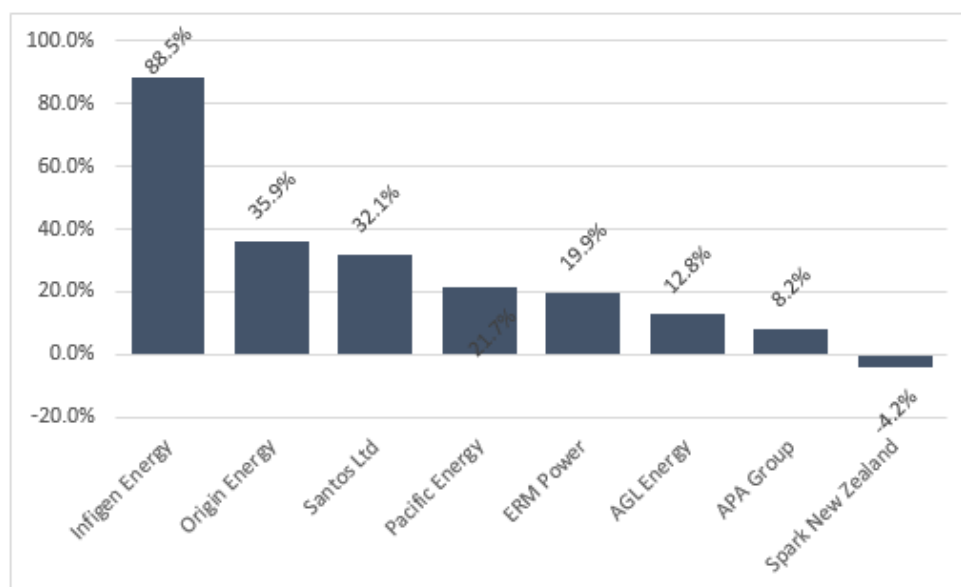
The net effect is the Utility Sector – typically seen along with the Consumer Staple sector, gold and cash as an investment safe-haven in times of uncertainty – is uncharacteristically risky.

Looking at IRESS consensus target prices and dividend yields, Infigen Energy (IFN) offers the most upside potential at an estimated total return of 89%. See table and chart below.
















#### **Forecast total return for selected ASX-listed Utility /Infrastructure/Energy stocks**

Security	Name	Share Price (A\$)	Target Price (A\$)	Capital upside / (downside) (%)	FY19E Dividend (A\$)	FY19E DY (%)	Total Return (%)
IFN	Infigen Energy	0.435	0.8	83.9%	0.02	4.6%	88.5%
ORG	Origin Energy	6.96	9.2	32.2%	0.26	3.7%	35.9%
STO	Santos Ltd	5.61	7.34	30.8%	0.07	1.2%	32.1%
PEA	Pacific Energy	0.60	0.72	20.0%	0.01	1.7%	21.7%
EPW	ERM Power	1.66	1.89	13.9%	0.10	6.0%	19.9%
AGL	AGL Energy	19.5	20.8	6.7%	1.19	6.1%	12.8%
APA	APA Group	9.07	9.34	3.0%	0.47	5.2%	8.2%
SPK	Spark New Zealand	4.04	3.64	-9.9%	0.23	5.7%	-4.2%

Source: IRESS, compiled by State One Stockbroking

















## Economic Calendar 10/12/2018 – 14/12/2018

Monday December 10 2018			Actual	Previous	Consensus
03:00 PM	 DE	Balance of Trade OCT		€18.4B	
05:30 PM	 GB	Balance of Trade OCT		£-0.027B	
Tuesday December 11 2018			Actual	Previous	Consensus
08:30 AM	 AU	NAB Business Confidence NOV		4	
05:30 PM	 GB	Claimant Count Change NOV		20.2K	
06:00 PM	 DE	ZEW Economic Sentiment Index DEC		-24.1	-25
Wednesday December 12 2018			Actual	Previous	Consensus
03:00 AM	 GB	Commons Vote on Brexit			
07:30 AM	 AU	Westpac Consumer Confidence Index DEC		104.3	
07:30 AM	 AU	Westpac Consumer Confidence Change DEC		2.8%	
09:30 PM	 US	Core Inflation Rate YoY NOV		2.1%	2.2%
09:30 PM	 US	Inflation Rate YoY NOV		2.5%	2.2%
Thursday December 13 2018			Actual	Previous	Consensus
08:30 AM	 AU	RBA Bulletin			
09:30 PM	 EA	ECB Press Conference			
Friday December 14 2018			Actual	Previous	Consensus
07:50 AM	 JP	Tankan Large Manufacturers Index Q4		19	17
04:30 PM	 DE	Markit Manufacturing PMI Flash DEC		51.8	51.9
09:30 PM	 US	Retail Sales MoM NOV		0.8%	0.2%

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

## Economic Calendar 17/12/2018 – 21/12/2018

Tuesday December 18 2018			Actual	Previous	Consensus
05:00 PM	 DE	Ifo Business Climate DEC		102	
Wednesday December 19 2018			Actual	Previous	Consensus
07:50 AM	 JP	Balance of Trade NOV		¥-449B	¥-70B
05:30 PM	 GB	Inflation Rate YoY NOV		2.4%	2.5%
09:30 PM	 CA	Inflation Rate YoY NOV		2.4%	2.2%
Thursday December 20 2018			Actual	Previous	Consensus
03:00 AM	 US	FOMC Economic Projections			
03:30 AM	 US	Fed Press Conference			
08:00 PM	 GB	BoE Quantitative Easing		£435B	£435B
Friday December 21 2018			Actual	Previous	Consensus
07:30 AM	 JP	Inflation Rate YoY NOV		1.4%	
08:01 AM	 GB	GfK Consumer Confidence DEC		-13	
03:00 PM	 DE	GfK Consumer Confidence JAN		10.4	10.5
09:30 PM	 US	Durable Goods Orders MoM NOV		-4.4%	1.4%
09:30 PM	 US	Personal Income MoM NOV		0.5%	0.4%
09:30 PM	 US	Personal Spending MoM NOV		0.6%	0.3%
11:00 PM	 EA	Consumer Confidence Flash DEC		-3.9	

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

## All Ords Top 10 Week Ending 7 December 2018

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
GNC	GrainCorp Limited	25.5	IFL	IOOF Holdings Ltd	-33.3
SDA	Speedcast Int Ltd	9.5	LYC	Lynas Corporation	-20.0
COL	Coles Group	7.6	EHL	Emeco Holdings	-15.1
ORG	Origin Energy	7.1	ASL	Ausdrill Limited	-12.4
BSL	BlueScope Steel Ltd	7.0	APT	Afterpay Touch	-12.0
GMG	Goodman Group	6.9	MTS	Metcash Limited	-11.9
VVR	Viva Energy REIT	6.8	ABC	Adelaide Brighton	-10.2
SCG	Scentre Grp	6.7	CYB	Cybg PLC	-8.0
ABP	Abacus Property Grp.	6.3	PLS	Pilbara Min Ltd	-7.7
A2M	The A2 Milk Company	6.1	SEK	Seek Limited	-7.5

Source: IRESS

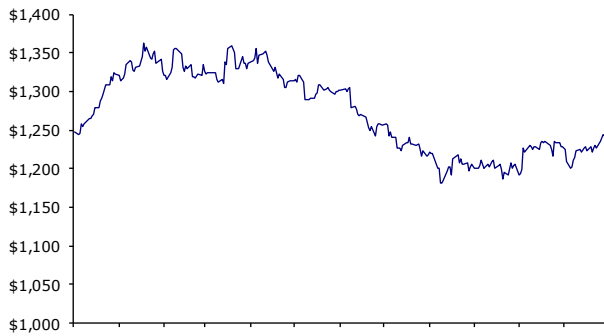
## S & P Indices Week Ending 7 December 2018

S&P Indices	9/12/2018	2/12/2018	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	10053	9929	1.2%	-4.1%	13.0%
S&P 200 Materials	10776	10751	0.2%	-3.5%	8.8%
S&P 200 Industrials	5799	5739	1.0%	0.7%	13.6%
S&P 200 Consumer Disc.	2140	2145	-0.3%	-4.1%	2.2%
S&P 200 Consumer Staples	10470	10200	2.6%	-0.8%	22.4%
S&P 200 Healthcare	28632	27954	2.4%	1.1%	48.5%
S&P 200 Financials	5622	5742	-2.1%	-0.4%	-11.8%
S&P 200 Info Technology	1080	1111	-2.8%	-2.7%	38.8%
S&P 200 Telecommunicatic	1114	1083	2.9%	0.3%	-36.5%
S&P 200 Utilities	7505	7262	3.3%	2.5%	-0.5%
S&P 200 Property Trusts	1441	1377	4.7%	3.9%	7.4%
S&P 200 Financials ex PT	6270	6405	-2.1%	-0.4%	-11.8%

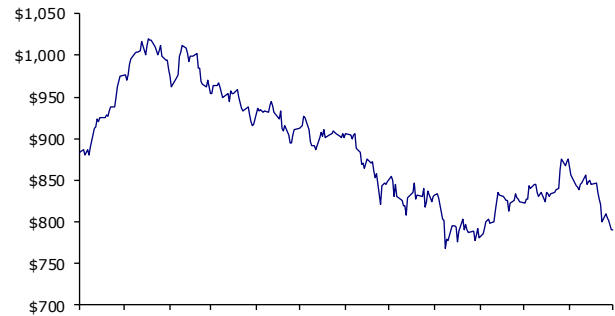
Source: IRESS

## 1 Year Commodity Price Charts

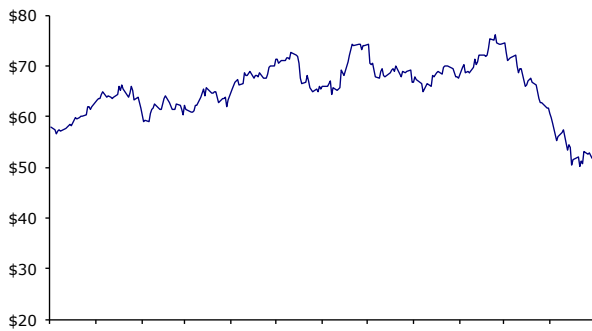
**1 Year Gold**



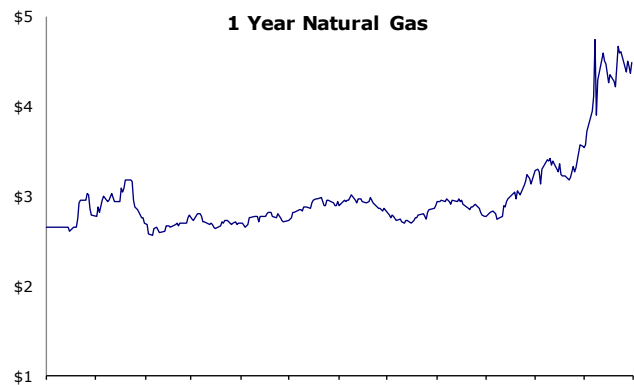
**1 Year Platinum**



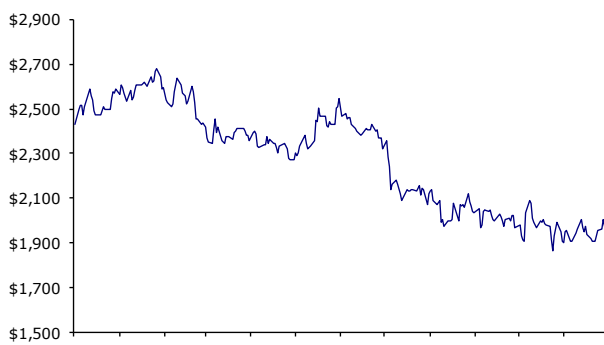
**1 Year Oil**



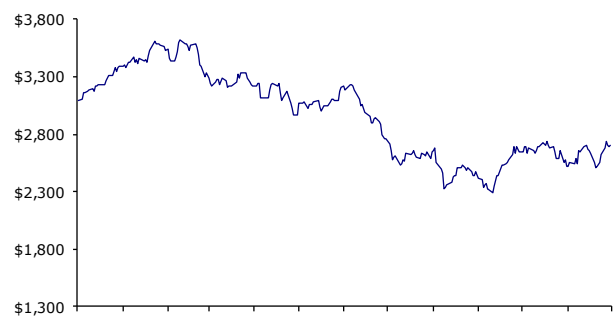
**1 Year Natural Gas**



**1 Year Lead**

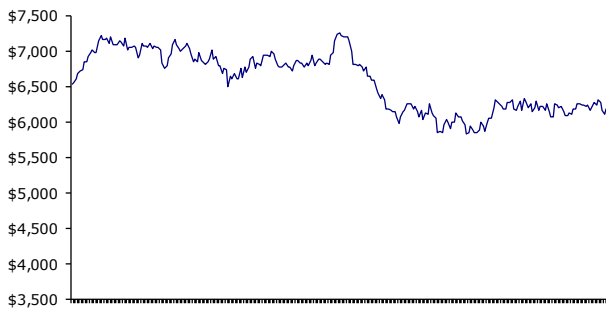


**1 Year Zinc**

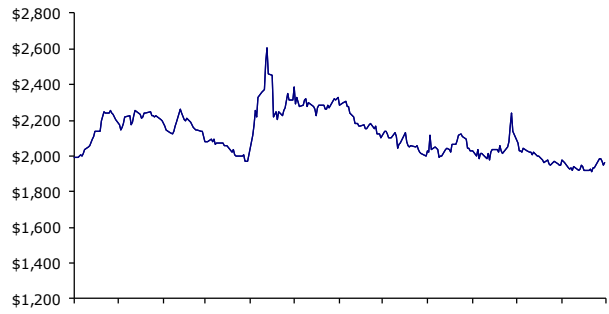




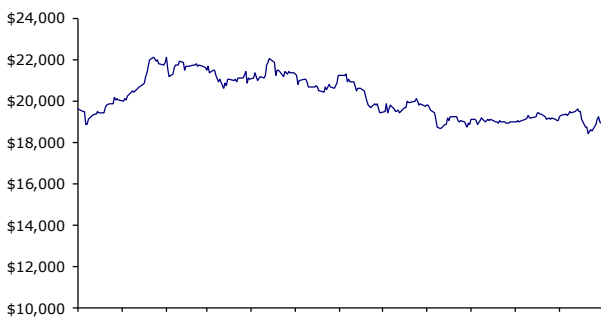
**1 Year Copper**



**1 Year Aluminium**

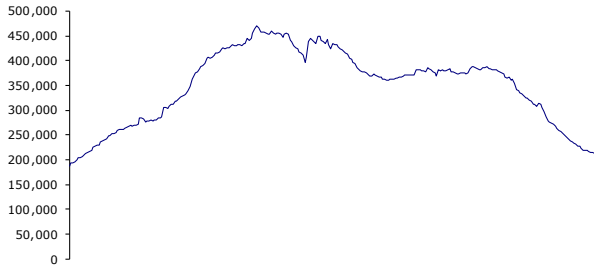


**1 Year Tin**

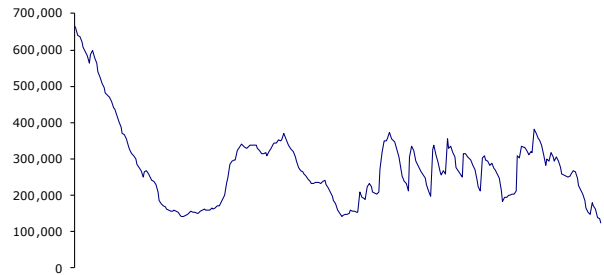


## 5 Year Metals Stockpiles

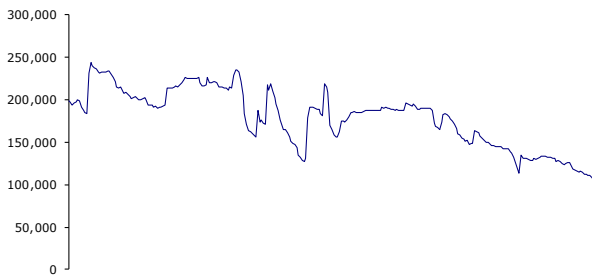
**Nickel LME Stockpiles - 5 Year**



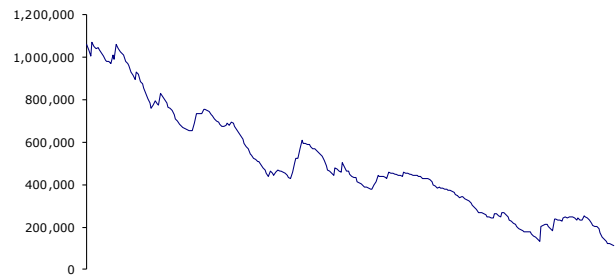
**Copper LME Stockpiles - 5 Year**



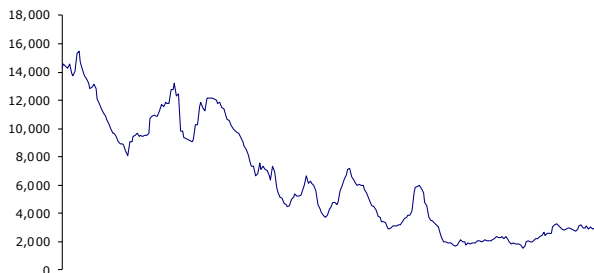
**Lead LME Stockpiles - 5 Year**



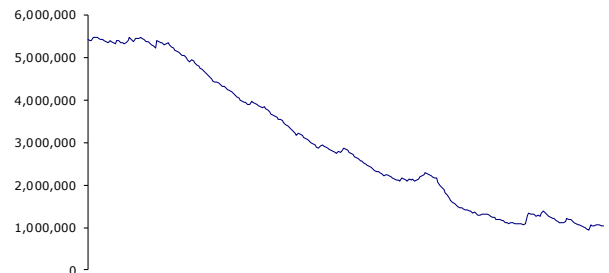
**Zinc LME Stockpiles - 5 Year**



**Tin LME Stockpiles - 5 Year**



**Aluminium LME Stockpiles - 5 Year**



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