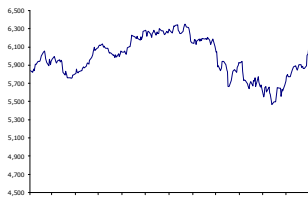


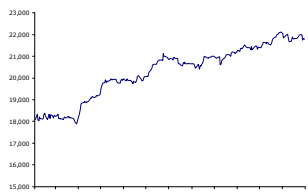
# STATE ONE SPINNAKER

10 February 2019  
Issue 447

## 12 month XJO chart



## 12 month Dow Jones chart



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## Global Wrap – 10 February 2019

World Markets	10/02/2019	3/02/2019	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	6071	5863	3.6%	4.0%	9.5%
Dow Jones	21798	21988	-0.9%	-1.0%	18.0%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2708	2707	0.0%	3.5%	20.6%
FTSE 100	7071	7020	0.7%	3.0%	2.0%
DAX30	10907	11181	-2.4%	-0.2%	-12.7%
Shanghai Composite	2618	2618	0.0%	2.3%	-18.6%
Nikkei 225	20333	20884	-2.6%	-0.3%	8.4%
Hang Seng	27946	27931	0.1%	3.9%	22.2%
Currency					
AUD/USD	0.7091	0.7226	-1.9%	-2.5%	-9.2%
Commodities					
Oil (\$/bbl)	52.7	54.8	-3.9%	1.0%	-10.8%
Gas (\$/gal)	2.6	2.7	-5.5%	-18.4%	-3.0%
Iron Ore (\$/t)	0.0	53.9	-100.0%	-100.0%	-100.0%
Copper (\$/t)	6207	6098	1.8%	5.0%	6.3%
Lead (\$/t)	2066	2094	-1.3%	5.8%	-11.4%
Zinc (\$/t)	2719	2733	-0.5%	9.2%	-0.9%
Aluminium (\$/t)	1865	1873	-0.4%	1.4%	7.7%
Nickel (\$/t)	12735	12460	2.2%	10.0%	12.0%
Tin (\$/t)	21050	20830	1.1%	1.3%	-1.6%
Gold (\$/oz)	1319	1322	-0.3%	1.9%	12.5%
Silver (\$/oz)	15.8	15.9	-0.8%	1.2%	-7.5%
Platinum (\$/oz)	803	827	-2.9%	-0.8%	-14.4%
Wheat (\$/t)	517.750	522.750	-1.0%	0.8%	26.8%

Source: Iress

## Global Wrap

### Key points

1. "Relief rally" on ASX
2. Stock analysis: Financial services post Royal Commission

## US

The Dow Jones Industrial Average fell on Friday as market participants continued to worry about ongoing US-China trade negotiations as well as slowing economic growth, CNBC reported.

The 30-stock index fell 63.20 points to 25,106.33, notching its first three-day losing streak since December. The [S&P 500](#) eked out a small gain, rising less than 0.1% to 2,707.88. The Nasdaq Composite ended the day up 0.1% at 7,298.20.

The Wall Street Journal reported on Friday that the two countries had not yet put together a draft on the matters on which they agree or disagree. The report comes as a key early March deadline approaches. It also follows President Donald Trump saying on Thursday he would not meet with Chinese President Xi Jinping before that deadline. White House economic advisor Larry Kudlow also said there was a "pretty sizeable distance to go" before China and the US reach a deal.

Meanwhile, the European Commission on Thursday sharply downgraded its forecast for euro zone economic growth in 2019 and 2020, rekindling fears that the global economy may be slowing down.

The rising uncertainty around US-China trade relations and the growing worries over the global economy coincide with a deteriorating earnings outlook for 2019. Earnings for the first quarter of 2019 are expected to contract by more than 1%, according to data from FactSet.

This coming week investors will be monitoring Federal Reserve chairman Jerome Powell's speech on Tuesday; followed by CPI and earnings figures on Wednesday, then retail sales data on Thursday.

### **China**

Hong Kong stocks ended lower on the first trading day in the Year of the Pig, The South China Morning Post reported. This followed news of yet another medical scandal in mainland China and mounting concerns about the US-China trade talks, as well as global economic growth.

Traders in the special administrative region returned to work after a three-day Lunar New Year holiday while mainland markets remained closed. By the close, the benchmark Hang Seng Index had dropped 0.2%, or 56.95 points, to 27,946.32. The Hang Seng China Enterprises Index, or the H-share gauge, shed 0.72%, or 79.84 points, to 10,956.58.

Pharmaceuticals were a drag on the Hong Kong market after news emerged during the week that 12,000 blood plasma treatments produced by the state-owned Shanghai Xinxing Pharmaceutical Company, China's second-biggest medical blood products manufacturer, had been found to be contaminated with HIV.

Mainland Chinese markets will re-open again this week after the Lunar New Year holiday last week. The trade balance of the world's second largest economy will be released on Thursday and CPI on Friday.

### **Japan**

Stocks nose-dived on the Tokyo Stock Exchange Friday as worries about a slowdown in global growth re-emerged, The Japan Times reported.

The 225-issue Nikkei average slid 418.11 points, or 2.01%, to end at 20,333.17. On Thursday, the key market gauge sagged 122.78 points.

Japanese GDP will be released this Thursday and industrial production on Friday.

### **Europe**

European stocks closed lower Friday amid fears over US-China trade relations and slowing economic growth, CNBC reported.

The pan-European Stoxx 600 closed provisionally off by 0.54% with most sectors and major bourses in the red. Autos were the worst-performing sector — down 2.19%.

Fears around slowing global economic growth also impacted sentiment after both the European Commission and the Bank of England slashed growth forecasts on Thursday.

The Commission said it now saw growth in the euro zone coming in at 1.3% in 2019, down from a previously forecast 1.9%.

The BOE, meanwhile, said it saw its worst outlook for the UK economy this year since 2009.

British GDP will be released on Monday and Bank of England Governor Mark Carney will deliver a speech on Tuesday, which will no doubt be watched for clues on interest rate moves.

British GDP will be out on Wednesday followed by the key German reading on Thursday.

### **Australia**

The Australian sharemarket advanced to its best week in more than two years, as solid earnings, a "relief rally" following the final report from the banking royal commission and a change in the Reserve Bank of Australia's tone pushed stocks higher.

The Australian Financial Review reported the S&P/ASX 200 Index rose 208.7 points, or 3.6%, to 6071.5, its biggest weekly percentage gain since November 2016.

Meanwhile, the Australian dollar suffered its worst week since November 2016 after extending its weekly slide to nearly 2.4%.

The four major banks led the market this week after the final report from the banking royal commission

avoided making specific recommendations regarding their core business structures. Westpac led this week's gains, lifting 9% to \$26.79 while ANZ rose 7.9% to \$26.89. Commonwealth Bank announced on Wednesday it had delivered a slightly stronger profit for the first half of the year, pushing its shares 7.2% higher to \$74.75 for the week. NAB was the weakest of the big four after specific criticism of CEO Andrew Thorburn and chairman Ken Henry by Commissioner Kenneth Hayne led to their resignations on Thursday. The bank closed the week 4% lower at \$24.75. The financial sector was also strong outside the major banks, buoyed by the royal commission report and some solid earnings.

This coming week the NAB business confidence reading will be out on Tuesday and inflation expectations will be released on Thursday.

**Oil** prices have been flat for several days, weighed down by concerns about the health of the global economy, plus the potential return of supply from Libya, oilprice.com reported. "Growing economic concerns, falling stock markets and emerging doubts that the trade conflict between the US and China will be resolved are putting oil prices under pressure," Commerzbank wrote in a note on Friday.

***Stock analysis: Pain for NAB heads after Hayne Royal Commission report***

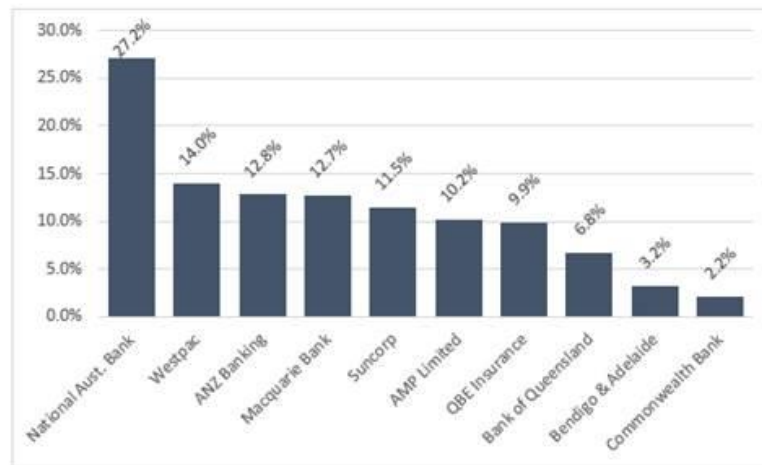
Peel back the layers and it's simply about culture. Kenneth Hayne's royal commission report into misconduct in the banking, superannuation and financial services industry clearly states the interests of Australian customers have been sacrificed for short-term profits. The underlying culture of the Australian banking ecosystem has been to systematically take advantage of customers. The inquiry itself has already re-shaped financial services with its exposure of failings across the industry — from practices in front-line sales floors of insurance companies and business lending departments all the way up to administrative practices at board level in the major banks. The sheer weight of increased scrutiny has been forcing a re-evaluation of behaviours and practices, most spectacularly evidenced in the major banks offloading their wealth arms but also in the general tightening of credit which now poses a risk to the economy. One of the surprises in the interim report released last year was the extent of its criticisms of the regulators, mainly ASIC but also APRA, for failing to enforce existing laws to their fullest extent. Nevertheless, the recommendations appear to have left the structure of the banking sector intact, triggering a relief rally in financial industry stocks. Mortgage brokers, however, were savaged as one of the recommendations proposed a steady but deliberate dismantling of the conflicts in broker pay, starting with ending the payment of trail commissions to mortgage brokers on new loans within 18 months. NAB's embattled CEO Andrew Thorburn and chairman Ken Henry capitulated to growing pressure and announced their intentions to resign as the crisis of confidence in the bank came to a head. The general view is that following Ken Henry's poor performance in front of the stand during the commission hearing, the respected ex-Treasury Head does not have the moral authority to lead the process of choosing a new CEO or to refresh the board. At current share price levels, NAB offers the most total return potential at 27% (19% capital upside + 8% dividend yield).

**Forecast total return for major ASX-listed financial stocks**

Security	Name	Share Price (A\$)	Target Price (A\$)	Capital upside / (downside) (%)	FY19E Dividend (A\$)	FY19E DY (%)	Total Return (%)	Franking (%)
NAB	National Aust. Bank	24.56	29.29	19.3%	1.94	7.9%	<b>27.2%</b>	100%
WBC	Westpac	26.81	28.67	6.9%	1.89	7.0%	<b>14.0%</b>	100%
ANZ	ANZ Banking	26.79	28.6	6.8%	1.62	6.0%	<b>12.8%</b>	100%
MQG	Macquarie Bank	121.01	130.49	7.8%	5.93	4.9%	<b>12.7%</b>	45%
SUN	Suncorp	13.62	14.41	5.8%	0.77	5.7%	<b>11.5%</b>	100%
AMP	AMP Limited	2.45	2.52	2.9%	0.18	7.3%	<b>10.2%</b>	90%
QBE	QBE Insurance	11.29	11.91	5.5%	0.50	4.4%	<b>9.9%</b>	30%
BOQ	Bank of Queensland	10.66	10.62	-0.4%	0.76	7.1%	<b>6.8%</b>	100%
BEN	Bendigo & Adelaide	11.23	10.89	-3.0%	0.70	6.2%	<b>3.2%</b>	100%
CBA	Commonwealth Bank	74.71	72.03	-3.6%	4.31	5.8%	<b>2.2%</b>	100%

Source: IRESS, compiled by State One Stockbroking

Note: Share price and Target prices as at 8 Feb 2019













**Economic Calendar 11/02/2019 – 15/02/2019**

Monday February 11 2019		Actual	Previous	Consensus
<b>05:30 PM</b>	GB <b>Balance of Trade DEC</b>		£-2.904B	
Tuesday February 12 2019		Actual	Previous	Consensus
<b>08:30 AM</b>	AU <b>NAB Business Confidence JAN</b>		3	3
Wednesday February 13 2019		Actual	Previous	Consensus
<b>07:30 AM</b>	AU <b>Westpac Consumer Confidence Change FEB</b>		-4.7%	
<b>07:30 AM</b>	AU <b>Westpac Consumer Confidence Index FEB</b>		99.6	
<b>05:30 PM</b>	GB <b>Inflation Rate YoY JAN</b>		2.1%	2%
<b>09:30 PM</b>	US <b>Core Inflation Rate YoY JAN</b>		2.2%	2.1%
<b>09:30 PM</b>	US <b>Inflation Rate YoY JAN</b>		1.9%	1.5%
Thursday February 14 2019		Actual	Previous	Consensus
<b>11:00 AM</b>	CN <b>Balance of Trade JAN</b>		\$57.06B	\$33.50B
<b>11:00 AM</b>	CN <b>Exports YoY JAN</b>		-4.4%	-3.3%
<b>11:00 AM</b>	CN <b>Imports YoY JAN</b>		-7.6%	-9%
<b>03:00 PM</b>	DE <b>GDP Growth Rate QoQ Flash Q4</b>		-0.2%	0.1%
<b>09:30 PM</b>	US <b>Retail Sales MoM DEC</b>		0.2%	0.2%
Friday February 15 2019		Actual	Previous	Consensus
<b>09:30 AM</b>	CN <b>Inflation Rate YoY JAN</b>		1.9%	2%
<b>11:00 PM</b>	US <b>Michigan Consumer Sentiment Prel FEB</b>		91.2	94.5
	US <b>US Gov Temporary Funding Expires</b>			

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

**Economic Calendar 18/02/2019 – 22/02/2019**

Tuesday February 19 2019			Actual	Previous	Consensus
<b>08:30 AM</b>	 AU	RBA Meeting Minutes			
<b>05:30 PM</b>	 GB	Claimant Count Change JAN		20.8K	
<b>06:00 PM</b>	 DE	ZEW Economic Sentiment Index FEB		-15.0	-18.4
Wednesday February 20 2019			Actual	Previous	Consensus
<b>07:50 AM</b>	 JP	Balance of Trade JAN		¥-55B	¥-30B
<b>11:00 PM</b>	 EA	Consumer Confidence Flash FEB		-7.9	
Thursday February 21 2019			Actual	Previous	Consensus
<b>03:00 PM</b>	 DE	Inflation Rate YoY Final JAN		1.7%	1.4%
<b>04:30 PM</b>	 DE	Markit Manufacturing PMI Flash FEB		49.7	
<b>09:30 PM</b>	 US	Durable Goods Orders MoM DEC		0.8%	1.8%
Friday February 22 2019			Actual	Previous	Consensus
<b>07:30 AM</b>	 JP	Inflation Rate YoY JAN		0.3%	
<b>05:00 PM</b>	 DE	Ifo Business Climate FEB		99.1	

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

## All Ords Top 10 Week Ending 8 February 2019

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
VEA	Viva Energy Group	22.4	DHG	Domain Holdings Aus	-13.4
IEL	Idp Education Ltd	22.1	BPT	Beach Energy Limited	-9.2
SDF	Steadfast Group Ltd	19.7	RSG	Resolute Mining	-8.4
ASL	Ausdrill Limited	14.6	PLS	Pilbara Min Ltd	-7.2
CYB	Cybg PLC	10.9	CGC	COSTA GROUP HOLDINGS	-5.9
CGF	Challenger Limited	10.4	SAR	Saracen Mineral	-5.7
EHL	Emeco Holdings	9.4	NST	Northern Star	-4.4
MIN	Mineral Resources.	9.3	BSL	BlueScope Steel Ltd	-4.2
JHX	James Hardie Indust	9.2	NEC	Nine Entertainment	-4.0
IPH	IPH Limited	9.1	NUF	Nufarm Limited	-3.7

Source: IRESS

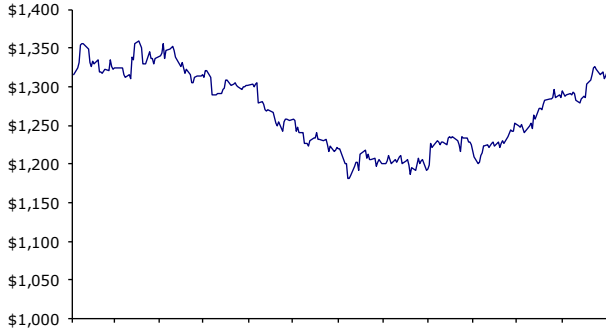
## S & P Indices Week Ending 8 February 2019

S&P Indices	10/02/2019	3/02/2019	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	10846	10757	0.8%	3.2%	22.0%
S&P 200 Materials	12336	12157	1.5%	7.1%	24.6%
S&P 200 Industrials	6052	5841	3.6%	3.8%	18.6%
S&P 200 Consumer Disc.	2256	2193	2.9%	4.0%	7.8%
S&P 200 Consumer Staples	10868	10664	1.9%	4.0%	27.0%
S&P 200 Healthcare	30223	29902	1.1%	-0.3%	56.8%
S&P 200 Financials	5912	5545	6.6%	3.1%	-7.2%
S&P 200 Info Technology	1213	1175	3.3%	7.1%	56.0%
S&P 200 Telecommunicatic	1139	1101	3.4%	7.3%	-35.1%
S&P 200 Utilities	7954	7924	0.4%	3.0%	5.5%
S&P 200 Property Trusts	1509	1455	3.7%	5.1%	12.5%
S&P 200 Financials ex PT	6594	6184	6.6%	3.1%	-7.2%

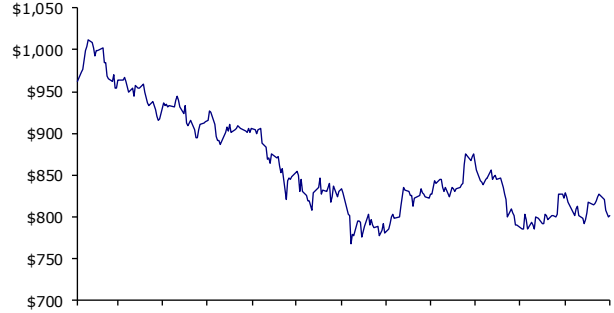
Source: IRESS

### 1 Year Commodity Price Charts

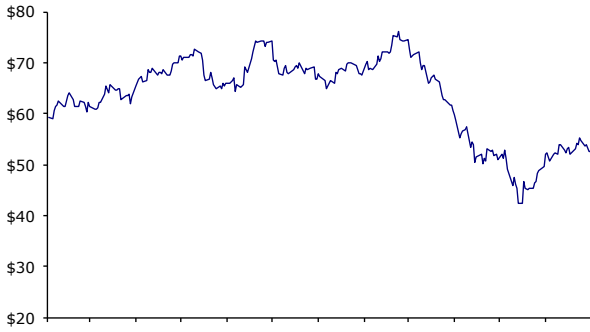
**1 Year Gold**



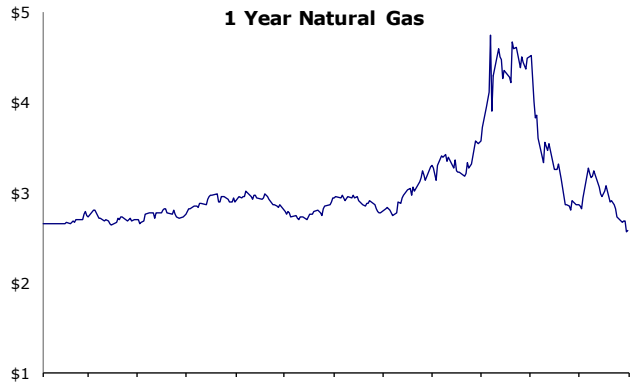
**1 Year Platinum**



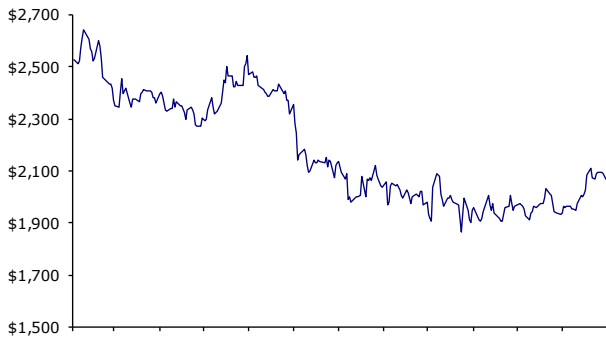
**1 Year Oil**



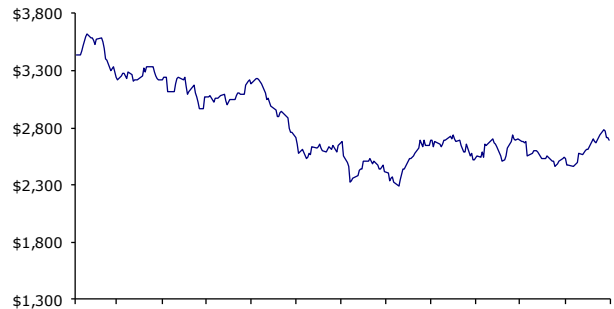
**1 Year Natural Gas**



**1 Year Lead**

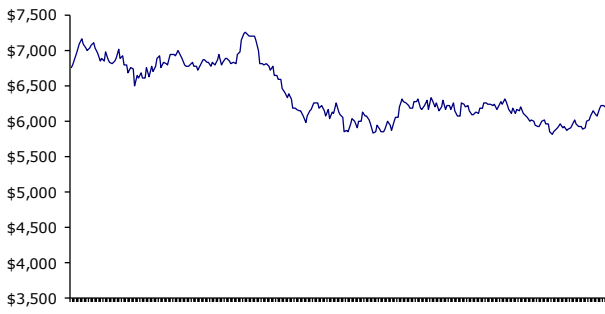


**1 Year Zinc**

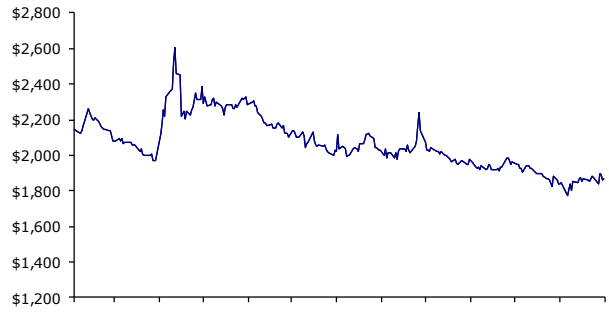




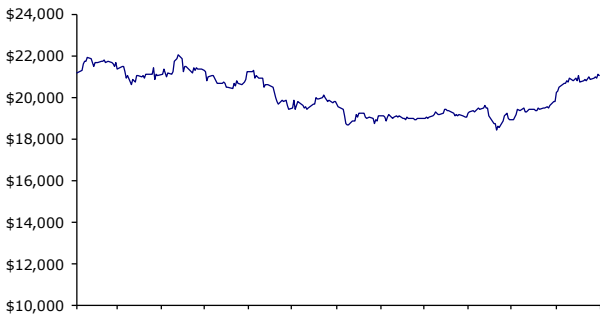
**1 Year Copper**



**1 Year Aluminium**

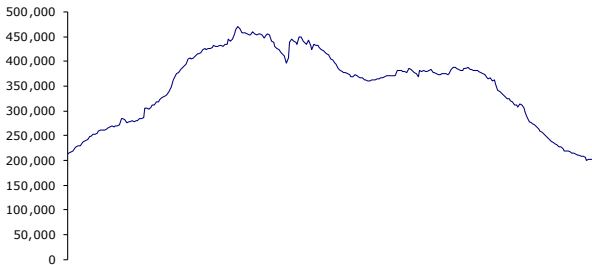


**1 Year Tin**

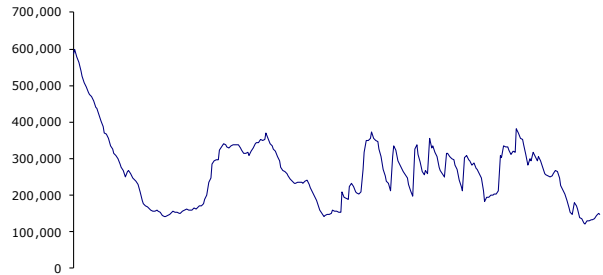


**5 Year Metals Stockpiles**

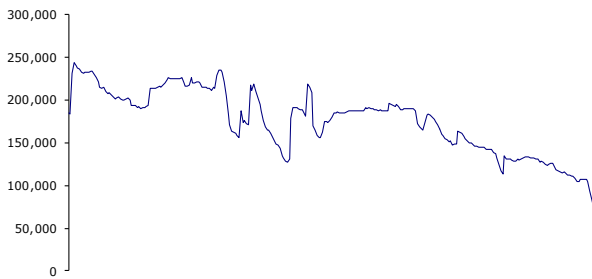
**Nickel LME Stockpiles - 5 Year**



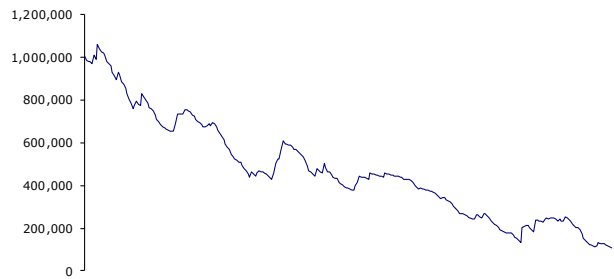
**Copper LME Stockpiles - 5 Year**



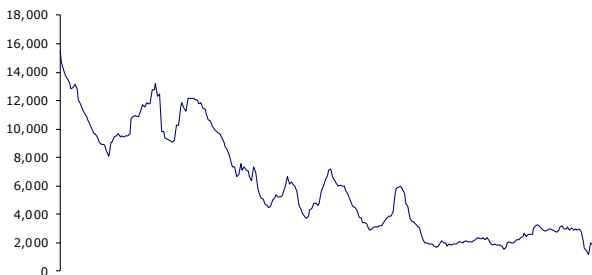
**Lead LME Stockpiles - 5 Year**



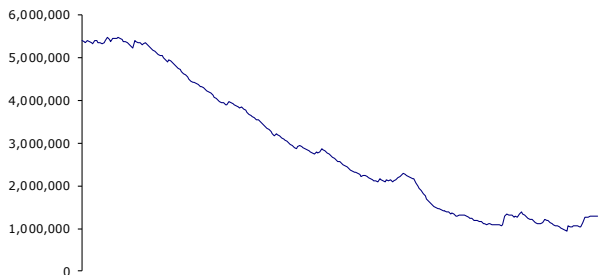
**Zinc LME Stockpiles - 5 Year**



**Tin LME Stockpiles - 5 Year**



**Aluminium LME Stockpiles - 5 Year**



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