

# STATE ONE SPINNAKER

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## State One Research Products

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## Global Wrap – 11 February 2018

World Markets	11/02/2018	4/02/2018	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	5997	5994	0.0%	0.2%	8.2%
Dow Jones	21798	21988	-0.9%	-1.0%	18.0%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2676	2652	0.9%	3.0%	19.1%
FTSE 100	7491	7394	1.3%	1.0%	8.1%
DAX30	13104	13154	-0.4%	0.7%	14.2%
Shanghai Composite	3266	3322	-1.7%	-2.6%	1.6%
Nikkei 225	22553	22939	-1.7%	0.1%	20.2%
Hang Seng	28848	28640	0.7%	-3.9%	26.2%
Currency					
AUD/USD	0.7646	0.7526	1.6%	1.8%	4.7%
Commodities					
Oil (\$/bbl)	57.3	58.0	-1.1%	-2.0%	10.2%
Gas (\$/gal)	2.6	2.8	-4.9%	-13.7%	-29.6%
Iron Ore (\$/t)	0.0	53.9	-100.0%	-100.0%	-100.0%
Copper (\$/t)	6736	6539	3.0%	-2.0%	15.4%
Lead (\$/t)	2511	2428	3.4%	2.1%	7.7%
Zinc (\$/t)	3162	3094	2.2%	-3.4%	15.2%
Aluminium (\$/t)	2036	1992	2.2%	-2.4%	17.6%
Nickel (\$/t)	11170	10990	1.6%	-4.8%	-1.8%
Tin (\$/t)	19125	19575	-2.3%	-1.5%	-10.6%
Gold (\$/oz)	1258	1248	0.7%	-3.0%	7.3%
Silver (\$/oz)	16.1	15.8	1.5%	-6.8%	-6.0%
Platinum (\$/oz)	889	884	0.6%	-5.5%	-5.2%
Wheat (\$/t)	417.500	418.750	-0.3%	-5.5%	2.3%

Source: Iress

## Global Wrap

### Key points

1. US indexes rebound
2. Aussie stocks caught in rout
3. Chinese activity supports iron ore
4. Gold fails to shine amid gloom as yen rises
5. Stock insights for trading week ahead

### US

The Dow Jones industrial average rebounded by more than 300 points on Friday, paring deep losses for investors in what was still the worst week in two years, CNBC reported.

The Dow ended the day up 330.44 points, or 1.38%, closing at 24,190.90. The S&P 500 rallied 1.49% to finish at 2,619.55, while the Nasdaq composite added 1.44% to close at 6,874.49. The index swung more than 1,000 points in volatile trading Friday.

The Dow and the S&P 500 both lost 5.2% on the week, while the Nasdaq shed 5.1% as rising interest rates spooked investors. The Dow average experienced two drops of more than 1,000 points and two gains of more than 300 points during this volatile week.

At their lows this week, all three major indexes were in correction territory from the record highs reached in January.

The recent turmoil in equities began last Friday, when the Dow fell 666 points after a better-than-expected jobs report ignited inflation fears. That fall was exacerbated Monday after the yield on the benchmark 10-year Treasury note hit a 4-year high, sending the Dow tumbling another 1,175 points as investors grew more nervous about an overheating economy.

Yields backed off their multi-year highs on Tuesday, giving the Dow a 560-point bounce and relative stability on Wednesday. But between another round of strong economic news, hawkish comments from the Bank of England and an expensive government funding bill, yields rallied again, sparking Thursday's sell-off.

E-commerce giant Amazon wasn't helping on Friday. The company is gearing up to launch a delivery service for businesses, pitting Jeff Bezos' logistical prowess against carriers like FedEx and UPS, the Wall Street Journal reported.

Next week CPI will be very closely watched on Wednesday and PPI on Thursday.

## **China**

Chinese stocks suffered their worst day in almost two years on Friday, with blue-chip led carnage dragging the markets into correction territory after steep falls overnight in US stocks, Reuters reported. The benchmark Shanghai Composite Index tumbled 4.0% and the blue-chip CSI300 ended the day down 4.3%. At one point, both were down

Hong Kong shares slumped to their biggest weekly loss since the global financial crisis. Analysts and market participants attributed the falls to a cocktail of factors - margin calls, high valuations, the government's deleveraging program and jittery investors cashing out before long Lunar New Year holidays starting next Thursday.

In the past, China's government has sometimes moved to prop up falling stock markets, but a hedge fund manager said that was unlikely this time. "The bet on blue-chips was getting too concentrated, so a big correction was just a matter of time," he said.

Some worries over the health of the world's second biggest economy also resurfaced, as China's producer and consumer inflation eased in January.

China's producer inflation eased for a third straight month in January and by slightly more than expected, official data showed on Friday, suggesting last year's strong profit growth in its industrial sector may be starting to fade, Fairfax Media reported.

Next week the Shanghai Exchange will be closed on Thursday and Friday for Chinese New Year, while the Hong Kong Exchange will be closed on Friday only.

## **Japan**

Stocks fell back sharply on the Tokyo Stock Exchange on Friday in the second severe setback this week, with investor sentiment hurt by another plunge in US equities, The Japan Times said.

The 225-issue Nikkei average plunged 508.24 points, or 2.32%, to end at 21,382.62, its lowest closing level since October 18 last year.

After a two-day rebound from a deep slump on Tuesday amid global stock selloffs, Tokyo stocks met with hefty selling from the outset of Friday's trading.

A risk-averse mood prevailed in the Tokyo market after the Dow Jones industrial average plummeted 1,032.89 points, or 4.15%, on Thursday on the back of higher US long-term interest rates.

Tokyo stocks also remained under heavy selling pressure throughout Friday because of the yen's rise

against the dollar, brokers said.

Next week Japan's GDP will be flashed on Tuesday.

## **Europe**

The pan-European STOXX 600 ended down by 1.45%, with all sectors and major bourses in negative territory. Britain's FTSE 100 closed the trading week 4.2% lower while the French CAC 40 and German DAX slipped 5.5% and 5.3% respectively, CNBC reported.

On Thursday the Bank of England left interest rates unchanged at 0.5% at the first meeting of its Monetary Policy Committee in 2018.

However the bank made clear that it is ready for rate hikes in 2018, saying that policy could be "tightened somewhat earlier and by a somewhat greater extent over the forecast period" if the economy continues to grow as forecast.

The Bank of England now expects UK GDP to expand by 1.7% in 2018, compared to a previous forecast of 1.5% made in November. Growth in 2019 is expected to be 1.8%, compared to a previous forecast of 1.7%.

On investors' watch list next week will be the UK's CPI and PPI on Tuesday, with CPI expected to edge up from 2.9% to 3.0%.

German CPI, and German and euro zone GDP will be released on Wednesday, followed by the euro zone trade balance on Thursday.

## **Australia**

The Australian sharemarket had its worst week since January 2016 as the global equities rout resumed on Friday in the aftermath of a correction on Wall Street and amid savage selling in Asian stocks, Fairfax Media reported.

The S&P/ASX 200 Index fell 52 points or 0.9% to finish the session at 5838 points. Over the past five days, the losses added up to 4.6%.

It is the weakest weekly performance since fears of China's economic stability overtook markets almost exactly two years ago.

The only positive sector on the bourse on Friday was the real estate investment trusts, up 0.7%.

Global equity markets are coming to grips with the prospect of higher interest rates, ending a decade of support for shares which have benefited from record low settings that no longer are appropriate as growth improves. The Bank of England became the latest central bank to upgrade growth slightly on Thursday.

The Australian dollar fell to 77.64¢ upon further evidence that the Reserve Bank of Australia will not be inclined to raise interest rates any time soon.

ANZ removed its forecast for interest rate hikes in 2018, deciding 2019 was a more appropriate window after governor Philip Lowe's comments on Thursday night. On Friday, the Reserve Bank's quarterly statement indicated unemployment will fall faster than it forecast three months ago, but it doesn't expect core inflation will climb into its 2-3 % target range before the middle of next year. Unemployment is expected to fall from 5.4% in December to 5.25% by mid-year and remain there until 2020.

This coming week the NAB Business Confidence index will be released on Tuesday.

## Commodities

*Oil* prices fell for a sixth day on Friday after Iran announced plans to boost production and US crude output hit record highs, adding to concerns about a sharp rise in global supplies, Fairfax Media reported. Brent futures were down US38¢ or 0.6%, at \$US64.43 a barrel.

### *Iron ore*

China's latest trade data may be underscoring why iron ore and coking coal prices are currently supported well above longer-term analyst price estimates, as steel industry measures also inject some optimism for miners, Platts reported.

China, which imported a record 1.07 billion mt of iron ore in 2017, in January hauled in 100 million mt, up 9.1% on a year earlier.

On Friday, Platts IODEX 62% Fe fines was assessed at \$76.55/dmt CFR, which was revised up in January from an earlier \$54/dmt.

The bank stated the upward revision to iron ore recognized "China's persistently high steel capacity utilisation rate should keep quality differentials wide", with lower purity grades.

Additionally, a move to restock iron ore in China to prepare as mills return from winter cuts is promoting iron ore imports and the use of higher quality iron ore grades, analysts at Commerzbank said this week.

### *Base metals*

Base metals traded on the Shanghai Futures Exchange were all in negative territory during Asian morning trading, with copper prices pressured by a combination of US dollar strength and stock increases on the London Metal Exchange.

Adding to the weakness in red metal prices was a 21,125-tonne increase in London Metal Exchange copper stocks on Thursday.

shinier spot on the markets, with China's exports stronger in January as Chinese smelters cranked up output following constraints late last year. Aluminium exports rose by 14.3% year on year to 445,000 tonnes.

### *Gold*

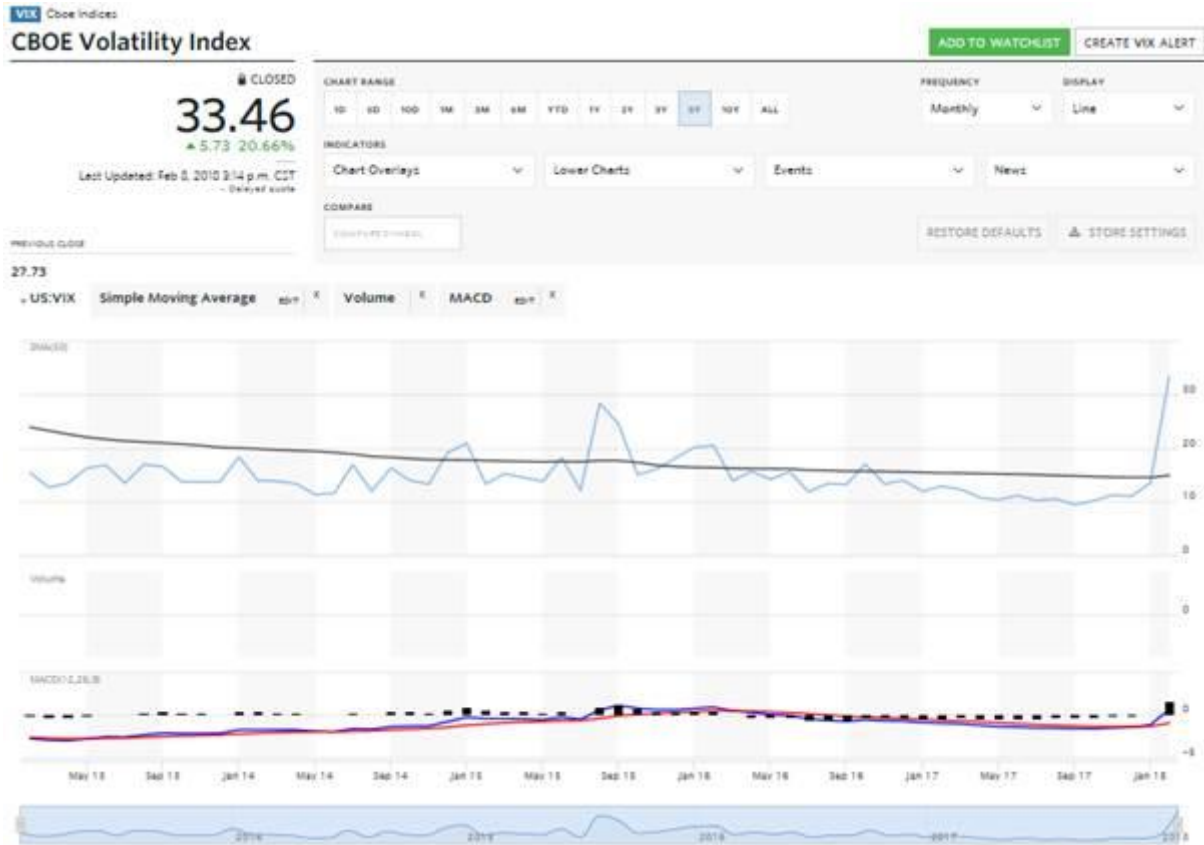
Prices steadied against the rising US dollar on Friday but headed for the third weekly loss of 2018's six weeks so far at \$1315 per ounce, BullionVault reported.

Gold fell further on Friday against the Japanese Yen – often seen as a safe haven currency during periods of stockmarket turmoil – to head for its sharpest 1-week drop since October 2016.




















Giant gold-backed exchange-traded fund the SPDR Gold Trust (NYSEArca:GLD) suffered more shareholder liquidation on Thursday, pulling the amount of bullion needed to back the value of its shares in issue down to 826.3 tonnes, 2.7% lower from two weeks ago.

### Stock insights: The VIX

The **CBOE Volatility Index**, known by its ticker symbol **VIX**, is a popular measure of the stock market's expectation of volatility implied by S&P 500 index options, calculated and published by the Chicago Board Options Exchange (CBOE). It is colloquially referred to as the fear index or the fear gauge. As seen by the chart below, the markets have suddenly become very fearful indeed.

















## Economic Calendar 12/02/2018 – 16/02/2018

Tuesday February 13 2018		Actual	Previous	Consensus	Forecast	
08:30 AM	AU NAB Business Confidence JAN		11	10	9	
05:30 PM	GB Inflation Rate YoY JAN		3%	2.9%	3%	
Wednesday February 14 2018		Actual	Previous	Consensus	Forecast	
07:30 AM	AU Westpac Consumer Confidence Change FEB		1.8%			
07:30 AM	AU Westpac Consumer Confidence Index FEB		105.1		102	
07:50 AM	JP GDP Growth Rate QoQ Prel Q4		0.6%	0.2%	0.3%	
07:50 AM	JP GDP Growth Annualized Prel Q4		2.5%	0.9%	1%	
03:00 PM	DE GDP Growth Rate QoQ Flash Q4		0.8%	0.6%	0.5%	
03:00 PM	DE GDP Growth Rate YoY Flash Q4		2.8%	3%	2.9%	
05:00 PM	IT GDP Growth Rate QoQ Adv Q4		0.4%	0.4%	0.5%	
05:00 PM	IT GDP Growth Rate YoY Adv Q4		1.7%	1.6%	1.9%	
06:00 PM	EA GDP Growth Rate QoQ 2nd Est Q4		0.7%	0.6%	0.6%	
06:00 PM	EA GDP Growth Rate YoY 2nd Est Q4		2.8%	2.7%	2.7%	
09:30 PM	US Core Inflation Rate YoY JAN		1.8%	1.7%	1.8%	
09:30 PM	US Inflation Rate YoY JAN		2.1%	1.9%	2%	
09:30 PM	US Retail Sales MoM JAN		0.4%	0.2%	0.3%	
Thursday February 15 2018		Actual	Previous	Consensus	Forecast	
08:30 AM	AU Employment Change JAN		34.7K	9K	19.3K	
08:30 AM	AU Unemployment Rate JAN		5.5%	5.4%	5.4%	
02:30 PM	FR Unemployment Rate Q4		9.7%		9.7%	
Friday February 16 2018		Actual	Previous	Consensus	Forecast	
11:00 PM	US Michigan Consumer Sentiment Prel FEB		95.7	95.5	95.6	

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

## Economic Calendar 19/02/2018 – 23/02/2018

Monday February 19 2018		Actual	Previous	Consensus	Forecast	
07:50 AM	JP Balance of Trade JAN		¥359B	¥530B	¥319.7B	
Tuesday February 20 2018		Actual	Previous	Consensus	Forecast	
03:00 PM	DE GfK Consumer Confidence MAR		11.0		11.09	
06:00 PM	DE ZEW Economic Sentiment Index FEB		20.4	17.8	22.5	
11:00 PM	EA Consumer Confidence Flash FEB		1.3		0.9	
Wednesday February 21 2018		Actual	Previous	Consensus	Forecast	
04:30 PM	DE Markit Manufacturing PMI Flash FEB		61.1		60.09	
05:30 PM	GB Claimant Count Change JAN		8.6K	5.4K	8.8K	
05:30 PM	GB Unemployment Rate DEC		4.3%	4.3%	4.3%	
11:00 PM	US Existing Home Sales JAN		5.57M	5.54M		
	EA ECB Non-Monetary Policy Meeting					
Thursday February 22 2018		Actual	Previous	Consensus	Forecast	
05:00 PM	DE Ifo Business Climate FEB		117.6		117.39	
05:30 PM	GB GDP Growth Rate QoQ 2nd Est Q4		0.4%	0.5%	0.5%	
05:30 PM	GB GDP Growth Rate YoY 2nd Est Q4		1.7%	1.5%	1.5%	
Friday February 23 2018		Actual	Previous	Consensus	Forecast	
07:30 AM	JP Inflation Rate YoY JAN		1%		1.10%	
09:30 PM	CA Inflation Rate YoY JAN		1.9%	1.9%	1.80%	

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

## All Ords Top 10 Week Ending 9 February 2018

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
MIN	Mineral Resources.	3.2	WTC	Wisetech Global Ltd	-18.7
DMP	Domino Pizza Enterpr	3.1	BPT	Beach Energy Limited	-14.5
FMG	Fortescue Metals Grp	0.8	LYC	Lynas Corporation	-13.6
ACX	Aconex Limited	0.5	PTM	Platinum Asset	-12.7
SKC	Skycity Ent Grp Ltd	0.3	MYR	Myer Holdings Ltd	-12.7
SCP	SCA Property Group	0.0	TAH	TABCORP Holdings Ltd	-12.7
TWE	Treasury Wine Estate	-0.2	ORG	Origin Energy	-12.4
SRX	Sirtex Medical	-0.4	SYR	Syrah Resources	-12.3
BKW	Brickworks Limited	-0.6	ORE	Orocobre Limited	-11.0
BWP	BWP Trust	-0.7	PLS	Pilbara Min Ltd	-10.9

Source: IRESS

## S & P Indices Week Ending 9 February 2018

S&P Indices	11/02/2018	4/02/2018	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	10519	10380	1.3%	3.2%	18.3%
S&P 200 Materials	10946	10871	0.7%	-0.6%	10.6%
S&P 200 Industrials	6002	5962	0.7%	-0.3%	17.6%
S&P 200 Consumer Disc.	2310	2315	-0.2%	0.7%	10.3%
S&P 200 Consumer Staples	10210	10152	0.6%	2.8%	19.3%
S&P 200 Healthcare	24404	24702	-1.2%	-0.7%	26.6%
S&P 200 Financials	6492	6527	-0.5%	-1.4%	1.9%
S&P 200 Info Technology	998	995	0.3%	0.5%	28.3%
S&P 200 Telecommunicatic	1324	1323	0.1%	5.9%	-24.6%
S&P 200 Utilities	8424	8761	-3.8%	0.1%	11.7%
S&P 200 Property Trusts	1447	1421	1.8%	3.8%	7.9%
S&P 200 Financials ex PT	7241	7280	-0.5%	-1.4%	1.9%

Source: IRESS

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