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Overview

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Global Wrap – 11 March 2018

Key points

1. US posts more records as jobs data a 'perfect slice of pizza'
2. Myer exits ASX200 in S&P Dow Jones Indices rebalance
3. Agreement powers graphite play Magnis Resources
4. ChiNext surges on government support
5. Stock analysis: What Trump moves mean for key Australian stocks

US

Stocks surged on Friday, pushing the Nasdaq composite to a record, after February jobs growth far exceeded expectations, CNBC reported.

The tech-heavy index advanced 1.8% to 7,560.81 and hit intraday and closing records, erasing the losses from last month's correction.

The Nasdaq 100, which is made up of the 100 largest companies in the Nasdaq composite, also reached a record high.

Friday marked the first time since January 26 that either index reached a record high.

Shares of Facebook, Amazon, Netflix and Google helped lead the gains.

The Dow Jones industrial average rose 440.53 points to close at 25,335.74, with Goldman Sachs among the biggest contributors of gains to the index. The 30-stock index also closed above its 50-day moving average, a key technical level.

The S&P 500 gained 1.7% to end at 2,786.57, with financials as the best-performing sector. It also closed above its 50-day moving average.

"This jobs report was the perfect slice of pizza," Kevin Mahn, president and chief investment officer at Hennion & Walsh, told CNBC's "Power Lunch" on Friday. "It did reaffirm the underlying strength of this economy, but it also diminished some of those inflationary concerns and the potential that there could be more than three rate hikes this year."

The US economy added 313,000 jobs in February, according to the Bureau of Labor Statistics. Economists polled by Reuters expected a gain of 200,000.

Wages, meanwhile, grew less than expected, rising 2.6% on an annualised basis.

It was stronger-than-expected wage growth that helped spark last month's market correction.

The Cboe Volatility Index (VIX), widely considered to be the best gauge of fear in the market, hit its lowest level since February 1.

The gains on Friday came after Wall Street finished on a positive note on Thursday following more developments concerning tariffs.

President Donald Trump signed two declarations on Thursday, which would implement tariffs on steel and aluminum imports. The tariffs are expected to take effect in 15 days and will put a 25% charge on steel and 10% on aluminum. Canada and Mexico are exempt.

In corporate news, Goldman Sachs closed 1.7% higher after a report said CEO Lloyd Blankfein is preparing to leave the company by year-end.

Next week the very closely monitored US CPI will be out on Tuesday, followed by PPI on Wednesday, then the export and import price index on Thursday. Housing and building data will be released on Friday.

China

China's index of growth companies led the country's stock markets higher on Friday as investors took heart from recent government indications of support for smaller, entrepreneurial companies, The South China Morning Post reported.

In Hong Kong shares rose on a report of a possible takeover move by a leading beer company.

The ChiNext gauge of start-ups surged 3.5% to 1,856.46, closing above its 200-day moving average for the first time in six weeks.

It was buoyed by comments at the National People's Congress annual meeting expressing desire to promote hi-tech industries through measures including revised listing rules and faster equity financing.

The Shanghai Composite Index rose 0.6%, or 18.76 points, to 3,307.17 at the close.

Steelmakers fell sharply after Trump approved the imposition of a 25% tariff on imported steel, while official data on Friday showed growth in China's factory-gate prices weakened to the slowest pace in 14 months.

In Hong Kong, the Hang Seng Index gained 1.1%, or 341.69 points, to 30,996.21. The Hang Seng China Enterprises Index, known as the H-shares gauge, added 0.8%.

China Resources Beer jumped 9.9% to HK\$33.90 after a report from Reuters said the brewer was in talks with Heineken to buy the Dutch firm's distribution operations and brands in China for more than US\$1 billion. China is now the world's largest beer market.

China's consumer price index rose 2.9 % in February on an annual basis, beating the market's forecast for 2.5 % growth, and rising from 1.5 % in January for the strongest annual growth rate in over four years.

On investors' watch lists next week will be retail sales, industrial production and fixed asset investment data on Wednesday.

Japan

Stocks closed higher on the Tokyo Stock Exchange on Friday as concerns over a global trade war receded further, The Japan Times said.

The 225-issue Nikkei average climbed 101.13 points, or 0.47%, to end at 21,469.20 after gaining 115.35 points on Thursday.

Stocks attracted purchases from the outset of Friday's trading, as worries about a global trade war were reduced somewhat after Trump's executive orders on Thursday to impose tariffs on steel and aluminum imports turned out to be softer than initially thought, brokers said.

Japan's central bank kept monetary settings unchanged on Friday and stuck to its upbeat view on the economy, Fairfax reported.

A BoJ statement underscored its conviction that its massive stimulus program is helping drive inflation toward its elusive target.

In a widely expected move, the BOJ maintained its pledge of guiding short-term interest rates at minus 0.1% and the 10-year government bond yields around zero percent.

Japan's corporate price index will be released this coming Monday and its monetary policy meeting minutes will be out on Tuesday. Industrial production data will be released on Friday.

Europe

European stocks finished Friday's trading session on a positive note, following the better-than-expected jobs report from out of the US.

On the main bourses, the UK's FTSE 100 rose 0.3%, while France's CAC 40 was up 0.39%. Germany's DAX came under slight pressure, closing down 0.07%.

While the majority of Europe's sectors closed higher, autos fell 0.12% amid heightened fears of a global tit-for-tat trade war.

British satellite firm Inmarsat's shares slipped 6.7% after it reported earnings and said it had cut its dividend to spend more on delivering Wi-Fi on commercial planes, according to Reuters.

Next week euro zone industrial production and employment change data will be released on Wednesday, then CPI and labour cost figures on Friday.

Australia

Australian equities finished the week 0.6% higher after days of simmering trade tensions and the exit of Trump's top economic adviser Gary Cohn on Wednesday.

By Friday markets were warming to the view that the White House was backing down from starting an outright trade war, Fairfax Media reported.

The S&P/ASX 200 Index closed at 5963.2 points on Friday, a rise of 20 points, or 0.3%, for the session.

Australian steel and aluminium exports at this stage appear to be spared tariffs after the US President indicated close defence allies, including Australia, could be exempted. However more details have yet to be negotiated.

Trump has also agreed to meet North Korean leader Kim Jong-un, who now is committed to denuclearisation, according to a South Korean official.

Also on Friday S&P Dow Jones Indices released the results of its March quarterly rebalance, which takes effect on March 19.

Promoted into the ASX 200 are Ausdrill, Bellamy's Australia, Smartgroup and Xero at the expense of Australian Agricultural Company, HT&E and Myer, which fell 4.4% to 43.5¢.

Shares of graphite interest Magnis Resources were powered up on Friday, up 11% to 46.5¢. The company reached an agreement with the government of Tanzania on amendments to the special economic zone (SEZ) licence, granted to its own Magnis Technologies Tanzania.

The SEZ is not subject to the harsh changes in mining legislation last introduced year.

Magnis Technologies will produce graphite products for the lithium-ion battery market.

The Australian markets will be closed on Monday for Labour Day.

On Tuesday home loan and NAB business confidence and Westpac consumer confidence data will be released.

Commodities

Crude oil futures rose on Friday as Asian stock markets gained from their previous close, Fairfax reported.

US West Texas Intermediate crude futures were at \$US60.39 a barrel, up US27 cents, or 0.45%. WTI had fallen by more than 2% the previous session.

Beyond geopolitics, oil markets were mainly concerned with soaring output from the US, which has risen by 23% since mid-2016, to 10.37 million barrels per day (bpd). That's more than top exporter Saudi Arabia produces.

Only Russia pumps more, at almost 11 million bpd.

Base metals traded on the Shanghai Futures Exchange were broadly weaker during Asian morning trading on Friday, with only aluminium and tin prices moving higher after Trump signed off on his much-anticipated tariffs on steel and aluminium imports into the US.

One Shanghai trader told MetalBulletin that "the 10% tariff seems to be a little on the low side, so when (the tariff) was officially signed, the bulls came back into the market".

Meanwhile tin prices have been supported by record-low stock levels on the London Metal Exchange. LME tin stocks stood at 1,555 tonnes on Thursday, with the material in tight hands – one entity holds 90-100% of warrant positions.

Iron ore prices continued to descend and hit \$70 per tonne cfr China on Friday due to losses in both the futures and steel markets.

A firmer dollar also added to the broader gloomy mood in the market.

Gold bounced late Friday to end the week unchanged per ounce, BullionVault said.

Rallying to \$1323 as London trade ended, the gold price had earlier slipped to seven-session lows at \$1314 after Trump became the first US president to announce a meeting with the North Korean leader.

Stock analysis

US President Donald Trump’s tariffs on steel and aluminium imports will start in 15 days with initial exemptions for Canada and Mexico and the possibility of alternatives for other countries.

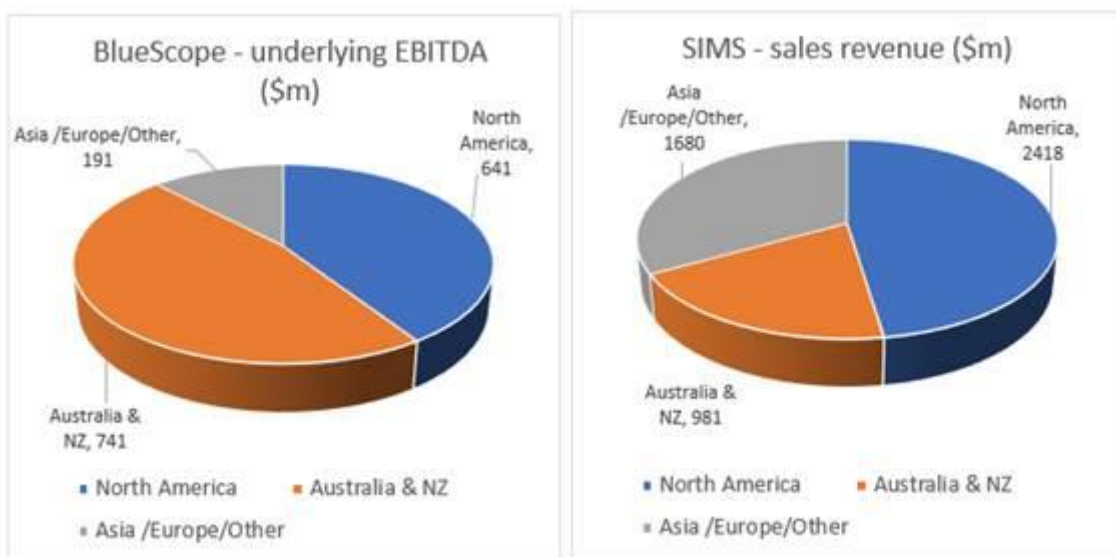
The tariffs of 25% on steel and 10% on aluminium, appear to soften what Trump billed last week as a global “no-exceptions” move to protect the two industries under a 1962 national security trade law.

The tariff plan has angered US allies – including Canada, Mexico, Britain and the EU who argue their exports to the US do not pose a threat to US national security.

Some, including the EU, have threatened retaliatory tariffs on US products such as bourbon whiskey and Harley-Davidson motorcycles.

Canada – the largest exporter of steel and aluminium into the US – will continue to push back on any tariff proposals despite being granted an exemption.

ASX-listed companies which are likely to be exposed to US protectionist measures include BlueScope Steel (ASX:BSL), SIMS Metals (ASX:SGM), Alumina Limited (ASX:AWC) and Rio Tinto (ASX:RIO). For example, some 41% of BlueScope’s EBITDA and 48% of SIMS Metals’ revenue comes from North America.



Economic Calendar 12/03/2018 – 16/03/2018

Tuesday March 13 2018		Actual	Previous	Consensus	Forecast	
08:30 AM	AU NAB Business Confidence FEB		12	9	11	
08:30 AM	AU Westpac Consumer Confidence Index MAR		102.7	+	102	
08:30 AM	AU Westpac Consumer Confidence Change MAR		-2.3%	+	-0.6%	
08:30 PM	US Core Inflation Rate YoY FEB		1.8%	1.8%	1.8%	
08:30 PM	US Inflation Rate YoY FEB		2.1%	2.2%	2.10%	
	GB Spring Budget 2018					
Wednesday March 14 2018		Actual	Previous	Consensus	Forecast	
07:50 AM	JP BoJ Monetary Policy Meeting Minutes					
08:30 PM	US Retail Sales MoM FEB		-0.3%	0.3%	0.4%	
Thursday March 15 2018		Actual	Previous	Consensus	Forecast	
08:30 AM	AU RBA Bulletin			+		
04:30 PM	CH SNB Interest Rate Decison		-0.75%	-0.75%	-0.75%	
Friday March 16 2018		Actual	Previous	Consensus	Forecast	
10:00 PM	US Michigan Consumer Sentiment Prel MAR		99.7	99.5	99.3	
Sunday March 18 2018		Actual	Previous	Consensus	Forecast	
	RU Presidential Election					

Source: www.tradingeconomics.com

Economic Calendar 19/03/2018 – 23/03/2018

Monday March 19 2018		Actual	Previous	Consensus	Forecast	
07:50 AM	JP Balance of Trade FEB		¥943B	¥1002B	¥105.6B	
Tuesday March 20 2018		Actual	Previous	Consensus	Forecast	
05:30 PM	GB Inflation Rate YoY FEB		3%	2.9%	3.2%	
06:00 PM	DE ZEW Economic Sentiment Index MAR		17.8	+	19.5	
11:00 PM	EA Consumer Confidence Flash MAR		0.1	+	-0.44	
Wednesday March 21 2018		Actual	Previous	Consensus	Forecast	
03:00 PM	DE GfK Consumer Confidence APR		10.8	+	10.6	
05:30 PM	GB Unemployment Rate JAN		4.4%	4.3%	4.4%	
05:30 PM	GB Claimant Count Change FEB		-7.2K	+	0.58	
10:00 PM	US Existing Home Sales FEB		5.38M	5.47M	5.45M	
	EA ECB Non-Monetary Policy Meeting					
Thursday March 22 2018		Actual	Previous	Consensus	Forecast	
02:00 AM	US Fed Interest Rate Decision		1.5%	+	1.75%	
02:00 AM	US FOMC Economic Projections			+		
02:30 AM	US Fed Press Conference			+		
08:30 AM	AU Unemployment Rate FEB		5.5%	5.5%	5.5%	
08:30 AM	AU Employment Change FEB		16K	+	25.1K	
04:30 PM	DE Markit Manufacturing PMI Flash MAR			60.6	59.74	
05:00 PM	DE Ifo Business Climate MAR		115.4	117.0	114.30	
08:00 PM	GB BoE Interest Rate Decision		0.5%	0.5%	0.5%	
08:00 PM	GB BoE Quantitative Easing		£435B	£435B	£435B	
Friday March 23 2018		Actual	Previous	Consensus	Forecast	
07:30 AM	JP Inflation Rate YoY FEB		1.4%	+	1.2%	
08:30 PM	CA Inflation Rate YoY FEB		1.7%	1.4%	1.7%	
08:30 PM	US Durable Goods Orders MoM FEB		-3.7%	-2%	0.7%	
10:00 PM	US New Home Sales FEB		0.593M	0.615M	0.62M	

Source: www.tradingeconomics.com

All Ords Top 10 Week Ending 9 March 2018

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
LYC	Lynas Corporation	16.2	RFG	Retail Food Group	-41.9
AAC	Australian Agricult.	12.5	MND	Monadelphous Group	-6.7
DMP	Domino Pizza Enterpr	9.8	BSL	BlueScope Steel Ltd	-6.0
VOC	Vocus Group Ltd	9.6	BHP	BHP Billiton Limited	-4.4
TNE	Technology One	9.2	FLT	Flight Centre Travel	-4.4
MYR	Myer Holdings Ltd	8.8	MIN	Mineral Resources.	-4.1
GMA	Genworth Mortgage	7.7	FXJ	Fairfax Media Ltd	-4.1
HSO	Healthscope Limited	7.7	GXL	Greencross Limited	-4.0
ALU	Altium Limited	7.6	RIO	Rio Tinto Limited	-4.0
CAR	Carsales.Com Ltd.	7.6	BPT	Beach Energy Limited	-3.9

Source: IRESS

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