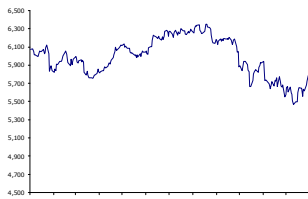


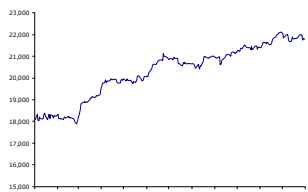
## STATE ONE SPINNAKER

**13 January 2019**  
**Issue 443**

### 12 month XJO chart



### 12 month Dow Jones chart



#### State One Research Products

**Spinnaker** Free Weekly

**Market Opener** Free Daily

**Daily Resources** [Clients Only](#)

**Overview**

**For more research visit:**

[www.stateone.com.au/research](http://www.stateone.com.au/research)

#### State One Stockbroking Ltd

Head Office

Level 14, State One House

172 St George's Terrace

Perth WA 6000

Perth Tel: (+61 8) 9288 3388

Sydney Tel: (+61 2) 9024 9105

Email: [broker@stateone.com.au](mailto:broker@stateone.com.au)

Web: [www.stateone.com.au](http://www.stateone.com.au)

## Global Wrap – 13 January 2019

World Markets	13/01/2019	6/01/2019	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	5775	5619	2.8%	3.5%	4.2%
Dow Jones	21798	21988	-0.9%	-1.0%	18.0%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2596	2532	2.5%	3.6%	15.6%
FTSE 100	6918	6837	1.2%	2.3%	-0.2%
DAX30	10887	10768	1.1%	1.1%	-19.7%
Shanghai Composite	2554	2533	0.8%	0.7%	-20.6%
Nikkei 225	20360	20039	1.6%	-0.2%	8.5%
Hang Seng	26667	25626	4.1%	3.1%	16.6%
<b>Currency</b>					
AUD/USD	0.7216	0.7147	1.0%	3.0%	-8.8%
<b>Commodities</b>					
Oil (\$/bbl)	51.6	48.7	5.9%	11.7%	-19.9%
Gas (\$/gal)	2.9	2.9	1.4%	-16.0%	-4.9%
Iron Ore (\$/t)	0.0	53.9	-100.0%	-100.0%	-100.0%
Copper (\$/t)	5927	5840	1.5%	-1.0%	1.5%
Lead (\$/t)	1962	1936	1.3%	1.0%	-15.9%
Zinc (\$/t)	2532	2505	1.1%	-2.5%	-7.7%
Aluminium (\$/t)	1816	1879	-3.4%	-5.8%	4.9%
Nickel (\$/t)	11400	10920	4.4%	5.8%	0.3%
Tin (\$/t)	20500	19575	4.7%	6.4%	-4.2%
Gold (\$/oz)	1290	1286	0.3%	3.4%	10.0%
Silver (\$/oz)	15.7	15.8	-0.8%	6.8%	-8.4%
Platinum (\$/oz)	818	827	-1.1%	4.0%	-12.8%
Wheat (\$/t)	520.000	517.750	0.4%	-0.4%	27.4%

Source: Iress

## Global Wrap

### Key points

**1. Growth, trade talk hopes buoy most markets**

**2. Fed eases fears over interest rate rises**

**3. Stock analysis: the retail sector**

## US

Stocks posted solid weekly gains, but an ongoing US government shutdown and worries about an economic slowdown in China pushed shares marginally lower on Friday, CNBC reported.

The Dow Jones Industrial Average and S&P 500 both rose more than 2% this week while the Nasdaq Composite jumped 3.45%. Amazon and Facebook both rose more than 4% this week, while Netflix surged 13.45% as investors put money into the beaten-down names from December.

The Dow and S&P 500 also posted their first three-week winning streak since August. On Friday, the Dow slipped 5.97 points to 23,995.95 while the S&P 500 closed just below breakeven at 2,596.26. The Nasdaq Composite dipped 0.2% to 6,971.48.

The federal government remained partially closed on Friday for a 21<sup>st</sup> straight day, stoking fears the shutdown could drag on for a long time.

On Thursday, President Donald Trump tweeted he would skip the annual World Economic Forum at Davos later this month due to the shutdown.

This coming week the US trade balance and monthly budget statement will be released on Monday, retail sales figures will be out on Wednesday.

## **China**

Hong Kong and Chinese stocks edged up on Friday, with the key benchmarks recording their biggest weekly gains since November, amid a strengthening yuan and mounting expectations that Beijing will roll out more stimulative policies, the South China Morning Post reported.

The Hang Seng Index on Friday gained 0.6%, or 145.84 points, to 26,667.27, while the Shanghai Composite Index added 0.7%, or 18.73 points, to 2,553.83.

Hong Kong's benchmark ended up the week with a gain of 4.1%, while the mainland's equity gauge climbed 1.6% in the period.

The yuan strengthened on Friday as much as 0.6% to its highest level against the US dollar since July, as a pause in US interest rate increases eases pressure on the Chinese currency. Its almost 1.9% gain this week was the best performance for a five-day period since July 2005.

The mood of markets this week was also boosted by optimism that trade talks may lead to an end of the US-China trade war as well as hopes for more Chinese government policies to stimulate a weakening economy. Beijing and Washington wrapped up their three days of talks on Wednesday on a positive note. Meanwhile the Chinese government suggested new incentives are on the way to encourage consumers to buy more cars and home appliances amid disappointing readings of producer prices that indicated contracting factory activities.

The Chinese trade balance will be released on Monday and new home prices on Wednesday.

## **Japan**

Stocks bounced back on the Tokyo Stock Exchange on Friday, aided by the continued advance in US equities and a pause in the yen's appreciation against the dollar, The Japan Times said. The 225-issue Nikkei average rose 195.90 points, or 0.97%, to end at 20,359.70. On Thursday, the key market gauge lost 263.26 points.

The closely watched Japanese CPI will be released on Thursday, followed by industrial production on Friday.

## **Europe**

Stocks in Europe changed little on Friday, as investors tried to navigate through political uncertainty across the globe, CNBC reported.

The pan-European Stoxx 600 was basically flat at the end of the session, with sectors and bourses pointing in different directions.

Autos were the worst performing sector, as former Nissan Motor Chairman Carlos Ghosn was indicted on two new charges of financial misconduct. Shares of Renault, which Ghosn still heads, fell 2.2% as Reuters reported that Nissan was expanding its probe to include dealings that took place in the US, India, and Latin America.

There is also a strong focus on politics as the UK's scheduled departure from the European Union approaches in March.

In terms of data, GDP figures showed the UK economy slowed down in the three months to November —

hitting its weakest pace in six months.

This coming week euro zone industrial production will be released on Monday and the key German GDP reading on Tuesday. British CPI will be out on Wednesday.

## **Australia**

Retail sales data book-ended a positive week for shares, lifting hopes that the “confession season” ahead of February’s results will be relatively benign, the Australian Financial Review reported. (See stock analysis below)

The S&P/ASX gained 2.8% over the week, with a 0.4% decline in Friday’s session to 5774 points, ending a four-day winning streak.

Retail sales advanced 0.4% in November, from 0.3% in October, providing comfort around what has emerged as a critical month on the consumption calendar because of the popularity of online promotions such as Click Frenzy.

Costa Group was by far the worst performer over the week, however, with the fruit grower dropping 34.7% to \$4.64 after telling investors to expect “largely flat growth” in net profit after tax for the 12 months ended June 2019 after sales of tomatoes, berries and avocados for December and January came in lower than expected.

Broadly, investors breathed a sigh of relief after US Federal Reserve chairman Jerome Powell said the central bank can be patient with respect to future interest rate increases.

Topping the list of weekly advancers was heavy earthmoving equipment renter Emeco Holdings, which jumped 19.3% to \$2.26.

Other mining equipment firms also advanced during with week, with Seven Group Holdings climbing 13% to \$15.43 while Ausdrill rose 15% to \$1.23 and WorleyParsons climbed 15.6% to \$13.39.

The gold mining sector that benefited from investor risk aversion during the last quarter lost ground. Regis dropped 3.7% to \$4.73 while Northern Star Resources fell 3.6% to \$9.36.

On Monday the TD Securities inflation reading will be related. Home loans data will be out on Thursday.

## **Commodities**

**Oil** entered a bull market this week, having gained 20% since the low point reached in December. WTI rose above \$52 per barrel, while Brent moved above \$61. “The mood brightens, and the market realises that the world economy and oil demand are not grinding to a halt,” Norbert Ruecker, head of macro and commodity research at Julius Baer Group Ltd. in Zurich, told Bloomberg. “Moreover, there is confidence that the petro-nations will cut supplies as promised to balance the market.”

Despite some action in the developing macroeconomic stories connected to precious metals and other related markets—the continuing drama of the US government shutdown and Trump’s wall, developing views of the Fed’s policy path moving into 2019, a new deadline set in Brexit negotiations within the UK government, **gold** remained range-bound this week. It has been trading within narrow bands of \$1280-1296/oz on the spot markets since Monday, with the greater concentration of spot prices sitting between \$1286-1293, goldprice.org reported.

## **Stock analysis: November retail sales positive, but concerns remain**

Australian retail sales jumped to the highest in five months in November boosted by pre-Christmas shopping, an indication private consumption bounced in the final quarter of 2018.

Retail sales rose a seasonally adjusted 0.4% in November from October, data from the Australian Bureau of Statistics (ABS) showed on Friday, better than economists’ expectations of a modest 0.3% rise.

October sales were unrevised to show a 0.3% gain.

Household goods and clothing led the rises with gains of 1.2% and 1.5%, respectively, with both sectors benefitting from strong promotional activity in the November month, including Black Friday sales.

Rises were also seen in food retailing and department stores, whilst cafes, restaurants and takeaway services experienced a minor fall during November.

The real champion of course was online retail, which contributed 6.6% to total retail turnover in November, a rise from 5.9% in October 2018. This is the highest level recorded in the series and continues a pattern of increasing online contributions to total sales in November.

Even so, Australia’s retail sector faces several headwinds amid a downturn in the country’s once-red hot property market, sluggish wage growth and stratospheric household debt.

In a sign of the times, a string of Australian retailers has gone under recently including Marcs, Pumpkin

Patch, Payless Shoes and Roger David, while department store Myer has been struggling to turn around. Just this month apparel retailer Kathmandu posted weaker-than-expected Christmas sales in Australia and New Zealand, disappointing investors who sent its shares to 10-month lows.

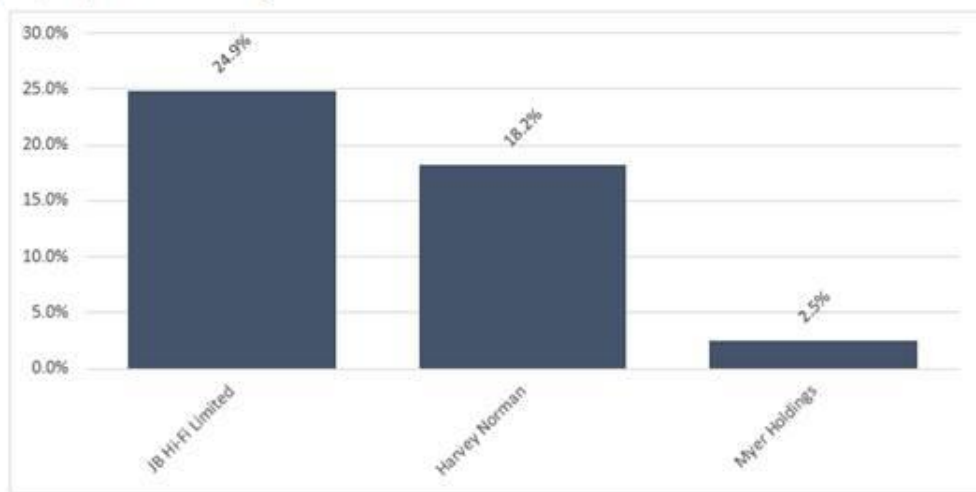
Indeed, the Reserve Bank of Australia (RBA) has singled out household consumption as a "continuing source of uncertainty" with wage growth stuck at around 2%. This is one reason it has left interest rates at a record low 1.50% since last easing in August 2016.

Looking at the three largest discretionary consumer stocks, JB Hi-Fi (JBH) offers the most upside potential — relative to its current IRESS consensus target price and dividend yield. Harvey Norman also offers attractive upside potential. Myer appears to be (still) out of favour with the investment community. See table and graph below.













**Forecast total return for large ASX-listed discretionary consumer stocks**

Security	Name	Share Price (A\$)	Target Price (A\$)	Capital upside / (downside) (%)	FY19E Dividend (A\$)	FY19E DY (%)	Total Return (%)
JBH	JB Hi-Fi Limited	21.58	25.59	18.6%	1.36	6.3%	24.9%
HVN	Harvey Norman	3.24	3.57	10.2%	0.26	8.0%	18.2%
MYR	Myer Holdings	0.40	0.41	2.5%	0.00	0.0%	2.5%

Source: IRESS, compiled by State One Stockbroking















**Economic Calendar 14/01/2019 – 18/01/2019**

<b>Monday January 14 2019</b>			Actual	Previous	Consensus
<b>11:00 AM</b>	 CN	Exports YoY DEC		5.4%	3%
<b>11:00 AM</b>	 CN	Imports YoY DEC		3.0%	5%
<b>Tuesday January 15 2019</b>			Actual	Previous	Consensus
<b>05:00 PM</b>	 DE	Full Year GDP Growth 2018		2.2%	1.5%
<b>05:00 PM</b>	 DE	Government Budget 2018		1%	
<b>Wednesday January 16 2019</b>			Actual	Previous	Consensus
<b>03:00 AM</b>	 GB	Parliamentary Vote on Brexit Deal			
<b>03:00 PM</b>	 DE	Inflation Rate YoY Final DEC		2.3%	1.7%
<b>05:30 PM</b>	 GB	Inflation Rate YoY DEC		2.3%	2.2%
<b>Thursday January 17 2019</b>			Actual	Previous	Consensus
<b>07:30 AM</b>	 AU	Westpac Consumer Confidence Change JAN		0.1%	
<b>07:30 AM</b>	 AU	Westpac Consumer Confidence Index JAN		104.4	
<b>Friday January 18 2019</b>			Actual	Previous	Consensus
<b>07:30 AM</b>	 JP	Inflation Rate YoY DEC		0.8%	
<b>09:30 PM</b>	 CA	Inflation Rate YoY DEC		1.7%	1.7%
<b>11:00 PM</b>	 US	Michigan Consumer Sentiment Prel JAN		98.3	97.0

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

**Economic Calendar 21/01/2019 – 25/01/2019**

<b>Monday January 21 2019</b>			Actual	Previous	Consensus
<b>03:00 PM</b>	 DE	<b>GfK Consumer Confidence FEB</b>		10.4	
<b>09:30 PM</b>	 US	<b>Balance of Trade NOV</b>		\$-55.5B	\$-54B
<b>Tuesday January 22 2019</b>			Actual	Previous	Consensus
<b>05:30 PM</b>	 GB	<b>Claimant Count Change DEC</b>		21.9K	
<b>06:00 PM</b>	 DE	<b>ZEW Economic Sentiment Index JAN</b>		-17.5	
<b>Wednesday January 23 2019</b>			Actual	Previous	Consensus
<b>07:50 AM</b>	 JP	<b>Balance of Trade DEC</b>		¥-737B	¥-600B
<b>09:30 PM</b>	 US	<b>Retail Sales MoM DEC</b>		0.2%	0.2%
<b>11:00 PM</b>	 EA	<b>Consumer Confidence Flash JAN</b>		-6.2	-4.3
<b>Thursday January 24 2019</b>			Actual	Previous	Consensus
<b>04:30 PM</b>	 DE	<b>Markit Manufacturing PMI Flash JAN</b>		51.5	
<b>09:30 PM</b>	 EA	<b>ECB Press Conference</b>			
<b>Friday January 25 2019</b>			Actual	Previous	Consensus
<b>08:01 AM</b>	 GB	<b>Gfk Consumer Confidence JAN</b>		-14	
<b>05:00 PM</b>	 DE	<b>Ifo Business Climate JAN</b>		101	
<b>09:30 PM</b>	 US	<b>Durable Goods Orders MoM DEC</b>		0.8%	2.4%

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

## All Ords Top 10 Week Ending 11 January 2019

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
EHL	Emeco Holdings	19.3	CGC	COSTA GROUP HOLDINGS	-38.7
WTC	Wisetech Global Ltd	16.2	SAR	Saracen Mineral	8.8
WOR	WorleyParsons Ltd	15.6	SBM	St Barbara Limited	11.5
BPT	Beach Energy Limited	15.5	RSG	Resolute Mining	7.5
MFG	Magellan Fin Grp Ltd	15.0	ALG	Ardentleisuregrpltd	-6.5
ASL	Ausdrill Limited	15.0	EVN	Evolution Mining Ltd	14.0
NHC	New Hope Corporation	14.6	RRL	Regis Resources	12.9
BIN	Bingo Industries Ltd	14.1	NST	Northern Star	14.8
SVW	Seven Group Holdings	13.0	PTM	Platinum Asset	-6.5
BVS	Bravura Solution Ltd	13.0	COL	Coles Group	-4.7

Source: IRESS

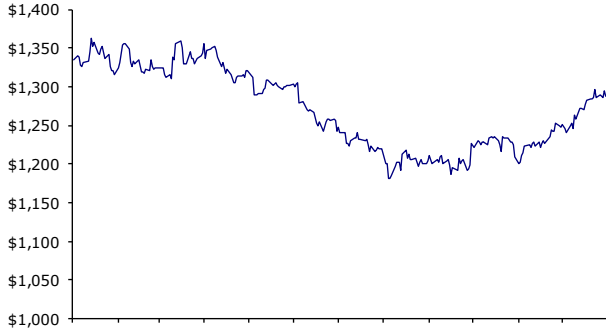
## S & P Indices Week Ending 11 January 2019

S&P Indices	13/01/2019	6/01/2019	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	10401	9854	5.5%	9.3%	17.0%
S&P 200 Materials	11536	11236	2.7%	3.0%	16.5%
S&P 200 Industrials	5774	5594	3.2%	0.5%	13.1%
S&P 200 Consumer Disc.	2141	2077	3.1%	2.0%	2.3%
S&P 200 Consumer Staples	10274	10207	0.7%	0.8%	20.1%
S&P 200 Healthcare	29985	29045	3.2%	7.7%	55.5%
S&P 200 Financials	5643	5529	2.0%	4.0%	-11.4%
S&P 200 Info Technology	1109	1038	6.8%	5.5%	42.6%
S&P 200 Telecommunicatic	1049	1030	1.9%	0.0%	-40.2%
S&P 200 Utilities	7750	7556	2.6%	6.2%	2.8%
S&P 200 Property Trusts	1427	1376	3.7%	0.5%	6.4%
S&P 200 Financials ex PT	6293	6167	2.0%	4.0%	-11.4%

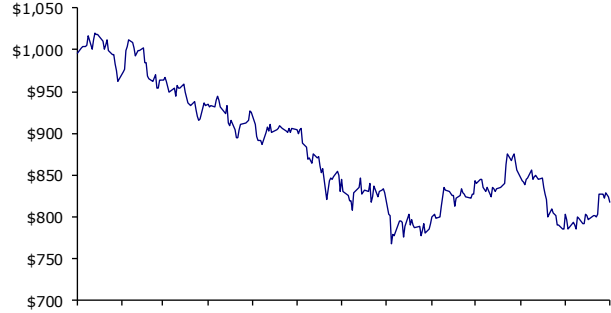
Source: IRESS

### 1 Year Commodity Price Charts

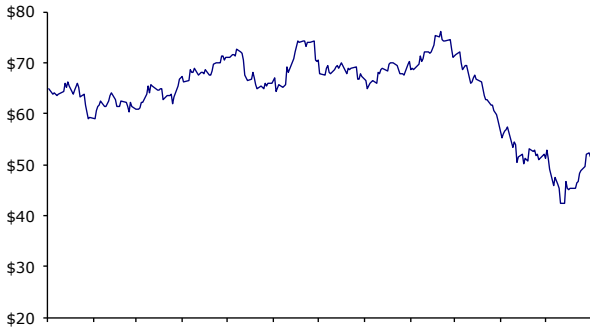
**1 Year Gold**



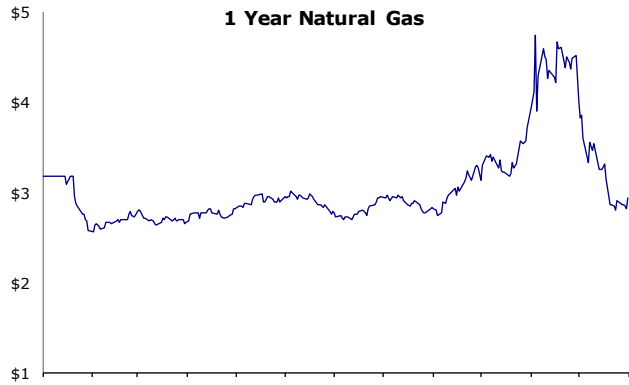
**1 Year Platinum**



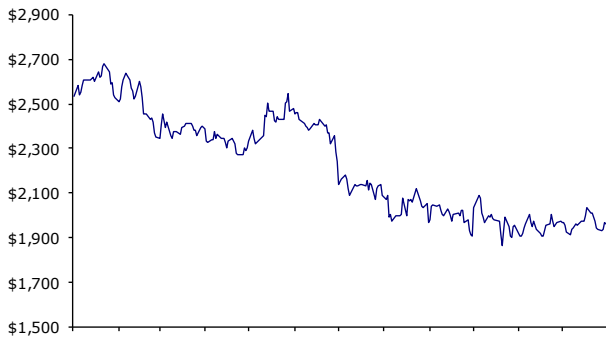
**1 Year Oil**



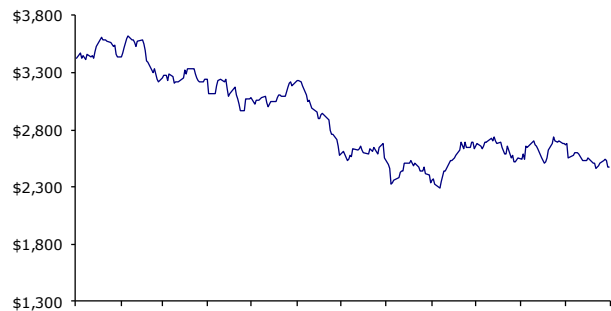
**1 Year Natural Gas**



**1 Year Lead**

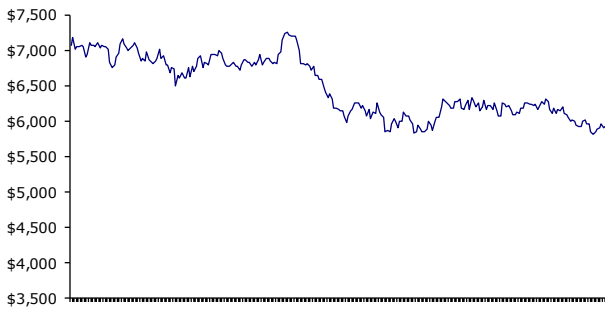


**1 Year Zinc**

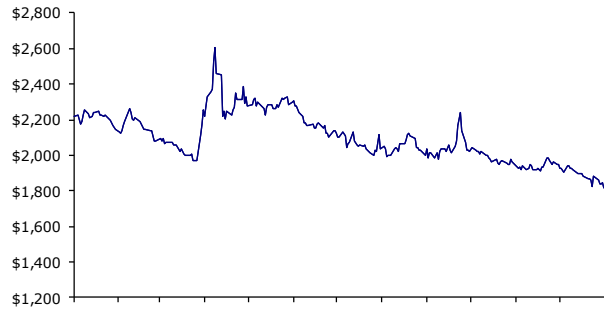




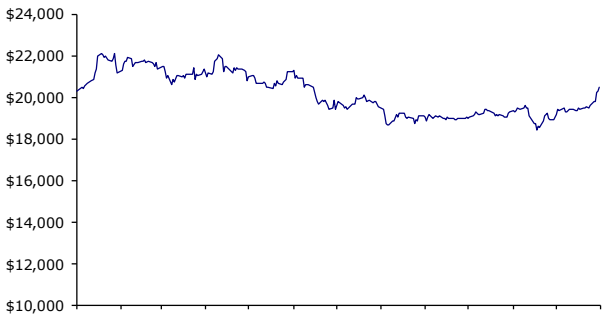
**1 Year Copper**



**1 Year Aluminium**

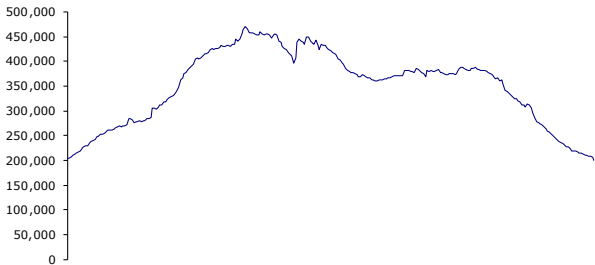


**1 Year Tin**

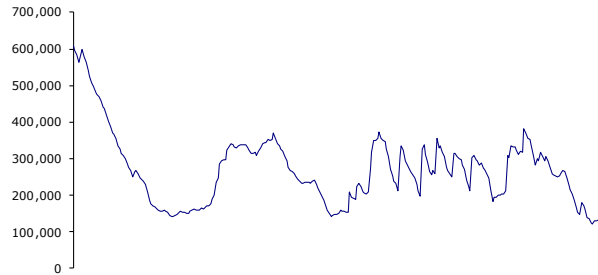


**5 Year Metals Stockpiles**

**Nickel LME Stockpiles - 5 Year**



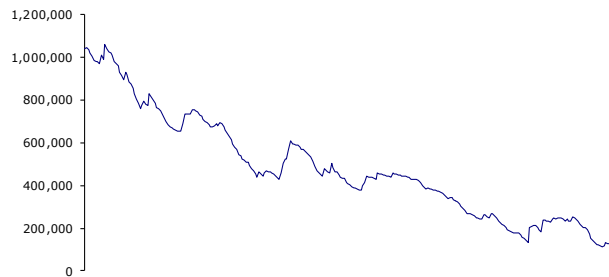
**Copper LME Stockpiles - 5 Year**



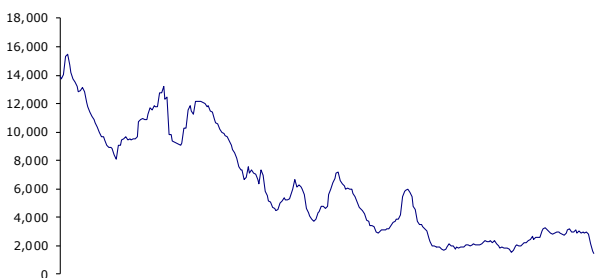
**Lead LME Stockpiles - 5 Year**



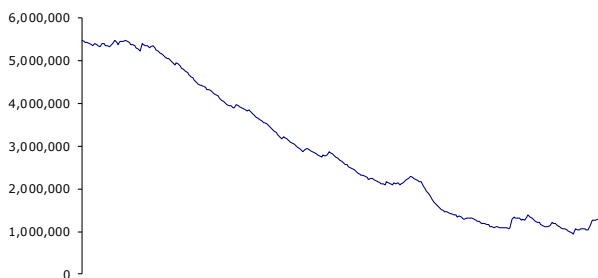
**Zinc LME Stockpiles - 5 Year**



**Tin LME Stockpiles - 5 Year**



**Aluminium LME Stockpiles - 5 Year**



Alan Hill  
Executive Chairman  
Phone: +61 8 9288 3388  
[ahill@stateone.com.au](mailto:ahill@stateone.com.au)

Mark Sullivan  
Institutional Dealer  
Phone: +61 2 9024 9134  
[msullivan@stateone.com.au](mailto:msullivan@stateone.com.au)

Yitz Barber  
Equities Advisor  
Phone: +61 2 9024 9107  
[ybarber@stateone.com.au](mailto:ybarber@stateone.com.au)

Graeme Johnson  
Equities & Derivatives Advisor  
Phone: +61 8 9288 3316  
[gjohnson@stateone.com.au](mailto:gjohnson@stateone.com.au)

Karen Tan  
Equities Advisor  
Phone: +61 8 9288 3303  
[ktan@stateone.com.au](mailto:ktan@stateone.com.au)

David Zhang  
Equities Advisor  
Phone: +61 2 9024 9130  
[dzhang@stateone.com.au](mailto:dzhang@stateone.com.au)

David Brennan  
Senior Investment Analyst  
Phone: +61 2 9024 9142  
[DBrennan@stateone.com.au](mailto:DBrennan@stateone.com.au)

Tammie Wong  
Equities Advisor  
Phone: +61 2 9024 9133  
[twong@stateone.com.au](mailto:twong@stateone.com.au)

Ric Heydon  
Equities & Derivatives Advisor  
Phone: +61 8 9288 3307  
[rheydon@stateone.com.au](mailto:rheydon@stateone.com.au)

Robert Chen  
Equities Advisor  
Phone: +61 2 9024 9132  
[rchen@stateone.com.au](mailto:rchen@stateone.com.au)

Morris Levitzke  
Equities Advisor  
Phone: +61 8 9288 3315  
[mlevitzke@stateone.com.au](mailto:mlevitzke@stateone.com.au)

---

### General Advice Warning

The contents of this document have been prepared by State One Stockbroking Ltd (ABN 95 092 989 083, Australian Financial Services Licence ("AFSL") 247100) without taking account of your objectives, financial situation or needs. To the extent that any of the content constitutes advice, it is general advice. You should, before taking any action to acquire or deal in, or follow a recommendation (if any) in respect of any of the financial products or information mentioned in this document, consult your own investment advisor to consider whether that is appropriate having regard to your own objectives, financial situation and needs.

Whilst State One Stockbroking Ltd believe the data and content contained in this document is based on information which is believed to be reliable, its accuracy and completeness are not guaranteed and no warranty of accuracy or reliability is given or implied and no responsibility for any loss or damage arising in any way for any representation, act or omission is accepted by State One Stockbroking Ltd or any of their officers, agents or employees. Some material is copyright and published under licence from ASX Operations Pty Limited ACN 004 523 782 ("ASXO").

If applicable, you should obtain the Product Disclosure Statement relating to the relevant financial product mentioned in this document (which contains full details of the terms and conditions of the financial product) and consider it before making any decision about whether to acquire the financial product.

For more information please refer to the State One Stockbroking Ltd Financial Services Guide (FSG) at [https://www.stateone.com.au/Download/Download?file=stateone\\_fsg.pdf](https://www.stateone.com.au/Download/Download?file=stateone_fsg.pdf)

### Disclosure

The directors and associated persons of State One Stockbroking Ltd may have an interest in the financial products discussed in this document and they may earn brokerage, commissions, fees and advantages, pecuniary or otherwise, in connection with the making of a recommendation or dealing by a client in such financial products.

This research at all times remains the property of State One Stockbroking Ltd and is not for public circulation or reproduction whether in whole or in part and is not to be disclosed to any person other than the intended recipient, without obtaining prior written consent.