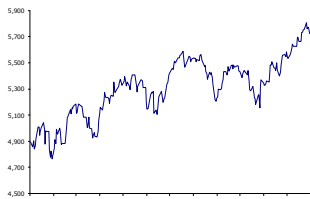


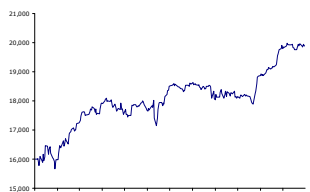
STATE ONE SPINNAKER

15 January 2017
Issue 352

12 month XJO chart



12 month Dow Jones chart



State One Research Products

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Overview

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Global Wrap – 15 January 2017

World Markets	15/01/2017	8/01/2017	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	5721	5756	-0.6%	1.9%	8.7%
Dow Jones	19886	19964	-0.4%	-0.3%	13.7%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2275	2277	-0.1%	0.4%	10.8%
FTSE 100	7338	7210	1.8%	4.2%	15.1%
DAX30	11629	11599	0.3%	1.4%	18.4%
Shanghai Composite	3113	3171	-1.8%	-0.9%	-7.6%
Nikkei 225	19287	19454	-0.9%	-0.7%	4.6%
Hang Seng	22937	22503	1.9%	5.2%	0.4%
Currency					
AUD/USD	0.7501	0.7355	2.0%	2.2%	9.3%
Commodities					
Oil (\$/bbl)	52.5	51.8	1.4%	-0.2%	77.2%
Gas (\$/gal)	3.4	3.3	4.1%	-4.2%	52.8%
Iron Ore (\$/t)	53.9	53.9	0.0%	6.9%	7.8%
Copper (\$/t)	5797	5547	4.5%	5.4%	9.9%
Lead (\$/t)	2221	2041	8.8%	2.4%	28.0%
Zinc (\$/t)	2690	2579	4.3%	3.3%	56.9%
Aluminium (\$/t)	1791	1722	4.0%	3.5%	21.0%
Nickel (\$/t)	10115	10185	-0.7%	-7.1%	-2.8%
Tin (\$/t)	21175	21175	0.0%	0.4%	32.6%
Gold (\$/oz)	1197	1173	2.1%	5.7%	2.7%
Silver (\$/oz)	16.8	16.5	1.9%	5.4%	6.3%
Platinum (\$/oz)	987	972	1.6%	7.7%	-2.4%
Wheat (\$/t)	426.000	423.250	0.6%	6.6%	-13.2%

Source: Iress

Global Wrap

US

Friday's scheduled inauguration of Donald Trump as the next US president is sure to dominate news this week.

The effect on markets of any surrounding developments and commentary is difficult to predict.

Apart from the inauguration, earnings reporting season warms and in economic indicator releases, December CPI, housing and industrial production updates are due.

US Federal Reserve chair Janet Yellen is also scheduled to speak publicly Wednesday and Friday. Ms Yellen's tenure is due to end in 2018 and based on comments from Mr Trump, her term is considered unlikely to be extended.

Federal Reserve officials were out and about in force this past week, offering varying views on the likely number of interest rate moves this coming year.

Forecasts remain difficult, given the \$US dropped this past week following the president-elect's media conference, which seemed light on more detailed confirmation of tax cut and stimulus-focused spending plans.

In data releases, a December small business optimism index rose 7.4 points to a 12-year high of 105.8.

November job openings remained virtually flat.

Weekly new unemployment claims rose by less than expected and the four-week moving average fell, both sets of figures considered typical for the volatile winter season for such data.

Europe

While US White House change is likely to feature this coming week, there remains plenty to consider, not the least a European Central Bank (ECB) policy meeting.

Minutes of December's meeting, released this past Thursday, revealed dissent on how best to continue the bond purchases program through this year.

Governing council members were divided over whether to lengthen the program by nine months at €60B per month, or to keep the buying going for another six months at €80B per month. Most appeared agreed however, that ongoing support was needed, due to increased political risk.

This year's elections in France, Germany and the Netherlands, and UK moves to separate from the European Union (EU), remain key considerations for the region, during the inaugural year the US operates under a changed presidential regime.

Among economic data releases scheduled for this week, December UK and euro zone CPI figures will be keenly anticipated.

Monday, the British pound dropped 1.1% against the \$US on weekend UK-EU separation comments by Theresa May in a media interview. By Tuesday, the pound was trading at 10-week lows against the \$US and an eight-week trough against the euro. This nonetheless helped support select stocks and hence the FTSE 100 to the longest string of consecutive positive settlements since 2009.

Mrs May was not the only official to be making headline statements.

Bank of England governor Mark Carney told a parliamentary committee the greater financial risk of the UK separating from the EU was considered by the central bank as not for the UK, but for mainland Europe.

He also promoted a transition period and that some financial rules be common to the UK and EU nations.

Predicting overall separation risk was not dissimilar to the Jenga block-tower game, he espoused.

For the coming week, the UK PM has promised a detailed EU separation announcement for Monday, and the Bank of England governor is due to speak at the London Stock Exchange.

Meanwhile, Iceland's government is reportedly preparing to request the national parliament to approve a referendum on joining the European Union.

China

In addition to globalisation issues and US presidential change, the World Economic Forum in Davos, scheduled for Tuesday through Friday this week, is still expected to feature the first-time appearance of a head of state from China, president Xi Jinping.

Conversations will no doubt include comments out of the US this week, concerning views on China and the islands it has constructed in the South China Sea.

December quarter GDP, due Friday, should prove the highlight of economic indicators this week, given statements from officials over the past week.

December industrial production, retail sales and fixed assets investment are also expected Friday.

Last weekend, China's vice finance minister Zhu Guangyao ventured 6.7% GDP growth had been achieved for 2016. Two days later Xu Shaoshi, head of the National Development & Reform Commission, repeated this expectation.

China's December CPI growth, reported this past week, slowed to 2.1% year-on-year, coming in at 0.2% for the month, following 2.3% and 0.3% respectively for November.

Producer prices rose 5.5% year-on-year after a 3.3% gain for November.

Foreign exchange reserves fell a further \$US40B during December, but a \$US50B drop had been feared by some. Total forex reserves were estimated at ~\$US3.01 trillion.

Domestic lending figures appeared to please external markets, reported at 1.04 trillion yuan, against expectations of ~675 billion yuan and following 795 billion yuan in November.

December and overall 2016 trade figures proved largely disappointing.

The overall December trade surplus fell to \$US40.82B from \$US44.61B at the end of November.

For 2016, the trade surplus came in at ~\$US510B against \$US594B in 2015.

Exports were reported 7.7% lower for the year and imports 5.5%. Annual exports have now fallen over two consecutive years.

December exports fell 6.1% (\$US terms) year-on-year, but imports bettered forecasts, rising 3.1%.

December iron ore imports in particular hurt Friday's Australian equities trade, coming in 7.6% lower than a year ago. Imports for the year were estimated 7.5% higher, however.

Thursday, a spokesperson for China's commerce ministry was quoted as foreseeing 'challenging, complicated trade' during 2017.

In the meantime, China is preparing for the Lunar New Year/Spring Festival holiday period, commencing with Lunar NYE 27 January.

Japan

The week commenced with ongoing WWII 'comfort women' tensions with South Korea, and Toyota-related angst associated with what have been considered inflammatory comments from the incoming US presidential regime.

By Wednesday evening Japan was again volleying, this time after US president-elect Donald Trump appeared to complain about an adverse (US) trade imbalance with Japan.

Combined with a \$US fall and hence Japanese yen appreciation, this pushed Japan's Nikkei 225 index 1.2% lower Thursday.

Australia

The December employment report is the most anticipated domestic economic indicator for a week which will be dominated by the pending (Friday) inauguration of the new US president, US earnings season and the annual World Economic Forum in Davos.

Housing finance figures and the monthly consumer sentiment report from Westpac and the Melbourne Institute will also attract keen interest, as will the Melbourne Institute-TD Securities inflation gauge.

This past week, economic indicators for Australia came in mostly less than inspiring.

November residential building approvals dropped 4.8% year-on-year, but rose 7% for the month.

The ANZ estimated online job advertisements fell 1.9% during December, representing the first pullback since July.

A construction sector activity index revealed ongoing contraction during December, the reading rising 0.4 to 47.0.

November retail sales grew 0.2%, but following a 0.6% increase for October, and despite expectations of a further 0.4% improvement, optimism remained regarding a further improvement for December.

Commodities

Oil dropped during Monday's trade, supply angst fuelled by: December production reports; Iraq's record December exports and assurances of full supply allocations in February to customers in Asia and Europe; Libya's growing output; and increasing numbers of operational oil rigs in the US.

A rally commenced mid-week however, initially on the \$US drop associated with Donald Trump's press conference.

Among the week's reports, industry sources estimated Iraq exported a record 3.51MMbbl each day in December and would increase this to 3.64MMbbl/d in February.

Iraq's oil minister Jabar Ali al-Luaibi repeated his nation should have been included in those exempted from the OPEC agreement, but said that Iraq had nonetheless cut exports by a daily 170,000bbl and would reduce this a further 40,000bbl/d within a week.

In the meantime, Iran had reportedly offloaded, during the December quarter, 13MMbbl of crude stored at sea. Buyers were said to include companies operating in China, France, India, Italy and South Korea.

Total oil held by Iran at sea has been estimated at 16.4MMbbl, against 29.6MMbbl early-October 2016. Hence, further sales are anticipated in the near-term.

Saudi Arabia, OPEC's largest producer, was reported to have reduced output by (the late-2015 agreed) 486,000bbl/d to a daily 10.058MMbbl during the first week of 2017, and for this to have fallen below 10MMbbl/d this past week.

OPEC is due to convene a compliance committee meeting 21 – 22 January, to determine how best to monitor compliance with last year's agreement to limit production for six months from 1 January. OPEC is targeting a daily 32.5MMbbl of output over this period.

Oil and gas condensate production in Russia fell by ~100,000bbl/d in Russia, according to reports, which estimated Russia had produced a daily 11.1MMbbl during the week to 8 January. Russia, a non-OPEC member, is targeting 10.947MMbbl/d during the OPEC agreement period.

Meanwhile, commodity traders and operators were reported to be supplying a record 22MMbbl of North Sea and Azerbaijan crude to customers in Asia during January.

Supertanker records show additional oil is due to be similarly delivered during February, March and April.

For its part, China revealed Friday that it had imported 13.6% more oil during 2016 than for 2015.

China National Petroleum Corp is expecting net crude imports to grow 5.3% during 2017, to a record 594Mt.

In the US, refiners used a record amount of crude, according to a weekly report by a government agency. This was put down not to increased demand for petrol and diesel, for which weekly stockpiles increased, but due to prices which had improved proportionally more than for crude.

Domestic weekly oil production came in at a nine-month peak of 8.9MMbbl/d.

Imports also rose significantly, but this was mostly attributed to adverse weather conditions over previous weeks.

In other energy sector news, the (Australian) Department of Industry, Innovation & Science (DIIS) is predicting thermal coal contract prices to rise to \$US74/t during 2017, after averaging \$US62/t for 2016. DIIS's previous 2017 forecast was for \$US63/t.

DISS forecasts metallurgical coal contract prices to appreciate 59% during 2017, to \$US182.20/t, after coming in at \$US114/t for 2016.

China's coking coal futures began the week rising for a fourth consecutive session, to achieve an 8% appreciation over this period.

Max Spectron pointed out Pacific region thermal coal cargoes were decreasing but also noted that demand should fall once the northern hemisphere winter ends.

Friday, China revealed December coal imports had risen ~50% year-on-year to 26.84Mt, but did not quite match November's 26.97Mt.

During 2016, China imported 255.5Mt of coal, 25.2% more than for 2015.

Due to Lunar New Year, commencing the last weekend of January, Huaan Futures expects China's January – February imports to fall 10% - 20% from December.

In the meantime, uranium prices have continued to increase, in parts on hopes of increased demand in the US.

Iron ore (China port, 62% Fe) trade commenced the week amid predictions of a near-term price drop.

Monday however, China's iron ore and steel rebar futures rallied on the Dalian Commodity Exchange and Shanghai Futures Exchange, and during the week, port prices rallied past \$US80.0/t.

Some consider prices could continue to fluctuate over the medium term.

Recent environmental-based curbs on Chinese steelmakers, combined with the coming Lunar New Year, are expected to mostly keep prices in check for the next several weeks.

Further, Hebei province was reported to be targeting a 15.6Mt cut in steel production, and 16.2Mt in iron ore output, during 2017.

The figures constitute part of a plan, announced by the national government a year ago, to cut crude steel production by 100Mt – 150Mt over five years.

A China Iron & Steel Association conference this week reportedly heard the government would focus on ending (illegal) steel production from scrap steel this year.

Meanwhile, DIIS has estimated minerals and energy exports will tally \$204B for 2016 – 2017, and \$202B during 2017 – 2018.

DIIS also ventured that coal and iron ore prices, which have significantly boosted the value of exports over the past six months, will pull back early – mid-2017.

DIIS is forecasting a \$58/t average iron ore price for 2016 – 2017 and \$US49/t for 2017 – 2018. For the 2017 calendar year, DIIS is predicting \$US51.60/t, and for 2018 \$US46.70/t.

The department expects Australian iron ore exports to grow 5.9% for 2016 – 2017, to 832.2Mt. The previous DIIS forecast for 2016 – 2017 was 851Mt.

A record 37.4Mt of iron ore left Port Hedland during December 2016, but China's overall iron ore imports for the month fell 7.6% year-on-year, and 3.2% for the month, to 88.95Mt.

Large imported stockpiles are reported at ports, and China's 2016 iron ore imports were confirmed as 7.5% higher for the year, at a record 1.02Bt. SteelHome estimated 116.7Mt was being held at major ports in China.

Comex gold futures swung to a five-week peak on Monday, sentiment supported by a softer \$US and reports of improved Asian buying ahead of Lunar New Year/China's Spring Festival and during India's wedding season.

Citigroup was quick to warn the rally might not last through two weeks, but subsequent events during the week kept gold ahead of S&P index gains for the year-to-date, futures trading at six-seven - week peaks.

JP Morgan in the meantime continued to recommend long gold positions.

In physical gold news, the US Mint reported 68,000oz worth of American Eagle gold bullion coins were sold on the first day of sales for 2017, exceeding 2016 day one sales.

3.7M one-ounce silver coins were sold, representing a 35% rise on first day sales for 2016.

London Metals Exchange (LME) base metals trade reacted to China's December data this past week, but also in post-Thursday trade, to new rules announced by Indonesia.

Australian minerals sector trade on Friday also largely reflected China's trade figures, and new plans to relax Indonesia's nickel ore and bauxite export regulations.

Certain quantities of these ores will be allowed to be shipped offshore by miners demonstrating progress in constructing smelters within Indonesia, and within five years.

30% of nickel smelter capacity is to be designed for lower-grade nickel.

In addition, a new mining licence system is planned for foreign companies, to replace long-term work contracts, and the companies will be expected to make available a minimum 51% of Indonesian operations to Indonesian companies.

Copper concentrate exports from Indonesia will still be allowed for large international operators such as Freeport McMoRan, which produces gold and copper from the Papua Grasberg project.

Freeport had notably maintained early-week, ahead of Wednesday's scheduled expiry of concentrate export concessions, that it was continuing discussions with Indonesia's government.

Meanwhile, China imported a record 4.95Mt of copper during 2016, ~3% more than for 2015.

In other commodity news, the Mars (M&M's, Juicy Fruit, Mars Bars) confectionary group announced a planned \$US7.7B purchase of a pet health-care provider. Hopefully the popular chocolate and other sweets will still remain available for (considered) human consumption.

For its part, Mondelez (Cadbury, Toblerone, Freddo) cited higher cocoa prices, in part due to the depreciating British pound, as it raised select prices.

Economic Calendar 16/01/2017 – 20/01/2017

Tuesday January 17 2017		Actual	Previous	Consensus Forecast		
05:30 PM	GB Inflation Rate YoY DEC		1.2%	1.4%	1.5%	
06:00 PM	DE ZEW Economic Sentiment Index JAN		13.8	16.5	15.1	
	GB Prime Minister Theresa May Speech on Brexit					
	🔊					
Wednesday January 18 2017		Actual	Previous	Consensus Forecast		
07:30 AM	AU Westpac Consumer Confidence Change JAN		-3.9%		-0.1%	
07:30 AM	AU Westpac Consumer Confidence Index JAN		97.3		97	
05:30 PM	GB Claimant Count Change DEC		2.4K	5.0K	7.3K	
05:30 PM	GB Unemployment Rate NOV		4.8%	4.8%	4.9%	
09:30 PM	US Core Inflation Rate YoY DEC		2.1%	2.2%	2.1%	
09:30 PM	US Inflation Rate YoY DEC		1.7%	2.1%	1.9%	
11:00 PM	CA BoC Interest Rate Decision		0.5%	0.5%	0.5%	
Thursday January 19 2017		Actual	Previous	Consensus Forecast		
08:30 AM	AU Employment Change DEC		39.1K		-5K	
08:30 AM	AU Unemployment Rate DEC		5.7%		5.7%	
08:45 PM	EA ECB Interest Rate Decision		0.0%	0%	0%	
09:30 PM	EA ECB Press Conference					
Friday January 20 2017		Actual	Previous	Consensus Forecast		
10:00 AM	CN GDP Growth Rate QoQ Q4		1.8%	1.7%	1.7%	
10:00 AM	CN GDP Growth Rate YoY Q4		6.7%	6.7%	6.7%	
09:30 PM	CA Inflation Rate YoY DEC		1.2%	1.7%	1.2%	

Source: www.tradingeconomics.com

Economic Calendar 23/01/2017 – 27/01/2017

Monday January 23 2017		Actual	Previous	Consensus	Forecast
11:00 PM	EA Consumer Confidence Flash JAN		-5.1		-4.73
Tuesday January 24 2017		Actual	Previous	Consensus	Forecast
04:30 PM	DE Markit Manufacturing PMI Flash JAN		55.6		55.99
11:00 PM	US Existing Home Sales DEC		5.61M		5.6M
Wednesday January 25 2017		Actual	Previous	Consensus	Forecast
07:00 AM	KR GDP Growth Rate QoQ Adv Q4		0.6%		0.7%
07:00 AM	KR GDP Growth Rate YoY Adv Q4		2.6%		2.7%
07:50 AM	JP Balance of Trade DEC		¥153B		
05:00 PM	DE Ifo Business Climate JAN		111		111.53
Thursday January 26 2017		Actual	Previous	Consensus	Forecast
03:00 PM	DE GfK Consumer Confidence FEB		9.9		10.05
05:30 PM	GB GDP Growth Rate QoQ Prel Q4		0.6%		0.3%
05:30 PM	GB GDP Growth Rate YoY Prel Q4		2.2%		2%
10:00 PM	MX Balance of Trade DEC		\$200M		
11:00 PM	US New Home Sales DEC		592K		
Friday January 27 2017		Actual	Previous	Consensus	Forecast
07:30 AM	JP Inflation Rate YoY DEC		0.5%		0.52%
08:05 AM	GB Gfk Consumer Confidence JAN		-7		-6.82
09:30 PM	US Durable Goods Orders MoM DEC		-4.6%		1.40%
09:30 PM	US GDP Growth Rate QoQ Adv Q4		3.5%		2.6%

Source: www.tradingeconomics.com

All Ords Top 10 Week Ending 13 January 2017

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
GXY	Galaxy Resources	17.9	BAL	Bellamy'S Australia	-40.0
WHC	Whitehaven Coal	8.3	WSA	Western Areas Ltd	-16.1
A2M	The A2 Milk Company	8.2	GWA	GWA Group Ltd	-9.6
OZL	OZ Minerals	7.1	AHY	Asaleo Care Limited	-8.1
BKL	Blackmores Limited	7.0	MYX	Mayne Pharma Ltd	-7.0
SDF	Steadfast Group Ltd	6.7	BPT	Beach Energy Limited	-6.4
ORG	Origin Energy	6.6	IGO	Independence Group	-5.7
BSL	BlueScope Steel Ltd	6.2	DXS	Dexus Property Group	-5.7
QAN	Qantas Airways	6.0	HGG	Henderson Group	-5.6
SFR	Sandfire Resources	4.7	RWC	Reliance Worldwide	-5.6

Source: IRESS

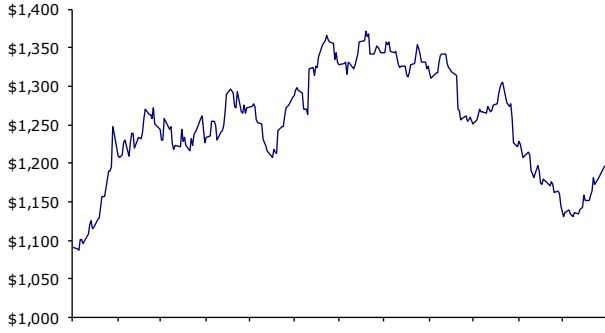
S & P Indices Week Ending 13 January 2017

S&P Indices	15/01/2017	8/01/2017	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	9373	9204	1.8%	4.9%	3.5%
S&P 200 Materials	10053	9907	1.5%	4.5%	22.6%
S&P 200 Industrials	5241	5227	0.3%	1.7%	10.3%
S&P 200 Consumer Disc.	2147	2159	-0.5%	1.1%	17.1%
S&P 200 Consumer Staples	8825	8905	-0.9%	0.6%	0.7%
S&P 200 Healthcare	19961	20111	-0.7%	2.4%	10.5%
S&P 200 Financials	6622	6708	-1.3%	1.3%	8.9%
S&P 200 Info Technology	824	821	0.3%	2.5%	14.5%
S&P 200 Telecommunicatic	1834	1845	-0.6%	4.5%	-7.2%
S&P 200 Utilities	7962	8043	-1.0%	1.2%	18.4%
S&P 200 Property Trusts	1351	1396	-3.2%	-1.5%	6.7%
S&P 200 Financials ex PT	7386	7482	-1.3%	1.3%	6.1%

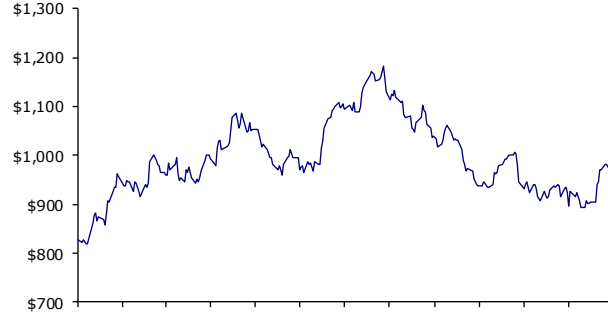
Source: IRESS

1 Year Commodity Price Charts

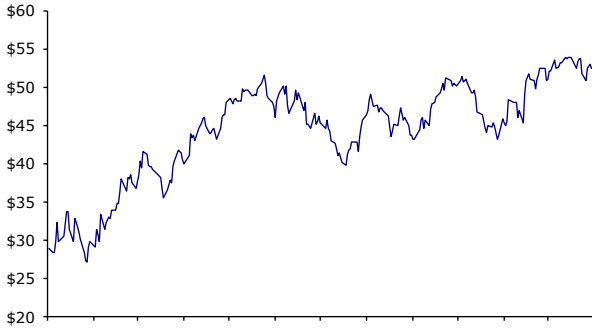
1 Year Gold



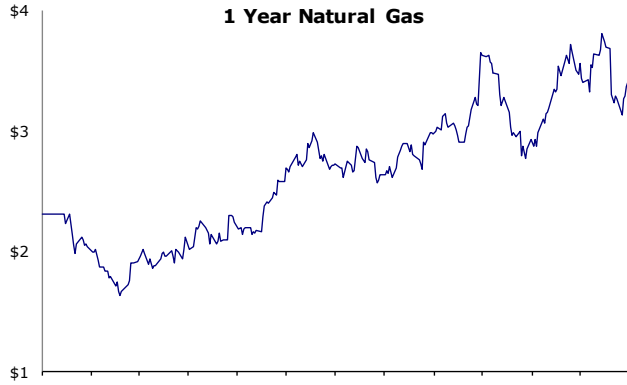
1 Year Platinum



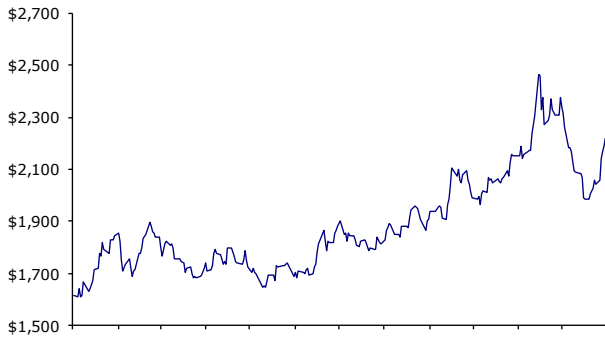
1 Year Oil



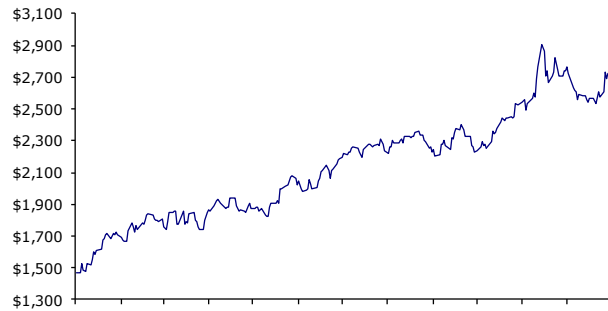
1 Year Natural Gas



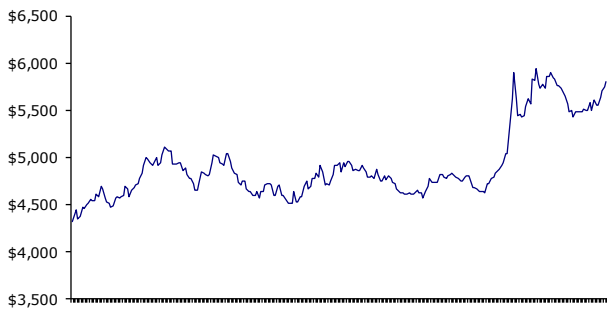
1 Year Lead



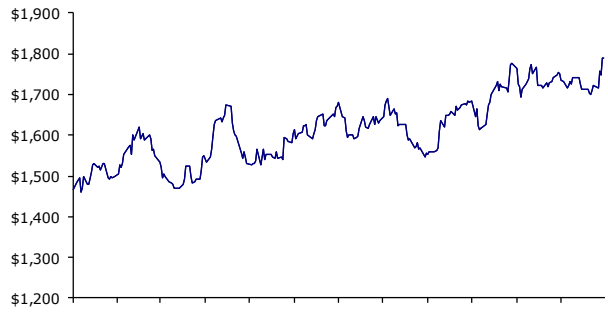
1 Year Zinc



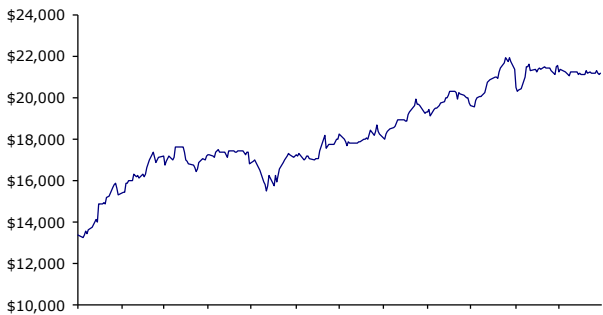
1 Year Copper



1 Year Aluminium

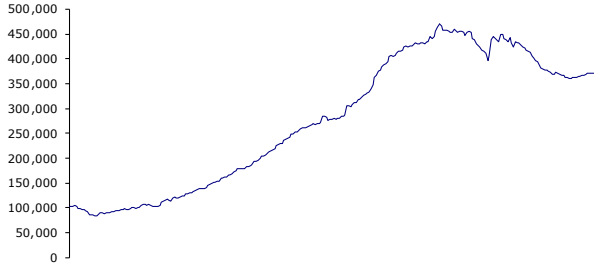


1 Year Tin

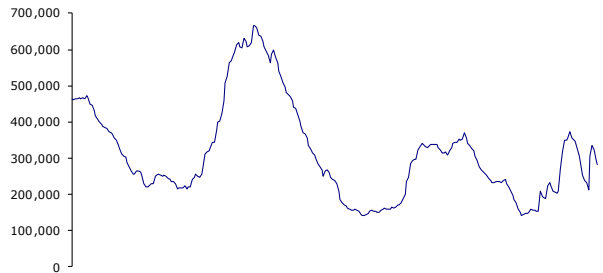


5 Year Metals Stockpiles

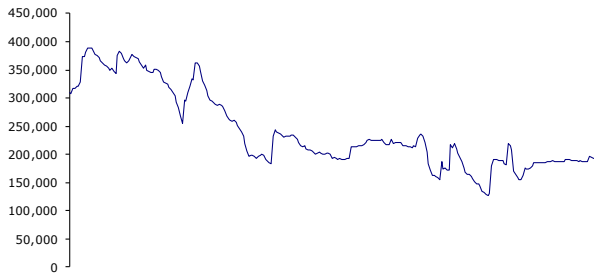
Nickel LME Stockpiles - 5 Year



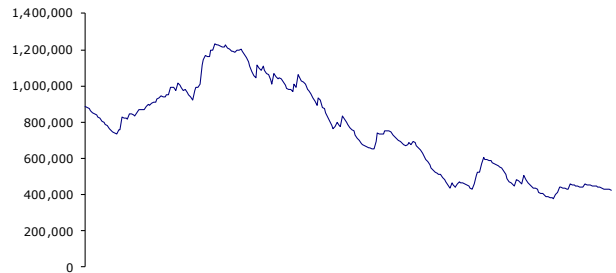
Copper LME Stockpiles - 5 Year



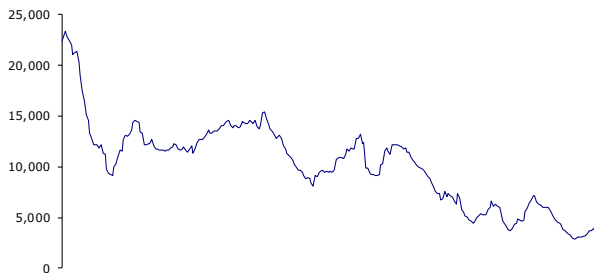
Lead LME Stockpiles - 5 Year



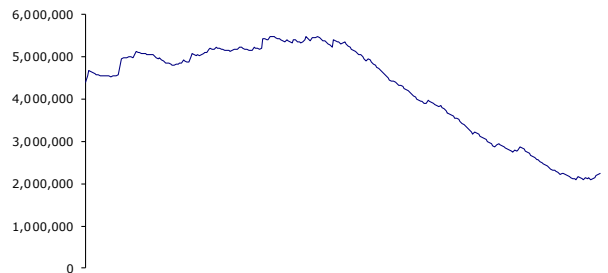
Zinc LME Stockpiles - 5 Year



Tin LME Stockpiles - 5 Year



Aluminium LME Stockpiles - 5 Year



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