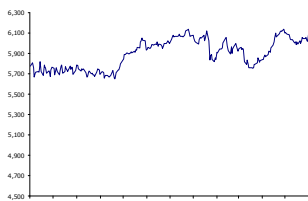


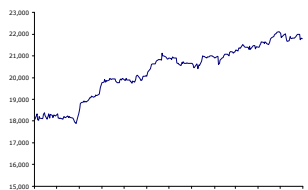
# STATE ONE SPINNAKER

**17 June 2018**  
**Issue 415**

## 12 month XJO chart



## 12 month Dow Jones chart



### State One Research Products

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## Global Wrap – 17 June 2018

World Markets	17/06/2018	10/06/2018	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	6094	6045	0.8%	1.0%	9.9%
Dow Jones	21798	21988	-0.9%	-1.0%	18.0%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2780	2779	0.0%	1.7%	23.7%
FTSE 100	7634	7681	-0.6%	-2.0%	10.1%
DAX30	13011	12767	1.9%	0.3%	2.7%
Shanghai Composite	3022	3053	-1.0%	-4.2%	-6.0%
Nikkei 225	22852	22804	0.2%	1.8%	21.8%
Hang Seng	30309	30958	-2.1%	-1.2%	32.6%
Currency					
AUD/USD	0.7440	0.7611	-2.2%	-2.4%	-2.3%
Commodities					
Oil (\$/bbl)	64.2	66.0	-2.7%	-9.1%	43.8%
Gas (\$/gal)	3.0	2.9	4.3%	1.9%	-0.7%
Iron Ore (\$/t)	0.0	53.9	-100.0%	-100.0%	-100.0%
Copper (\$/t)	7136	7263	-1.7%	4.9%	22.2%
Lead (\$/t)	2431	2468	-1.5%	-0.4%	4.3%
Zinc (\$/t)	3228	3184	1.4%	7.4%	17.6%
Aluminium (\$/t)	2240	2288	-2.1%	0.6%	29.3%
Nickel (\$/t)	15265	15240	0.2%	5.2%	34.3%
Tin (\$/t)	20900	21230	-1.6%	1.2%	-2.3%
Gold (\$/oz)	1279	1303	-1.9%	-1.5%	9.0%
Silver (\$/oz)	16.5	16.7	-1.6%	0.1%	-3.6%
Platinum (\$/oz)	888	906	-2.0%	-1.7%	-5.3%
Wheat (\$/t)	511.000	519.250	-1.6%	-3.5%	25.2%

Source: Iress

## Global Wrap

### Key points

1. Trade war fears intensify
2. Movement in Aussie minerals sector
3. Telstra bounces back
4. China growth softens
5. Stock analysis: Utilities

### US

Stocks fell on the final day of a week that included the US-North Korea summit, major central bank meetings and escalating trade tensions between Washington and Beijing.

Late Friday the Trump administration said it would impose a 25% charge on up to \$50 billion in Chinese goods, realizing fears of a trade war between the US and China, CNBC reported.

The Dow Jones industrial average fell 250 points, with Caterpillar and Boeing the worst-performing stocks in the index. Both firms are big exporters and therefore pressured by rising trade tensions.

The S&P 500 and Nasdaq Composite both dropped 0.6%.

China later responded saying it would impose tariffs with the “same scale and intensity” on imports from the US.

US goods slated for levies include farm products such as soybeans, a potential blow to rural states that backed President Donald Trump’s election in 2016.

Trump then pledged more tariffs if China followed through on the retaliation threats, without specifying an amount.

In April, he asked officials to consider an additional \$100 billion in levies.

US Trade Representative Robert Lighthizer said an announcement on US investment restrictions on China will follow in the next two weeks.

Next week is a quite one for US data, with jobless and house price releases on Thursday, though escalating trade tensions will keep investors vigilant.

## **China**

Asian stocks were mixed last week as tariff concerns continued to rattle Chinese stocks, The South China Morning Post said.

The Shanghai Composite Index fell to its lowest point since September 2016, while the Hong Kong Hang Seng Index fell after the Hong Kong Monetary Authority raised the city’s base lending rate.

The falls came ahead of the announcement by Trump of a revised list of tariffs worth about US\$50 billion on Chinese goods.

In mainland China, concerns over increasing number of defaults in the bond market added to the worries about a US-China trade war.

The Shanghai Composite Index fell 0.7%, or 22.26 points, to 3,021.90, marking its lowest closing level since October 2016. The CSI 300, which tracks large caps listed in Shanghai and Shenzhen, eased 0.5%, or 19.94 points, to 3,753.43.

Meanwhile China’s industrial production and fixed asset investment slowed more than expected during May, data released last week showed.

Analysts had been forecasting industrial production growth to stay at 7% for the year, but growth fell to 6.8% during May.

Fixed Asset Investment fell from 7% for the year in April to 6.1% in May, below forecast levels of 7%.

China’s retail sales also fell for the month, hitting its lowest level in growth in 15 years as it slid to 8.5% for the year.

Crude steel production increased for the month to 8.9% for the year, however **iron ore** prices moved sideways, signalling that oversupply risks are materialising.

## Japan

Japan's Nikkei closed modestly higher this week. On Friday stocks bounced back on the Tokyo Stock Exchange Friday, supported by the yen's fall against the dollar, The Japan Times reported. The 225-issue Nikkei average gained 113.14 points, or 0.50%, to end at 22,851.75. Brokers agreed told The Japan Times that concerns over fierce trade friction between the US and China continued to overshadow the Tokyo market.

This coming week investors will be watching Japan's trade balance release on Monday and the Bank of Japan's policy meeting minutes on Tuesday. CPI and the All Industry Activity Index come out on Thursday and Friday respectively.

## Europe

European shares closed lower on Friday afternoon as investors paused for breath after a rally in the previous session fuelled by the European Central Bank (ECB). The pan-European Euro [Stoxx 600](#) closed down 0.8%, with all major bourses and most sectors in negative territory. The FTSE 100 in London closed lower by 1.7%.

Investors were digesting ECB plans to end its massive stimulus program this year, though the central bank delayed any potential rate hikes until at least the third quarter of 2019. Given that traders were expecting a first rate hike would come as early as June 2019, the [euro](#) dropped on the news and stocks soared to close sharply higher Thursday.

On Monday markets will tune into ECB President's Mario Draghi's speech in Portugal. The Bank of England will make a rates announcement on Thursday, with no change expected this month. Euro zone consumer confidence data will be released on Thursday, ahead of a slew of manufacturing data for the zone on Friday.

## Australia

The Australian market has closed the week higher as the index recorded its biggest advance in a single session since July last year, Fairfax reported. The S&P/ASX 200 index rose 48.8 points or 0.8%, for the week to 6094, with Friday's session making up most of the week's gain, up 77.4 points, or 1.3%.

**Telstra** rebounded from a month's worth of losses this week, jumping 6.1% to record its best weekly result this year. Brokers appear much more optimistic on the telco, saying that it expected a positive strategy day next week with announcements of cost savings and new product bundling initiatives. Telstra shares closed the week at \$2.94.

**Mineral Resources** closed the week lower at \$17, down 8.2%. On Tuesday it was reported that Gina Rinehart's Hancock Prospecting had entered into the bidding war for Atlas Iron, along with Mineral Resources and Fortescue Metals. Its shares fell further on Wednesday after it announced it had acquired the loss-making Australian operations of US miner Cliffs.

Fears of a terrorist attack in Mozambique have rattled **Syrah Resources** investors. US authorities warned of "possible and imminent" attacks on government and commercial centres in Mozambique's Cabo Delgado province, where Syrah's Balama graphite mine is located. Its shares fell 6.7% this week to \$2.80.

The **utilities sector** was the best performer on the market this week, led higher by APA Group and Spark Infrastructure. **See stock analysis below.**

**Oil** prices bounced around over the past few days as the markets await OPEC's decision in a week's time. While the meeting is shaping up to be a contentious one, the hype also demonstrates OPEC's ongoing clout years after the group's obituary was written.

"With unplanned outages escalating, geopolitical risks rising, and US shale production facing infrastructure bottlenecks, Saudi Arabia is once again back in the driver's seat exerting significant influence over the oil market in 2018," Helima Croft, the global head of commodity strategy at RBC Capital Markets, told [oilprice.com](http://oilprice.com). "All eyes are on what course of action it will call for at the June 22 OPEC meeting in Vienna."

The price of **gold** hit a one-month high on Friday following the decision by the European Central Bank to keep interest rates on hold until at least the summer of 2019. AUD spot prices rose 1.5% to \$1,735.24 an ounce, their highest price in a month, while gold prices measured in US dollars were capped by the strengthening greenback. Looming trade concerns further boosted gold's recent strength. **Silver** prices have also climbed recently, hitting their highest price since April 19 on Friday.

### Stock analysis: Utilities under spotlight

The Australian Energy Market Commission's recently released 2018 Retail Energy Competition Review indicates that consumer confidence in the energy market working in their long-term interest had collapsed from 25% to 10% in a year.

Trust had slipped from 50% to 39%, with big power companies' efforts to improve the clarity and fairness of their retail offers being too little too late.

Australian Competition and Consumer Commission chairman Rod Sims is due to report on the retail energy market later this month, and has the "enormous profits" of the big three – AGL (ASX:AGL), Origin Energy (ASX:ORG) and EnergyAustralia – in his sights.

The utility sector's own version of the financial services Royal Commission could throw up some interesting recommendations. Presumably they would not be favourable to future margins. Nevertheless, as it stands, AGL Energy (ASX:AGL) offers a potential total return of +16%.

Another utility stock in the newspapers is APA Group (ASX:APA) with Hong Kong-based CKI bidding A\$13bn to takeover Australia's dominant gas pipeline operator.

The share price at A\$9.77 is some 11% below the A\$11 per share consideration.

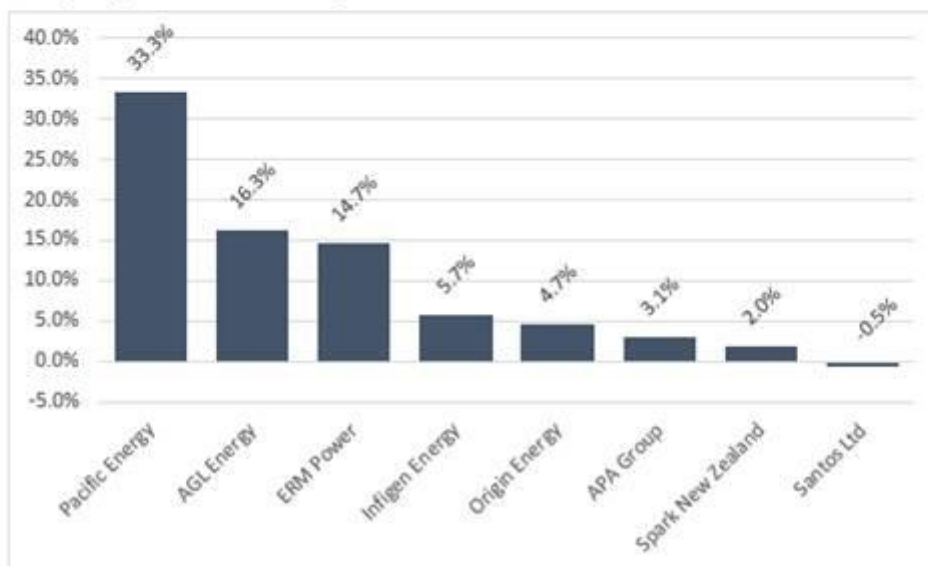
This reflects market risk that the deal may not be approved by the Foreign Investment Review Board (FIRB). FIRB has been headed by former national security chief David Irvine since 2017.

We suspect that the bid will only reinforce the Australian government's concern about the growing foreign ownership of critical infrastructure, including ports, electricity, and communications infrastructure.

#### Forecast total return for selected ASX-listed Utility /Infrastructure/Energy stocks

Security	Name	Share Price (A\$)	Target Price (A\$)	Capital upside / (downside) (%)	FY18E Dividend (A\$)	FY18E DY (%)	Total Return (%)
PEA	Pacific Energy	0.57	0.75	31.6%	0.01	1.8%	33.3%
AGL	AGL Energy	21.71	24.12	11.1%	1.13	5.2%	16.3%
EPW	ERM Power	1.43	1.57	9.8%	0.07	4.9%	14.7%
IFN	Infigen Energy	0.70	0.74	5.7%	0.00	0.0%	5.7%
ORG	Origin Energy	9.87	10.29	4.3%	0.04	0.4%	4.7%
APA	APA Group	9.77	9.62	-1.5%	0.45	4.6%	3.1%
SPK	Spark New Zealand	3.57	3.41	-4.5%	0.23	6.4%	2.0%
STO	Santos Ltd	5.96	5.87	-1.5%	0.06	1.0%	-0.5%

Source: IRESS, compiled by State One Stockbroking



**Economic Calendar 18/06/2018 – 22/06/2018**

Monday June 18 2018		Actual	Previous	Consensus	Forecast
<b>07:50 AM</b>	JP <b>Balance of Trade MAY</b>		¥626B	¥-235B	¥ -191B
Wednesday June 20 2018		Actual	Previous	Consensus	Forecast
<b>07:50 AM</b>	JP <b>BoJ Monetary Policy Meeting Minutes</b>				
<b>10:00 PM</b>	US <b>Existing Home Sales MAY</b>		5.46M	5.52M	5.5M
Thursday June 21 2018		Actual	Previous	Consensus	Forecast
<b>09:30 AM</b>	AU <b>RBA Bulletin</b>			+	
<b>07:00 PM</b>	GB <b>BoE Quantitative Easing</b>		£435B	£435B	£435B
<b>07:00 PM</b>	GB <b>BoE Interest Rate Decision</b>		0.5%	0.5%	0.5%
<b>10:00 PM</b>	EA <b>Consumer Confidence Flash JUN</b>		0.2	-0.1	-1.2
Friday June 22 2018		Actual	Previous	Consensus	Forecast
<b>07:30 AM</b>	JP <b>Inflation Rate YoY MAY</b>		0.6%	0.3%	0.6%
<b>03:30 PM</b>	DE <b>Markit Manufacturing PMI Flash JUN</b>		56.9	56.1	56.3
<b>08:30 PM</b>	CA <b>Inflation Rate YoY MAY</b>		2.2%	2.6%	2.4%
Sunday June 24 2018		Actual	Previous	Consensus	Forecast
	TR <b>Presidential Election</b>				
	TR <b>Parliamentary Election</b>				

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

**Economic Calendar 25/06/2018 – 29/06/2018**

		Actual	Previous	Consensus	Forecast	
<b>Monday June 25 2018</b>						
<b>04:00 PM</b>	DE		Ifo Business Climate JUN	102.2	+	101.5
<b>10:00 PM</b>	US		New Home Sales MAY	0.662M	+	0.666M
<b>Wednesday June 27 2018</b>						
<b>08:30 PM</b>	US		Durable Goods Orders MoM MAY	-1.7%	+	1%
	EA		ECB Non-Monetary Policy Meeting			
<b>Thursday June 28 2018</b>						
<b>02:00 PM</b>	DE		GfK Consumer Confidence JUL	10.7	+	10.6
<b>05:00 PM</b>	EA		Business Confidence JUN	1.45	+	1.15
<b>08:00 PM</b>	DE		Inflation Rate YoY PreI JUN	2.2%	+	1.9%
<b>08:30 PM</b>	US		GDP Growth Rate QoQ Final Q1	2.9%	+	2.2%
<b>Friday June 29 2018</b>						
<b>07:01 AM</b>	GB		Gfk Consumer Confidence JUN	-7	+	-8
<b>07:30 AM</b>	JP		Unemployment Rate MAY	2.5%		2.5%
<b>01:00 PM</b>	JP		Consumer Confidence JUN	43.8	+	43.8
<b>03:55 PM</b>	DE		Unemployment Change JUN	-11K	+	15K
<b>03:55 PM</b>	DE		Unemployment Rate JUN	5.2%		5.2%
<b>04:30 PM</b>	GB		GDP Growth Rate YoY Final Q1	1.4%		1.2%
<b>04:30 PM</b>	GB		GDP Growth Rate QoQ Final Q1	0.4%		0.1%
<b>08:30 PM</b>	US		Personal Income MoM MAY	0.3%	+	0.3%
<b>08:30 PM</b>	US		Personal Spending MoM MAY	0.6%	+	0.3%

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

## All Ords Top 10 Week Ending 15 June 2018

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
GTY	Gateway Lifestyle	19.1	ASL	Ausdrill Limited	-21.8
APA	APA Group	17.5	RFG	Retail Food Group	-10.7
IRE	IRESS Limited	8.5	PRY	Primary Health Care	-8.4
CGC	COSTA GROUP HOLDINGS	7.5	MIN	Mineral Resources.	-8.2
SGM	Sims Metal Mgmt Ltd	6.8	CSR	CSR Limited	-6.9
ALX	Atlas Arteria	6.6	SYR	Syrah Resources	-6.7
GMA	Genworth Mortgage	6.5	AOG	Aveo Group	-6.0
SKI	Spark Infrastructure	6.5	IFN	Infigen Energy	-5.4
TLS	Telstra Corporation.	6.1	GXY	Galaxy Resources	-5.0
FPH	Fisher & Paykel H.	5.7	JHX	James Hardie Indust	-4.6

Source: IRESS

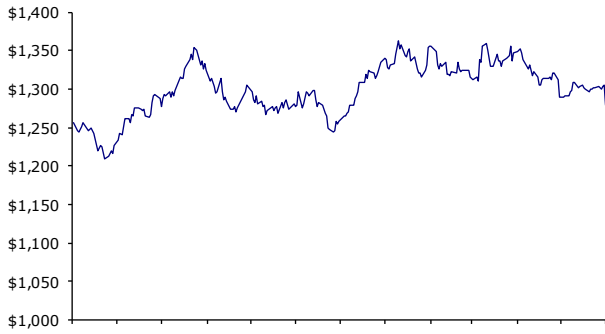
## S & P Indices Week Ending 15 June 2018

S&P Indices	17/06/2018	10/06/2018	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	11618	11442	1.5%	1.5%	30.6%
S&P 200 Materials	12324	12406	-0.7%	0.8%	24.5%
S&P 200 Industrials	5989	5849	2.4%	3.4%	17.4%
S&P 200 Consumer Disc.	2443	2436	0.3%	3.5%	16.7%
S&P 200 Consumer Staples	11110	10830	2.6%	5.6%	29.8%
S&P 200 Healthcare	29524	29924	-1.3%	1.1%	53.1%
S&P 200 Financials	5951	5924	0.5%	-1.9%	-6.6%
S&P 200 Info Technology	1127	1091	3.3%	5.0%	44.9%
S&P 200 Telecommunicatic	1090	1030	5.8%	5.4%	-37.9%
S&P 200 Utilities	8069	7504	7.5%	6.1%	7.0%
S&P 200 Property Trusts	1407	1394	0.9%	1.3%	4.9%
S&P 200 Financials ex PT	6637	6607	0.5%	-1.9%	-6.6%

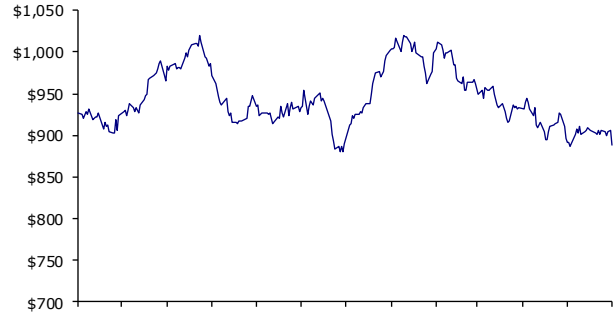
Source: IRESS

### 1 Year Commodity Price Charts

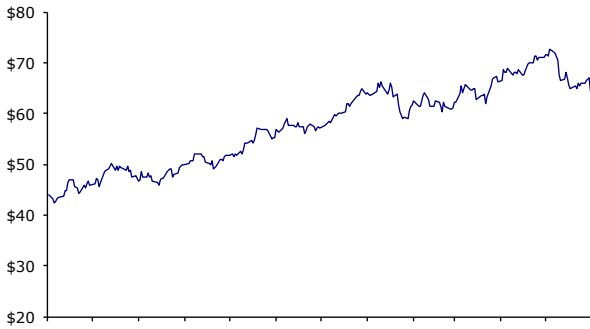
**1 Year Gold**



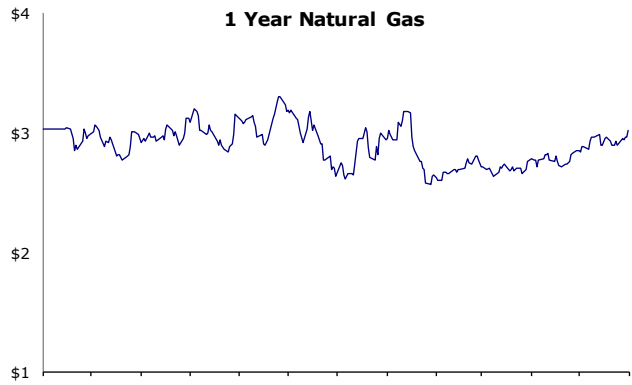
**1 Year Platinum**



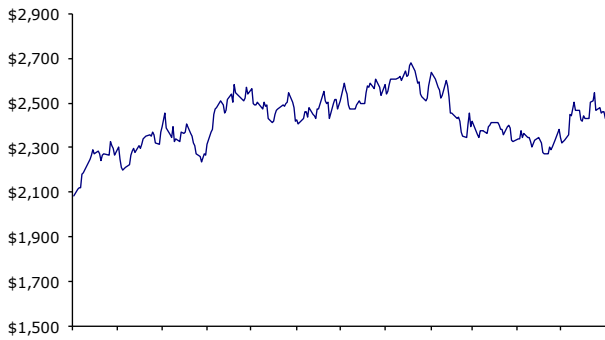
**1 Year Oil**



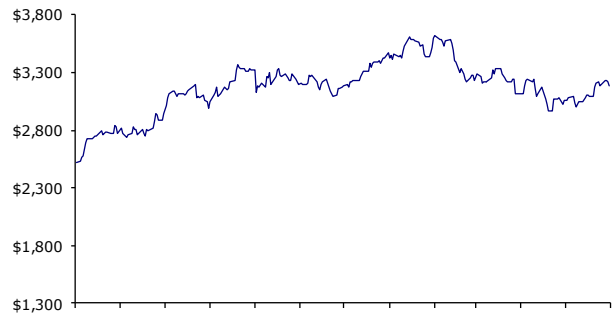
**1 Year Natural Gas**



**1 Year Lead**

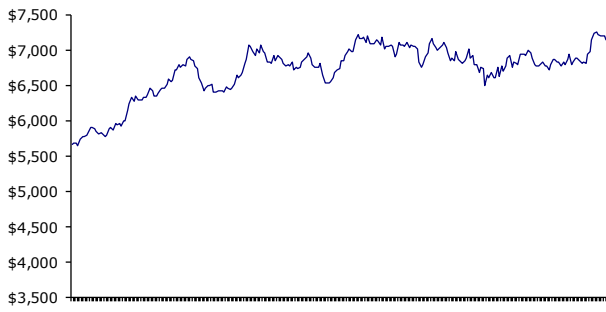


**1 Year Zinc**

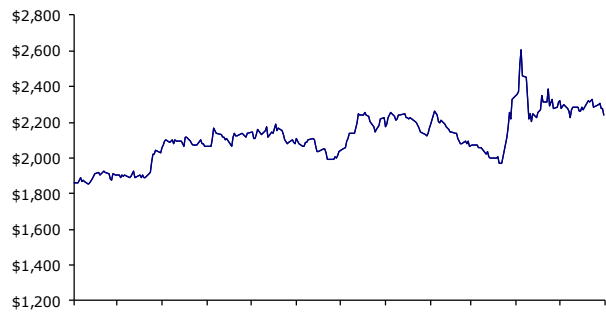




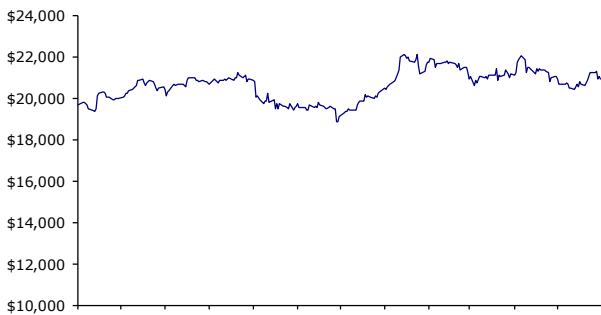
**1 Year Copper**



**1 Year Aluminium**

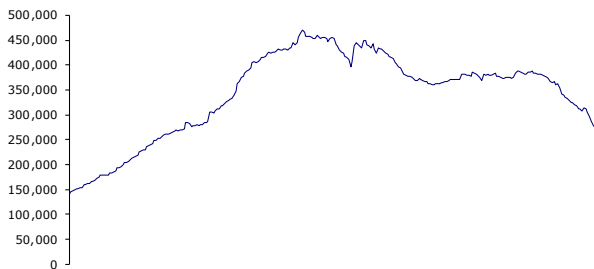


**1 Year Tin**

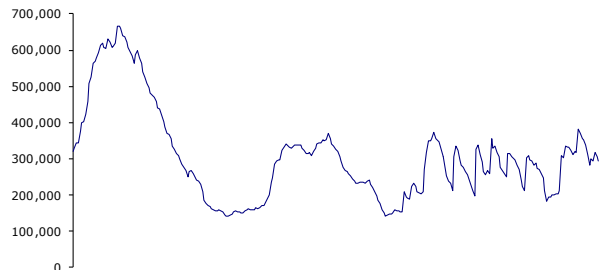


**5 Year Metals Stockpiles**

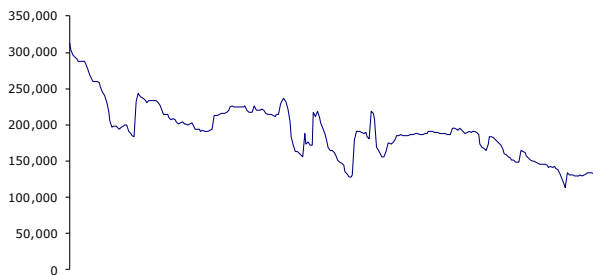
**Nickel LME Stockpiles - 5 Year**



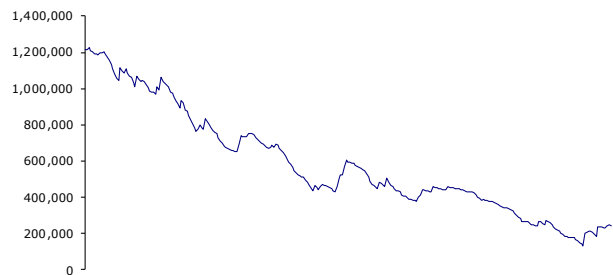
**Copper LME Stockpiles - 5 Year**



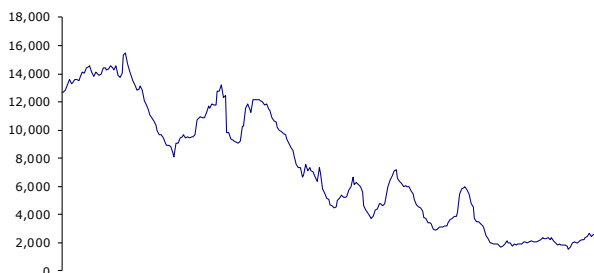
**Lead LME Stockpiles - 5 Year**



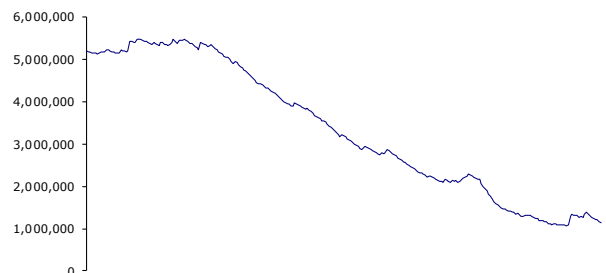
**Zinc LME Stockpiles - 5 Year**



**Tin LME Stockpiles - 5 Year**



**Aluminium LME Stockpiles - 5 Year**



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