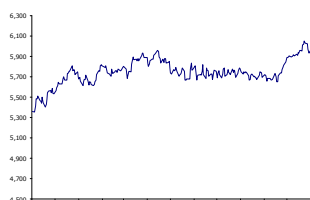


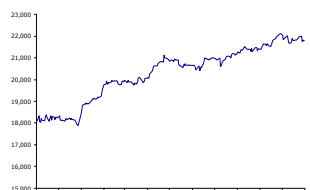
STATE ONE SPINNAKER

18 November 2017
Issue 391

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

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

Web: www.stateone.com.au

Global Wrap – 18 November 2017

World Markets	18/11/2017	11/11/2017	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	5957	6029	-1.2%	0.9%	11.6%
Dow Jones	21798	21988	-0.9%	-1.0%	18.0%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2579	2582	-0.1%	0.8%	17.9%
FTSE 100	7381	7433	-0.7%	-0.9%	8.6%
DAX30	13127	13127	0.0%	1.3%	23.6%
Shanghai Composite	3383	3448	-1.9%	-0.7%	5.4%
Nikkei 225	22397	22381	0.1%	3.0%	25.4%
Hang Seng	29199	29121	0.3%	3.2%	31.2%
Currency					
AUD/USD	0.7566	0.7624	-0.8%	-1.5%	3.1%
Commodities					
Oil (\$/bbl)	56.8	56.9	-0.2%	8.8%	26.3%
Gas (\$/gal)	3.2	3.3	-3.5%	3.2%	-9.9%
Iron Ore (\$/t)	0.0	53.9	-100.0%	-100.0%	-100.0%
Copper (\$/t)	6729	6797	-1.0%	-3.5%	24.0%
Lead (\$/t)	2409	2547	-5.4%	-3.1%	12.5%
Zinc (\$/t)	3191	3290	-3.0%	-1.9%	27.9%
Aluminium (\$/t)	2077	2090	-0.6%	-3.4%	22.7%
Nickel (\$/t)	11470	12285	-6.6%	-3.3%	2.0%
Tin (\$/t)	19560	19700	-0.7%	-1.5%	-3.8%
Gold (\$/oz)	1297	1274	1.8%	1.4%	6.6%
Silver (\$/oz)	17.4	16.9	3.0%	2.5%	4.3%
Platinum (\$/oz)	955	932	2.4%	3.1%	2.1%
Wheat (\$/t)	443.000	433.250	2.3%	2.0%	5.5%

Source: Iress

Global Wrap

Key points

1. US tax reform jitters weigh on Wall Street
2. Market regulation fears spook Chinese investors
3. Resources stocks fall on ASX
4. Oil and iron ore down, gold and base metals up
5. Stock picks for trading week ahead

US

Stocks fell on Friday as concerns about tax reform lingered, CNBC reported.

Treasury Secretary Steven Mnuchin told CNBC's "Squawk Box" that he expects a Republican tax reform bill to be sent to President Trump by Christmas.

Mnuchin made his comments a day after the House passed a bill aimed at overhauling the tax code. The Senate now has to vote on their tax plan.

Expectations of tax reform have helped lift US stocks to record levels this year, with the S&P 500 up more than 15% in 2017.

But the market has experienced some turbulence in the past few weeks, slipping from record highs as worries remain about whether tax reform can indeed be achieved by the end of the year.

Also on Friday corporate news kept investors busy.

CNBC reported on Thursday that Comcast is interested in acquiring the same set of assets Walt Disney is interested in buying from Fox. Dow Jones also reported that Verizon Communications is interested in getting its hands on those same assets, pushing Fox shares up 6.2%.

Tesla shares jumped after the company unveiled two new vehicles, including Semi truck. Proving it's more than a science project, trucking company J.B. Hunt said it has reserved "multiple" Semis.

Even though her term as Fed chair ends on 3 February next year, investors will still be listening carefully to Janet Yellen's speech on Tuesday for any indications for rate rises.

On Thursday US markets will be closed for Thanksgiving Day.

China

Mainland China stocks fell for the fourth day, posting the worst weekly performance in three months, The South China Morning Post reported.

The losses came as an article by the state-owned Xinhua News Agency singled out distiller Kweichow Moutai for excessive gains in stock prices. This renewed concerns that regulators will rein in speculation on stocks with rich valuations.

Kweichow Moutai led the slump, sliding 4%, following the Xinhua article, which was published after Thursday's market close. It said the share-price increase in the industry giant was too rapid and risked undermining the newly established pattern of value investing among investors.

The state mouthpiece also spooked small-cap stocks as traders rushed to sell on fear of regulatory crackdown.

Japan

The benchmark Nikkei Stock Average gained 0.2% Friday to close at 22,396, but financial shares lost ground, the Nikkei Asian Review reported.

Japan's bank and brokerage shares have been left behind by the broader rally which has taken the country's stocks to around their highest in a quarter century, as the financial industry struggles with lingering structural problems.

The banking industry now accounts for a mere 7% or so of total market capitalization on the Tokyo Stock Exchange, a level last seen in 2003 when Resona Bank was effectively brought under state control - an event symbolizing Japan's financial malaise.

The current decline in market cap stems from investors seeing financial services as a poorly structured industry. Meanwhile the rock-bottom interest rates lingering in Japan and elsewhere among industrialized nations have scared investors away from bond trading around the world.

Additionally, new European Union regulations known as the Markets in Financial Instruments Directive take effect in 2018.

MiFID II requires financial institutions to separate analyst research spending and trading charges, billing the costs to investors.

As investors are expected to refuse to cover research costs, concerns are growing about profit declines at financial institutions if they have to absorb such expenses. Such regulations may become the global standard, including for Japan.

This coming week Japan's trade balance will be released on Sunday (19 November).

On Tuesday the Ministry of Economy, Trade and Industry will release the All Industry Activity Index, which captures the monthly change in overall production by all industries of the Japanese economy.

The Japanese market will be closed on Thursday for Labor Thanksgiving Day, then will spring into action again on Friday when the Nikkei Manufacturing PMI will be flashed. This index gives an early snapshot of the health of manufacturing sector in Japan.

Europe

European shares closed slightly lower on Friday as investors digested new trading updates and followed the moves seen in US.

All major European bourses closed slightly lower, with the UK's FTSE 100 ending down 0.08%, while France's CAC 40 and Germany's DAX fell further, off 0.32% and 0.41% respectively, CNBC reported.

Market players were also digesting a speech by European Central Bank President Mario Draghi. This week in Frankfurt he said the ECB needed to be patient when normalizing monetary policy. He said this was because inflation remains subdued despite the improved economic growth in the 19-member area.

Retail stocks, in particular H&M, were the worst performers Friday, ending 0.65% down as a sector after several rating updates.

Media stocks were among the best performers on news of potential mergers. Sky rose 4.1% boosted by the news that Comcast, parent company of CNBC, and Verizon said they are interested in buying certain parts of 21st Century Fox.

In data releases, euro zone current account numbers showed a bigger surplus in September to 37.8 billion euros (\$44.51 billion).

Next week German PPI and the key Buba Monthly Report on the German economy will be released on Monday, when European Central Bank president Mario Draghi will deliver another speech.

On Tuesday the Confederation of British Industry will release the CBI Industrial Trends Survey and Her Majesty's Treasury will release its Autumn Forecast Statement on the economy on Wednesday.

Euro zone Consumer Confidence will be flashed on Wednesday then German and British GDP will be released on Thursday.

Australia

Shares ended a lacklustre week on a bright note. The ASX was buoyed by Thursday's solid trading on Wall Street after pessimism around commodities had weighed on the local market for five days, Fairfax Media reported

Some sharp falls in global metals and oil markets pulled down resources stocks. BHP fell 3.6%, Rio 3 % and South32 1.8%.

Woodside ended the week lower by 5.5% after Shell sold its remaining \$3.5 billion stake in the oil and gas producer.

Meanwhile reports that a US oil player was tilting at Santos sent the stock surging 12%.

In economic data, weak wages data on Wednesday sunk the local currency, reinforcing forecasts that the Reserve Bank of Australia will be in no rush to tighten monetary policy from the current historically lows.

Financial markets now price in only a 50% chance of an RBA rate hike by November 2018, with a full quarter of a percentage point move not fully priced in until March 2019, on NAB numbers.

The RBA will release its November meeting minutes this coming Tuesday.

Construction data for Q3 will come out on Wednesday.

Commodities

Oil

Crude benchmarks posted steep losses this week in the wake of the extremely bearish assessment from the IEA, oilprice.com reported.

The losses continued on Wednesday and Thursday after the EIA reported a surprise increase in crude inventories. However oil regained some ground in early trading on Friday on hopes that OPEC would extend its production cuts.

This followed Saudi Arabia's energy minister trying to assuage oil market concerns about OPEC's actions on Thursday.

"We need to recognize that at the end of March we're not going to be at the level we wanted to be, which is at the five-year average," Khalid al-Falih said on Bloomberg. "That means an extension of some sort is needed. My preference is to give clarity to the market, and announce on November 30 what we are going to do."

But oilprice.com says the market has already factored the cuts into current assumptions.

The spot price of iron ore slipped 0.4 % to \$US61.57 a tonne on Thursday, the second day of blast furnace restrictions in China's steelmaking hub of Tangshan, according to Metal Bulletin.

Adding to bearish sentiment on Thursday, it was reported that India is considering scrapping or reducing a 30% export tax on medium-grade iron ore after building up a stubbornly high surplus of the commodity.

The government may decide to cut the duty in its 2018-19 budget statement, likely in February, the mines ministry official said.

Gold settled on Friday at a four-week high, Kitco reported, adding the yellow metal market hasn't been this compressed since 2005.

Kitco said the uncertainty about tax cuts pushing the US dollar and equity markets down was creating two big tailwinds for gold.

Analysts also see another reason for higher gold prices, which they say hasn't attracted a lot of attention in the gold market: a flattening yield curve.

A flattening yield curve is when the spread shrinks between short-term bonds like 2-year notes and long-term bonds like 10-year notes. This makes gold more attractive as its opportunity costs go down.

Base metals prices on the London Metal Exchange all closed the week in positive territory on Friday November 17 with nickel staging a recovery.

Stock picks for week ahead

Hazer Group (ASX: HZR): Speculative Buy. Over the past quarter, HZR has made significant progress towards commercialising their proprietary Hazer Process – converting natural gas to hydrogen and graphite – via two separate MOUs with Mineral Resources (ASX:MIN) and Prometals Technologies. We estimate that successfully licensing their technology to these players could result in annual royalty streams to HZR of A\$16m and US\$15m respectively. Our risk-weighted target price of A\$1.00ps offers some 88% upside potential relative to current share price levels of A\$0.53.

Retail Food Group (ASX:RFG): Buy. In FY17, group NPAT grew by 14% driven by a 27% growth in revenues. We believe that the group's vertically integrated model provides enhanced revenue diversification, will international growth opportunities - particularly in the Middle East and Europe - providing a medium to longer-term growth strategy. At current share price levels of \$4.48, RFG offers some 27% upside potential relative to its IRESS consensus target price of \$5.70. RFG also offers an attractive FY18E dividend yield of 6.7%.

Wesfarmers Limited (ASX: WES): Hold. With a new MD in place, Australia's largest private employer is looking to tackle the challenges of a rapidly changing retail environment (e-commerce). The roll-out of Bunnings branded stores in the UK and Ireland is also a challenge, while earnings from the Resources businesses are expected to be affected by lower coal prices. At current share price levels of \$42.17, we believe WES looks fairly valued relative to its IRESS consensus target price of \$41.84. However, WES trades on a FY18E dividend yield of 5.2%, which will be attractive to yield-hungry investors.























Breville Group (ASX: BRG): Sell. BRG's share price has appreciated strongly over the past quarter, on the back of sell-side analysts speculating that Amazon could potentially be more of a friend than a foe to electronic appliance maker BRG by opening up a new distribution channel. Nevertheless, at current share price levels of \$12.74, we believe BRG is fully valued relative to its IRESS consensus target price of \$10.22. BRG trades on a FY18E dividend yield of 2.6%.

Economic Calendar 20/11/2017 – 24/11/2017

Monday November 20 2017		Actual	Previous	Consensus	Forecast	
07:50 AM	JP Balance of Trade OCT		¥670B	¥330B	¥450B	
Tuesday November 21 2017		Actual	Previous	Consensus	Forecast	
08:30 AM	AU RBA Meeting Minutes					
11:00 PM	US Existing Home Sales OCT		5.39M	5.43M	5.4	
Wednesday November 22 2017		Actual	Previous	Consensus	Forecast	
09:30 PM	US Durable Goods Orders MoM OCT		2.2%	0.3%	0.4%	
11:00 PM	EA Consumer Confidence Flash NOV		-1	-0.75	-0.8	
	EA ECB Non-Monetary Policy Meeting					
Thursday November 23 2017		Actual	Previous	Consensus	Forecast	
03:00 AM	US FOMC Minutes					
04:30 PM	DE Markit Manufacturing PMI Flash NOV		60.6	60.3	60.2	
05:30 PM	GB GDP Growth Rate QoQ 2nd Est Q3		0.3%	0.4%	0.4%	
05:30 PM	GB GDP Growth Rate YoY 2nd Est Q3		1.5%	1.5%	1.5%	
Friday November 24 2017		Actual	Previous	Consensus	Forecast	
05:00 PM	DE IFO Business Climate NOV		116.7	116.5	116.9	

Source: www.tradingeconomics.com

Economic Calendar 27/11/2017 – 1/12/2017

Monday November 20 2017		Actual	Previous	Consensus	Forecast	
07:50 AM	JP Balance of Trade OCT		¥670B	¥330B	¥450B	
Tuesday November 21 2017		Actual	Previous	Consensus	Forecast	
08:30 AM	AU RBA Meeting Minutes					
11:00 PM	US Existing Home Sales OCT		5.39M	5.42M	5.4	
Wednesday November 22 2017		Actual	Previous	Consensus	Forecast	
09:30 PM	US Durable Goods Orders MoM OCT		2.2%	0.5%	0.4%	
11:00 PM	EA Consumer Confidence Flash NOV		-1	-0.75	-0.8	
	EA ECB Non-Monetary Policy Meeting					
Thursday November 23 2017		Actual	Previous	Consensus	Forecast	
03:00 AM	US FOMC Minutes					
04:30 PM	DE Markit Manufacturing PMI Flash NOV		60.6	60.3	60.2	
05:30 PM	GB GDP Growth Rate YoY 2nd Est Q3		1.5%	1.5%	1.5%	
05:30 PM	GB GDP Growth Rate QoQ 2nd Est Q3		0.3%	0.4%	0.4%	
Friday November 24 2017		Actual	Previous	Consensus	Forecast	
05:00 PM	DE IFO Business Climate NOV		116.7	116.5	116.9	
Monday November 27 2017		Actual	Previous	Consensus	Forecast	
03:00 PM	DE GfK Consumer Confidence DEC		10.7		10.8	
11:00 PM	US New Home Sales OCT		667K			
Wednesday November 29 2017		Actual	Previous	Consensus	Forecast	
06:00 PM	EA Business Confidence NOV		1.44		0.97	
09:00 PM	DE Inflation Rate YoY Prel NOV		1.6%		1.80%	
09:30 PM	US GDP Growth Rate QoQ 2nd Est Q3		3.1%		3.0%	
Thursday November 30 2017		Actual	Previous	Consensus	Forecast	
08:05 AM	GB GfK Consumer Confidence NOV		-10		-11.11	
09:00 AM	CN NBS Manufacturing PMI NOV		51.6		52	
02:45 PM	CH GDP Growth Rate YoY Q3		0.3%		0.7%	
02:45 PM	CH GDP Growth Rate QoQ Q3		0.3%		0.5%	
04:00 PM	CH KOF Leading Indicators NOV		109.1		108.5	
04:55 PM	DE Unemployment Rate NOV		5.6%		5.9%	
04:55 PM	DE Unemployment Change NOV		-11K		-6.5K	
06:00 PM	EA Unemployment Rate OCT		8.9%		8.9%	
08:00 PM	IN GDP Growth Rate YoY Q3		5.7%		6.5%	
09:30 PM	US Personal Spending MoM OCT		1.0%		0.32%	
09:30 PM	US Personal Income MoM OCT		0.4%		0.3%	
Friday December 01 2017		Actual	Previous	Consensus	Forecast	
07:30 AM	JP Inflation Rate YoY OCT		0.7%		0.5%	
07:30 AM	JP Unemployment Rate OCT		2.8%		2.8%	
09:45 AM	CN Caixin Manufacturing PMI NOV		51.0		51.7	
07:00 PM	BR GDP Growth Rate YoY Q3		0.3%		0.2%	
07:00 PM	BR GDP Growth Rate QoQ Q3		0.2%		0.2%	
09:30 PM	CA GDP Growth Rate QoQ Q3		1.1%		0.4%	
09:30 PM	CA GDP Growth Rate Annualized Q3		4.5%		1.9%	
09:30 PM	CA Unemployment Rate NOV		6.3%		6.2%	
09:30 PM	CA Employment Change NOV		35.3K		19.9K	
11:00 PM	US ISM Manufacturing PMI NOV		58.7		55	

Source: www.tradingeconomics.com

All Ords Top 10 Week Ending 17 November 2017

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
STO	Santos Ltd	11.6	FXJ	Fairfax Media Ltd	-36.0
SYR	Syrah Resources	9.8	AAC	Australian Agricult.	-16.1
TAH	TABCORP Holdings Ltd	8.7	IGO	Independence Group	-7.5
CPU	Computershare Ltd	7.6	IFN	Infigen Energy	-7.0
DLX	Duluxgroup Limited	7.5	BPT	Beach Energy Limited	-6.2
A2M	The A2 Milk Company	7.2	DOW	Downer EDI Limited	-5.7
NWS	News Corp..	6.0	WOR	WorleyParsons Ltd	-5.2
GTY	Gateway Lifestyle	5.8	ORI	Orica Limited	-5.2
TME	Trade Me Group	5.3	CGC	COSTA GROUP HOLDINGS	-5.1
HVN	Harvey Norman	5.1	IRE	IRESS Limited	-4.9

Source: IRESS

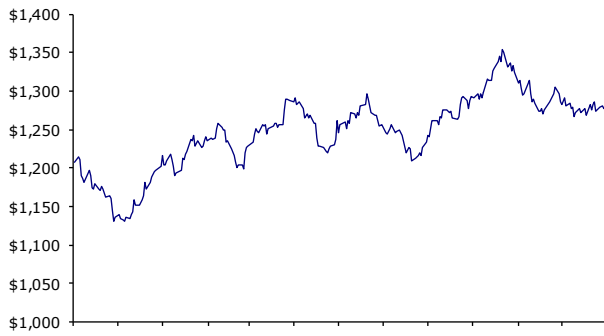
S & P Indices Week Ending 17 November 2017

S&P Indices	18/11/2017	11/11/2017	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	10046	10257	-2.1%	4.9%	18.7%
S&P 200 Materials	10876	11037	-1.5%	0.9%	15.9%
S&P 200 Industrials	6001	6085	-1.4%	2.2%	21.2%
S&P 200 Consumer Disc.	2286	2282	0.2%	2.0%	15.5%
S&P 200 Consumer Staples	9807	9933	-1.3%	2.5%	13.5%
S&P 200 Healthcare	24315	24520	-0.8%	2.2%	22.5%
S&P 200 Financials	6590	6671	-1.2%	-1.1%	8.2%
S&P 200 Info Technology	984	965	1.9%	5.8%	29.8%
S&P 200 Telecommunicatic	1242	1245	-0.2%	-0.5%	-27.9%
S&P 200 Utilities	8569	8695	-1.4%	1.6%	23.3%
S&P 200 Property Trusts	1386	1413	-1.9%	3.2%	9.2%
S&P 200 Financials ex PT	7350	7441	-1.2%	-1.1%	8.2%

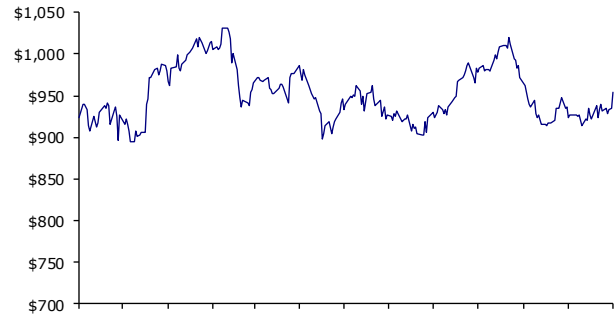
Source: IRESS

1 Year Commodity Price Charts

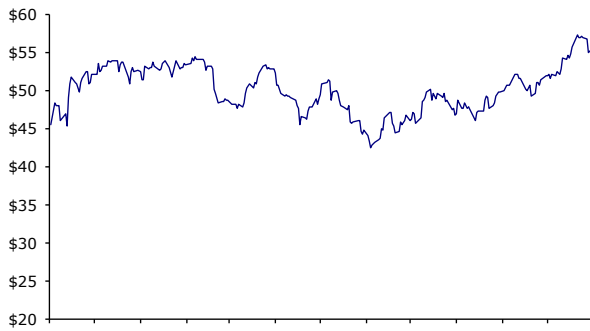
1 Year Gold



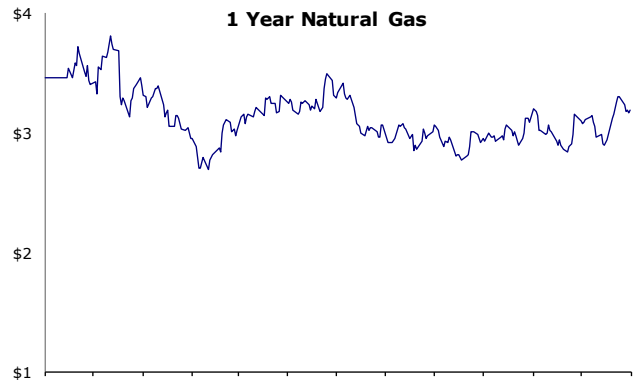
1 Year Platinum



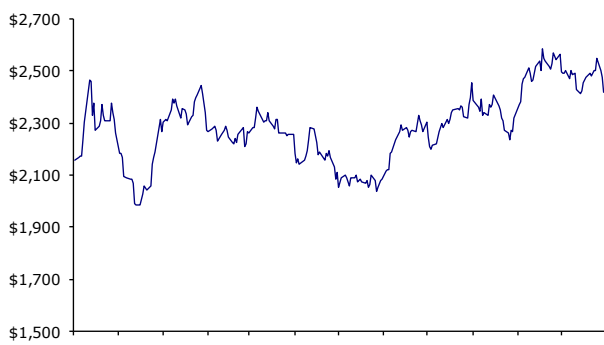
1 Year Oil



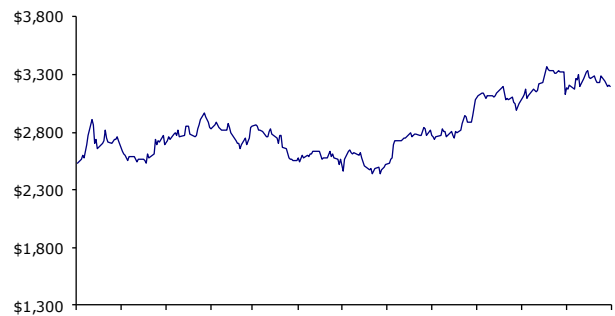
1 Year Natural Gas



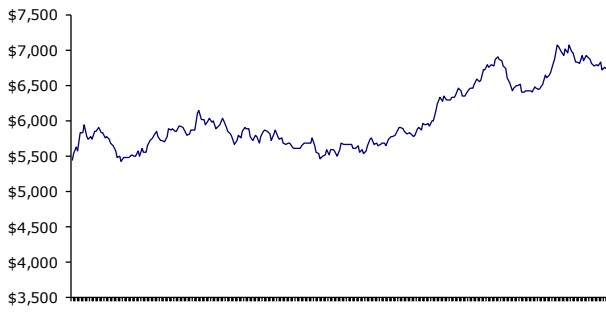
1 Year Lead



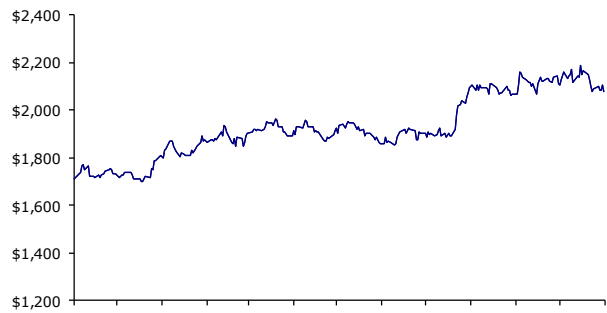
1 Year Zinc



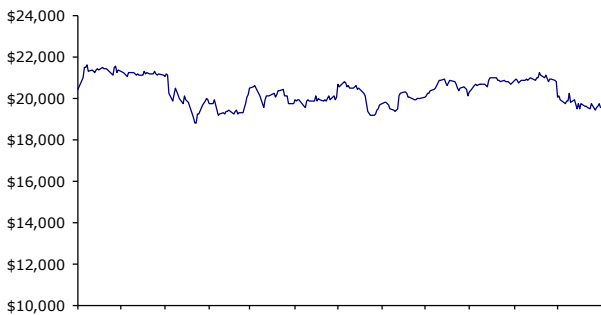
1 Year Copper



1 Year Aluminium

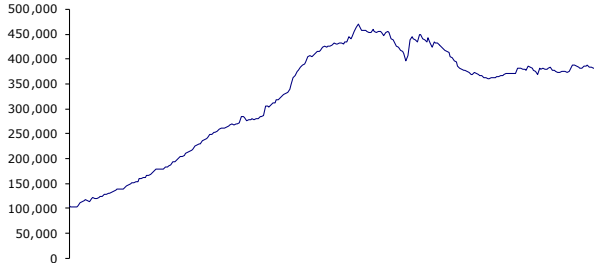


1 Year Tin

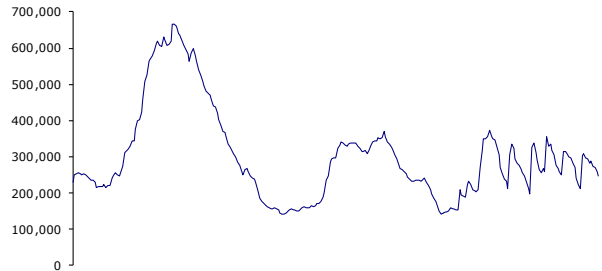


5 Year Metals Stockpiles

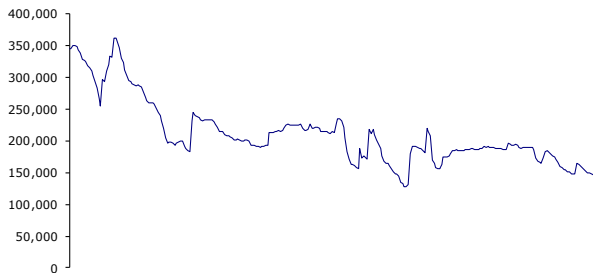
Nickel LME Stockpiles - 5 Year



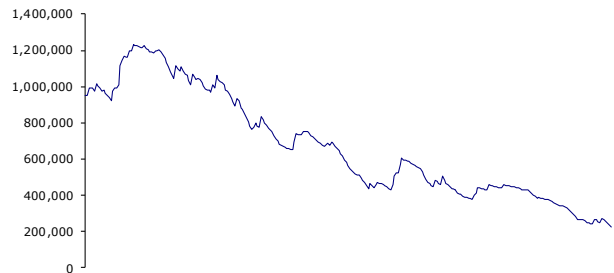
Copper LME Stockpiles - 5 Year



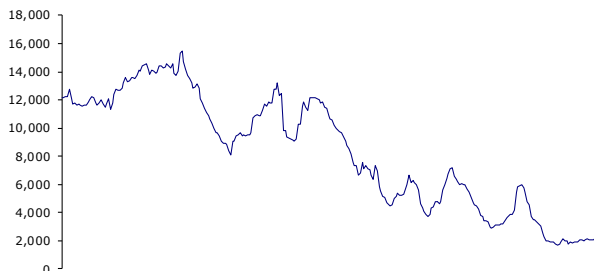
Lead LME Stockpiles - 5 Year



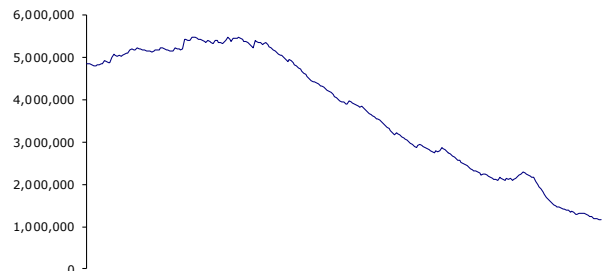
Zinc LME Stockpiles - 5 Year



Tin LME Stockpiles - 5 Year



Aluminium LME Stockpiles - 5 Year



Alan Hill
Executive Chairman
Phone: +61 8 9288 3388
ahill@stateone.com.au

Mark Sullivan
Institutional Dealer
Phone: +61 2 9024 9134
msullivan@stateone.com.au

Yitz Barber
Equities Advisor
Phone: +61 2 9024 9107
ybarber@stateone.com.au

Graeme Johnson
Equities & Derivatives Advisor
Phone: +61 8 9288 3316
gjohnson@stateone.com.au

Karen Tan
Equities Advisor
Phone: +61 8 9288 3303
ktan@stateone.com.au

David Zhang
Equities Advisor
Phone: +61 2 9024 9130
dzhang@stateone.com.au

David Brennan
Senior Investment Analyst
Phone: +61 2 9024 9142
DBrennan@stateone.com.au

Tammie Wong
Equities Advisor
Phone: +61 2 9024 9133
twong@stateone.com.au

Ric Heydon
Equities & Derivatives Advisor
Phone: +61 8 9288 3307
rheydon@stateone.com.au

Robert Chen
Equities Advisor
Phone: +61 2 9024 9132
rchen@stateone.com.au

Morris Levitzke
Equities Advisor
Phone: +61 8 9288 3315
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

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.