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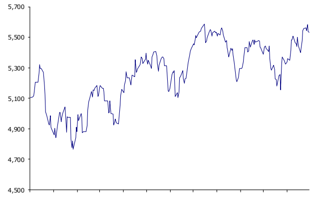
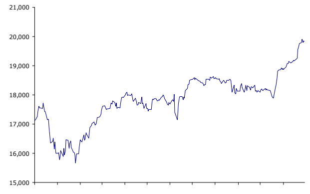
STATE ONE SPINNAKER

18 December 2016
Issue 351

12 month XJO chart



12 month Dow Jones chart



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Global Wrap – 18 December 2016

World Markets	18/12/2016	11/12/2016	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	5533	5561	-0.5%	0.9%	5.1%
Dow Jones	19843	19757	0.4%	4.0%	13.5%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2258	2260	-0.1%	2.4%	10.0%
FTSE 100	7012	6954	0.8%	2.8%	10.0%
DAX30	11404	11204	1.8%	7.0%	5.0%
Shanghai Composite	3123	3153	-1.0%	-3.7%	-7.3%
Nikkei 225	19401	19155	1.3%	5.8%	5.2%
Hang Seng	22021	22761	-3.3%	-2.9%	-3.6%
Currency					
AUD/USD	0.7303	0.7495	-2.6%	-2.1%	1.8%
Commodities					
Oil ($/bbl)	52.0	52.4	-0.7%	8.4%	50.5%
Gas ($/gal)	3.4	3.7	-7.1%	8.4%	45.0%
Iron Ore ($/t)	53.9	53.9	0.0%	6.9%	7.8%
Copper ($/t)	5649	5824	-3.0%	1.5%	7.1%
Lead ($/t)	2263	2310	-2.0%	4.0%	30.4%
Zinc ($/t)	2737	2710	1.0%	6.4%	59.6%
Aluminium ($/t)	1733	1743	-0.6%	-1.9%	17.1%
Nickel ($/t)	11130	11330	-1.8%	-0.8%	7.0%
Tin ($/t)	21350	21300	0.2%	-0.6%	33.6%
Gold ($/oz)	1137	1161	-2.1%	-4.5%	-2.5%
Silver ($/oz)	16.1	16.9	-4.6%	-1.8%	1.9%
Platinum ($/oz)	927	916	1.2%	-0.6%	-8.4%
Wheat ($/t)	409.250	416.250	-1.7%	-3.4%	-16.6%

Source: Iress

Global Wrap

State One wishes all readers a peaceful and safe holiday season.

Your Spinnaker will resume 15 January 2017.

US

The US Federal Reserve has delivered a rate rise, a forecast of three further moves higher during 2017 and a $US index trading at 14-year peaks.

It looks like the election of Donald Trump as the next president may well have also produced annual gains for major US equities indices, pending ongoing perceptions of positive business benefits.

This coming week's data, as influential as it usually is, almost seems superfluous to both the year and the season as holiday considerations take over the next few weeks.

Personal income and spending, durable goods orders and a final September quarter GDP reading are unlikely to slip by unnoticed however, and market swings can still be anticipated.

This past week, reported election-month economic indicators came in decidedly mixed.

November CPI growth was estimated at 0.2% for the month and 1.7% year-on-year. Airfares, clothing and new motor vehicle prices each fell, but residential rents, used vehicle prices and some insurances rose.

November retail sales surprised, rising 0.1%, just one-third the anticipated rate.

The services sector boosted producer prices to a 0.4% monthly rise however, four times the expected gain.

Industrial production pulled back 0.4%, double some forecasts.

Business inventories fell the most in 11 months.

Two December regional manufacturing indices – one for Philadelphia and the other for New York – came in much higher than anticipated.

For the record, Federal Reserve short-term interest rates are now 0.50% - 0.75% and could rise to 1.25% - 1.50% by this time next year.

This pushed 10-year US government bond yields to 27-month highs this past week, adding to the considerable list of likely considerations for investors this coming year.

The (US) Office of Financial Research in the meantime has warned of a potential drop for equities indices, possible commercial real estate price drops and potential broader debt defaults.

Europe

Banking sector fortunes, misdemeanours and regulatory changes remained not too far from the surface during 2016, Italy's banking sector stirring markets on more than one occasion through the year.

Late this past week even, the Italian (caretaker) government was reported to be considering injecting a total €15B into the coffers of Monte Dei Paschi di Siena and other banks.

Earlier in the week, Italy's UniCredit had unveiled over consecutive days a raft of plans to ensure it met capital requirements and other regulatory demands.

Not too far away, Deutsche Bank was facing sufficient uncertainty, in the face of investigative outcomes, for some to wonder if government support might be required. For its part, Fitch revealed it was retaining a negative watch on its various Deutsche Bank ratings.

Meanwhile in the UK, Barclays sold off the remainder of its European retail banking operations and the UK government revealed it had finally reduced its Lloyd's Banking Group holding below 10%.

The Bank of England (BoE) this week revealed it did not expect UK inflation to rise as quickly as it had earlier predicted. The key BoE interest rate was held at 0.25%, the central bank also confirming it intended to keep in hold £435B worth of sovereign bonds and £10B of corporate bonds.

A final September quarter GDP reading is anticipated for the UK this week.

This past week, November year-on-year CPI growth was reported at a 25-month high of 1.2%, 0.3% higher than for October.

What to expect of 2017?

The UK's proposed separation from the European Union (EU) is scheduled to begin to play out in earnest, but it remains to be seen (not the least from the Supreme Court) just what the process will be leading up to the promised March 2017 formal trigger for negotiations.

National elections and hence new governments for Germany and France are also certain to colour far more than the political landscape. In addition, an election is due for the Netherlands, and possibly for Italy.

Refugee impacts and policies remain a hot potato, and so does the proposed rescue of Greece.

This past week, the IMF appeared to pre-empt likely 2017 euro zone-Greece argy-bargy, admonishing growth policies from the sidelines just hours ahead of a Greek parliamentary vote to offer support for select pensioners and islands hosting refugees.

In terms of economic indicators prior to the Christmas – New Year holiday season, Germany's November CPI annual growth rate has been confirmed at 0.8% and the euro zone's at 0.6%.

Meanwhile and consequently, the European Central Bank is expected to remain accommodative through 2017.

China

China's economic indicators have largely impressed in later months, and given the next National Congress is scheduled for November 2017, there seems no reason why the nation's administrators would not pull out all stops to provide every chance for this to continue.

Political and trade relationships are viewed as uncertain, given a new US regime from late-January. Nonetheless, no-one will be wanting China's economic standing to deteriorate.

The nation's November industrial production was this past week reported 0.51% higher for the month and ~6.2% year-on-year.

Crude steel output rose for a ninth consecutive month, as producers chased this year's higher prices.

Retail sales grew 0.97% for the month, and 10.8% for the year, following 10.0% in October.

Fixed assets investment for January – November grew 8.3%.

Property prices are due this Monday.

Japan

The Bank of Japan holds its last policy meeting for the year Monday and will announce outcomes Tuesday.

Support from the central bank is likely to continue through 2017, those close to national officials announced this week.

This is likely even though the central bank could upgrade its growth outlook, in part due to proposed US policy changes which could flow through to Japan's economy.

Japanese officials appeared happy with the drop in the yen, comparative to the $US rise this week, citing the consequent boost for company profits.

The Bank of Japan purchased additional government bonds as prices dropped and yields soared.

An initial manufacturing PMI for December was reported at 51.9, the strongest in 11 months and up 0.6 on the final November reading.

The December quarter Tankan survey also showed corporate sentiment had improved for the first time in six quarters.

For its part, Toyota Motor Corporation announced it anticipated the total number of vehicles sold would surpass 10 million for a fourth consecutive year.

Australia

Monday's mid-year national budget update is anticipated as much for a possible re-rating by major credit agencies as for tweaks and revelations.

Australia has lost its post-global financial crisis comparative lustre, and any move lower from the national AAA credit rating will impact at least some State Governments and Australia's banking sector, which reportedly relies on international markets for up to 30% of funds.

The National Australia Bank has ventured that should there be no rating shift this week, there could well be one by mid-2017.

Moody's and Standard & Poor's have each indicated their determinations could be available before the end of next week.

Tuesday, the Reserve Bank of Australia's December policy meeting minutes will be perused for indications of the likely focus for early next year. The next policy meeting is scheduled for 7 February.

This past week Westpac and the Melbourne Institute revealed a monthly consumer sentiment index had dropped 3.9% to 97.3, a reading that indicates a pessimistic majority among survey participants.

Moreover, seasonal factors did not seem to be at play as the reading was also a hefty 3.5% below that for December 2015.

The component measuring sentiment towards how family finances compared with the previous year slid 8.6% over the year.

The National Australia Bank's business confidence index fared better, rising one point over a month to five. Overall however, business conditions and confidence extended a declining trend.

The November employment report appeared to paint a differing picture from that for October.

39,300 full-time jobs were created, but the national unemployment rate rose 0.1% to 5.7%.

The number of those looking for work, or for more work, rose, explaining the seeming anomaly.

Over the year to November, 107,000 part-time jobs were created but the number of full-time positions fell 22,000.

During November, youth unemployment rose to a 16-month high and in Western Australia, the overall State rate jumped to 6.9%. The next highest level for WA – 7.1% - was recorded in January 2002.

October lending finance figures, as calculated by the Australian Bureau of Statistics (ABS), revealed a 2.7% rise in the value of commercial loans, including investor property lending, to $40.8B.

The total value of owner occupier loans rose 0.9% to $19.9B. Personal loans fell 0.3% to $6.8B.

In addition to the mid-year budget and RBA minutes this coming week, a monthly leading index report will represent the only other significant national economic publication.

The Australian Securities Exchange heads towards an early close Friday and a sprinkling of festive season holidays over the following two weeks.

Commodities

Oil traded at almost 18-month peaks Monday after 11 non-OPEC oil producers agreed to reduce their total daily output by a total 558,000bbl/d during the six months from 1 January that 13 OPEC members had vowed to cut production by a combined 1.2MMbbl/d.

The combined effect is equivalent to 2% of estimated current global supply.

Further, Saudi Arabia was reported as suggesting it may further pull back its own output should it deem this necessary.

OPEC, its influence and various member nations have rarely been out of the news this past year as prices ebbed and flowed from the mid-$US20s/bbl to the low-$US50s/bbl.

Prices also vacillated notably during some sessions this week, as new predictions of next year's demand came in, amid speculation regarding what the planned cuts would achieve, and concerning which nations would likely ramp production, and at what rates.

For example, Libya alone (exempt from the production reduction agreement) plans to reopen a pipeline that would boost daily supply by up to 350,000bbl.

Iraq seemed to be planning to boost January crude exports, others reported, after viewing government documents.

In the meantime, the International Energy Agency (IEA) forecast a daily 560,000bbl supply deficit by mid-2017 should all the agreed cuts be implemented. The IEA calculated both China and Russia would require more oil during 2017, such that global demand would likely rise a daily 110,000bbl to 1.3MMbbl/d.

Iron ore (China port, 62% Fe) began the week with a rally to a 2.25-year peak, surpassing $US82.50/t.

2016 has featured prices from the high-$30s/t through to the low-$US80s/t.

Price volatility returned during this past week, amid more commentary regarding (China port) stockpiles estimates at ~two-year highs.

Goldman Sachs accordingly ventured $US45/t as a 'fair-value' price, but predicted $US63/t over the first half of 2017 and $US55/t for the full-year.

Citigroup lifted its 2017 forecast 16% to $US58/t, and JP Morgan just over 11% to $US60/t.

Morgan Stanley released a batch of new forecasts, tipping iron ore at $58/t, 16% higher than the group's previous forecast, but also well below this past week's prices.

The January 28 2017 lunar new year will mean a slow-down in activity, so given 28 days' worth of supply was estimated as stockpiled earlier this month, Macquarie forecast prices were likely to start pulling back in the near-term.

Gold futures traded at 10.5-month lows this week as the $US strengthened on the Federal Reserve rate rise and its expectations for three more moves higher by the end of 2017.

Year-to-date percentage gains have tumbled and not too many bulls remain.

London Metals Exchange (LME) base metals traders had plenty to react to this past week, including industrial production and investment figures out of China, currency swings on the US Federal Reserve announcement, some significant daily stockpile changes, and commentary surrounding the likely timing for new project commencements.

Copper fell in both LME and Comex trade Monday, sentiment damaged by China's restriction earlier that day on equities purchases by insurance firms. In addition, caution kicked in ahead of China's November industrial production, retail sales and fixed assets investment figures, all due Tuesday.

Copper prices have appreciated ~20% since mid-September, sparking FOMO (fear of missing out) warnings.

LME on-warrant copper stockpiles grew further, rising 19,950t Thursday to 202,800t, the most in almost two months.

Goldman Sachs however, has raised its first-half 2017 copper price prediction from $US4800/t to $US6200/t.

Zinc traded on the LME this week at prices representing an ~70% appreciation for the year.

The coming week's trade is likely to quieten considerably and predictions for 2017 remain slippery, but there appears no shortage of minerals sector players willing to point to the US and China as they call prices higher.

Goodwill to all as we each set sail for some contemplation time through the 2016-2017 transition.

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Economic Calendar 19/12/2016 – 23/12/2016

Monday December 19 2016			Actual	Previous	Consensus	Forecast
07:50 AM	JP	**Balance of Trade** NOV		¥496.2B	¥227.4B	¥520B
05:00 PM	DE	**Ifo Business Climate** DEC		110.4	110.7	110.9
Tuesday December 20 2016			**Actual**	**Previous**	**Consensus**	**Forecast**
08:30 AM	AU	**RBA Meeting Minutes**				
11:00 AM	JP	**BoJ Interest Rate Decision**		-0.1%	-0.1%	-0.1%
Wednesday December 21 2016			**Actual**	**Previous**	**Consensus**	**Forecast**
11:00 PM	EA	**Consumer Confidence Flash** DEC		-6.1	-6	-5.6
11:00 PM	US	**Existing Home Sales** NOV		5.6M	5.5M	5.2M
Thursday December 22 2016			**Actual**	**Previous**	**Consensus**	**Forecast**
09:30 PM	CA	**Inflation Rate YoY** NOV		1.5%	1.4%	1.5%
09:30 PM	US	**Durable Goods Orders MoM** NOV		4.8%	-4.4%	-0.6%
09:30 PM	US	**GDP Growth Rate QoQ Final** Q3		1.4%	3.2%	3.2%
Friday December 23 2016			**Actual**	**Previous**	**Consensus**	**Forecast**
03:00 PM	DE	**GfK Consumer Confidence** JAN		9.8	9.9	9.7
04:00 PM	CH	**KOF Leading Indicators** DEC		102.2		103.8
05:30 PM	GB	**GDP Growth Rate QoQ Final** Q3		0.7%	0.5%	0.5%
05:30 PM	GB	**GDP Growth Rate YoY Final** Q3		2.1%	2.3%	2.3%
11:00 PM	US	**New Home Sales** NOV		563K	575K	567K

Source: www.tradingeconomics.com

Economic Calendar 26/12/2016 – 30/12/2016

Tuesday December 27 2016			Actual	Previous	Consensus	Forecast
07:30 AM	JP	**Inflation Rate YoY** NOV		0.1%		-0.2%
07:30 AM	JP	**Unemployment Rate** NOV		3%		3%
Wednesday December 28 2016			Actual	Previous	Consensus	Forecast
08:05 AM	GB	**GfK Consumer Confidence** DEC		-8		-6
Sunday January 01 2017			Actual	Previous	Consensus	Forecast
09:00 AM	CN	**NBS Manufacturing PMI** DEC		51.7		51.33
Monday January 02 2017			Actual	Previous	Consensus	Forecast
09:45 AM	CN	**Caixin Manufacturing PMI** DEC		50.9		50.37

Source: www.tradingeconomics.com

All Ords Top 10 Week Ending 16 December 2016

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
NXT	Nextdc Limited	14.6	RSG	Resolute Mining	-22.5
APO	Apn Outdoor Grp	14.3	SBM	St Barbara Limited	-17.9
ACX	Aconex Limited	12.0	SKT	Sky Network	-15.3
SWM	Seven West Media Ltd	10.9	MYX	Mayne Pharma Ltd	-15.0
SYR	Syrah Resources	10.9	SAR	Saracen Mineral	-13.9
SXL	Sthn Cross Media	8.0	EVN	Evolution Mining Ltd	-13.7
TTS	Tatts Group Ltd	6.7	NST	Northern Star	-13.4
CAR	Carsales.Com Ltd.	6.3	A2M	The A2 Milk Company	-13.0
IPL	Incitec Pivot	5.9	RRL	Regis Resources	-11.8
AHG	Automotive Holdings.	5.4	NCM	Newcrest Mining	-11.6

Source: IRESS

S & P Indices Week Ending 16 December 2016

S&P Indices	18/12/2016	11/12/2016	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	8889	8990	-1.1%	-0.5%	-1.8%
S&P 200 Materials	9481	9877	-4.0%	-3.6%	15.6%
S&P 200 Industrials	5136	5127	0.2%	0.1%	8.1%
S&P 200 Consumer Disc.	2091	2073	0.9%	2.0%	14.0%
S&P 200 Consumer Staples	8623	8542	1.0%	-1.2%	-1.6%
S&P 200 Healthcare	19273	19173	0.5%	-2.5%	6.7%
S&P 200 Financials	6449	6434	0.2%	3.9%	6.1%
S&P 200 Info Technology	801	776	3.2%	2.0%	11.3%
S&P 200 Telecommunicatic	1719	1755	-2.1%	-3.3%	-13.0%
S&P 200 Utilities	7631	7590	0.5%	5.9%	13.4%
S&P 200 Property Trusts	1339	1337	0.1%	2.2%	5.7%
S&P 200 Financials ex PT	7193	7176	0.2%	3.9%	3.4%

Source: IRESS

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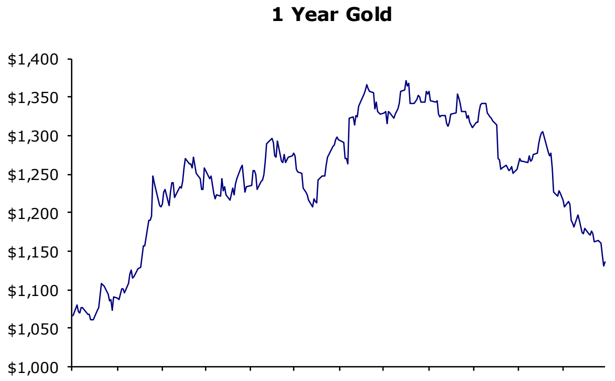
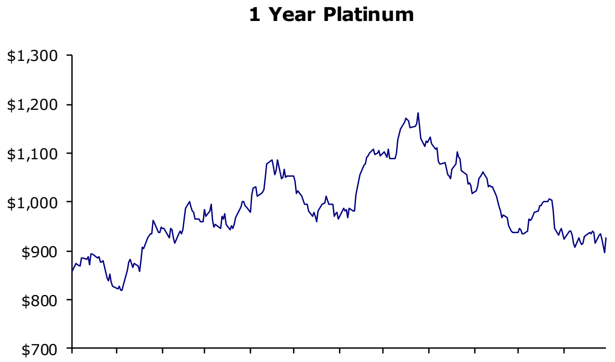
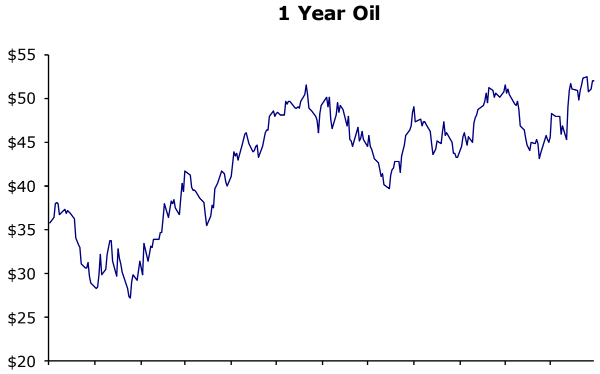
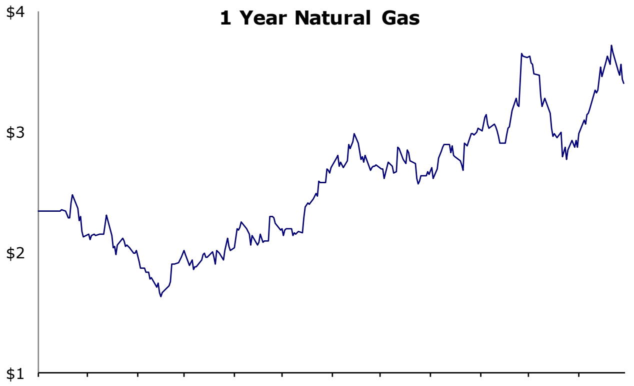
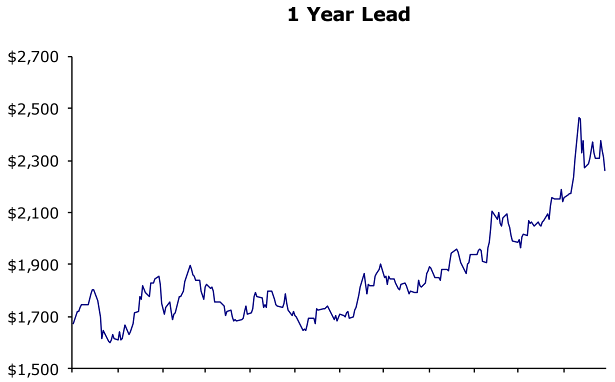
1 Year Commodity Price Charts



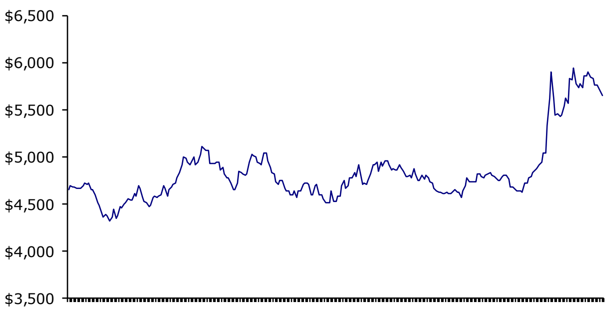




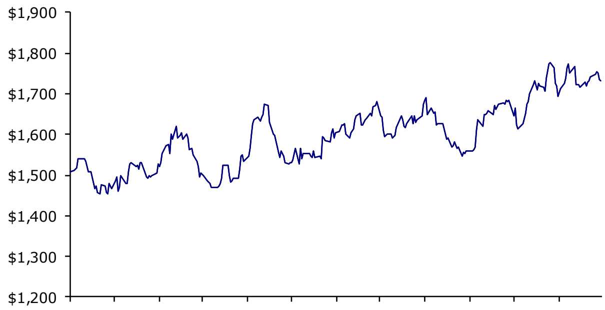




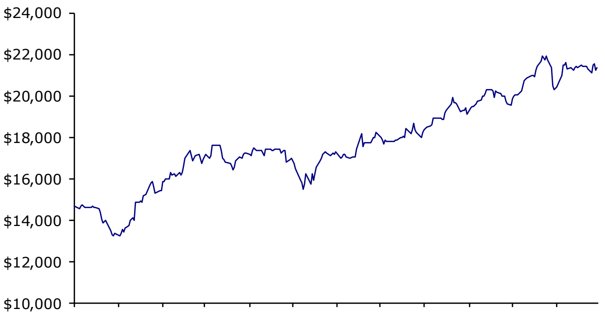
1 Year Copper



1 Year Aluminium

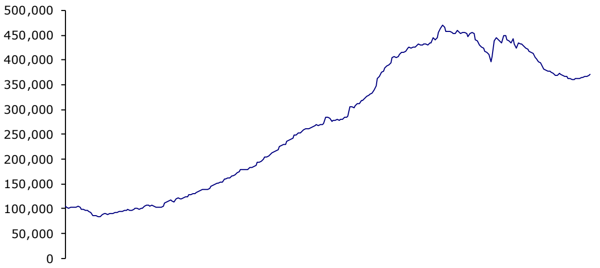


1 Year Tin

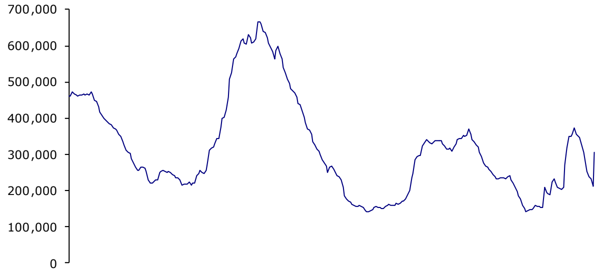


5 Year Metals Stockpiles

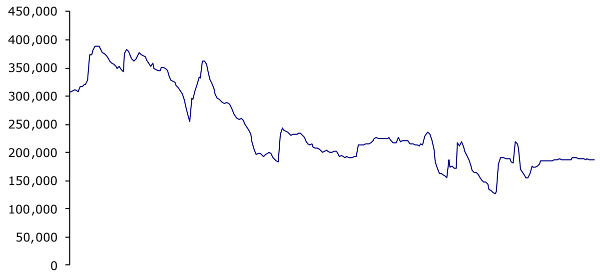
Nickel LME Stockpiles - 5 Year



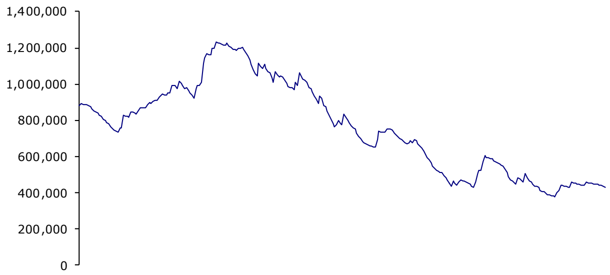
Copper LME Stockpiles - 5 Year



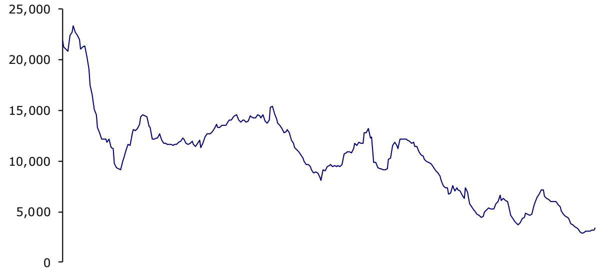
Lead LME Stockpiles - 5 Year



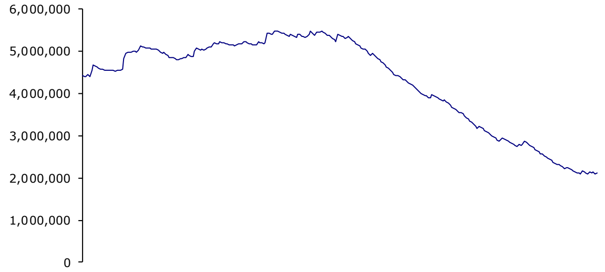
Zinc LME Stockpiles - 5 Year



Tin LME Stockpiles - 5 Year



Aluminium LME Stockpiles - 5 Year



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