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Overview

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Global Wrap – 19 February 2018

Key points

1. US stocks continue rally
2. Major international bourses buoyed
3. ASX ends positive week with dip
4. Key metals up
5. *The good oil: Stock picks for week ahead*

US

Stocks closed slightly higher on Friday, extending their winning streak to six days in a row and posting strong weekly gains, CNBC reported.

But the major averages ended off their session highs after news broke that special counsel Robert Mueller had indicted 13 Russian nationals and three Russian entities for allegedly interfering with the 2016 US presidential election.

The market soon stabilized after Deputy Attorney General Rod Rosenstein emphasized in a press conference that these indictments had no allegations of willing support from Americans to Russians.

The Dow Jones industrial average closed 19.01 points higher. It also posted its sixth straight day of gains. At its session highs, it rose 232.05 points.

The S&P 500 closed just 0.04% higher at 2,732.22, eking out a six-day winning streak, after gaining as much as 0.9%. Utilities and health care were the best-performing sectors in the broad index.

Meanwhile, the Nasdaq composite snapped a five-day winning streak, closing 0.2% lower at 7,239.47. It rose as much as 0.7 % on the day.

Despite closing off their session highs, the major indexes posted strong weekly gains. The Dow and S&P 500 rose 4.3% each, posting their best weekly performances since 2016 and 2013, respectively. The Nasdaq jumped 5.3%, notching its biggest one-week gain since 2011.

In economic news last week, data revealed housing starts rose 9.7% in January, easily surpassing analyst expectations. Import prices gained 1%, while export prices advanced 0.8%. Consumer sentiment rose more than expected, according to a preliminary reading from the University of Michigan.

In corporate news, Coca-Cola shares rose 0.5% after the company reported better-than-expected earnings. Coca-Cola said its best-performing drinks were water and sports drinks.

US Steel surged 14.8 % after the Commerce Department recommended imposing steep tariffs on foreign steel and aluminum producers.

This coming week markets will be closed on Monday for President's Day. Closely watched on Wednesday will be the FOMC Minutes to be released by the Board of Governors of the Federal Reserve. The minutes will be a further guide to US interest rate policy. The Fed's Monetary Policy Report will be submitted to Congress on Friday.

China

Chinese markets have been closed for Lunar New Year. Mainland markets will be closed until Thursday while the Hong Kong market will resume trading on Wednesday.

Japan

Stocks continued to rise sharply on the Tokyo Stock Exchange on Friday, buoyed by Thursday's surge in US equities, The Japan Times reported.

The 225-issue Nikkei average climbed 255.27 points, or 1.19%, to end at 21,720.25, after gaining 310.81 points on Thursday.

The Topix index of all first-section issues closed up 18.10 points, or 1.05%, at 1,737.37. It rose 16.55 points the previous day.

The Tokyo market got off to a firmer start, with investors taking heart from a continued rally in US stocks on Thursday.

The market accelerated its upswing in the afternoon, briefly pushing the Nikkei up more than 400 points. But stocks lost some of the gains later in line with the yen's surge against the dollar.

In afternoon trading in Tokyo, the dollar fell below 106 yen for the first time in 15 months.

This coming week Japan's trade balance will be released on Monday and its All Industry Activity Index will be out on Wednesday.

Europe

The pan-European Stoxx 600 closed up almost 1.1%, with almost all sectors and major bourses in positive territory, CNBC reported.

In the UK top share index closed ended its first positive week since the middle of January.

The blue-chip FTSE 100 .FTSE index closed up 0.83% at 7,294.95 points, its highest level in one week. Mid caps .FTMC rose 0.7%.

Shares in financials and consumer staples, a sector which typically pays high dividends, added the most points to the index, Reuters said. Consumer staples and utilities had come under pressure from rising bond yields, which can curb demand for their dividend income.

This coming week euro zone consumer confidence data for February will be flashed on Tuesday. British GDP and the European Central Bank Policy Meeting Accounts will be released on Thursday and euro zone CPI on Friday.

Australia

The ASX wrapped up a positive week with a small loss on Friday, as financials and miners weighed on the index at the end of another busy week for company earnings. Investors managed to shrug off the recent market turmoil, and the prospect of higher inflation and interest rates, to push the S&P/ASX up 1.1% over the week.

On Friday, the S&P/ASX 200 index lost 4 points, or 0.1%, to trade at 5904, while the All Ordinaries slipped 3 points, or 0.1%, to 6004 and the Australian dollar traded at US79.69¢. Earnings were a focus in the Australian trading session, with Medibank Private up 3.6% at \$3.15, while Star Entertainment fell 6.3% to \$5.67 after updating investors on Friday.

The healthcare sector was one of the best performing sectors on Friday, up 0.9%, and the best performer for the week after a 5.2% advance.

South32 lost 5.1% to \$3.32 as investors continued to punish results released the previous day. Whitehaven Coal lost 4.5% to \$4.45 as costs weighed on its record profit, despite the company declaring its first dividend in five years. Profit for the six months to the end of December rose 64 per cent from a

year earlier to \$257.2 million as rising coal prices outweighed higher mining costs. On Friday, Westpac slipped 0.8% to \$30.22 while ANZ lost 0.8% to \$27.85 and NAB slid 0.3% to \$29.22.

Consumer discretionary companies fell 1% over the week with Domino's Pizza dropping 13.4% after releasing its results.

This coming week the Reserve Bank of Australia's Minutes will be released on Tuesday. Wage price and construction work data will be out on Wednesday.

Commodities

Oil prices continued to post modest gains at the end of the week, rising on the back of a falling dollar and comments from Saudi Arabia that bolstered confidence in the longevity of the OPEC cuts. The broader upswing in equity markets also helped crude benchmarks, oilprice.com reported.

In other news from the sector this week, Russia and Saudi Arabia signed several energy deals in Riyadh this week, committing more than \$2 billion to joint ventures, including an LNG project in Russia.

Meanwhile, Russia says it will invest in Saudi Aramco's upcoming IPO. The deals illustrate a deepening relationship between the two oil producers.

Metals

In **base metals** trade the London Metal Exchange nickel price was up at US\$14,150 per tonne on Thursday, topping a 2018 peak set on Wednesday of \$14,135/t. The price is now up at levels not seen since June 2015, Mining Journal reported.

Nickel has risen 12% since the start of the year, with recent gains linked to higher than expected inflation in the US.

Its close ally lead had a good day, too, with the LME official price coming in at \$2,610/t. This is the third day in a row the price has gone higher.

The copper official price was some \$100/t off Wednesday's intraday high, but still comfortably above the \$7,000/t level.

Cobalt reached a new 2018 high on Thursday. Its \$82,000/t official price means the in-demand metal is up 8.6% for the year.

Gold had a positive 24 hours over Friday as investors continued to rush to the safe haven following a weaker US dollar.

Iron ore spot markets will likely remain quiet until Lunar New Year celebrations wrap up in China on Thursday, February 22.

Stocks analysis: Oil and Gas

The weakening of the US dollar in recent months is one of the reasons for the oil price rally. Both WTI and Brent hit three year highs at the end of January before the oil price rally came to an end with the financial markets turmoil. While OPEC producers are happier now than last year or indeed in 2016, the cartel is careful not to overshoot on its own strategy of curbing production. A too tight market could lead to wild upswings in prices which would further motivate US share drillers to pump more oil. At this point, and without significant changes to either the demand or supply dynamics, we see the oil price as being pretty much in balance. Amongst the larger ASX-listed oil and gas plays – WPL (Woodside), ORG (Origin Energy), OSH (Oil Search Limited), STO (Santos) – WPL offers the most upside with an IRESS consensus target price and dividend indicating a total return of 9.1%. The smaller energy plays offer the most upside potential, with Sino Gas and Cooper Energy offering ~51% total return.

Economic Calendar 19/02/2018 – 23/02/2018

Monday February 19 2018		Actual	Previous	Consensus	Forecast	
07:50 AM	JP Balance of Trade JAN		¥359B	¥1002B	¥900B	
Tuesday February 20 2018		Actual	Previous	Consensus	Forecast	
06:00 PM	DE ZEW Economic Sentiment Index FEB		20.4	16.0	22.5	
11:00 PM	EA Consumer Confidence Flash FEB		1.3	1.0	0.9	
Wednesday February 21 2018		Actual	Previous	Consensus	Forecast	
04:30 PM	DE Markit Manufacturing PMI Flash FEB		61.1	60.8	60.09	
05:30 PM	GB Claimant Count Change JAN		8.6K	2.3K	8.8K	
05:30 PM	GB Unemployment Rate DEC		4.3%	4.3%	4.3%	
11:00 PM	US Existing Home Sales JAN		5.57M	5.61M	5.63M	
	EA ECB Non-Monetary Policy Meeting					
Thursday February 22 2018		Actual	Previous	Consensus	Forecast	
03:00 AM	US FOMC Minutes					
05:00 PM	DE Ifo Business Climate FEB		117.6	117.0	117.39	
05:30 PM	GB GDP Growth Rate YoY 2nd Est Q4		1.7%	1.5%	1.5%	
05:30 PM	GB GDP Growth Rate QoQ 2nd Est Q4		0.4%	0.5%	0.5%	
08:30 PM	EA ECB Monetary Policy Meeting Accounts					
Friday February 23 2018		Actual	Previous	Consensus	Forecast	
07:30 AM	JP Inflation Rate YoY JAN		1%	1.3%	1.1%	
09:30 PM	CA Inflation Rate YoY JAN		1.9%	1.4%	1.9%	

Source: www.tradingeconomics.com

Economic Calendar 26/02/2018 – 2/03/2018

		Actual	Previous	Consensus	Forecast	
Monday February 26 2018						
11:00 PM	US		0.625M	0.638M		
Tuesday February 27 2018						
06:00 PM	EA		1.54		1.51	
09:00 PM	DE		1.6%		1.60%	
09:30 PM	US		2.9%	-1.4%	-0.90%	
Wednesday February 28 2018						
08:01 AM	GB		-9	-13	-9.45	
09:00 AM	CN		51.3		51.4	
03:00 PM	DE		11.0		10	
04:00 PM	CH		106.9	111.2	105.71	
04:55 PM	DE		5.4%		5.4%	
04:55 PM	DE		-25K		-16.8K	
08:15 PM	IN		6.3%	6.4%	6.5%	
09:30 PM	US		3.2%	2.6%	2.7%	
11:00 PM	US		0.5%	0.4%		
Thursday March 01 2018						
09:45 AM	CN		51.5		51.03	
01:00 PM	JP		44.7		44.74	
02:45 PM	CH		1.2%		1.60%	
02:45 PM	CH		0.6%		0.60%	
06:00 PM	EA		8.7%		8.7%	
08:00 PM	BR		0.1%	0.3%	0.3%	
08:00 PM	BR		1.4%	1.3%	1.8%	
09:30 PM	US		0.4%	0.3%	0.44%	
09:30 PM	US		0.4%	0.2%	0.53%	
11:00 PM	US		59.1	58.6	58.58	
Friday March 02 2018						
07:30 AM	JP		2.8%	2.7%	2.8%	
09:30 PM	CA		0.4%		0.50%	
09:30 PM	CA		1.7%	1.6%	2.5%	
09:30 PM	US		4.1%		4.1%	

Source: www.tradingeconomics.com

All Ords Top 10 Week Ending 16 February 2018

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
SAR	Saracen Mineral	12.1	IPH	IPH Limited	-23.9
HT1	Ht&E Limited	12.0	DMP	Domino Pizza Enterpr	-13.2
BRG	Breville Group Ltd	11.8	S32	South32 Limited	-11.7
IGO	Independence Group	10.1	FBU	Fletcher Building	-8.5
CSL	CSL Limited	9.4	FXJ	Fairfax Media Ltd	-8.3
RFG	Retail Food Group	8.8	SGR	The Star Ent Grp	-7.5
SYR	Syrah Resources	8.6	VOC	Vocus Group Ltd	-4.1
CPU	Computershare Ltd	8.5	CGF	Challenger Limited	-4.0
LYC	Lynas Corporation	8.3	AMC	Amcor Limited	-3.7
OZL	OZ Minerals	7.7	SCG	Scentre Grp	-3.6

Source: IRESS

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