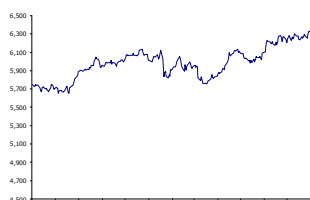


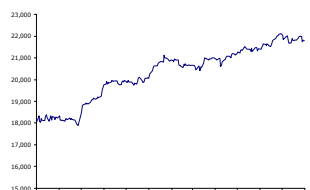
STATE ONE SPINNAKER

19 August 2018
Issue 424

12 month XJO chart



12 month Dow Jones chart



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Overview

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Global Wrap – 19 August 2018

World Markets	19/08/2018	12/08/2018	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	6339	6278	1.0%	1.5%	14.4%
Dow Jones	21798	21988	-0.9%	-1.0%	18.0%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2850	2833	0.6%	0.1%	26.9%
FTSE 100	7559	7667	-1.4%	-1.3%	9.0%
DAX30	12211	12424	-1.7%	-2.9%	2.2%
Shanghai Composite	2669	2786	-4.2%	-7.4%	-17.0%
Nikkei 225	22270	21857	1.9%	-1.4%	18.7%
Hang Seng	27213	28367	-4.1%	-5.9%	19.0%
Currency					
AUD/USD	0.7319	0.7273	0.6%	-0.8%	-7.7%
Commodities					
Oil (\$/bbl)	65.6	67.4	-2.7%	-5.7%	34.7%
Gas (\$/gal)	2.9	2.9	0.0%	7.0%	-2.7%
Iron Ore (\$/t)	0.0	53.9	-100.0%	-100.0%	-100.0%
Copper (\$/t)	5844	6120	-4.5%	-6.5%	0.1%
Lead (\$/t)	1977	2092	-5.5%	-7.3%	-15.2%
Zinc (\$/t)	2325	2553	-8.9%	-12.4%	-15.3%
Aluminium (\$/t)	1999	2039	-2.0%	-2.8%	15.4%
Nickel (\$/t)	13240	13635	-2.9%	-2.2%	16.4%
Tin (\$/t)	18680	19560	-4.5%	-6.4%	-12.7%
Gold (\$/oz)	1184	1219	-2.9%	-4.6%	1.0%
Silver (\$/oz)	14.6	15.3	-4.3%	-6.4%	-14.4%
Platinum (\$/oz)	777	830	-6.3%	-8.2%	-17.1%
Wheat (\$/t)	578.000	569.250	1.5%	6.3%	41.6%

Source: Iress

Global Wrap

Key points

1. Trade tensions ease
2. ASX up after tumultuous week
3. Stock analysis: base metals

US

The Dow Jones Industrial Average jumped on Friday after a report said President Donald Trump and Chinese leader Xi Jinping hoped to discuss US-China trade in November.

The 30-stock index rose 110.59 points to 25,669.32 after The Wall Street Journal said US and Chinese officials were working on a road map for the meeting to take place. The S&P 500 also rose 0.3% to 2,850.13, while the Nasdaq Composite erased earlier losses to close 0.1% higher at 7,816.33.

American and Chinese officials are scheduled to have preliminary “mid-level talks” in Washington next week. **(See more in stock analysis below).**

Ongoing trade tensions, with both countries slapping tariffs on several of their imports, have left investors fearful that any escalation could result in a global economic slowdown or a hit to corporate profits.

In a slow week ahead for US data, investors will be watching closely developments in the trade talks.

They will also be monitoring Friday's annual Fed symposium in Jackson Hole, Wyoming, where Federal Reserve Chairman Jerome Powell will speak and central bankers will hold high level discussions about policy and the economy.

China

Chinese stocks closed at a near two-year low on Friday as healthcare shares fell after the arrest of officials over a vaccine scandal in the country.

The CSI 300, comprised of Shanghai and Shenzhen stocks, fell 1.5% on Friday. The healthcare sector was the day's worst performing segment, falling 3.3%. The Shanghai Composite fell 1.3% to a near 31-month low, Reuters reported.

Regulators last month said vaccine maker Changsheng Biotech had forged data during the production of 110,000 rabies vaccines and sold more than 250,000 substandard vaccines against other diseases.

Meanwhile the Shanghai Composite index is now sitting at close to its lowest level this year and has declined roughly 18% since the start of the year, Fairfax reported. By comparison, other emerging markets are only marginally lower for the year, putting the Shanghai Composite firmly in bear market territory.

Japan

Stocks bounced back Friday after getting a boost from an overnight rise in US equities.

The 225-issue Nikkei average gained 78.34 points, or 0.35%, to end at 22,270.38 on the Tokyo Stock Exchange, advancing for the first time in three days.

Investor sentiment was lifted by Wall Street's advance on Thursday, which was backed by receding worries about US-China trade friction following news that the world's two biggest economies will resume trade talks, The Japan Times reported.

The Tokyo market's firmness also reflected hopes for the US-China trade talks.

Japan's closely watched CPI data will be released this coming Thursday.

Europe

European shares slipped on Friday as investors licked their wounds after a tumultuous week, eyeing further turbulence in emerging markets and weakness in tech stocks, The Business Times reported.

The pan-European Stoxx 600 fell 0.1%, staying close to the six-week low it hit earlier in the week.

The index was down 1.3% on the week, its worst loss in seven weeks as the market reeled from a currency crisis in Turkey driving selling across emerging markets.

The Turkish lira fell back around 5% on Friday, having enjoyed a brief recovery, after a Turkish court rejected a US Christian pastor's appeal for release, deepening a diplomatic rift between the two countries and reigniting investors' fears of a widespread emerging market crisis.

German and euro zone GDP figures will be out this coming Friday.

Australia

Despite a volatile week for global markets, the Australian sharemarket closed the week with a fresh 10-year high, rising on the strength of strong earnings results, Fairfax reported.

The S&P/ASX 200 index rose 60.8 points, or 1%, this week to close at 6339.2, despite base metals prices tumbling mid-week.

Ausdrill returned from a two-day trading halt on Friday, announcing it had successfully completed its institutional entitlement offer. The capital raising will allow Ausdrill to complete a takeover of underground mining contractor Barminto Holdings in a deal worth \$271 million, subject to shareholder approval. Its shares rose 15.5% to \$1.94.

This coming week the Reserve Bank of Australia's August minutes will be released on Tuesday and the Westpac Leading Index will come out on Wednesday.

Industrial metals clawed back some gains following the worst session in three years on the London Metal Exchange, Fairfax reported.

Copper, widely seen as an indicator of global industrial sentiment, lifted 2.5% on Thursday on the London Metal Exchange, although it was still down 4.8% for the week.

See more in stock analysis below.

Oil prices fell this week as the EIA (Energy Information Administration) came out with one of its most bearish reports in years and broader fears in the global economy added to downward pressure.

The EIA reported a 6.8-million-barrel increase in crude stocks this week, sending prices down on Wednesday.

The abnormally large build sent a shudder through the oil market, raising the prospect of a slowdown.

Stock analysis: Base metals stocks

Base metals clawed back ground on fresh US-China trade talks late last week.

London base metal prices on Thursday bounced back from a broad sell-off in the previous session, while the Shanghai complex pared early losses on news of fresh US-China trade talks.

A Chinese delegation led by Vice Commerce Minister Wang Shouwen would travel to the US for talks in late August, China's Ministry of Commerce said.

The two countries have imposed tariffs on billions of dollars of each other's goods in a tit-for-tat trade row that has weighed on metals prices amid concerns it could hurt demand.

"While this may only be future talks, it would seem to me that this is a case of 'we cannot go on like this so let's try again'," Malcolm Freeman, director of Kingdom Futures, wrote in a note.

"To describe the last four days as brutal would be a major understatement as it has seen the most consistent selling by (commodity trading advisors) since the 2008 crash," he said.

The fall in copper and lead prices is typical of the price movements seen over the past few weeks.

However, for investors who believe that the US-China trade dispute will resolve (in some way), leading to a recovery or rebound in metal prices, then we suggest that non-gold mining stocks offer significant upside potential.

Relative to IRESS consensus target prices and FY19E dividend yields, our portfolio of larger cap mining stocks offer a (simple) average return of 50%. Not surprisingly, the larger plays - BHP, RIO, S32, OZL, AWC - offer a lower, but still attractive return.

Emerging nickel producer **Highland Pacific Limited** (ASX:HIG) - via its 11% interest in the Ramu Nickel mine in PNG - offers the highest upside potential.

Emerging zinc producer **Red River Resources** (ASX:RVR) and copper/tin producer **Metals X** (ASX:MLX) also offer significant upside potential.

COPP3EV.LME@LME: 5938

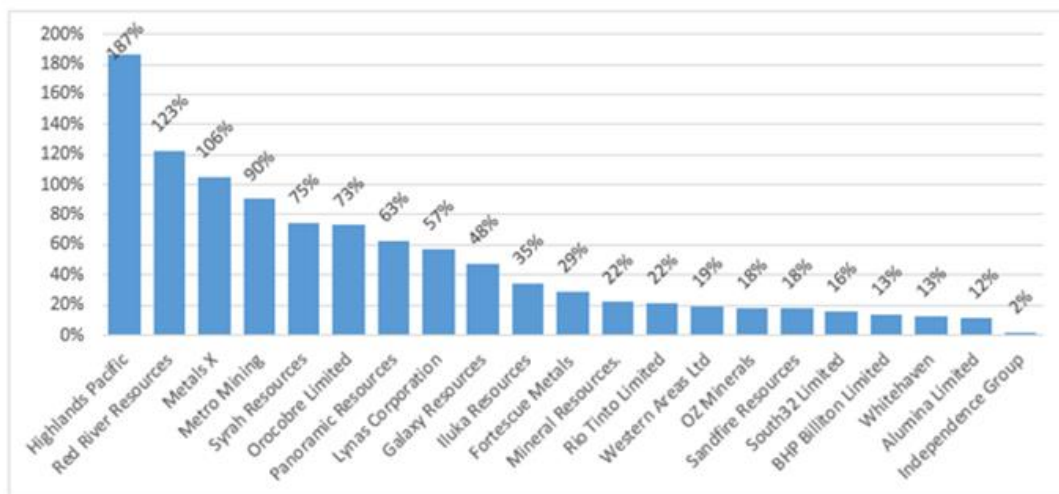


LEAD3EV.LME@LME: 2040



Forecast total return for selected larger cap mining stocks (non-gold)

Security	Name	Share Price (A\$)	Target Price (A\$)	Capital upside / (downside) (%)	FY19E Dividend (A\$)	FY19E DY (%)	Total Return (%)
HIG	Highlands Pacific	0.115	0.33	187.0%	0.00	0.0%	187.0%
RVR	Red River Resources	0.22	0.49	122.7%	0.00	0.0%	122.7%
MLX	Metals X	0.54	1.10	103.7%	0.01	1.9%	105.6%
MMI	Metro Mining	0.21	0.40	90.5%	0.00	0.0%	90.5%
SYR	Syrah Resources	2.38	4.16	74.8%	0.00	0.0%	74.8%
ORE	Orocobre Limited	4.08	7.06	73.0%	0.00	0.0%	73.0%
PAN	Panoramic Resources	0.46	0.75	63.0%	0.00	0.0%	63.0%
LYC	Lynas Corporation	2.23	3.50	57.0%	0.00	0.0%	57.0%
GXY	Galaxy Resources	2.76	4.08	47.8%	0.00	0.0%	47.8%
ILU	Iluka Resources	9.39	12.36	31.6%	0.30	3.2%	34.8%
FMG	Fortescue Metals	4.17	5.18	24.2%	0.18	4.3%	28.5%
MIN	Mineral Resources	14.1	16.61	17.8%	0.57	4.0%	21.8%
RIO	Rio Tinto Limited	72.74	85.62	17.7%	2.92	4.0%	21.7%
WSA	Western Areas Ltd	2.93	3.46	18.1%	0.04	1.4%	19.5%
OZL	OZ Minerals	9.08	10.53	16.0%	0.17	1.9%	17.8%
SFR	Sandfire Resources	7.12	8.06	13.2%	0.33	4.6%	17.8%
S32	South32 Limited	3.35	3.69	10.1%	0.18	5.4%	15.5%
BHP	BHP Billiton Limited	32.69	35.81	9.5%	1.23	3.8%	13.3%
WHC	Whitehaven	5.14	5.40	5.1%	0.40	7.8%	12.8%
AWC	Alumina Limited	2.76	2.87	4.0%	0.22	8.0%	12.0%
IGO	Independence Group	4.1	4.09	-0.2%	0.09	2.2%	2.0%






















Source: IRESS, compiled by State One Stockbroking

Economic Calendar 20/08/2018 – 24/08/2018

Tuesday August 21 2018			Actual	Previous	Consensus
08:30 AM	AU	RBA Meeting Minutes			+
Wednesday August 22 2018			Actual	Previous	Consensus
10:00 PM	US	Existing Home Sales JUL		5.38M	5.4M
Thursday August 23 2018			Actual	Previous	Consensus
02:00 AM	US	FOMC Minutes			+
03:30 PM	DE	Markit Manufacturing PMI Flash AUG		56.9	56.5
07:30 PM	EA	ECB Monetary Policy Meeting Accounts			
10:00 PM	EA	Consumer Confidence Flash AUG		-0.6	-0.7
10:00 PM	US	New Home Sales JUL		0.631M	0.645M
Friday August 24 2018			Actual	Previous	Consensus
07:30 AM	JP	Inflation Rate YoY JUL		0.7%	0.4%
08:30 PM	US	Durable Goods Orders MoM JUL		1%	-0.8%

Source: www.tradingeconomics.com

Economic Calendar 27/08/2018 – 31/08/2018

Monday August 27 2018			Actual	Previous	Consensus
04:00 PM	 DE	Ifo Business Climate AUG		101.7	+
Wednesday August 29 2018			Actual	Previous	Consensus
01:00 PM	 JP	Consumer Confidence AUG		43.5	+
02:00 PM	 DE	GfK Consumer Confidence SEP		10.6	+
08:30 PM	 US	GDP Growth Rate QoQ 2nd Est Q2		2.2%	4.1%
Thursday August 30 2018			Actual	Previous	Consensus
03:55 PM	 DE	Unemployment Change AUG		-6K	+
03:55 PM	 DE	Unemployment Rate AUG		5.2%	
05:00 PM	 EA	Business Confidence AUG		1.29	+
08:00 PM	 DE	Inflation Rate YoY Prel AUG		2%	+
08:30 PM	 CA	GDP Growth Rate Annualized Q2		1.3%	+
08:30 PM	 CA	GDP Growth Rate QoQ Q2		0.3%	+
08:30 PM	 US	Personal Income MoM JUL		0.4%	0.3%
08:30 PM	 US	Personal Spending MoM JUL		0.4%	0.4%
Friday August 31 2018			Actual	Previous	Consensus
07:01 AM	 GB	GfK Consumer Confidence AUG		-10	-9
07:30 AM	 JP	Unemployment Rate JUL		2.4%	2.3%
09:00 AM	 CN	NBS Manufacturing PMI AUG		51.2	51.3
05:00 PM	 EA	Unemployment Rate JUL		8.3%	+
08:00 PM	 BR	GDP Growth Rate YoY Q2		1.2%	1.3%
08:00 PM	 BR	GDP Growth Rate QoQ Q2		0.4%	0.4%
08:00 PM	 IN	GDP Growth Rate YoY Q2		7.7%	7.3%

Source: www.tradingeconomics.com

All Ords Top 10 Week Ending 17 August 2018

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
BRG	Breville Group Ltd	18.0	CGF	Challenger Limited	-7.5
ASL	Ausdrill Limited	17.0	EHE	Estia Health Ltd	-6.0
NHF	NIB Holdings Limited	15.6	EVN	Evolution Mining Ltd	-5.8
SWM	Seven West Media Ltd	14.1	BSL	BlueScope Steel Ltd	-5.7
APT	Afterpay Touch	14.0	AWC	Alumina Limited	-4.5
IPH	IPH Limited	13.7	FMG	Fortescue Metals Grp	-4.1
ECX	Eclix Group Ltd	12.6	BAL	Bellamy'S Australia	-3.5
JBH	JB Hi-Fi Limited	11.0	BHP	BHP Billiton Limited	-2.9
DHG	Domain Holdings Aus	10.7	BPT	Beach Energy Limited	-2.9
SEK	Seek Limited	9.1	CIM	Cimic Group Ltd	-2.1

Source: IRESS

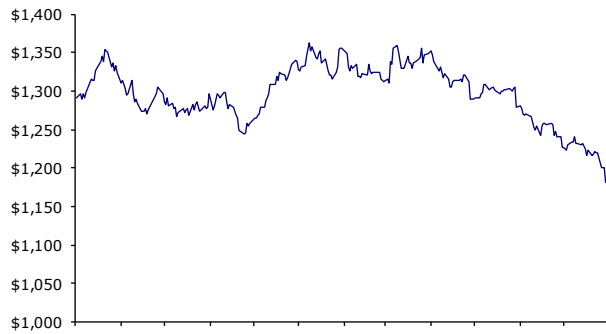
S & P Indices Week Ending 17 August 2018

S&P Indices	19/08/2018	12/08/2018	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	12004	12098	-0.8%	2.3%	35.0%
S&P 200 Materials	11566	11955	-3.3%	-5.0%	16.8%
S&P 200 Industrials	6204	6124	1.3%	2.4%	21.6%
S&P 200 Consumer Disc.	2550	2524	1.0%	1.7%	21.8%
S&P 200 Consumer Staples	11562	11271	2.6%	2.9%	35.1%
S&P 200 Healthcare	32731	31391	4.3%	4.8%	69.8%
S&P 200 Financials	6446	6368	1.2%	1.9%	1.2%
S&P 200 Info Technology	1185	1122	5.7%	4.0%	52.4%
S&P 200 Telecommunicatic	1140	1060	7.5%	11.4%	-35.1%
S&P 200 Utilities	8124	7870	3.2%	2.8%	7.8%
S&P 200 Property Trusts	1468	1447	1.5%	3.9%	9.4%
S&P 200 Financials ex PT	7189	7103	1.2%	1.9%	1.2%

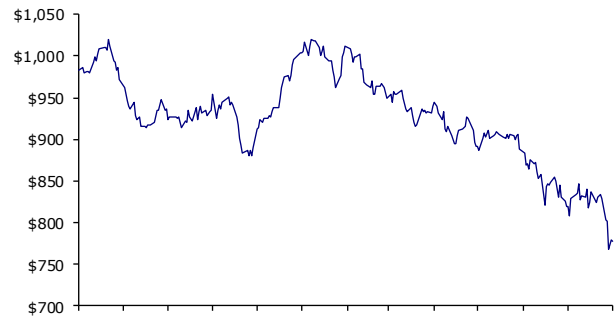
Source: IRESS

1 Year Commodity Price Charts

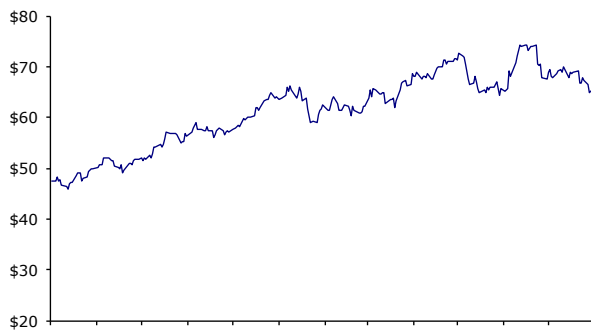
1 Year Gold



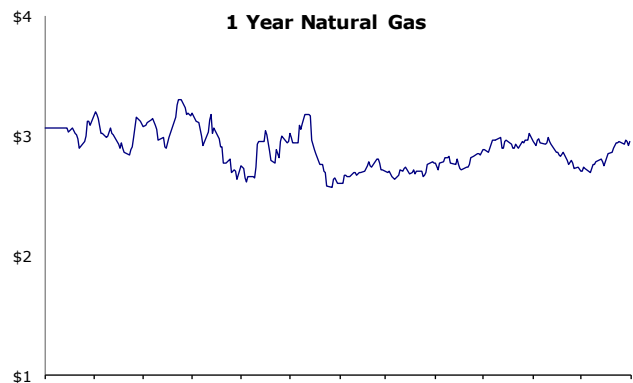
1 Year Platinum



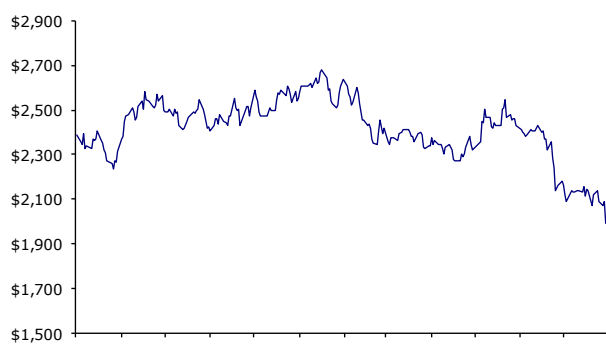
1 Year Oil



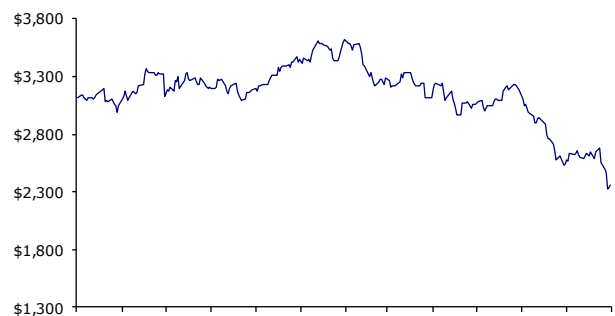
1 Year Natural Gas



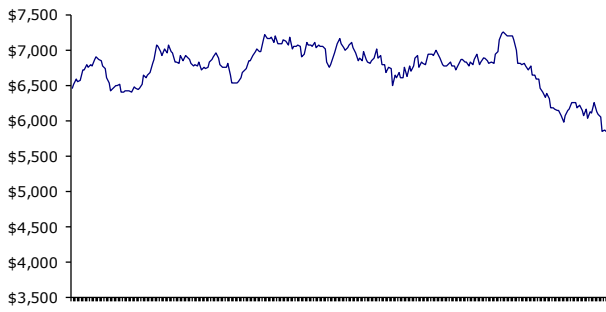
1 Year Lead



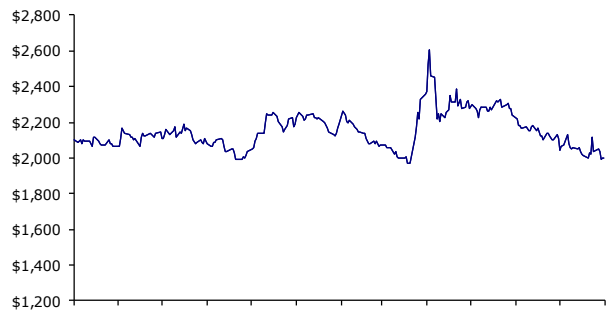
1 Year Zinc



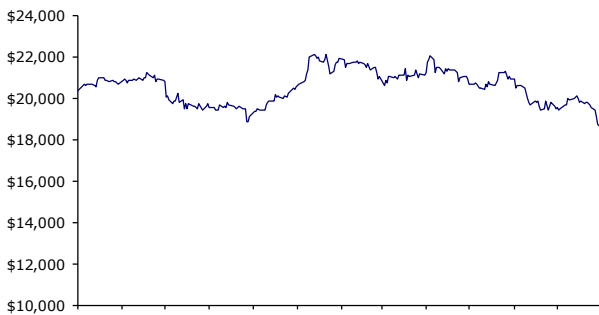
1 Year Copper



1 Year Aluminium

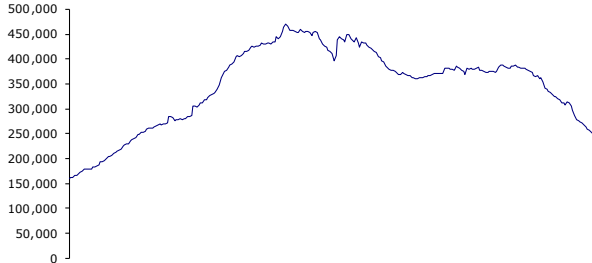


1 Year Tin

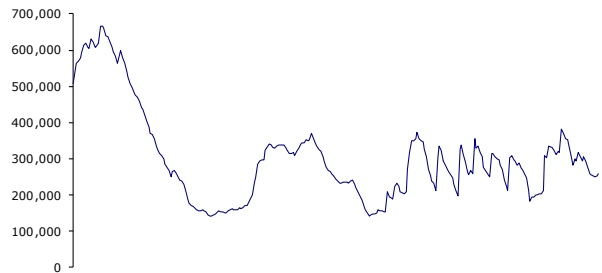


5 Year Metals Stockpiles

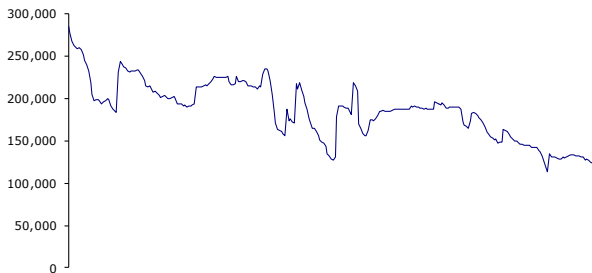
Nickel LME Stockpiles - 5 Year



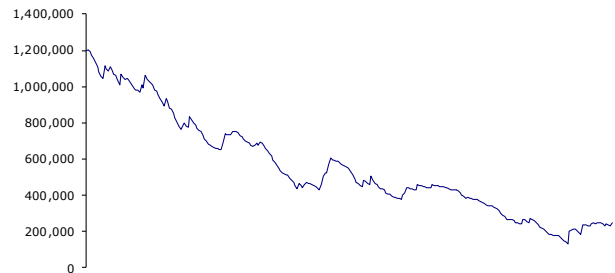
Copper LME Stockpiles - 5 Year



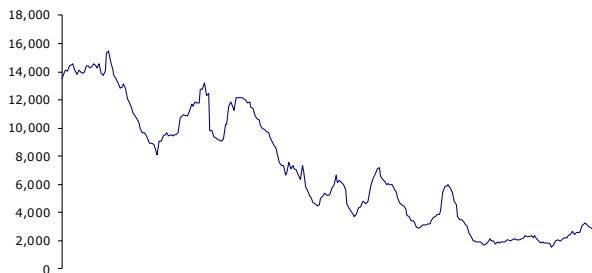
Lead LME Stockpiles - 5 Year



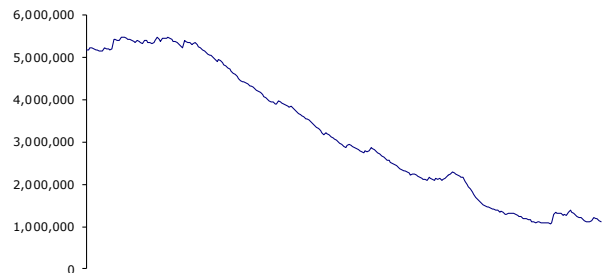
Zinc LME Stockpiles - 5 Year



Tin LME Stockpiles - 5 Year



Aluminium LME Stockpiles - 5 Year



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