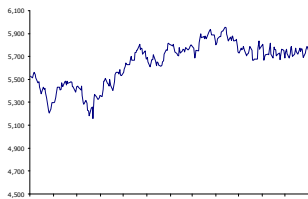


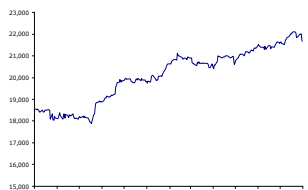
STATE ONE SPINNAKER

20 August 2017
Issue 379

12 month XJO chart



12 month Dow Jones chart



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Overview

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Global Wrap – 20 August 2017

World Markets	20/08/2017	13/08/2017	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	5747	5693	0.9%	-0.5%	9.2%
Dow Jones	21675	21858	-0.8%	-0.2%	23.9%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2426	2441	-0.6%	-2.1%	18.2%
FTSE 100	7324	7310	0.2%	-1.7%	14.9%
DAX30	12165	12014	1.3%	-1.1%	14.1%
Shanghai Composite	3269	3237	1.0%	0.6%	-3.0%
Nikkei 225	19470	19537	-0.3%	-3.0%	5.6%
Hang Seng	27048	26884	0.6%	0.4%	18.4%
Currency					
AUD/USD	0.7928	0.7852	1.0%	0.7%	4.0%
Commodities					
Oil (\$/bbl)	48.5	48.8	-0.5%	-0.4%	8.5%
Gas (\$/gal)	2.9	3.0	-2.6%	0.3%	4.5%
Iron Ore (\$/t)	53.9	53.9	0.0%	6.9%	7.8%
Copper (\$/t)	6453	6354	1.6%	3.4%	22.4%
Lead (\$/t)	2389	2323	2.9%	4.6%	37.7%
Zinc (\$/t)	3010	2887	4.3%	7.3%	75.5%
Aluminium (\$/t)	2105	2041	3.1%	10.1%	42.2%
Nickel (\$/t)	10730	10590	1.3%	8.2%	3.1%
Tin (\$/t)	20375	20450	-0.4%	-1.0%	27.5%
Gold (\$/oz)	1292	1294	-0.2%	2.0%	10.8%
Silver (\$/oz)	17.0	17.1	-0.4%	2.2%	7.3%
Platinum (\$/oz)	982	990	-0.7%	5.2%	-2.9%
Wheat (\$/t)	441.250	464.500	-5.0%	-7.6%	-10.1%

Source: Iress

Global Wrap

Key points

- Bannon's downfall lifts US stocks overnight Friday**
- Gold breaks \$1300 barrier – before retreating**
- Iron ore continues rally**
- Australian reporting season “underwhelming”**
- Stock picks for trading week ahead**

US

Stocks rebounded late in a volatile session on Friday as reports emerged in the afternoon (US time) that President Donald Trump had fired his controversial chief strategist Steve Bannon.

Earlier stocks had slumped on speculation that Trump's policy agenda was increasingly in jeopardy after he disbanded two advisory councils staffed by high-profile CEOs and slammed Republican members of Congress who were critical of his remarks on race, The Australian Financial Review reported. The prospect of former Goldman Sachs President Gary Cohn resigning from his role as head of the national economic council added to the selling, until reports that he'd opted to stay buoyed the market.

Trump's defence of violent white nationalist protesters and criticism of removals of US Confederate monuments that celebrate proponents of slavery sent shivers through markets. Investors bet the stance would hurt the President's ability to build enough consensus to deliver growth boosts such as tax reform and stimulus spending.

Even US Fed chair Janet Yellen warned the collapse of Trump's economic agenda was hitting business confidence, according to the latest Fed minutes released late last week.

Despite the turmoil in the White House, US consumer sentiment rebounded in early August from an eight-month low in July, a University of Michigan study released on Friday showed, reflecting confidence in the underlying economic outlook and personal finances.

Data next week includes Tuesday's release of the Redbook Index, which monitors and analyses trends in the consumer economy and housing data.

Markit PMI for August will be flashed on Wednesday.

China

Hong Kong stocks declined Friday, trimming their fifth weekly gain in six weeks. There was concern over the political challenges facing the Trump administration while investors continued to weigh local equity valuations, the Nikkei Asian Review reported.

Asian markets closed before news broke of Steve Bannon's "resignation".

In mainland China, the Shanghai Composite Index ended flat on Friday to cap a weekly advance of 1.9%.

Chief executive at Partners Capital International Ronald Wan said stocks had also been under profit-taking pressure despite better-than-expected earnings from some corporations.

On Thursday Chinese industrial and materials stocks lifted, which some analysts said was aided by hopes there will be significant changes to open up the economy more widely to foreign investors.

Also on Thursday, National Bureau of Statistics data showed growth in new home prices slowed in China in July, with Beijing prices down for a second straight month. Government restrictions to keep prices in check weighed on larger cities, with July showing the slowest growth since August 2016. Smaller centres pulled back but remained robust.

Japan

The Nikkei Stock Average index fell for the third straight day on Friday to end the week at its lowest level since May 2. Concern over geopolitical risks and the yen's rise against the US dollar stoked the bearishness, the Nikkei Asian Review said.

The terrorist attack in Barcelona on Thursday and turmoil in US domestic politics added to concerns already heightened by the persisting tensions between the US and North Korea.

Next week the All Industry Activity Index will be released on Monday and the Nikkei Manufacturing PMI will be flashed on Wednesday.

The closely watched CPI (for July) and leading economic index for June will be released on Thursday.

Europe

Europe finished Friday's session on a negative note, as the worst terror attack seen in Spain for more than 13 years added jitters to the market, with the major bourses all down.

All sectors finished Friday in negative territory, with the travel and leisure sector leading the losses, ending down 1.46%, following the attack in Spain's second largest city.

In a busy week ahead for data, the UK house price index will be released tomorrow (Monday); German and Eurozone economic sentiment is out on Tuesday; French, German and Eurozone PMI, and Eurozone consumer confidence will be flashed on Wednesday; and the UK's Q2 GDP and business investment figures will be released on Thursday, followed by German Q2 GDP on Friday.

Australia

Investors' attention went offshore on Friday after the terror attack in Barcelona and amid growing market unease about the White House's relationship with business and Congress.

The Australian market closed before news of Steve Bannon's sacking broke – and the subsequent rebound on US markets.

Nevertheless, the ASX finished marginally higher after a week driven strongly by local company earnings.

Telstra dragged the market down while Cochlear pushed it up.

A total of 73 companies have so far reported this earnings season and David Cassidy, equity strategist at UBS, told The Australian Financial Review that "underwhelming guidance" had been the standout trend.

"However, we don't necessarily see this as a black mark for the domestic economy as some of the cautious guidance relates to quite globally focussed companies and some of the guidance disappointment relates to the cost of 'investing for growth'," Mr Cassidy said.

"While we are still only roughly at the half-way mark, we believe reporting season is confirming a corporate backdrop of moderate earnings growth and a moderate growth outlook; albeit seemingly even more moderate than the consensus was expecting."

Commodities

Oil prices fell significantly this week, though they regained some ground on Friday. Reports of weak Chinese demand deflated the market, but a rather bullish EIA report, a weaker US dollar and a falling rig count provided a bit of a lift, oilprice.com reported.

Citi says oil will be stuck within the range of \$40 to \$65 through to 2022, though the bank said this assumes a lack of unforeseen shocks.

For the first time in years, the Brent futures curve has flipped into backwardation, a sign that the oil market is moving into better balance. Backwardation – when front month contracts trade at a premium to futures further out – will help drain inventories as it becomes uneconomical to put oil in storage.

The spot price of *iron ore* extended its rally this month to 6%, defying increasingly bearish forecasts. Ore with 62% content in Qingdao ended up 3.5% to \$US77.94 a tonne on Friday, according to Metal Bulletin, rising for a sixth consecutive week. The surge was paced by rising iron ore futures traded on the Dalian Commodity Exchange.

Consensus forecasts continue to call for the spot price to retreat as this year progresses, on expectations that demand for steel in China will ease and supplies from Australia and Brazil rise.

Credit Suisse sees iron ore averaging \$US70 a tonne in the September quarter before sliding to \$US55 in the final three months of 2017. Citigroup, Sucden Financial, Axiom Capital Management and hedge fund Academia Capital also are bearish.

A renewed effort by Chinese authorities to shutter older, inefficient steel mills has been linked to higher steel output as mills seek to capture as much profit as they can, while they still can.

But with economic growth in China expected to slow, the outlook for steel is becoming more clouded.

Base metals

Zinc reached a new 10-year high on Friday, The Australian Financial Review reported. The metal is now up by 21.5% so far this year after also performing strongly in 2016. Analysts say the earlier rise was due to limited supply but now rising demand is starting to have an effect on price as well.

Copper slid lower along with most other base metals at the end of the week, retreating from three-year high.

Zinc resumed its rally as stockpiles numbers slumped.

Gold prices jumped on Friday morning, breaking above the key barrier of \$1,300 for the first time this year. This was followed by profit-taking in afternoon trading, Kitco reported.









Stock picks for trading week ahead

Ironbark Zinc Limited (ASX:IBG) Speculative Buy. The zinc price scaled 10-year highs last week as data showed lower than expected production and LME and Shanghai stockpiles trend lower. IBG's Citronen Project in Greenland represents one of the largest undeveloped zinc resources in the world (70.8Mt @5.7% Zn + Pb), with a granted Mining Licence and with strong government support. Feasibility Studies for possible financing by a Chinese-based NFC are currently underway. A positive outcome here could be a significant share price catalyst.

Red River Resources (ASX:RVR) Speculative Buy. RVR gives investors near-term exposure to the buoyant zinc price. As at end July 2017, some 85% of the Thalanga Plant upgrade was complete, and management is targeting to restart commercial production early in the December 2017 quarter; offtake of zinc and lead concentrate has recently been secured with tier-I global commodity trader, Trafigura. At current share price levels of \$0.24, RVR offers some 66% upside potential to its IRESS consensus target price of A\$0.40.

Telstra (ASX:TLS) BUY. TLS's share price weakened by just under 11% following last week's financial results and the announcement that the group intends reducing its dividend payout ratio 70-90% (versus the close to 100% payout ratio in recent years). We believe that the (much anticipated) dividend downside risk has now been crystallised. Predicated on management's guided dividend of A\$0.22ps in FY18E, TLS at A\$3.91, offers an attractive dividend yield of 5.7% and some 14% upside to an IRESS TP of A\$4.45.

Economic Calendar 21/08/2017 – 25/08/2017

Tuesday August 22 2017		Actual	Previous	Consensus	Forecast	
05:00 PM	 DE ZEW Economic Sentiment Index AUG		17.5	15	15.9	
Wednesday August 23 2017		Actual	Previous	Consensus	Forecast	
03:30 PM	 DE Markit Manufacturing PMI Flash AUG		58.1	57.8	57.9	
10:00 PM	 EA Consumer Confidence Flash AUG		-1.7	-1.9	-2	
10:00 PM	 US New Home Sales JUL		610K	610K	615K	

Source: www.tradingeconomics.com

Economic Calendar 28/08/2017 – 1/09/2017

Tuesday August 29 2017		Actual	Previous	Consensus	Forecast	
07:30 AM	JP Unemployment Rate JUL		2.8%		2.8%	
02:00 PM	DE GfK Consumer Confidence SEP		10.8		10.7	
Wednesday August 30 2017		Actual	Previous	Consensus	Forecast	
03:00 PM	CH KOF Leading Indicators AUG		106.8		107.36	
05:00 PM	EA Business Confidence AUG		1.05		1.01	
08:00 PM	DE Inflation Rate YoY Prel AUG		1.7%		1.80%	
08:15 PM	US ADP Employment Change AUG		178K		187K	
08:30 PM	US GDP Growth Rate QoQ 2nd Est Q2		1.2%	2.4%	2.6%	
Thursday August 31 2017		Actual	Previous	Consensus	Forecast	
07:05 AM	GB GfK Consumer Confidence AUG		-12		-11.34	
09:00 AM	CN NBS Manufacturing PMI AUG		51.4		51.2	
03:55 PM	DE Unemployment Change AUG		-9K		-8.8K	
03:55 PM	DE Unemployment Rate AUG		5.7%		5.9%	
05:00 PM	EA Unemployment Rate JUL		9.1%		9.1%	
08:00 PM	IN GDP Growth Rate YoY Q2		6.1%		6.5%	
08:30 PM	CA GDP Growth Rate QoQ Q2		0.9%		0.7%	
08:30 PM	CA GDP Growth Rate Annualized Q2		3.7%		3%	
Friday September 01 2017		Actual	Previous	Consensus	Forecast	
09:45 AM	CN Caixin Manufacturing PMI AUG		51.1		50.2	
01:00 PM	JP Consumer Confidence AUG		43.8		44.08	
08:00 PM	BR GDP Growth Rate QoQ Q2		1%		0.2%	
08:00 PM	BR GDP Growth Rate YoY Q2		-0.4%		-0.1%	
08:30 PM	US Non Farm Payrolls AUG		209K	185K	195K	
08:30 PM	US Unemployment Rate AUG		4.3%	4.3%	4.3%	
10:00 PM	US ISM Manufacturing PMI AUG		56.3		52.2	

Source: www.tradingeconomics.com

All Ords Top 10 Week Ending 18 August 2017

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
COH	Cochlear Limited	12.4	DMP	Domino Pizza Enterpr	-12.5
AOG	Aveo Group	12.1	QBE	QBE Insurance Group	-8.3
BRG	Breville Group Ltd	10.6	SWM	Seven West Media Ltd	-7.2
ORE	Orocobre Limited	10.1	GMA	Genworth Mortgage	-6.7
BEN	Bendigo and Adelaide	9.5	FXL	FlexiGroup Limited	-6.6
MIN	Mineral Resources.	9.3	TLS	Telstra Corporation.	-6.0
ARB	ARB Corporation.	9.2	IRE	IRESS Limited	-5.8
IVC	InvoCare Limited	8.4	PGH	Pact Group Hldgs Ltd	-5.7
ORG	Origin Energy	8.4	CGF	Challenger Limited	-5.6
TAH	TABCORP Holdings Ltd	8.4	SIG	Sigma Health Ltd	-5.3

Source: IRESS

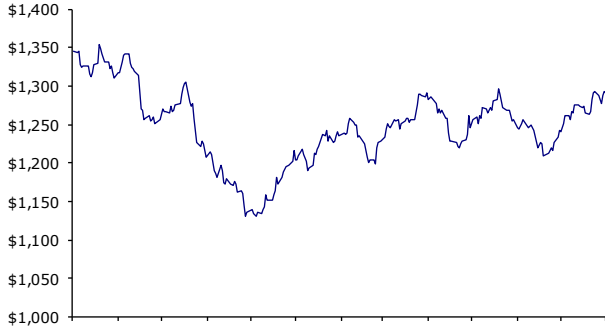
S & P Indices Week Ending 18 August 2017

S&P Indices	20/08/2017	13/08/2017	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	8882	8684	2.3%	1.2%	-1.9%
S&P 200 Materials	10223	10139	0.8%	1.2%	24.6%
S&P 200 Industrials	5717	5652	1.1%	1.7%	20.3%
S&P 200 Consumer Disc.	2202	2142	2.8%	0.0%	20.1%
S&P 200 Consumer Staples	9504	9263	2.6%	3.0%	8.4%
S&P 200 Healthcare	22831	22289	2.4%	-0.9%	26.3%
S&P 200 Financials	6487	6456	0.5%	-2.4%	6.7%
S&P 200 Info Technology	870	874	-0.4%	-1.2%	21.0%
S&P 200 Telecommunicatic	1381	1456	-5.2%	-4.7%	-30.1%
S&P 200 Utilities	8174	8260	-1.0%	-2.2%	21.5%
S&P 200 Property Trusts	1338	1308	2.3%	2.2%	5.6%
S&P 200 Financials ex PT	7235	7200	0.5%	-2.4%	4.0%

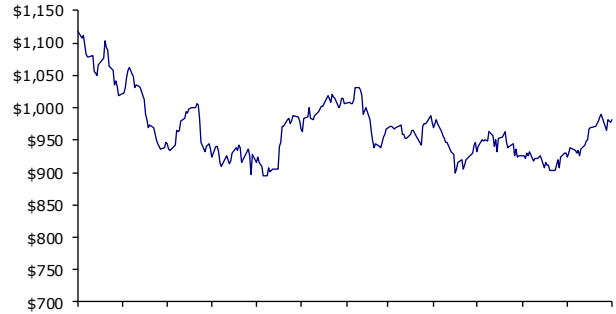
Source: IRESS

1 Year Commodity Price Charts

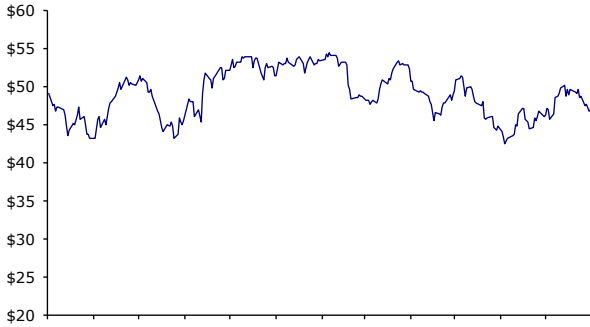
1 Year Gold



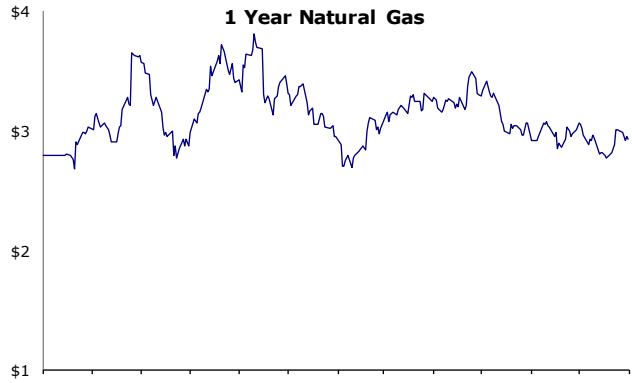
1 Year Platinum



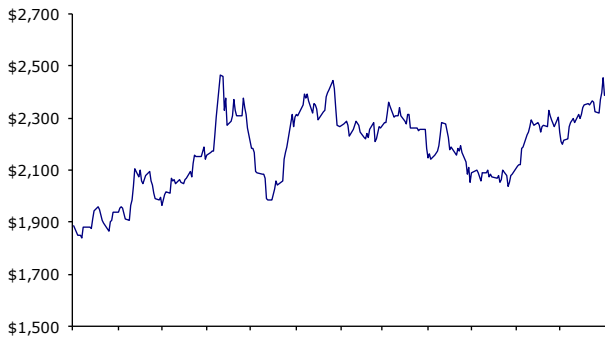
1 Year Oil



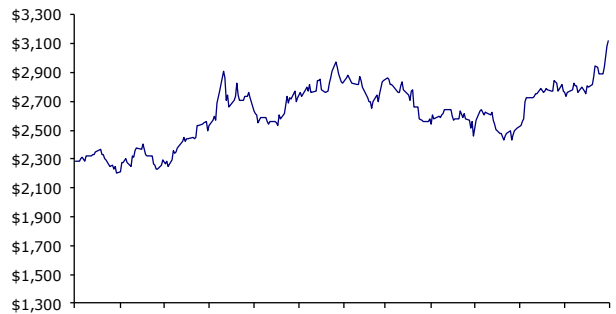
1 Year Natural Gas



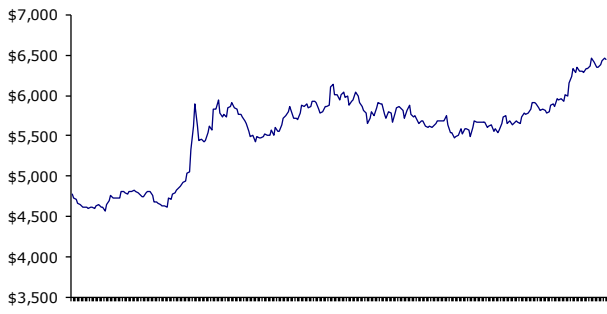
1 Year Lead



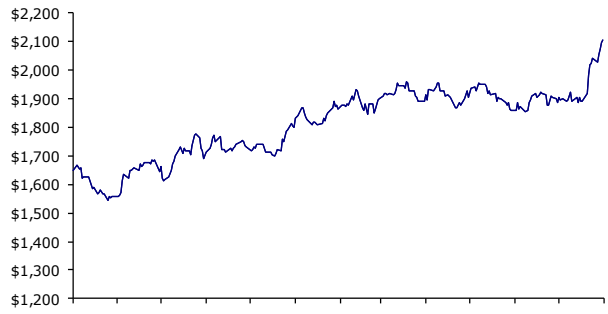
1 Year Zinc



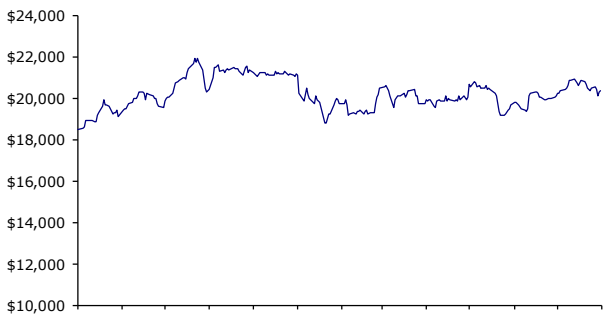
1 Year Copper



1 Year Aluminium

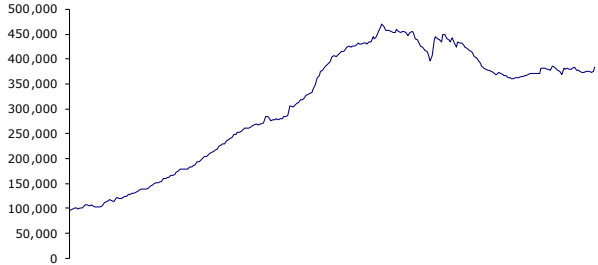


1 Year Tin

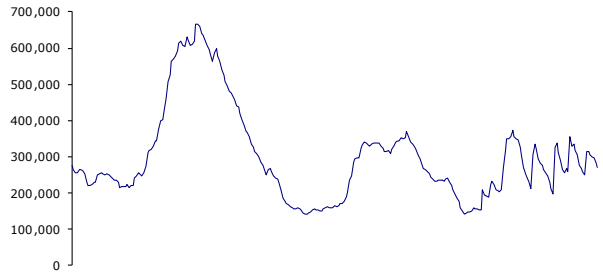


5 Year Metals Stockpiles

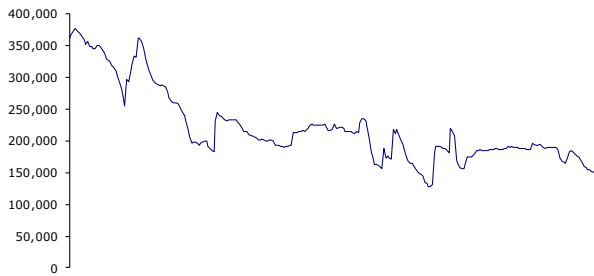
Nickel LME Stockpiles - 5 Year



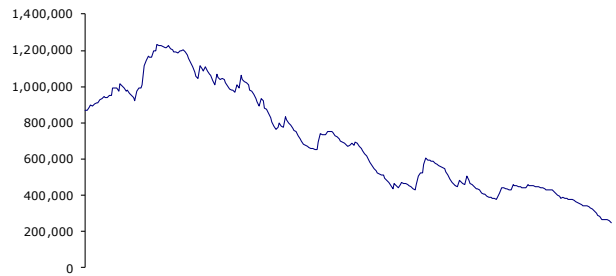
Copper LME Stockpiles - 5 Year



Lead LME Stockpiles - 5 Year



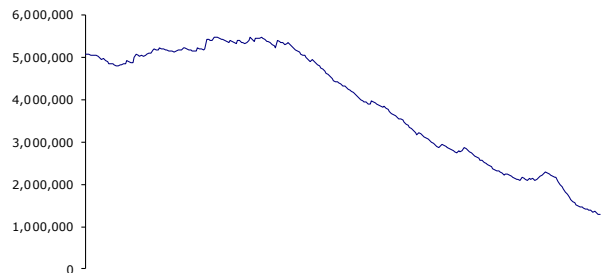
Zinc LME Stockpiles - 5 Year



Tin LME Stockpiles - 5 Year



Aluminium LME Stockpiles - 5 Year



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