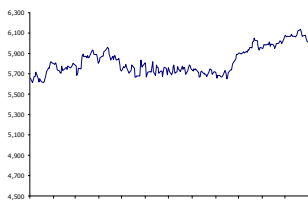


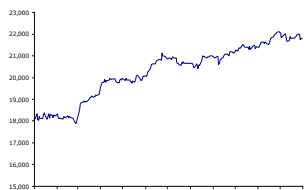
STATE ONE SPINNAKER

21 January 2018
Issue 397

12 month XJO chart



12 month Dow Jones chart



State One Research Products

Spinnaker Free Weekly

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Overview

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Global Wrap – 21 January 2018

World Markets	21/01/2018	14/01/2018	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	6006	6070	-1.1%	-1.1%	8.3%
Dow Jones	21798	21988	-0.9%	-1.0%	18.0%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2810	2786	0.9%	4.8%	25.1%
FTSE 100	7731	7779	-0.6%	1.4%	11.5%
DAX30	13434	13245	1.4%	2.8%	16.5%
Shanghai Composite	3488	3410	2.3%	5.8%	8.5%
Nikkei 225	23808	23715	0.4%	4.5%	26.9%
Hang Seng	32255	31413	2.7%	9.0%	41.1%
Currency					
AUD/USD	0.7995	0.7965	0.4%	1.3%	5.8%
Commodities					
Oil (\$/bbl)	63.5	64.8	-2.1%	6.0%	19.4%
Gas (\$/gal)	2.9	3.0	-1.8%	7.3%	-8.0%
Iron Ore (\$/t)	0.0	53.9	-100.0%	-100.0%	-100.0%
Copper (\$/t)	7079	7071	0.1%	-0.9%	21.3%
Lead (\$/t)	2608	2536	2.8%	4.6%	11.9%
Zinc (\$/t)	3445	3420	0.7%	5.4%	25.5%
Aluminium (\$/t)	2256	2215	1.9%	2.6%	30.3%
Nickel (\$/t)	12595	12670	-0.6%	6.4%	10.8%
Tin (\$/t)	20685	20275	2.0%	5.1%	-3.3%
Gold (\$/oz)	1331	1335	-0.3%	3.1%	13.5%
Silver (\$/oz)	17.0	17.1	-0.7%	1.6%	-0.4%
Platinum (\$/oz)	1017	996	2.1%	9.7%	8.4%
Wheat (\$/t)	422.500	420.750	0.4%	-1.1%	3.5%

Source: Iress

Global Wrap

Key points

1. US investors shrug off shutdown fears
2. Upbeat China data lifts market
3. Lithium deal hits Aussie miners
4. Gold up as \$US and Bitcoin suffer
5. Stock picks for week ahead

US

Wall Street's main indexes rose on Friday, powered by gains in Amazon and Nike, while investors shrugged off fears of a looming US government shutdown, Reuters said.

Amazon rose 1.3% after it raised the monthly fee for its Amazon Prime service, while Nike was up 2% after Wedbush analysts upgraded the stock to "outperform".

At the time of compiling this edition of Spinnaker, lawmakers were racing against a midnight deadline to pass a bill to fund government operations through to 16 February and avoid federal agency shutdowns this weekend.

The bill has yet to be approved by the Senate, where it faces an uncertain future.

However equity investors have taken such incidents in stride, and their reactions have been largely muted during the past three shutdowns since 1995.

If the government shuts down, only "essential" employees for safety and security will keep working

On Wednesday, US Purchasing Managers Index (PMI) data will be released, along with home loan sales.

China

China stocks ended at fresh two-year highs on Friday, with the Shanghai index posting its fifth straight week of gains, Reuters reported.

Banks extended their rally and sentiment was upbeat after the country posted on Wednesday its first acceleration in full-year growth in seven years, official data showed.

China's economy grew faster than expected in the fourth quarter of 2017, underpinned by an export recovery and defying concerns that intensifying curbs on industry and credit would hurt expansion.

Growth for the 2017 full-year picked up to 6.9%, the first annual acceleration for the economy since 2010. The annual growth easily beat the government's 2017 target of around 6.5% and quickened from 6.7% in 2016, the weakest pace in 26 years.

Japan

Stocks rebounded moderately on the Tokyo Stock Exchange on Friday, supported by buying on dips, The Japan Times reported.

The mood was buoyed by brisk corporate earnings reports and hopes for similarly good business results from major companies, brokers said.

But the upside of the market was weighed down by selling amid cautiousness created due to the yen's strengthening against the dollar, which makes Japanese stocks more expensive.

Investors were also waiting to see what would happen with the US stopgap bill to fund federal agencies, a senior analyst told The Japan Times.

On Monday the Bank of Japan will announce its interest rate decision, with no change expected, as well as its policy statement and Q4 outlook. The merchandise trade balance will be released on Tuesday.

More key data will be released on Wednesday: the Nikkei Manufacturing Index, the Leading Economic Index and the Coincident Index from the Cabinet Office. Closely watched CPI will be out on Thursday as well as the BoJ Policy Meeting Minutes.

Europe

The pan-European Stoxx 600 closed up, hitting its highest level since August 2015, while the euro zone's Stoxx hit a 10-year high.

Basic resources were among the gainers following strong demand figures for metal in China. However oil and gas stocks fell almost 0.9% after OPEC predicted more oil supply in the market in 2018 from competitors.

On Tuesday the key ZEW German consumer sentiment survey will be released while a euro zone reading will be flashed.

On Wednesday French, German and euro zone Purchasing Managers Index (PMI) data will be released.

Australia

Local investors shrugged off new records on Wall Street and some upbeat economic indicators to push the ASX lower over the week, Fairfax Media reported.

The S&P/ASX 200 lost nine points on Friday to 6006 while shedding 64 points, or 1.1%, over the week. Friday was the fourth straight daily fall for the index, but in the last two sessions it lost only a combined 10 points.

Retailing stocks were the best performers for the week. The discretionary sector added 1% and staples 0.9%. Health stocks were the only other corner with gains over the five days. Energy and telecommunications sectors both fell about 4.5%.

Lithium miners suffered some heavy falls amid fears of an upcoming boost to global supply. Chilean development agency Corfo struck a deal with SQM, one of the sector's biggest producers. The agreement frees the major lithium miner to apply for an increase in its production quota amid a demand boom and surging prices for the commodity, which is used in electric car batteries. Locally listed Orocobre plunged 9.3% to \$6.48 on Friday, while Galaxy Resources lost 7.4% to \$3.52 and Mineral Resources 6.6% to \$18.84.

Earlier in the week it was revealed that consumer confidence had hit more than a four-year high, according to a monthly survey jointly conducted by Westpac and the Melbourne Institute released Tuesday.

Meanwhile official statistics on Thursday showed jobs in 2017 grew at their fastest annual pace since the GFC. The unemployment rate ticked higher to 5.5% from 5.4%. However ABS figures also showed a 0.2% rise in the participation rate, or the number of people either employed or actively looking for work, to 65.7%.

The Aussie dollar moved back above US80c on Friday, fetching US80.1 cents in late afternoon trade. Climbing commodity prices and upbeat economic numbers have helped buying in the \$A. But economists point out that the Aussie's strength against the greenback reflects the latter's weakness. Against currencies such as the euro, pound and Kiwi dollar, the Aussie is largely unmoved.

After a quiet week for local data, the market will be closed on Friday for Australia Day.

Commodities

Oil

The recent oil price rally appears to have been halted for now, with both the International Energy Agency (IEA) and OPEC this week revising their shale production forecasts upwards for 2018, oilprice.com reported.

The IEA's latest Oil Market Report paints a mixed picture for prices. The market is tightening, the IEA says, but it also says that shale growth will be "explosive" this year. The agency revised up its forecasts growth for US production from 870,000 bpd to 1.1 mb/d in 2018. That, combined with gains from other non-OPEC countries, could end the price rally, though the IEA says a lot of uncertainty remains.

Iron ore futures in China rose on Friday, but posted their first weekly drop in three as slower demand stalled a rally in steel prices which surged nearly 50% last year, Kitco said.

Spot iron ore prices were also on course for their first weekly fall in three weeks, with the benchmark rate hitting a 2-1/2-week low under \$75 a tonne.

Winter in China usually slows activity in the construction sector, one of the biggest consumers of steel. China has also imposed restrictions on steel production in 28 cities, from November through March, in its campaign against smog.

Underlining leaner demand, inventories of construction steel product rebar among Chinese traders have risen to 3.62 million tonnes, as of Jan. 12, from a record low of 2.84 million tonnes in mid-December, according to data from SteelHome consultancy.

Gold regained lost ground Friday as the \$US traded near three-year lows on increased fears of a US government shutdown, Kitco said.

Also making news late in the week were reports that amid the wild Bitcoin ride that's wiped more than 40% off the cryptocurrency's price in a month, sellers are switching into a much more traditional investment.

Major bullion dealers including Sharps Pixley, GoldCore and CoinInvest have all reported an upsurge in demand for the yellow metal, Bloomberg said on Thursday.

"Bitcoin is a bit of a lobster pot -- it's easy to get in, but hard to get out," a London gold dealer Ross Norman said last week.

See stock picks further below.

Base metals

Shanghai *aluminium* prices rose on Friday, buoyed by the first acceleration in China's GDP growth in seven years, even as the country's output of the metal posted a surprise jump for December, Reuters reported.

Lead was the biggest gainer among base metals on the Shanghai Futures Exchange, rising 1.3% to 19,485 yuan a tonne on concerns about air quality and more output restrictions in the key production hub of Jiyuan in Henan province.

Rising supplies of *zinc* over the next couple of years are unlikely to replenish dwindling inventories to the extent that the market stops fretting about shortages and driving up prices towards the peaks seen in 2007.

The global *nickel* market deficit narrowed to 8,400 tonnes in November from 11,500 tonnes in the previous month, the International Nickel Study Group said on Thursday.

Stock picks

The \$US gold price has posted impressive gains since mid-December despite, or perhaps, because of consistently rising global equity markets. Rising gold ETF holdings could be interpreted as a sign that investors are getting worried that financial assets are becoming too expensive.

We also note that the recent pullback in the price of cryptocurrencies may be pushing investors back into the traditional safe haven asset – precious metals.

In addition, the usual suspects, the weak \$US and geopolitical risks – including political turmoil over a possible government shutdown in Washington – are all acting as price drivers.

Looking at ASX gold equities, many of the large established gold producers – Northern Star, St Barbara, Newcrest, Evolution - appear fully valued.

Of the Tier I Australian-based producers, **Saracen** (ASX:SAR) appears to offer the most upside with ~11%.

For investors looking for more upside, one will have to travel outside Australia. **Beadell Resources** (ASX:BDR), based in Brazil, offers some 67% relative to its IRESS consensus target price, while **OceanaGold** (ASX:OGC) and **Medusa Mining** (ASX:MML) - with operations in The Philippines - offer some 30% upside.

Our top mid-cap Australia-based pick is **Westgold Resources** (ASX:WGX). The gold spin-out from Metals X offers some 36% upside potential relative to its IRESS consensus target price. Note: Total returns are based on IRESS consensus target prices and IRESS FY18E dividends

Forecast total return for selected S&P/ASX Gold Stocks

Security	Name	Share Price (A\$)	Target Price (A\$)	Capital upside / (downside) (%)	FY18E Dividend (A\$)	FY18E DY (%)	Total Return (%)
BDR	Beadell Resources	0.18	0.3	66.7%	0.00	0.0%	66.7%
SLR	Silver Lake Resources	0.4	0.65	62.5%	0.00	0.0%	62.5%
RSG	Resolute Mining	1.12	1.66	48.2%	0.02	1.8%	50.0%
WGX	Westgold Resources	1.66	2.25	35.5%	0.01	0.6%	36.1%
OGC	OceanaGold	3.39	4.45	31.3%	0.03	0.9%	32.2%
MML	Medusa Mining	0.48	0.61	27.1%	0.00	0.0%	27.1%
PRU	Perseus Mining	0.43	0.54	25.6%	0.0%	0.0%	25.6%
RMS	Ramellus Resources	0.42	0.49	16.7%	0.00	0.0%	16.7%
SAR	Saracen Minerals	1.51	1.67	10.6%	0.01	0.7%	11.3%
EVN	Evolution Mining	2.64	2.56	-3.0%	0.07	2.7%	-0.4%
NCM	Newcrest Mining	22.54	22.05	-2.2%	0.23	1.0%	-1.2%
RRL	Regis Resources	4.18	3.67	-12.2%	0.18	4.3%	-7.9%
SBM	St Barbara	3.77	3.34	-11.4%	0.12	3.2%	-8.2%
NST	Northern Star	5.96	5.35	-10.2%	0.10	1.7%	-8.6%
DRM	Doray Minerals	0.27	0.24	-11.1%	0.00	0.0%	-11.1%



Source: IRESS, compiled by State One Stockbroking

Economic Calendar 22/01/2018 – 26/01/2018

Tuesday January 23 2018			Actual	Previous	Consensus	Forecast
11:00 AM	JP	BoJ Interest Rate Decision		-0.1%	-0.1%	-0.1%
01:00 PM	JP	BoJ Quarterly Outlook Report				
06:00 PM	DE	ZEW Economic Sentiment Index JAN		17.4	17.9	19
11:00 PM	EA	Consumer Confidence Flash JAN		0.5	0.6	0.2
Wednesday January 24 2018			Actual	Previous	Consensus	Forecast
07:50 AM	JP	Balance of Trade DEC		¥113B	¥530B	¥430B
04:30 PM	DE	Markit Manufacturing PMI Flash JAN		63.3	63.0	62.9
05:30 PM	GB	Claimant Count Change DEC		5.9K	3.2K	5.2K
05:30 PM	GB	Unemployment Rate NOV		4.3%	4.3%	4.3%
11:00 PM	US	Existing Home Sales DEC		5.81M	5.7M	5.5M
Thursday January 25 2018			Actual	Previous	Consensus	Forecast
07:00 AM	KR	GDP Growth Rate QoQ Adv Q4		1.5%		0.9%
07:00 AM	KR	GDP Growth Rate YoY Adv Q4		3.8%		3.2%
03:00 PM	DE	GfK Consumer Confidence FEB		10.8	10.8	10.8
05:00 PM	DE	IFO Business Climate JAN		117.2	117.2	116.9
08:45 PM	EA	ECB Interest Rate Decision		0.0%	0%	0.0%
09:30 PM	EA	ECB Press Conference				
11:00 PM	US	New Home Sales DEC		0.733M	0.679M	0.69M
Friday January 26 2018			Actual	Previous	Consensus	Forecast
07:30 AM	JP	Inflation Rate YoY DEC		0.6%	0.3%	0.4%
07:50 AM	JP	BoJ Monetary Policy Meeting Minutes				
05:30 PM	GB	GDP Growth Rate QoQ Prel Q4		0.4%	0.4%	0.5%
05:30 PM	GB	GDP Growth Rate YoY Prel Q4		1.7%	1.4%	1.8%
09:30 PM	CA	Inflation Rate YoY DEC		2.1%	1.9%	2%
09:30 PM	US	GDP Growth Rate QoQ Adv Q4		3.2%	3%	2.9%
09:30 PM	US	Durable Goods Orders MoM DEC		1.3%	0.8%	0.6%
10:00 PM	MX	Balance of Trade DEC		\$0.399B		\$ -0.65B

Source: www.tradingeconomics.com

Economic Calendar 29/01/2018 – 2/02/2018

Monday January 29 2018			Actual	Previous	Consensus	Forecast	
09:30 PM	 US	Personal Income MoM DEC		0.3%	0.3%	0.44%	
09:30 PM	 US	Personal Spending MoM DEC		0.6%	0.5%	0.49%	
Tuesday January 30 2018			Actual	Previous	Consensus	Forecast	
07:30 AM	 JP	Unemployment Rate DEC		2.7%	2.8%	2.7%	
08:30 AM	 AU	NAB Business Confidence DEC		6		10	
02:30 PM	 FR	GDP Growth Rate QoQ 1st Est Q4		0.6%		0.50%	
04:00 PM	 ES	GDP Growth Rate QoQ Flash Q4		0.8%		0.80%	
04:00 PM	 ES	GDP Growth Rate YoY Flash Q4		3.1%		2.9%	
04:00 PM	 CH	KOF Leading Indicators JAN		111.3		111	
06:00 PM	 EA	GDP Growth Rate QoQ Flash Q4		0.6%		0.50%	
06:00 PM	 EA	GDP Growth Rate YoY Flash Q4		2.6%		2.60%	
06:00 PM	 EA	Business Confidence JAN		1.66	1.51	1.66	
09:00 PM	 DE	Inflation Rate YoY Prel JAN		1.7%		1.80%	
10:00 PM	 MX	GDP Growth Rate QoQ Prel Q4		-0.3%		0.20%	
Wednesday January 31 2018			Actual	Previous	Consensus	Forecast	
08:01 AM	 GB	Gfk Consumer Confidence JAN		-13	-12	-12.55	
09:00 AM	 CN	NBS Manufacturing PMI JAN		51.6	51.6	51.56	
01:00 PM	 JP	Consumer Confidence JAN		44.7		44.82	
04:00 PM	 IN	Fiscal Year GDP Growth 2016-17		7.1%			
04:55 PM	 DE	Unemployment Rate JAN			5.6%		
04:55 PM	 DE	Unemployment Change JAN		-29K	-12K	-19.5K	
06:00 PM	 EA	Unemployment Rate DEC		8.7%		8.7%	
09:15 PM	 US	ADP Employment Change JAN		250K	173K	233.8K	
Thursday February 01 2018			Actual	Previous	Consensus	Forecast	
03:00 AM	 US	Fed Interest Rate Decision		1.5%		1.5%	
09:45 AM	 CN	Caixin Manufacturing PMI JAN		51.5	50.6	50.99	
02:45 PM	 CH	Consumer Confidence Q1		-2		-3.58	
11:00 PM	 US	ISM Manufacturing PMI JAN		59.7	58.9	59.10	
Friday February 02 2018			Actual	Previous	Consensus	Forecast	
09:00 PM	 RU	GDP Growth Rate YoY Prel Q4		1.8%			
09:30 PM	 US	Unemployment Rate JAN		4.1%	4.1%	4.1%	
09:30 PM	 US	Non Farm Payrolls JAN		148K	163K	185.2K	

Source: www.tradingeconomics.com

All Ords Top 10 Week Ending 19 January 2018

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
SRX	Sirtex Medical	15.6	GXY	Galaxy Resources	-17.0
A2M	The A2 Milk Company	13.0	PLS	Pilbara Min Ltd	-15.7
FLT	Flight Centre Travel	7.6	RFG	Retail Food Group	-13.8
TWE	Treasury Wine Estate	4.9	LYC	Lynas Corporation	-10.3
ALL	Aristocrat Leisure	4.0	MIN	Mineral Resources.	-9.7
QAN	Qantas Airways	4.0	NXT	Nextdc Limited	-9.6
NHF	NIB Holdings Limited	3.7	SWM	Seven West Media Ltd	-8.3
CYB	Cybg PLC	3.6	WHC	Whitehaven Coal	-8.3
QUB	Qube Holdings Ltd	3.6	VOC	Vocus Group Ltd	-8.1
AHG	Automotive Holdings.	3.4	BPT	Beach Energy Limited	-7.9

Source: IRESS

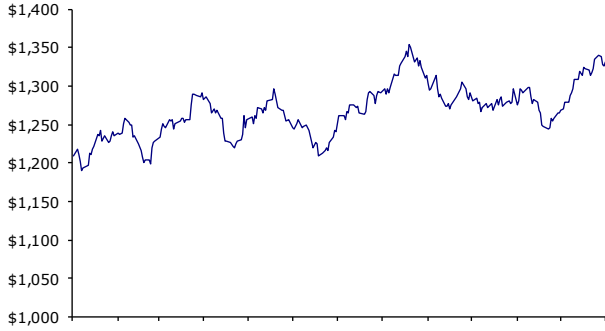
S & P Indices Week Ending 19 January 2018

S&P Indices	21/01/2018	14/01/2018	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	10733	11240	-4.5%	-1.2%	20.7%
S&P 200 Materials	11696	11987	-2.4%	1.6%	18.1%
S&P 200 Industrials	5728	5765	-0.6%	-3.8%	12.3%
S&P 200 Consumer Disc.	2324	2302	1.0%	-1.8%	11.0%
S&P 200 Consumer Staples	10101	10015	0.9%	-1.4%	18.1%
S&P 200 Healthcare	24571	24441	0.5%	0.3%	27.4%
S&P 200 Financials	6478	6521	-0.7%	-0.8%	1.7%
S&P 200 Info Technology	1001	1007	-0.6%	-1.9%	28.7%
S&P 200 Telecommunicatic	1286	1345	-4.4%	-2.1%	-26.7%
S&P 200 Utilities	7897	8063	-2.1%	-5.4%	4.7%
S&P 200 Property Trusts	1358	1365	-0.5%	-4.2%	1.2%
S&P 200 Financials ex PT	7225	7274	-0.7%	-0.8%	1.7%

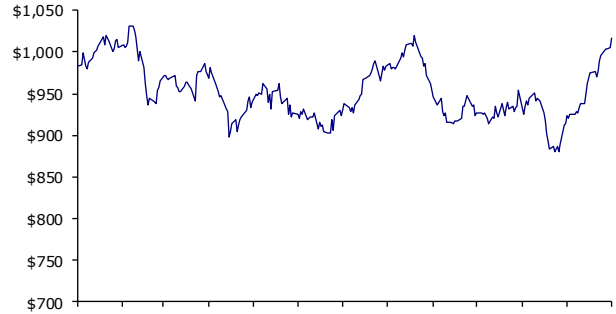
Source: IRESS

1 Year Commodity Price Charts

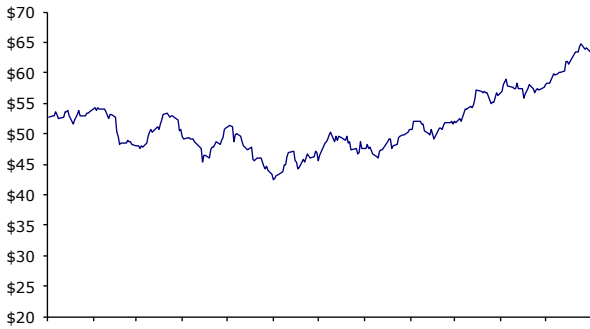
1 Year Gold



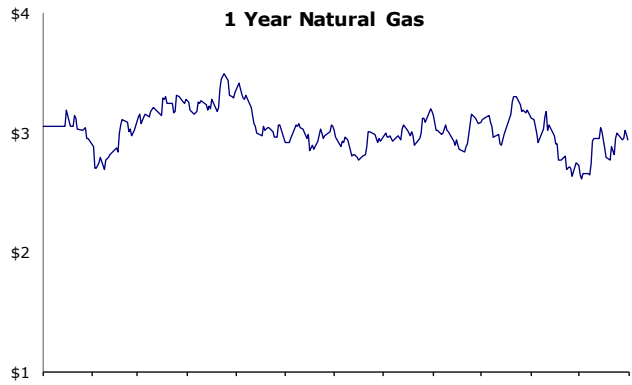
1 Year Platinum



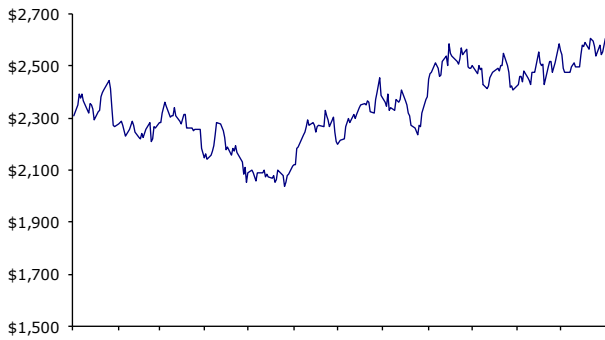
1 Year Oil



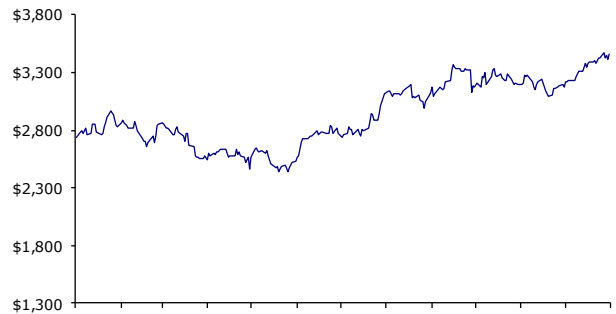
1 Year Natural Gas



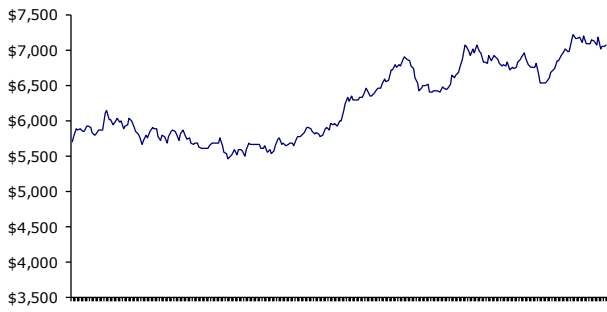
1 Year Lead



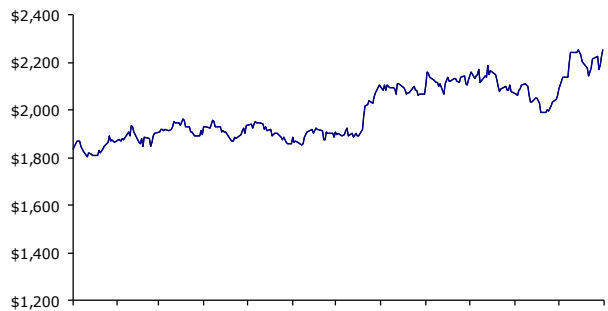
1 Year Zinc



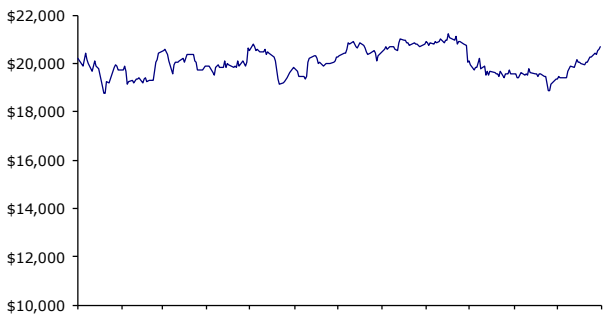
1 Year Copper



1 Year Aluminium

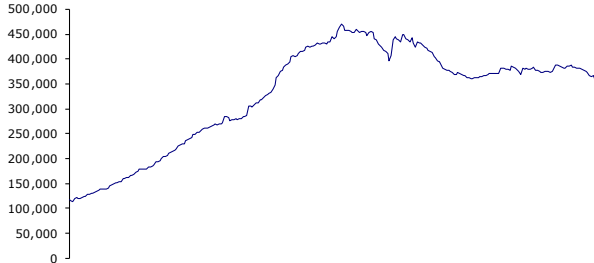


1 Year Tin

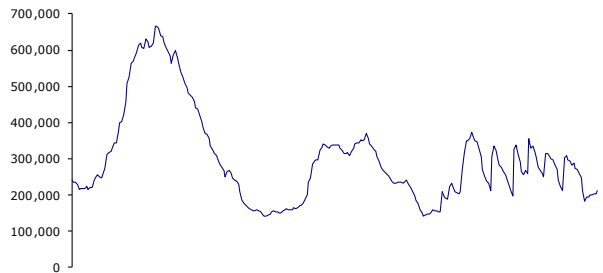


5 Year Metals Stockpiles

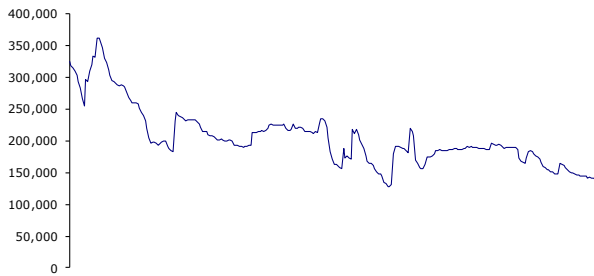
Nickel LME Stockpiles - 5 Year



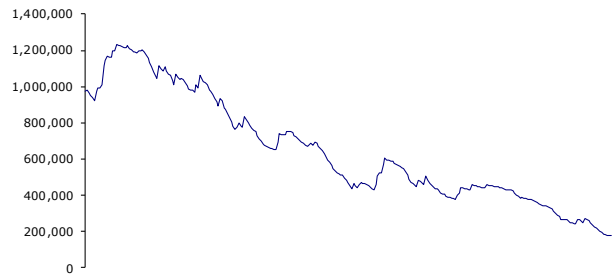
Copper LME Stockpiles - 5 Year



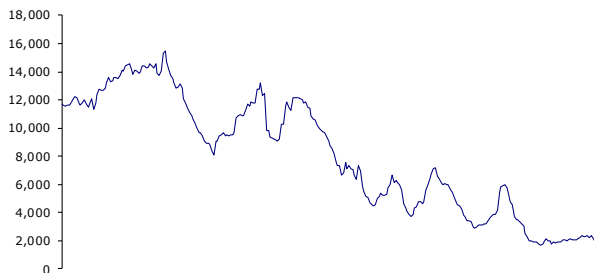
Lead LME Stockpiles - 5 Year



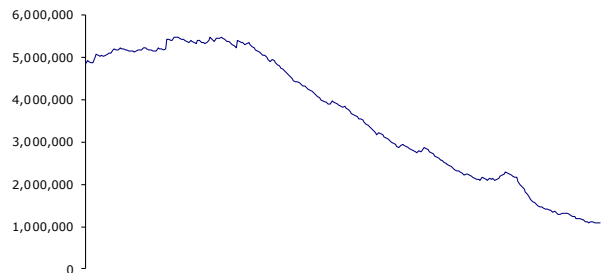
Zinc LME Stockpiles - 5 Year



Tin LME Stockpiles - 5 Year



Aluminium LME Stockpiles - 5 Year



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