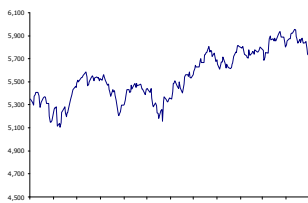


## STATE ONE SPINNAKER

21 May 2017  
Issue 367

### 12 month XJO chart



### 12 month Dow Jones chart



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## Global Wrap – 21 May 2017

World Markets	21/05/2017	14/05/2017	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	5727	5837	-1.9%	-3.1%	8.8%
Dow Jones	20805	20897	-0.4%	-0.8%	19.0%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2382	2391	-0.4%	-0.2%	16.0%
FTSE 100	7471	7435	0.5%	2.5%	17.2%
DAX30	12639	12770	-1.0%	1.3%	23.2%
Shanghai Composite	3091	3090	0.0%	-2.0%	-8.3%
Nikkei 225	19591	19870	-1.4%	1.8%	6.3%
Hang Seng	25175	25156	0.1%	2.4%	10.2%
Currency					
AUD/USD	0.7460	0.7415	0.6%	1.1%	3.3%
Commodities					
Oil (\$/bbl)	50.9	47.9	6.3%	3.3%	28.4%
Gas (\$/gal)	3.3	3.5	-4.5%	2.5%	38.8%
Iron Ore (\$/t)	53.9	53.9	0.0%	6.9%	7.8%
Copper (\$/t)	5596	5520	1.4%	-1.4%	6.1%
Lead (\$/t)	2088	2166	-3.6%	-4.7%	20.3%
Zinc (\$/t)	2561	2582	-0.8%	-1.9%	49.3%
Aluminium (\$/t)	1938	1880	3.1%	-1.0%	30.9%
Nickel (\$/t)	9180	9325	-1.6%	-0.8%	-11.8%
Tin (\$/t)	20550	19910	3.2%	3.5%	28.6%
Gold (\$/oz)	1256	1228	2.3%	-1.2%	7.7%
Silver (\$/oz)	16.8	16.5	2.3%	-4.0%	6.3%
Platinum (\$/oz)	941	922	2.1%	-1.3%	-7.0%
Wheat (\$/t)	435.250	432.750	0.6%	2.1%	-11.3%

Source: Iress

## Global Wrap

### US

After suffering their biggest pullback of the year earlier in the week, US stocks closed higher on Friday as worries about the Trump presidency receded - at least for the time being - amid some positive data releases.

The Dow Jones industrial average rose about 140 points to 20804.84, with Boeing and Caterpillar contributing the most gains.

The S&P 500 gained about 0.7% to finish at 2381.73. Deere shares rose 7.3% after posting quarterly results that beat expectations.

The Nasdaq composite rose 0.475 to 6083.70

The US dollar fell against a basket of currencies, while the euro gained 0.92% to \$1.1202.

Amid all the questions about whether – or when – the Trump trade would become a toxic Trump fade - there was encouraging news out of the US last week.

Amid all the questions about whether – or when – the Trump trade would become a toxic Trump fade - there was encouraging news out of the US last week.

Consumer prices rose 0.2% after a 0.3% drop in March. Energy prices rose 1.1% after tumbling 3.2% the previous month. Core inflation, which subtracts the volatile food and energy categories, rose 0.1%. Over the past 12 months inflation is up 2.2% annually and core prices have risen 1.9%, falling within the range of the Federal Reserve's target of around 2%.

Applications for weekly unemployment aid, a proxy for layoffs, fell 4,000 to 232,000 - the lowest level in nearly three months, the Labor Department said on Thursday.

The figure has been below 300,000, a historically low figure, for 115 weeks in the longest such streak since 1970, with the unemployment rate falling to a 10-year low of 4.4% in April.

Manufacturing production, which accounts for about 12% of the US economy, jumped 1.0%, the biggest increase since February 2014, after falling 0.4% in March, the Fed said.

Its recovery is being driven by a revival of the energy sector, which is fuelling demand for equipment. And the National Association of Home Builders and Wells Fargo said last week their index of builder confidence in newly built, single-family homes climbed to 70 points from 68 in April. In March, the index reached 71, which was the highest since June 2005 during the height of the prior housing boom.

But President Donald Trump's mounting political dramas are raising doubts about his ability to push through the tax cuts and infrastructure spending economists had been counting on to lift gross domestic product above the lacklustre 2% or so it's been mired in over the past eight years.

Traders also marked down the odds of an interest-rate increase by the Federal Reserve next month to about 60% from 80% a week ago. The chances of a follow-on move in September were also lowered.

In corporate news, last week marked 20 years since a money-losing Internet book-seller start-up went public. Early investors in Amazon would have been richly rewarded for holding through the dotcom crash and GFC: An initial \$10,000 investment would now be worth \$4.9 million.

But some on Wall Street are beginning to worry about the disconnect between the Nasdaq, driven by the ever-rising FANG (Facebook, Amazon, Netflix and Google-parent Alphabet) stocks, and the rest of the market, Bloomberg noted.

Index-tracking funds, which have become increasingly popular, must keep pace with market caps. This means if the share prices of Facebook, Amazon and co rise in isolation, their cap weightings rise and fund managers must buy more ... and so on, prompting some analysts to ask when the merry-go-round ride will end.

## **China**

There was mixed news from the world's second largest economy last week as China's industrial production, a rough proxy for economic growth, missed estimates in April in another sign that growth momentum is slowing.

The country's industrial output rose 6.5% in April from a year ago, worse than Reuters' projection of 7.1% and down from March's 7.6% growth, official data showed last week. The data also showed that China's fixed-asset investment grew 8.9% in the first four months of 2017, also missing the 9.1% estimated by Reuters.

In spite of this, most economists believe China can still achieve its growth target of 6.5% this year. Retail sales, which increased by 10.7% year-on-year in April, beat the 10.6% forecast, but were weaker than March's 10.9%.

Home prices in Beijing and some major Chinese cities softened in April due to the measures to cool China's hot property market, but average prices nationally had their biggest increase in six months, helped by sales in smaller cities.

Overall, new home prices in China rose 0.7% in April from a month earlier, outpacing the 0.6% increase in March, Reuters calculations of National Bureau of Statistics (NBS) data showed.

The People's Bank of China is continuing its crackdown on leverage, especially high-risk, high-yielding investments known as wealth management products. The popularity of WMPs has soared in the past few years, with around 29 trillion yuan (US\$5.6 trillion) – 40 per cent of Chinese GDP – now invested in these opaque products.

However authorities are becoming more concerned about the effects of the more draconian curbs against shadow banking and last week made available an additional US\$24.7B to the banking sector, the most in one day in four months.

Policy makers have also turned to daily currency fixing to prevent jitters spreading to the foreign-exchange

market. Officials have been pushing the yuan up, with the reference rate coming in above analysts' expectations in 25 of the past 32 trading days.

And China gave sentiment on commodity markets a welcome boost after it officially rolled out its One Belt, One Road infrastructure project at an international forum in Beijing last week. \$US1 trillion (\$1.35 trillion) has already been pledged for the construction of highway, energy, rail and port projects, Chinese state media says.

## **Japan**

The big news out of the economy that had become a byword for stagnation was that a record-high 97.3% of university graduates were employed as of the start of its fiscal year on April 1, according to government data released on Friday.

The rate rose 0.6 percentage points from the year before in the fifth consecutive annual increase and it is the highest figure recorded by the annual education and labour ministries survey since 1997. In line with this, Japan recorded its fifth straight quarter of growth and the fastest pace since the first quarter of 2016.

First quarter GDP rose 0.5% for the quarter and 2.2% year-on-year, against analysts expectations of 0.4% and 1.7% respectively.

Inflation data is due next week, with consumer prices expected to have accelerated last month, led by energy costs.

But prices of other items remained weak, analysts say, suggesting there is some way to go before the Bank of Japan's 2% price growth target is reached.

Due out next week is the CPI on Thursday and Bloomberg May Economic Survey on Friday, followed by retail sales the following Monday.

In what could be seen as pushback against China's One Belt One Road initiative, India and Japan are initiating their own projects across Africa, Iran, Sri Lanka and Southeast Asia to connect them with Europe and Africa.

On Wednesday India and Japan will hold talks with stakeholders from Africa on the sidelines of the Africa Development Bank meeting in Ahmedabad.

Meanwhile in India, Prime Minister Narendra Modi's government won agreement late last week on key details to introduce sweeping tax reforms that will dramatically reshape India's \$2 trillion economy. A new GST will subsume more than a 12 separate levies in a move that could boost the world's fastest-growing major economy.

## **Europe**

The eurozone's trade surplus reached the highest level ever recorded - €30.9 billion in March, data released last week revealed.

Eurozone GDP increased 0.5% for the first quarter of 2017, in line with the preliminary reading released earlier this month and forecasts. The annual rate was confirmed at 1.7%, down slightly from 1.8% the previous quarter.

The Stoxx 600 has risen 9.5% this year through Friday, and last week climbed to its highest level in 21 months.

Last week we reported the record inflow into Euro equity funds, but Bloomberg says forecasters now see fewer triggers for further gains, with analysts suggesting prospects for better profits are largely priced in.

The expansionary European Central Bank monetary policy, however, is expected to continue to support domestic demand.

In the UK, April CPI growth was reported at 2.7% year-on-year, partly because of a late Easter, which pushed April airfares higher. Core inflation was estimated at 2.4%.

Against this wages were reported to have fallen 0.2% during the March quarter and annual wages growth rate came in at 2.1%.

But unemployment fell to 4.6% in the three months to April, the lowest level since 1975.

Finally, one of the largest bailouts of the financial crisis came to a close when Lloyds Banking Group closed the darkest chapter in its history after the Government offloaded its remaining shareholding last week, nearly a decade after its £20.3b taxpayer-backed rescue in 2008 at the height of the GFC.

## Australia

Employment data surprised last week, with new jobs growing for a seventh consecutive month in April. Employment rose by 37,400, seasonally adjusted, easily surpassing expectations for an increase of 5,000.

That cut the jobless rate to 5.7% from 5.9%.

But the ABS reported that monthly hours worked fell by 4.3 million hours to 1.6595 billion hours, seasonally adjusted, driven by a drop in full-time hours that was only partially offset by a lift in part-time work.

Labour market weakness, soft wages growth and concerns about heavily indebted households weighed on Reserve Bank of Australia board members' minds, minutes from the RBA May meeting released last week revealed.

Wage growth remained at record lows in the March quarter, with workers receiving a pay rise of just 0.5%.

Annual wages growth is 1.9%, the lowest on ABS figures that go back to the late 1990s. With headline inflation running at 2.1%, real wage growth has fallen into the negative, which does not bode well for consumer spending.

The lowest wage rises were in the mining sector, the highest in public service, teaching and health. Westpac's monthly consumer sentiment index fell 1.1 per cent to 98 points, below the 100-point level that indicates optimists outnumber pessimists.

In other sobering data released last week, the number of home loan approvals fell 0.5% in February, missing market expectations of a flat result.

The value of loans approved for owner-occupied housing slipped 0.5% in February, while loans for investment properties slumped 5.9%

May's Westpac-MI consumer sentiment survey indicates the downward movement looks set to continue. "The 'Time to buy a dwelling' index fell by 6.5% in May from 96.3 in April to 90.0 in May.

Apart from one reading in 2010 this is the lowest rate for this Index since 2008.

On the market, investors continued to price in the new big bank tax. NAB suffered the biggest hit, closing down 6% over the week.

A pickup in iron ore provided support for the resources giants. BHP, also buoyed by a stabilising oil price, rose 2.5% per cent while Rio Tinto enjoyed a 5% lift and Fortescue Metals leapt 10.6%.

Fairfax soared 16.4% late last week after a second private equity bid was launched for the whole business.

## Commodities

### *Oil*

Brent crude enjoyed a boost on Friday, with futures rising to the highest in nearly a month as investors became more confident the big producing countries would extend output cuts. On Friday afternoon oil was fetching \$US52.90 a barrel, capping its second week of gains.

Last week the powerhouses of OPEC and other producers including Russia, agreed to extend production cuts of 1.8 million barrels a day for nine months to March.

Saudi energy minister Khalid al-Falih and Russia's Alexander Novak promised "to do whatever it takes" to reduce global inventories to their five-year historical average.

The move came ahead of OPEC's meeting this Wednesday as the oil exporter group attempts to slow the recovery in shale oil production by curtailing the market's ability to grow future production through forward sales.

OilPrice.com forecasts extension of the cuts should go hand in hand with guidance of future production increases by low-cost producers, with emphasis by the Saudis and others that oil prices will likely remain in a \$45-55 a barrel long-term range.

Meanwhile American shale drillers are expected to increase output again in June, totalling an expected 5.4 million barrels a day, according to the Energy Information Administration.

This caps off a 10% recovery in US shale production growth since September and an explosion of activity

in the Permian Basin in Texas and New Mexico.

### *Iron ore*

Iron ore spot prices remained choppy after falling to multi-month lows last week.

But Chinese steel inventories are lower than usual and steel mill margins are elevated. Vivek Dhar, mining and energy analyst at the Commonwealth Bank, suggests these factors may support iron ore prices in the near-term.

Credit Suisse also believes iron ore will rebound over the coming months, which has boosted confidence in iron ore miners.

“Chinese steel rebar stockpiles are now nearly 30% below the historic average. Together with a rebound in steel mill margins, there is a real chance that iron ore prices could rebound in the short term,” Dhar says. “We would closely watch for a pick-up in steel output rates in China to confirm stronger iron ore demand.”

According to data from Metal Bulletin, the spot price for benchmark 62% fines fell by 0.97% to \$61.60 a tonne on Friday, partially reversing the 1.68% gain recorded on Thursday.

Year to date it has fallen 21.9%.

### *Aluminium*

As of last Wednesday aluminium has risen about 11% this year, preceded by a 13.4% rise in 2016. The benchmark three-month aluminium futures on the London Metal Exchange closed at \$1,923 on Thursday.

Higher energy costs raise the floor for prices of aluminium, where power can account for 25-40 per cent of production costs.

Prices are also supported by tumbling stocks of aluminium in LME-approved warehouses, with inventories down more than 30 per cent since mid-January at about 1.4 million tonnes.

Traders said that China's trillion-dollar effort to build a modern Silk Road with ports, roads and rail links had boosted sentiment in metals markets.

And in supply-tightening steps, China has ordered aluminium producers in 28 cities to cut output during the winter and outlined plans to curb coal use in the capital in its battle against smog.

China accounts for more than half of global aluminium production estimated at about 59 million tonnes last year.

Gold prices edged up on Friday and enjoyed their biggest weekly gain since mid-April as the US dollar weakened in the face of positive data from Europe.

Gold was fetching \$US1250.9 an ounce in late Friday trade, up 1.9 per cent over the week.

Amid serious presidential scandals in the US and Brazil and in a relatively quiet week for economic data, gold prices could continue to push higher, according to analysts cited by Kitco.

Copper and other base metal prices rallied on Friday morning on the back of strong US economic data.

On the London Metal Exchange the price of copper was up 0.53% at \$5,613 per metric ton in midmorning trading after being knocked lower earlier in the week by a fresh influx of inventories.

LME inventories have climbed by a third since late April after data showed on Wednesday they added another 17,100 tonnes to 339,600.

In other news about the red metal, Canada's First Quantum Minerals is just a few months away from commissioning its massive \$5.48 billion copper project in Panama, one of the largest of very few new copper mines to begin production by the end of the decade.

Nickel and zinc rebounded on Wednesday after steel prices jumped, while nickel also received a boost from news that output at Vale's Birtchtree mine in Canada would be suspended.



























There is some downward pressure on nickel amid expectations for renewed exports from Indonesia and the Philippines reaching China by the start of June.

But Commonwealth Bank analysts expect demand for nickel will remain supported in the near term as Chinese policy should shore up growth before elections later this year.

After the elections, the analysts expect policy makers will renew the focus on structural reform and moving the economy towards consumption and services.

Another commodity hitting the financial news headlines last week was cotton, with its price hitting new high as US sales boom and global demand thrives. World inventory is forecast to shrink for the third straight year amid falling stockpiles in China, the largest consumer.

## Economic Calendar 22/05/2017 – 26/05/2017

Monday May 22 2017	Actual	Previous	Consensus	Forecast	
<b>07:50 AM</b>  JP <b>Balance of Trade</b> APR		¥615B	¥520.7B	¥550B	
Tuesday May 23 2017	Actual	Previous	Consensus	Forecast	
<b>03:30 PM</b>  DE <b>Markit Manufacturing PMI Flash</b> MAY		58.2	58	58.4	
<b>04:00 PM</b>  DE <b>IFO Business Climate</b> MAY		112.9	113.1	113.4	
<b>10:00 PM</b>  US <b>New Home Sales</b> APR		621K	611K	600K	
Wednesday May 24 2017	Actual	Previous	Consensus	Forecast	
<b>02:00 PM</b>  DE <b>GfK Consumer Confidence</b> JUN		10.2	10.2	10.4	
<b>10:00 PM</b>  CA <b>BoC Interest Rate Decision</b>		0.5%	0.5%	0.5%	
<b>10:00 PM</b>  US <b>Existing Home Sales</b> APR		5.71M	5.65M	5.7M	
Thursday May 25 2017	Actual	Previous	Consensus	Forecast	
<b>02:00 AM</b>  US <b>FOMC Minutes</b>					
<b>04:30 PM</b>  GB <b>GDP Growth Rate QoQ 2nd Est Q1</b>		0.7%	0.3%	0.3%	
<b>04:30 PM</b>  GB <b>GDP Growth Rate YoY 2nd Est Q1</b>		1.9%	2.1%	2.1%	
Friday May 26 2017	Actual	Previous	Consensus	Forecast	
<b>07:30 AM</b>  JP <b>Inflation Rate YoY</b> APR		0.2%	0.4%	0.3%	
<b>08:30 PM</b>  US <b>Durable Goods Orders MoM</b> APR		0.7%	-1.3%	-0.7%	
<b>08:30 PM</b>  US <b>GDP Growth Rate QoQ 2nd Est Q1</b>		2.1%	0.9%	0.8%	

Source: [www.tradingeconomics.com](http://www.tradingeconomics.com)

## Economic Calendar 29/05/2017 – 2/06/2017

Tuesday May 30 2017		Actual	Previous	Consensus	Forecast	
07:30 AM	JP Unemployment Rate APR		2.8%		2.81%	
03:00 PM	CH KOF Leading Indicators MAY		106.0		105.72	
05:00 PM	EA Business Confidence MAY		1.09		1.15	
08:00 PM	DE Inflation Rate YoY PreI MAY		2%		2.2%	
Wednesday May 31 2017		Actual	Previous	Consensus	Forecast	
07:05 AM	GB Gfk Consumer Confidence MAY		-7		-8	
09:00 AM	CN NBS Manufacturing PMI MAY		51.2		51.03	
03:55 PM	DE Unemployment Change MAY		-15K		-9.8K	
03:55 PM	DE Unemployment Rate MAY		5.8%		5.8%	
05:00 PM	EA Unemployment Rate APR		9.5%		9.4%	
08:00 PM	IN GDP Growth Rate YoY Q1		7%		6.5%	
08:30 PM	CA GDP Growth Rate QoQ Q1		0.6%		0.6%	
08:30 PM	CA GDP Growth Rate Annualized Q1		2.6%		3%	
Thursday June 01 2017		Actual	Previous	Consensus	Forecast	
09:45 AM	CN Caixin Manufacturing PMI MAY		50.3		51.8	
01:45 PM	CH GDP Growth Rate QoQ Q1		0.1%		0.4%	
01:45 PM	CH GDP Growth Rate YoY Q1		0.6%		1.5%	
08:00 PM	BR GDP Growth Rate QoQ Q1		-0.9%		-0.3%	
08:00 PM	BR GDP Growth Rate YoY Q1		-2.5%		-1.9%	
08:15 PM	US ADP Employment Change MAY		177K		193.3K	
10:00 PM	US ISM Manufacturing PMI MAY		54.8		54.16	
Friday June 02 2017		Actual	Previous	Consensus	Forecast	
01:00 PM	JP Consumer Confidence MAY		43.2		43.04	
08:30 PM	CA Balance of Trade APR		C\$-0.14B			
08:30 PM	US Balance of Trade APR		\$-43.7B		\$ -44.8B	
08:30 PM	US Non Farm Payrolls MAY		211K		160.3K	
08:30 PM	US Unemployment Rate MAY		4.4%		4.7%	

Source: [www.tradingeconomics.com](http://www.tradingeconomics.com)



## All Ords Top 10 Week Ending 19 May 2017

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
FXJ	Fairfax Media Ltd	16.4	SRX	Sirtex Medical	-25.3
FMG	Fortescue Metals Grp	10.5	AHY	Asaleo Care Limited	-16.8
SAR	Saracen Mineral	8.9	SXL	Sthn Cross Media	-10.9
MIN	Mineral Resources.	7.3	ACX	Aconex Limited	-9.6
OZL	OZ Minerals	6.9	MTS	Metcash Limited	-8.9
RIO	Rio Tinto Limited	5.8	BAL	Bellamy'S Australia	-8.6
SGM	Sims Metal Mgmt Ltd	5.5	GXY	Galaxy Resources	-8.4
RWC	Reliance Worldwide	4.4	ALQ	ALS Ltd	-8.4
VOC	Vocus Group Ltd	4.0	NAN	Nanosonics Limited	-7.3
GNC	GrainCorp Limited	3.4	JHX	James Hardie Indust	-7.0

Source: IRESS

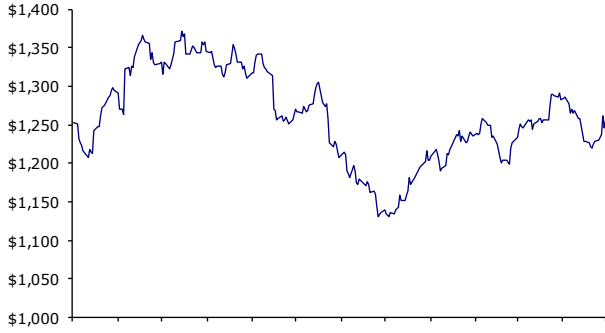
## S & P Indices Week Ending 19 May 2017

S&P Indices	21/05/2017	14/05/2017	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	9356	9442	-0.9%	0.0%	3.3%
S&P 200 Materials	9754	9636	1.2%	-0.5%	18.9%
S&P 200 Industrials	5650	5689	-0.7%	4.3%	18.9%
S&P 200 Consumer Disc.	2188	2206	-0.8%	-0.9%	19.3%
S&P 200 Consumer Staples	9366	9640	-2.8%	-1.5%	6.8%
S&P 200 Healthcare	22962	23610	-2.7%	0.2%	27.1%
S&P 200 Financials	6414	6654	-3.6%	-7.8%	5.5%
S&P 200 Info Technology	862	886	-2.7%	1.4%	19.9%
S&P 200 Telecommunicatic	1539	1516	1.5%	3.1%	-22.2%
S&P 200 Utilities	8956	9049	-1.0%	0.1%	33.1%
S&P 200 Property Trusts	1373	1401	-2.0%	-3.9%	8.4%
S&P 200 Financials ex PT	7154	7421	-3.6%	-7.8%	2.8%

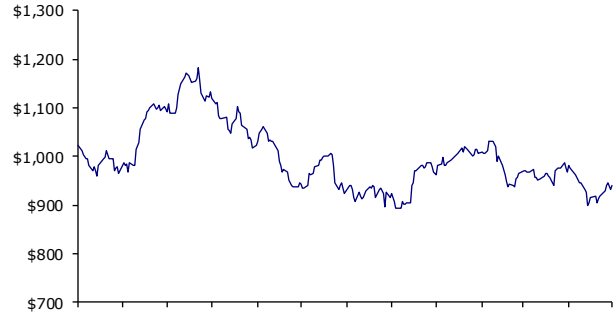
Source: IRESS

### 1 Year Commodity Price Charts

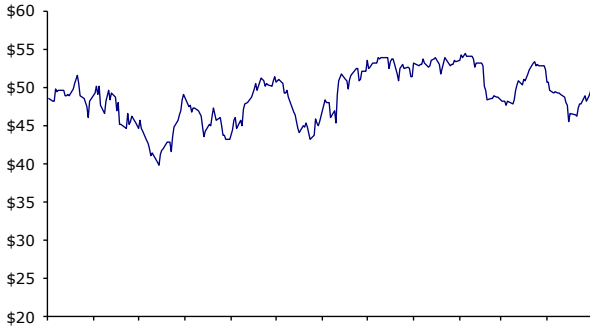
**1 Year Gold**



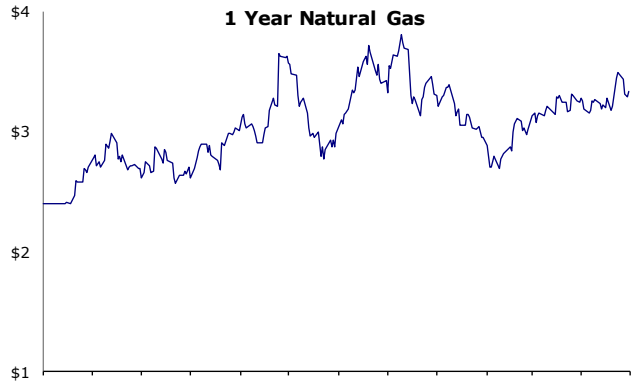
**1 Year Platinum**



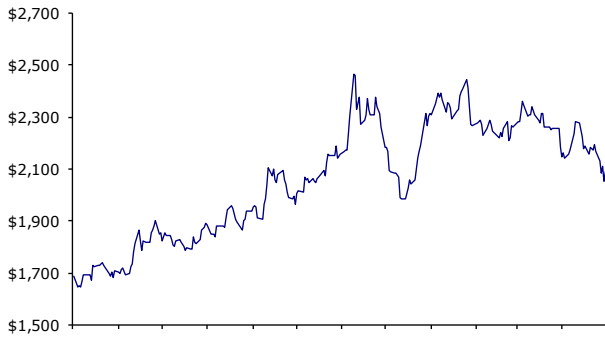
**1 Year Oil**



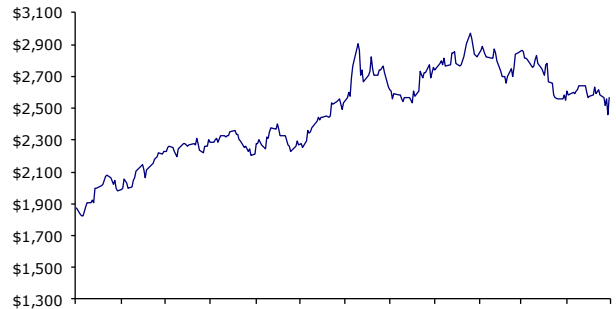
**1 Year Natural Gas**



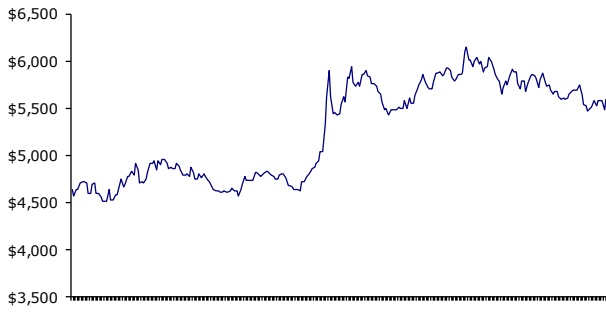
**1 Year Lead**



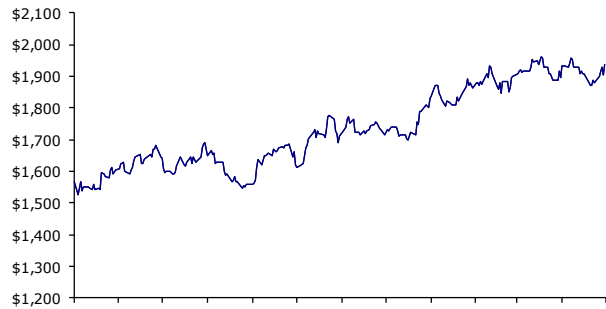
**1 Year Zinc**



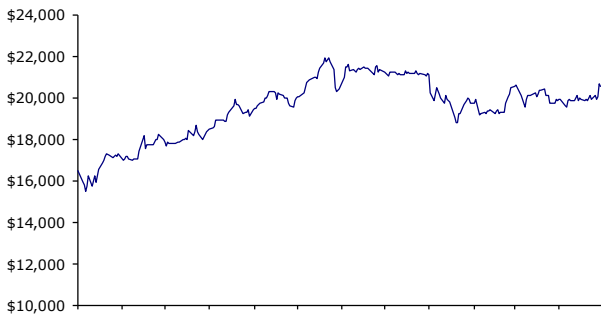
**1 Year Copper**



**1 Year Aluminium**

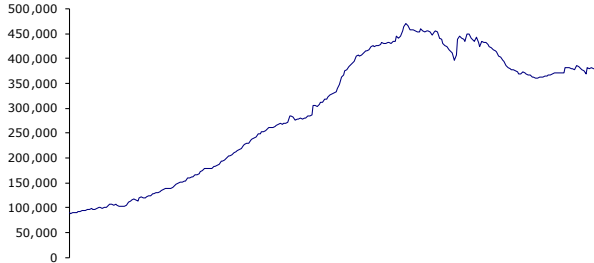


**1 Year Tin**

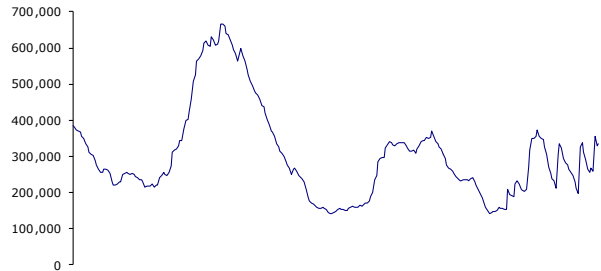


**5 Year Metals Stockpiles**

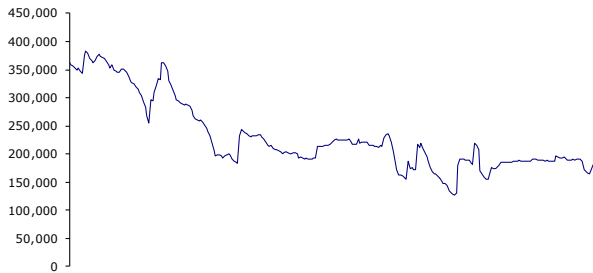
**Nickel LME Stockpiles - 5 Year**



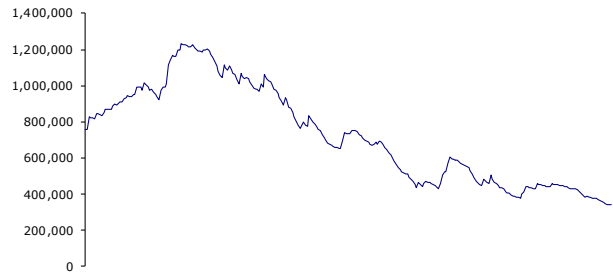
**Copper LME Stockpiles - 5 Year**



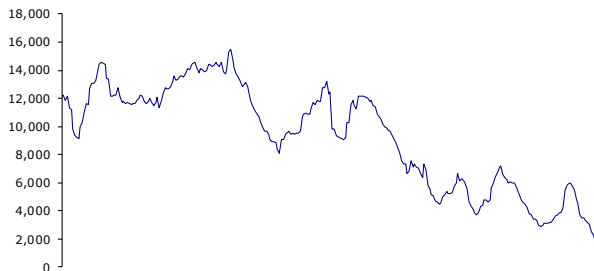
**Lead LME Stockpiles - 5 Year**



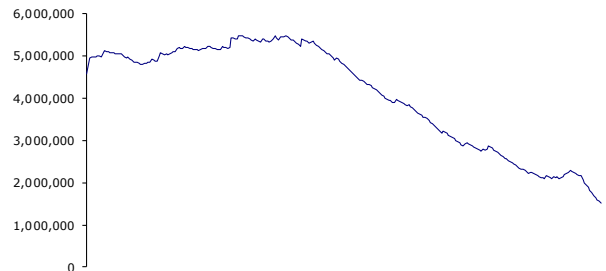
**Zinc LME Stockpiles - 5 Year**



**Tin LME Stockpiles - 5 Year**



**Aluminium LME Stockpiles - 5 Year**



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