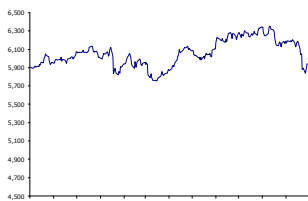


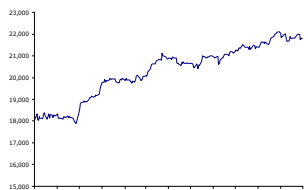
## STATE ONE SPINNAKER

**21 October 2018**  
**Issue 433**

### 12 month XJO chart



### 12 month Dow Jones chart



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## Global Wrap – 21 October 2018

World Markets	21/10/2018	14/10/2018	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	5939	5896	0.7%	-4.1%	7.1%
Dow Jones	21798	21988	-0.9%	-1.0%	18.0%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2768	2767	0.0%	-4.8%	23.2%
FTSE 100	7050	6996	0.8%	-6.1%	1.7%
DAX30	11554	11524	0.3%	-6.7%	-12.7%
Shanghai Composite	2550	2568	-0.7%	-8.6%	-20.7%
Nikkei 225	22532	22271	1.2%	-5.3%	20.1%
Hang Seng	25561	25801	-0.9%	-8.1%	11.8%
Currency					
AUD/USD	0.7118	0.7132	-0.2%	-0.1%	-8.9%
Commodities					
Oil (\$/bbl)	69.5	71.7	-3.0%	-3.7%	33.6%
Gas (\$/gal)	3.4	3.3	2.4%	14.0%	15.3%
Iron Ore (\$/t)	0.0	53.9	-100.0%	-100.0%	-100.0%
Copper (\$/t)	6192	6325	-2.1%	-1.1%	6.1%
Lead (\$/t)	1966	2037	-3.5%	-1.5%	-15.7%
Zinc (\$/t)	2653	2677	-0.9%	4.2%	-3.3%
Aluminium (\$/t)	2023	2045	-1.1%	-1.7%	16.8%
Nickel (\$/t)	12470	12710	-1.9%	-3.3%	9.7%
Tin (\$/t)	19160	19050	0.6%	1.2%	-10.4%
Gold (\$/oz)	1229	1222	0.5%	2.5%	4.8%
Silver (\$/oz)	14.7	14.6	0.1%	2.1%	-14.3%
Platinum (\$/oz)	836	840	-0.5%	1.3%	-10.8%
Wheat (\$/t)	513.750	516.500	-0.5%	-0.7%	25.8%

Source: Iress

## Global Wrap

### Key points

**1. ASX 200 finishes higher amid choppy trading across major markets**

**2. Gold and its miners rebound on safe haven demand**

**3. Stock analysis: Afterpay Touch**

## US

US stocks edged lower as investors assessed the latest batch of corporate earnings and simmering geopolitical tensions ahead of the weekend, Fairfax reported.

ASX futures were 12 points or 0.2% lower at about 6.10am AEDT on Saturday. The Australian dollar was 0.2% higher at US71.13¢.

The S&P 500 Index ended the week virtually unchanged, holding near its average price of the past 200 days. The measure earlier powered to a gain of more than 1% on the strength of corporate results, but gave back the advance as investors grew concerned tariffs will increasingly dent profit margins.

Markets rode a roller coaster this week as investors parsed a mixed bag of earnings.

Reports that President Xi Jinping and President Donald Trump would meet in November eased concerns early Friday, but they were soon ratcheted higher on worries about the potential impending impact of Chinese tariffs.

Still hanging in the background are tensions surrounding the disappearance of a prominent Saudi journalist, Brexit and the Italian budget drama.

This coming week the US trade balance will be released on Thursday followed by GDP on Friday.

## **China**

Greater China markets made a strong comeback on Friday afternoon, following a series of measures announced by Chinese leaders to support the struggling stock market, CNBC reported.

After a turbulent morning following weaker-than-expected GDP data and a sharp sell-off the day before, shares in the mainland rebounded, rose more than 2%.

By market close, the Shanghai composite and the Shenzhen composite had surged 2.58%, while the Nasdaq-style Chinext index went up 3.18%.

On Thursday there had been a sell-off in the mainland Chinese markets, with the Shanghai index experiencing its lowest point since November 2014.

Investors had also been jittery after China's GDP numbers were released, showing that economic growth slowed to 6.5% year-over-year in the third quarter. That missed expectations for 6.6% growth, according to analysts polled by Reuters. Friday's print was the weakest pace since the first quarter of 2009.

But on Friday morning, the heads of the People's Bank of China, the Securities Regulatory Commission and the Banking and Insurance Regulatory Commission all issued statements expressing support for the stock market and positive economic fundamentals.

The securities regulator unveiled a series of measures to aid the country's struggling stock market, which have been on a downward trajectory all year. It said it would encourage funds to help ease liquidity difficulties at listed companies, and would support share buy-backs

## **Japan**

The Nikkei ended the week on a sour note on Friday, booking its third straight week of decline after tracking broader overnight losses on Wall Street and Europe.

The Nikkei share average at one stage dropped almost 2% to hit a six-week low of 22,212.57. By the closing bell, it was down 0.56% at 22,532.08.

Reuters said the benchmark index has given up around 7.8% since its 27-year peak hit on 2 October, as worries over Italy's budget, higher US interest rates and growth concerns in China weigh on market sentiment globally. Investors also await November congressional elections in the United States.

## **Europe**

European stocks ended a choppy trading session broadly flat on Friday, Bloomberg reported. However they managed to eke out a weekly gain despite mixed third-quarter earnings, and as the budget row between Italy's populist government and the European Union heated up.

The pan-European STOXX 600 dipped 0.06% to end the week with a 0.7% gain.

On Thursday the European Central Bank will announce its rate decision. Rates are expected to remain on hold but investors will be listening carefully to its statement for insights into when future rises will be put in place.

## Australia

Australian shares closed the week higher on a mixed week of trading for the local sharemarket. The S&P/ASX 200 index closed the week 43.8 points, or 0.7%, higher at 5939.5, while the broader All Ordinaries lifted 32.1 points to 6042.7.

The financial sector recorded its best result in four weeks, led by Westpac which rose 1.5% to \$26.85. Commonwealth Bank closed the week 1.3% higher at \$67.92 and AMP advanced 6.2% to \$3.24.

The major insurers were among the market leaders this week. Suncorp rose 3.5% to \$14.07, while Insurance Australia Group lifted 3.3% to \$7.20.

A2 Milk shares rose 6.3% to \$9.50 after the company reiterated its guidance for the 2019 financial year. The dairy and infant formula company said it had experienced strong gains in both English and China label infant formula products, and its liquid milk products in the United States.

Poor performances in global equities pushed the price of gold higher, rewarding local miners of the precious metal this week. Newcrest Mining rose 3.7% to \$20.67, while Saracen Mineral rose 12.7% to \$2.39.

However the major mining stocks closed the week lower as base metal prices edged lower during the past few days.

BHP fell 2.2% to \$33.10, South32 slid 3.1% to \$3.76 and Rio Tinto closed at \$77.45, down 0.7%.

Afterpay Touch shares closed lower, with most of the losses coming from a 19% fall on Wednesday afternoon after news broke that Afterpay would be caught up in a Labor-sponsored Senate inquiry. The inquiry is set to focus on parts of the financial sector not covered by the royal commission. Its shares fell 15.3% to \$12.50.

After hitting a more than 18-month low during early August, the price of **gold** has rebounded to a near three-month high on Friday, as investors look to the precious metal amid increased safe-haven demand. Gold has broken out of its recent narrow trading range and could be set to rise further as the sell-off in equity markets continues.

The precious metal is set to record a third straight week of gains on Friday, the longest stretch since January, as demand for gold continues.

Investors are also looking towards exchange-traded funds back by gold, fuelling the longest run of gains in holdings since April.

Bullish sentiment has dominated **oil** markets in recent months, driven by a fear of supply shortages, but this sentiment has seemingly vanished over the past week.

Oilprice.com reported that traders were less on edge about falling Iranian oil exports, declining oil production in Venezuela and reduced spare capacities.

## Stock analysis

Tighter rules threaten to curb lucrative buy-now-pay later sector

“Buy-now, pay-later’ providers, payday lenders and consumer lease providers accused of preying on financially struggling Australians.

Many of these operators will now face a new Senate inquiry.

Described as “debt vultures” by critics, small consumer finance operators that fell outside the scope of the Banking Royal Commission will be forced to answer questions after the Senate passed Labor’s Jenny McAllister motion to refer them the Economics References Committee for inquiry.

Afterpay Touch’s (ASX:APT) share price fell 23% after news of the inquiry was published on Wednesday. If Afterpay was brought under responsible lending laws it would have to conduct additional checks, including verifying income and expenses of customers, while also taking part in a dispute resolution scheme.

Labor MP Brian Mitchell declared the misbehaviour of payday lenders a “crisis” that the government had ignored.

“The country is plagued by payday lending loan sharks,” Mitchell told the House of Representatives on Wednesday. “There is a crisis underway.”

He pointed to recent statistics that showed the number of Australians being taken advantage of by payday lenders had more than doubled in the past 10 years to 800,000 and said desperate Australians unable to afford credit through the usual means were turning to “loan sharks”.

Commenting on new reforms in this area, Mitchell said the legislation would “reform small-amount credit contracts; impose a ceiling on the total payments that can be made under a rent-to-buy scheme; (and) require payday loans to have equal repayments at equal payment intervals”.

It will also “remove the ability for small-amount credit contract providers to charge monthly fees on residual terms of a loan where a consumer fully repays the loan early; ban unsolicited sales of the schemes; and introduce broad anti-avoidance protections to prevent payday lenders and rent-to-buy companies from circumventing the rules”.

In a statement to the ASX, Afterpay said it “welcomed the opportunity to participate in any industry review” and supported “appropriate regulation”.

But the payments firm argued that the category of ‘buy now, pay later’ firms was “applied broadly and inconsistently”.

“Our service is highly differentiated from others in that category and outside of it,” Afterpay said.

“Afterpay promotes responsible lending and offers customers a fundamentally different proposition to traditional credit products.”

The payments firm also pointed out that most consumers paid on time and said it did not punish customers for rare late payments.

“Afterpay’s late fees are capped, minimal and in total are lower than the costs Afterpay incurs when consumers don’t pay on time.

“This means Afterpay, unlike other services, is incentivised to promote responsible use and discourage late payments.”













The IRESS consensus target for APT is A\$23.78, well above APT’s current share price of A\$12.50.

Clearly, while the sell-side has still to weigh the likely outcome of the enquiry, and any regulatory impact on profits, the buy-side has moved quickly and sold off.

It will be interesting to see if the sell-side downwardly revise their EPS/target price forecasts on ATC over the next few weeks.



































## Economic Calendar 22/10/2018 – 26/10/2018

Tuesday October 23 2018			Actual	Previous	Consensus
<b>10:00 PM</b>	 EA	Consumer Confidence Flash OCT		-2.9	-3.2
Wednesday October 24 2018			Actual	Previous	Consensus
<b>03:30 PM</b>	 DE	Markit Manufacturing PMI Flash OCT		53.7	53.4
<b>10:00 PM</b>	 CA	BoC Interest Rate Decision		1.5%	1.75%
<b>10:00 PM</b>	 US	New Home Sales SEP		0.629M	0.625M
Thursday October 25 2018			Actual	Previous	Consensus
<b>07:00 AM</b>	 KR	GDP Growth Rate YoY Adv Q3		2.8%	+
<b>07:00 AM</b>	 KR	GDP Growth Rate QoQ Adv Q3		0.6%	+
<b>02:00 PM</b>	 DE	GfK Consumer Confidence NOV		10.6	10.5
<b>04:00 PM</b>	 DE	Ifo Business Climate OCT		103.7	103
<b>07:45 PM</b>	 EA	ECB Interest Rate Decision		0%	0%
<b>08:30 PM</b>	 EA	ECB Press Conference			+
<b>08:30 PM</b>	 US	Durable Goods Orders MoM SEP		4.5%	-1.3%
Friday October 26 2018			Actual	Previous	Consensus
<b>08:30 PM</b>	 US	GDP Growth Rate QoQ Adv Q3		4.2%	3.3%

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

## Economic Calendar 29/10/2018 – 2/11/2018

				Actual	Previous	Consensus	Forecast	
<b>Monday October 29 2018</b>								
12:30 PM	US	Personal Income MoM SEP		0.3%	0.3%	0.4%		
12:30 PM	US	Personal Spending MoM SEP		0.3%	0.4%	0.4%		
11:30 PM	JP	Unemployment Rate SEP		2.4%	2.5%	2.3%		
<b>Tuesday October 30 2018</b>								
06:30 AM	FR	GDP Growth Rate QoQ 1st Est Q3		0.2%	+	0.4%		
08:55 AM	DE	Unemployment Change OCT		-23K	+	9K		
08:55 AM	DE	Unemployment Rate OCT		5.1%	5.2%	5.1%		
09:00 AM	IT	GDP Growth Rate QoQ Adv Q3		0.2%	+	0.5%		
09:00 AM	IT	GDP Growth Rate YoY Adv Q3		1.2%	+	1.5%		
10:00 AM	EA	Business Confidence OCT		1.21	1.19	0.95		
10:00 AM	EA	GDP Growth Rate QoQ Flash Q3		0.4%	+	0.5%		
10:00 AM	EA	GDP Growth Rate YoY Flash Q3		2.1%	+	2.5%		
01:00 PM	DE	Inflation Rate YoY Prel OCT		2.3%	2%	2.1%		
<b>Wednesday October 31 2018</b>								
12:01 AM	GB	Gfk Consumer Confidence OCT		-9	+	-11		
01:00 AM	CN	NBS Manufacturing PMI OCT		50.8	51.2	51.7		
03:00 AM	JP	BoJ Interest Rate Decision		-0.1%	+	-0.1%		
05:00 AM	JP	Consumer Confidence OCT		43.4	+	44		
05:00 AM	JP	BoJ Quarterly Outlook Report			+			
08:00 AM	ES	GDP Growth Rate QoQ Flash Q3		0.6%	0.7%	0.6%		
08:00 AM	ES	GDP Growth Rate YoY Flash Q3			2.8%	2.7%		
10:00 AM	EA	Unemployment Rate SEP		8.1%	+	8.1%		
12:15 PM	US	ADP Employment Change OCT		230K	198K	200K		
<b>Thursday November 01 2018</b>								
12:30 AM	AU	Balance of Trade SEP		A\$1.604B	A\$1.4B	A\$0.6B		
01:45 AM	CN	Caixin Manufacturing PMI OCT		50.0	50.5	50.4		
12:00 PM	GB	BoE Interest Rate Decision		0.75%	0.75%	1%		
12:00 PM	GB	BoE Quantitative Easing		£435B	£435B			
02:00 PM	US	ISM Manufacturing PMI OCT		59.8	59.6	58		
<b>Friday November 02 2018</b>								
12:30 PM	CA	Balance of Trade SEP		C\$0.53B	+	C\$0.4B		
12:30 PM	CA	Employment Change OCT		63.3K	25K	18.9K		
12:30 PM	CA	Unemployment Rate OCT		5.9%	5.9%	6%		
12:30 PM	US	Balance of Trade SEP		\$-53.2B	\$-52.4B	\$-55B		
12:30 PM	US	Non Farm Payrolls OCT		134K	179K	180K		
12:30 PM	US	Unemployment Rate OCT		3.7%	3.7%	3.9%		

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

## All Ords Top 10 Week Ending 19 October 2018

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
SOL	Soul Pattinson (W.H)	18.6	APT	Afterpay Touch	-15.3
SAR	Saracen Mineral	12.7	HSO	Healthscope Limited	-9.8
VOC	Vocus Group Ltd	10.9	CYB	Cybg PLC	-9.7
SDF	Steadfast Group Ltd	10.5	PPT	Perpetual Limited	-9.4
CGF	Challenger Limited	8.7	CGC	COSTA GROUP HOLDINGS	-6.1
GNC	GrainCorp Limited	7.9	IFN	Infigen Energy	-5.5
SDA	Speedcast Int Ltd	7.5	AHG	Automotive Holdings.	-5.4
API	Australian Pharm.	6.7	CCP	Credit Corp Group	-5.2
IVC	InvoCare Limited	6.6	REA	REA Group	-4.9
SWM	Seven West Media Ltd	6.4	LYC	Lynas Corporation	-4.8

Source: IRESS

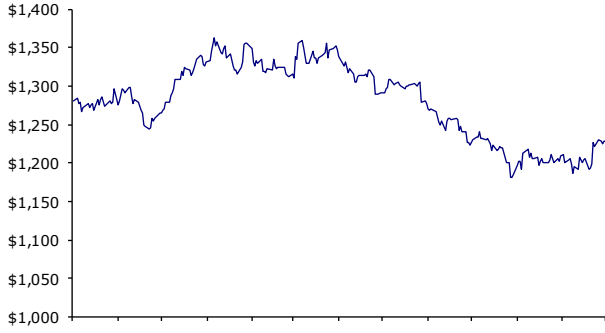
## S & P Indices Week Ending 19 October 2018

S&P Indices	21/10/2018	14/10/2018	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	11815	11691	1.1%	-4.2%	32.9%
S&P 200 Materials	11551	11658	-0.9%	-3.2%	16.7%
S&P 200 Industrials	5807	5735	1.2%	-4.1%	13.8%
S&P 200 Consumer Disc.	2431	2367	2.7%	-0.8%	16.1%
S&P 200 Consumer Staples	10654	10552	1.0%	-3.9%	24.5%
S&P 200 Healthcare	29279	29385	-0.4%	-7.2%	51.9%
S&P 200 Financials	5811	5744	1.2%	-4.3%	-8.8%
S&P 200 Info Technology	1144	1150	-0.5%	-7.4%	47.2%
S&P 200 Telecommunicatic	1162	1137	2.2%	-3.5%	-33.8%
S&P 200 Utilities	7625	7516	1.4%	-1.3%	1.1%
S&P 200 Property Trusts	1391	1365	1.9%	-3.2%	3.7%
S&P 200 Financials ex PT	6481	6406	1.2%	-4.3%	-8.8%

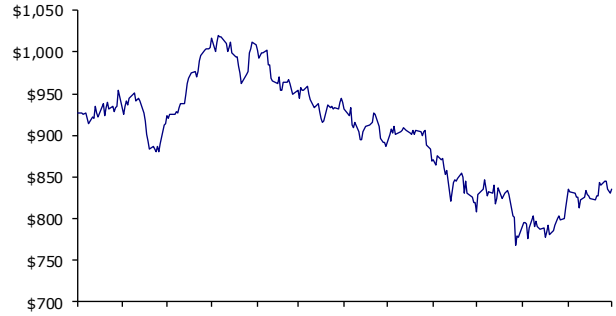
Source: IRESS

### 1 Year Commodity Price Charts

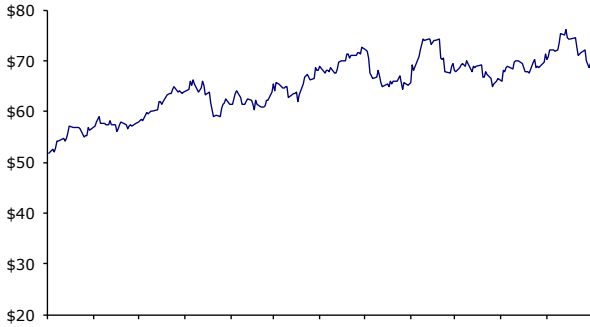
**1 Year Gold**



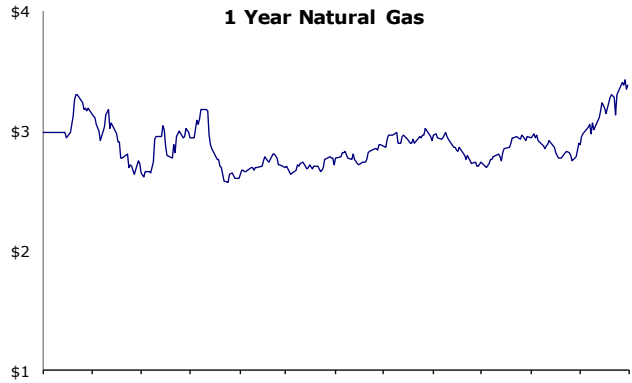
**1 Year Platinum**



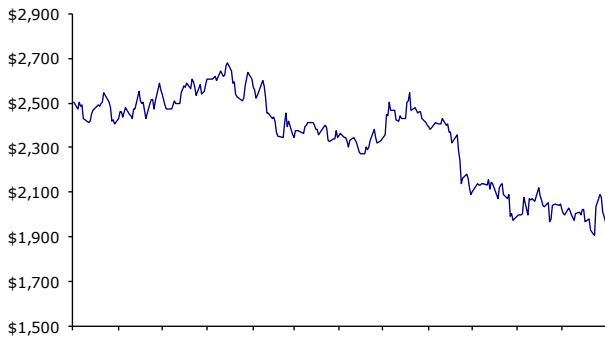
**1 Year Oil**



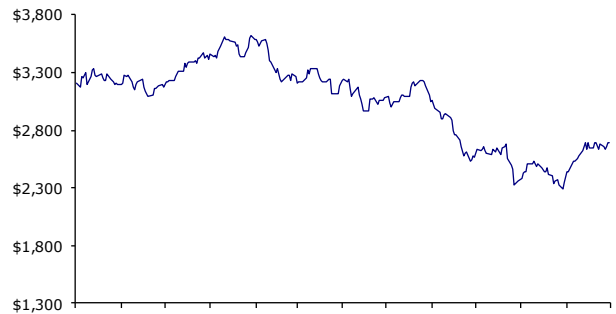
**1 Year Natural Gas**



**1 Year Lead**

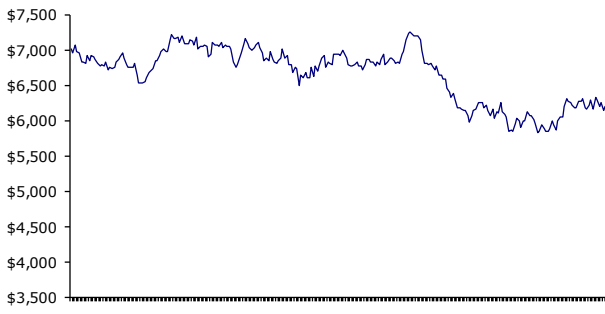


**1 Year Zinc**

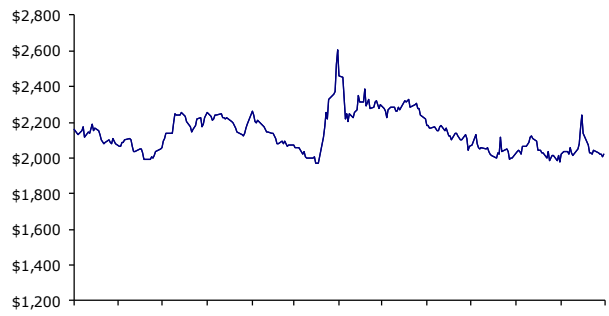




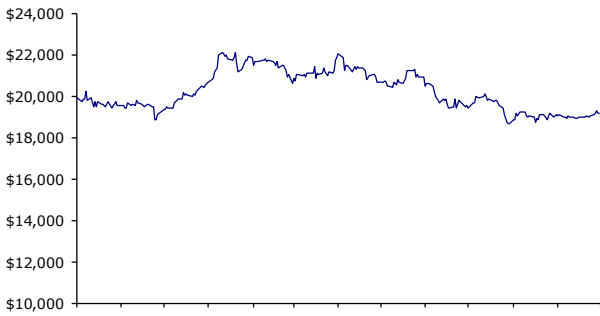
**1 Year Copper**



**1 Year Aluminium**

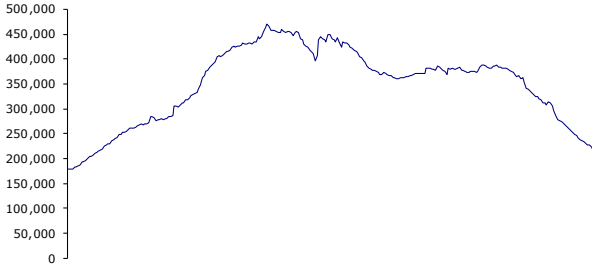


**1 Year Tin**

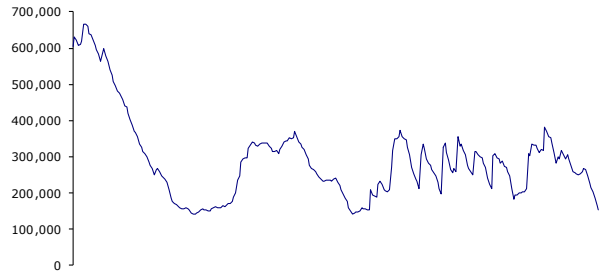


**5 Year Metals Stockpiles**

**Nickel LME Stockpiles - 5 Year**



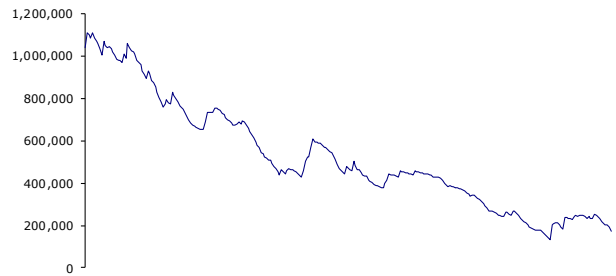
**Copper LME Stockpiles - 5 Year**



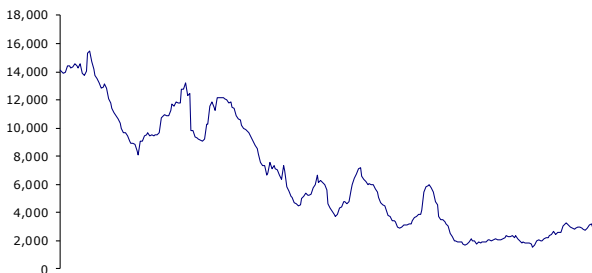
**Lead LME Stockpiles - 5 Year**



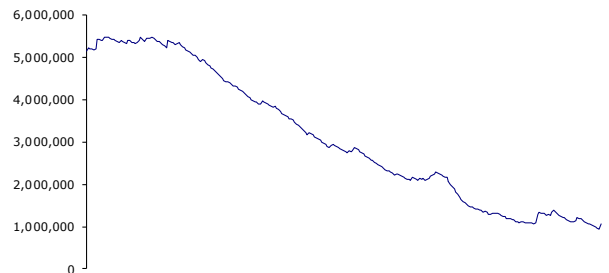
**Zinc LME Stockpiles - 5 Year**



**Tin LME Stockpiles - 5 Year**



**Aluminium LME Stockpiles - 5 Year**



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