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Overview

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Global Wrap – 22 April 2018

Key points

1. Aluminium and nickel hit multi-year highs
2. Heavy drop for Apple
3. China growth slows
4. Banks, AMP among biggest losers on ASX
5. Stock picks

US

Stocks dropped on Friday as a decline in Apple pushed the technology sector lower, CNBC reported. A rise in interest rates also kept a lid on equities.

The Dow Jones industrial average fell 201.95 points, or 0.8%, to 24,462.94 as Apple dropped 4.1%. The Nasdaq composite declined 1.3% to close at 7,146.13.

The S&P 500 pulled back 0.8% to 2,670.14, with tech sliding 1.5%. The index also broke below its 50-day moving average, a key technical indicator.

Apple shares fell 4.1% after Morgan Stanley said the company's iPhone sales for the June quarter would disappoint Wall Street. The stock had already fallen more than 1% for the week heading into Friday's session.

The decline in Apple offset a 4% gain in General Electric. The industrial giant reported quarterly earnings and revenue that beat analyst expectations and reaffirmed its outlook for the rest of 2018.

About 16% of S&P 500 companies have now released their quarterly results, with 81.5% of those posting better-than-expected earnings, according to FactSet.

Next week will be the busiest week of the reporting season, with more than a third of the S&P 500 set to release earnings.

Some of the companies scheduled to release their results include tech giants Alphabet, Intel and Microsoft.

Also next week the Manufacturing Purchasing Managers Index (PMI), which captures business conditions in that key sector, will be flashed on Monday. Unemployment figures and the goods trade balance will be released on Thursday.

China

China stocks fell on Friday to have their worst week in a month, amid lingering worries over the simmering trade tensions between China and the US, Reuters reported.

The blue-chip CSI300 index closed down 1.3% at 3,760.85, while the Shanghai Composite Index dropped 1.5% to 3,071.54.

For the week, CSI300 declined 2.9%, its worst week since late March.

China's giant telco ZTE Corp said on Friday a ban on the sale of parts and software to the company was unfair and threatened its survival, while vowing to safeguard its interests through all legal means.

ZTE stock is still suspended in Hong Kong and Shanghai.

The ZTE ban has ratcheted up tensions between China and the US at a time when they have already threatened each other with tens of billions of dollars in tariffs.

The US Treasury is considering ways to restrict sensitive Chinese investments in the US by invoking an emergency powers law and bringing forward some security review reforms for corporate acquisitions, a senior Treasury official said on Thursday.

Despite these threats to China's tech sector, semiconductor firms rallied as Beijing looks to speed up chip plans.

China has already made the semiconductor market a key priority under its "Made in China 2025" strategy to cut reliance on foreign technologies and create its own domestic champions. That goal has been given fresh urgency after the ZTE ban.

Despite a strong first quarter, China's economy is set to slow throughout 2018 as real estate investment and infrastructure spending weaken, data released on Friday revealed. China's economy grew 1.4% on a quarter-on-quarter seasonal adjusted basis during March.

The services sector grew ahead of the secondary industry and agriculture sectors, Fairfax Media reported.

Industrial production slowed during the quarter to 6% year on year, below predictions of 6.3% annual growth.

Analysts are predicting that trade frictions could continue to threaten the economy.

Japan

The 225-issue Nikkei average broke its five-session winning streak on the Tokyo Stock Exchange on Friday, hurt by selling to lock in gains, The Japan Times reported.

The Nikkei lost 28.94 points, or 0.13%, to end at 22,162.24. On Thursday, it had risen 32.98 points.

The Tokyo market opened weaker following Wall Street's retreat on Thursday, with the Nikkei briefly losing over 110 points in morning trading.

But stocks soon attracted buybacks in line with the yen's weakening against the dollar, sending the Nikkei into positive territory.

On Monday the Nikkei PMI will be flashed, followed by the Leading Economic Index and Coincident Index on Tuesday.

The closely watched CPI, unemployment and industrial production data will be out on Wednesday. The Bank of Japan is widely tipped to announce it will maintain rates at -0.1% on the final trading day of the week.

Europe

European shares held steady on Friday at the end of a strong week as a rally in commodities softened, while strong earnings updates boosted shares in telcos Ericsson and Telia, Reuters reported.

The pan-European STOXX 600 index ended the session flat in percentage terms but remained up 0.7% on the week, its fourth straight week of gains, as global markets recovered from a turbulent first quarter.

Jitters over possible trade wars, faster rate hikes in the US and a regulatory crackdown on big tech groups sent the STOXX to 14-month lows in March.

But since April the index has been on a recovery path as those worries receded and investors were lured back into equities by cheaper company valuations.

Euro zone PMI will be flashed on Monday and the European Central Bank is expected to announce it will keep rates on hold at -0.4% on Thursday

Australia

A loss on Friday wasn't enough to offset an otherwise positive week on the Australian market, as the index recorded its third consecutive weekly gain, Fairfax Media reported. The S&P/ASX 200 index was down 12.2 points on Friday to 5,868.8, but up 39.7 points for the week. The mining sector was the best performer over the five days, supported by improving prices in commodities, including **multi-year highs for aluminium and nickel (see stock picks below)**. South32 gained 12.9% this week, supported by strong aluminium prices which hit a near seven-year peak due to sanctions against Russian miner RUSAL. South32 was up 1.3% on Friday to \$3.93. Alumina also rose on the back of aluminium prices, up 9.3% for the week to \$2.84. Meanwhile Western Areas enjoyed a strong week, up 11.1% for the week due to elevated nickel prices. Nickel rose to a three-year high on the threat of further sanctions against companies linked to Russian oligarch Oleg Deripaska. Western Areas was trading at \$3.71 at the market close.

Not surprisingly the banks were the biggest drags on the market this week as the fallout from the royal commission continued.

Commonwealth Bank fell 1.6% to \$72.02 after it was revealed it charged fees to dead clients. Westpac shares fell 1.2% to \$28.54 after it was revealed the bank was responsible negligent financial planning. NAB also fell, admitting to misconduct when giving financial advice. Its shares finished the week at \$28.31, down 0.7%.

AMP fell the heaviest after it was revealed it lied to the corporate watchdog on 20 occasions. Chief executive Craig Meller stepped down on Friday in the wake of the commission's finding. The shares closed the week at \$4.31, down 9.9%.

Another big loser was Perpetual, which announced that its funds under management had decreased by \$2.6 billion. This wiped 11.9% from its shares to \$39.19.

Village Roadshow lost 25.9% over the week after it lowered its profit forecast. Visits to the company's Gold Coast theme parks were down due to competition with the Commonwealth Games and poor weather. They closed the week at \$2.37.

This coming week CPI will be released on Tuesday before the Anzac holiday on Wednesday. The Export and the Import Price Indexes will be out on Thursday, followed by the Producer Price Index on Friday.

Commodities

Iron ore prices rose by 2.8% on Friday as stronger steel prices drove demand for the commodity. Iron ore prices rose by 5.5% this week, rising from [\\$US64.75](#) to \$US68.30 per tonne, Fairfax reported.

Steel prices rose close to 2% this week as demand concerns eased.

High steel rebar stockpiles had affected iron and steel prices during March but those stockpiles have continued to decline. Iron ore futures surged on the Dalian Commodity Exchange, supported by a sharp increase in base metal futures on the London Metal Exchange earlier this week. Iron ore is on track to record its strongest weekly in 17 weeks.

Oil prices hit their highest levels since late 2014 as OPEC-led supply cuts eased excess supplies last week.

Both Brent and West Texas Intermediate oil hit highs of [\\$US74.75](#) and [\\$US69.56](#) a barrel respectively, levels not seen since November 2014.

A drop in supply has been tightening the oil market, pushing prices higher. Saudi Arabia, one of the top exporters, has been leading the way in cutting its supply, withholding its production since 2017 in order to draw down global supply.

Prices are also being supported on the expectation that the US will impose sanctions on OPEC-member Iran.

Iran has been supportive Syria's Assad regime, which has most been accused of using chemical weapons on its own citizenry.

The **gold** price found itself in a **downward motion** for the first time in three weeks as investors prepared for higher US interest rates and political tensions regarding the Korean Peninsula and Syria eased, Investing News Network reported.

Stock picks

Commodity prices soared on Thursday - particularly aluminium and nickel - over concerns the US may level more sanctions against Russia.

Russia is an important producer of these commodities, and sanctions on companies such as Rusal and Norilsk Nickel would definitely tighten the global supply/demand balance.

Nickel prices jumped 7.4% to US\$15,224/t, while aluminium prices jumped 5.5% to US\$2,541/t.

The excitement spread across the broader commodity spectrum, and mining and energy companies as a whole enjoyed a stellar performance.

The jump in the mining sector on Thursday propelled gains in the sector to 8% over the past 10-days.

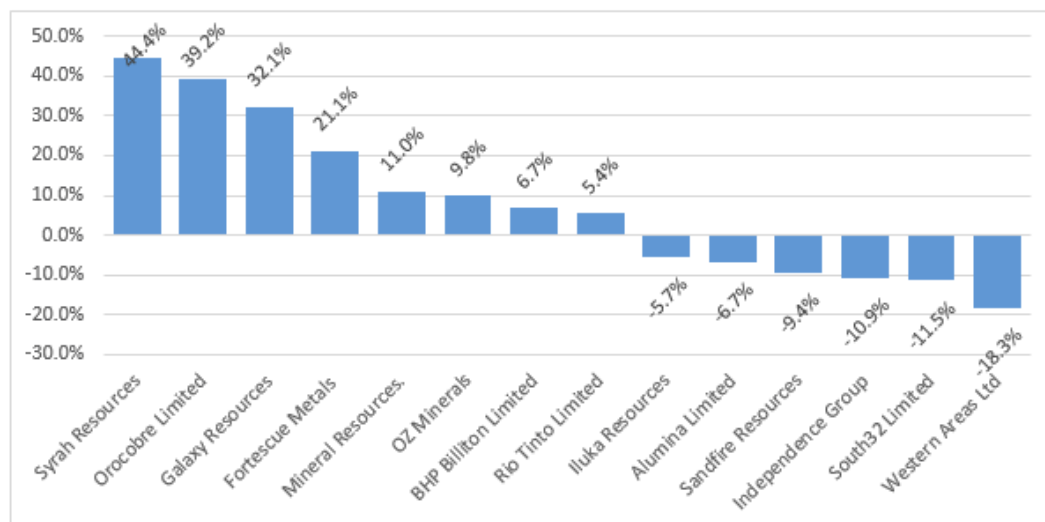
However, as a result of this price appreciation, the materials sector (excluding gold) is starting, we suggest, to look fully valued.

The traditional base metal and bulk commodity plays offer little upside with only Fortescue Metals (FMG) offering a decent potential total return of 21%. Unless one believes that base metal prices have more room to move, the best value for investors in the materials space lies in the “newer” commodity plays - lithium and graphite.

Based on IRESS consensus target prices and FY18E dividend yields, we calculate that Syrah Resources (SYR), Orocobre (ORE) and Galaxy Resources (GXY) offer total potential returns of 44%, 39%, and 32% respectively.

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

























Security	Name	Share Price (A\$)	Target Price (A\$)	Capital upside / (downside) (%)	FY18E Dividend (A\$)	FY18E DY (%)	Total Return (%)
SYR	Syrah Resources	3.31	4.78	44.4%	0.00	0.0%	44.4%
ORE	Orocobre Limited	5.31	7.39	39.2%	0.00	0.0%	39.2%
GXY	Galaxy Resources	3.02	3.99	32.1%	0.00	0.0%	32.1%
FMG	Fortescue Metals	4.64	5.39	16.2%	0.23	5.0%	21.1%
MIN	Mineral Resources	18	19.26	7.0%	0.72	4.0%	11.0%
OZL	OZ Minerals	9.24	9.94	7.6%	0.21	2.3%	9.8%
BHP	BHP Billiton Limited	30.81	31.7	2.9%	1.18	3.8%	6.7%
RIO	Rio Tinto Limited	80.53	81.68	1.4%	3.18	3.9%	5.4%
ILU	Iluka Resources	11.65	10.8	-7.3%	0.19	1.6%	-5.7%
AWC	Alumina Limited	2.84	2.45	-13.7%	0.20	7.0%	-6.7%
SFR	Sandfire Resources	8.37	7.32	-12.5%	0.26	3.1%	-9.4%
IGO	Independence Group	5.34	4.7	-12.0%	0.06	1.1%	-10.9%
S32	South32 Limited	3.93	3.30	-16.0%	0.18	4.6%	-11.5%
WSA	Western Areas Ltd	3.71	3.01	-18.9%	0.02	0.5%	-18.3%



Source: IRESS, compiled by State One Stockbroking



Economic Calendar 23/04/2018 – 27/04/2018

Monday April 23 2018		Actual	Previous	Consensus	Forecast	
03:30 PM	DE	Markit Manufacturing PMI Flash APR	58.2	57.5	58	
10:00 PM	US	Existing Home Sales MAR	5.54M	5.55M	5.49M	
Tuesday April 24 2018		Actual	Previous	Consensus	Forecast	
09:30 AM	AU	Inflation Rate YoY Q1	1.9%	2%	2%	
04:00 PM	DE	Ifo Business Climate APR	114.7	102.6	105	
10:00 PM	US	New Home Sales MAR	0.618M	0.63M	0.615M	
Thursday April 26 2018		Actual	Previous	Consensus	Forecast	
07:00 AM	KR	GDP Growth Rate QoQ Adv Q1	-0.2%	+	0.50%	
07:00 AM	KR	GDP Growth Rate YoY Adv Q1	2.8%	+	2.9%	
02:00 PM	DE	GfK Consumer Confidence MAY	10.9	10.9	10.8	
07:45 PM	EA	ECB Interest Rate Decision	0.0%	0%	0.0%	
08:30 PM	EA	ECB Press Conference		+		
08:30 PM	US	Durable Goods Orders MoM MAR	3.1%	1.4%	0.6%	
Friday April 27 2018		Actual	Previous	Consensus	Forecast	
07:01 AM	GB	GfK Consumer Confidence APR	-7	-7	-8	
07:30 AM	JP	Unemployment Rate MAR	2.5%	2.5%	2.5%	
11:00 AM	JP	BoJ Interest Rate Decision	-0.1%	-0.1%	-0.1%	
11:00 AM	JP	BoJ Quarterly Outlook Report		+		
01:30 PM	FR	GDP Growth Rate QoQ 1st Est Q1	0.7%	0.4%	0.4%	
03:00 PM	ES	GDP Growth Rate QoQ Flash Q1	0.7%	0.7%	0.7%	
03:00 PM	ES	GDP Growth Rate YoY Flash Q1	3.1%	3%	3%	
03:55 PM	DE	Unemployment Change APR	-19K	-15K	-14.7K	
03:55 PM	DE	Unemployment Rate APR	5.3%	5.3%	5.3%	
04:30 PM	GB	GDP Growth Rate QoQ Prel Q1	0.4%	0.3%	0.4%	
04:30 PM	GB	GDP Growth Rate YoY Prel Q1	1.4%	1.4%	1.5%	
05:00 PM	EA	Business Confidence APR	1.34	1.27	1.27	
08:30 PM	US	GDP Growth Rate QoQ Adv Q1	2.9%	2%	2.2%	

Source: www.tradingeconomics.com

Economic Calendar 30/04/2018 – 4/05/2018

Monday April 30 2018		Actual	Previous	Consensus	Forecast
09:00 AM	CN NBS Manufacturing PMI APR		51.5	+	51.2
03:00 PM	CH KOF Leading Indicators APR		106	+	105.82
08:00 PM	DE Inflation Rate YoY Prel APR		1.6%	+	1.5%
08:30 PM	US Personal Income MoM MAR		0.4%	+	0.4%
08:30 PM	US Personal Spending MoM MAR		0.2%	+	0.3%
Tuesday May 01 2018		Actual	Previous	Consensus	Forecast
12:30 PM	AU RBA Interest Rate Decision		1.5%	+	1.5%
10:00 PM	US ISM Manufacturing PMI APR		59.3	+	59.2
Wednesday May 02 2018		Actual	Previous	Consensus	Forecast
09:45 AM	CN Caixin Manufacturing PMI APR		51.0	+	50.9
01:00 PM	JP Consumer Confidence APR		44.3	+	43.8
01:45 PM	CH Consumer Confidence Q2		5	+	-0.12
05:00 PM	EA GDP Growth Rate QoQ Flash Q1		0.6%	+	0.6%
05:00 PM	EA GDP Growth Rate YoY Flash Q1		2.7%	+	2.6%
05:00 PM	EA Unemployment Rate MAR		8.5%	+	8.6%
05:00 PM	IT GDP Growth Rate QoQ Adv Q1		0.3%	+	0.40%
05:00 PM	IT GDP Growth Rate YoY Adv Q1		1.6%	+	1.40%
08:15 PM	US ADP Employment Change APR		241K	+	224.6K
	EA ECB Non-Monetary Policy Meeting				
Thursday May 03 2018		Actual	Previous	Consensus	Forecast
02:00 AM	US Fed Interest Rate Decision		1.75%	1.75%	1.75%
08:00 AM	GB Local Elections				
09:30 AM	AU Balance of Trade MAR		A\$0.825B	+	
08:30 PM	CA Balance of Trade MAR		C\$-2.69B	+	C\$ -2.1B
08:30 PM	US Balance of Trade MAR		\$-57.6B	+	\$ -61.1B
10:00 PM	US ISM Non-Manufacturing PMI APR		58.8	+	58.69
Friday May 04 2018		Actual	Previous	Consensus	Forecast
08:30 PM	US Non Farm Payrolls APR		103K	+	195K
08:30 PM	US Unemployment Rate APR		4.1%	+	4.1%
10:00 PM	CA Ivey PMI s.a APR		59.8	+	59.89

Source: www.tradingeconomics.com

All Ords Top 10 Week Ending 20 April 2018

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
S32	South32 Limited	12.9	PPT	Perpetual Limited	-11.8
WSA	Western Areas Ltd	11.1	GEM	G8 Education Limited	-11.5
PLS	Pilbara Min Ltd	10.5	AMP	AMP Limited	-10.0
ORE	Orocobre Limited	9.5	SWM	Seven West Media Ltd	-8.6
AWC	Alumina Limited	9.3	ECX	Eclixp Group Ltd	-7.3
BPT	Beach Energy Limited	8.8	BOQ	Bank of Queensland.	-6.3
MIN	Mineral Resources.	7.2	FPH	Fisher & Paykel H.	-6.1
XRO	Xero Ltd	6.7	TPM	TPG Telecom Limited	-6.1
IGO	Independence Group	6.6	NHF	NIB Holdings Limited	-5.8
CWY	Cleanaway Waste Ltd	6.6	VOC	Vocus Group Ltd	-5.5

Source: IRESS

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