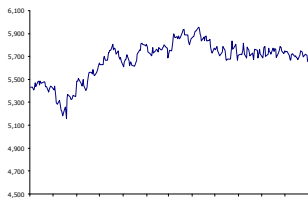


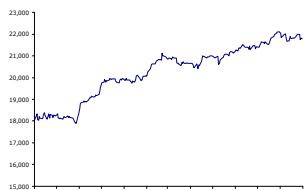
## STATE ONE SPINNAKER

24 September 2017  
Issue 383

### 12 month XJO chart



### 12 month Dow Jones chart



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#### State One Stockbroking Ltd

Head Office  
Level 14, State One House  
172 St George's Terrace  
Perth WA 6000  
Perth Tel: (+61 8) 9288 3388  
Sydney Tel: (+61 2) 9024 9105  
Email: [broker@stateone.com.au](mailto:broker@stateone.com.au)  
Web: [www.stateone.com.au](http://www.stateone.com.au)

## Global Wrap – 24 September 2017

World Markets	24/09/2017	17/09/2017	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	5682	5695	-0.2%	0.2%	8.4%
Dow Jones	21798	21988	-0.9%	-1.0%	18.0%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2502	2500	0.1%	1.8%	16.5%
FTSE 100	7311	7215	1.3%	-0.7%	8.6%
DAX30	12592	12519	0.6%	4.9%	18.6%
Shanghai Composite	3353	3363	-0.3%	-0.2%	11.6%
Nikkei 225	20296	19910	1.9%	3.3%	23.7%
Hang Seng	27881	27808	0.3%	-0.8%	19.5%
Currency					
AUD/USD	0.7965	0.7961	0.0%	-0.5%	4.5%
Commodities					
Oil (\$/bbl)	50.6	49.9	1.4%	7.6%	13.5%
Gas (\$/gal)	3.0	3.1	-2.1%	2.7%	-0.5%
Iron Ore (\$/t)	53.9	53.9	0.0%	6.9%	7.8%
Copper (\$/t)	6405	6457	-0.8%	-5.2%	34.3%
Lead (\$/t)	2478	2317	6.9%	4.9%	28.0%
Zinc (\$/t)	3170	3042	4.2%	1.7%	41.1%
Aluminium (\$/t)	2137	2068	3.3%	3.4%	37.0%
Nickel (\$/t)	10580	11005	-3.9%	-8.4%	8.6%
Tin (\$/t)	20845	20675	0.8%	1.5%	7.4%
Gold (\$/oz)	1298	1325	-2.1%	-1.2%	-1.6%
Silver (\$/oz)	17.0	17.7	-4.1%	-2.9%	-10.8%
Platinum (\$/oz)	936	972	-3.7%	-5.9%	-9.4%
Wheat (\$/t)	450.500	448.500	0.4%	5.1%	12.8%

Source: Iress

## RIU Resources Investor Roadshow 2017

State One Stockbroking Ltd is proud to be joint sponsor

**Sydney – Tuesday 26 September – Intercontinental Hotel Sydney**  
**Melbourne – Thursday 28 September – Grand Hyatt Hotel Melbourne**

State One invites you to attend the upcoming RIU Resources Investor Roadshow 2017. Registration is Free. Companies presenting offer insights into a broad range of commodities including coal, bauxite, cobalt, copper, gold, graphite, iron ore, lithium, nickel, silver, zinc, potash and phosphate. For more information and registration please [click here](#).

## Global Wrap

### US

The Dow closed its second consecutive week of gains on Friday, up 0.4% on the week.

Health care stocks climbed more than half a percent from session lows to close up 0.08%, CNBC reported. Top gainers in the healthcare sector included Medicaid insurer Centene and hospital operators.

The move in biotech and pharmaceutical stocks came after Republican Senator John McCain said he “cannot in good conscience” vote for the Graham Cassidy proposal, the latest incarnation of Trump's bid to overhaul the US healthcare system.

Apple shares had their worst week since April 2016 on the heels of the release of several new products yesterday – apart from its \$1000 iPhone X. The stock remains 31% higher for the year. Energy was the second best performing sector on the day.

At this week's FOMC (Federal Open Market Committee) two-day meeting policymakers maintained their forecast of another interest rate hike by the end of this year.

The forecast marked a symbolic historic end to 10 years of “easy money” as the Fed starts to wind back its balance sheet, bloated by years of post-GFC bond buying.

Amid the reaction, Bloomberg noted that the big Fed unwind is a solid unknown and there could be multiple outcomes, especially when you start feeding in Trump, Capitol Hill tensions, debt ceiling and geopolitical risks.

What really matters to the bond market isn't so much what the Fed is doing, but what the policy changes mean for the U.S. economy in the months and years ahead, Bloomberg noted.

This coming week home sales figures will be watched on Tuesday, followed by GDP on Thursday.

## **China**

China stocks on Friday recouped most of their early losses as investors played down S&P's downgrade of China's sovereign rating and North Korea's threat of another nuclear test, CNBC said.

Investors appear to expect that Beijing will maintain stability in financial markets ahead of a key party congress that begins on October 18.

For the week, CSI300 added 0.2% while SSEC was flat. The two indexes have been trading in narrow ranges in recent weeks, affected by bad short-term news.

The Fed tightening plan could also be prodding some investors to adjust their portfolio and buy more dollar assets.

On Friday S&P Global Ratings cut Hong Kong's credit rating on Friday, a day after it downgraded China for the first time since 1999.

The move reflects the “strong institutional and political linkages” between the special administrative region and the mainland, the ratings firm said.

The financial hub's long-term issuer credit rating was lowered to AA+ from AAA, S&P said.

The agency lowered China's sovereign rating Thursday to A+ from AA-, citing the risks from soaring debt, and revised its outlook to stable from negative.

“We are lowering the rating on Hong Kong to reflect potential spillover risks to the SAR should deleveraging in China prove to be more disruptive than we currently expect,” S&P said in a statement, referring to the Hong Kong special administrative region.

## **Japan**

Stocks snapped their four-session winning streak on the Tokyo Stock Exchange Friday, weighed down by profit-taking, The Japan Times reported.

Stocks also gave up gains made in the morning due to the dollar's fall back below 112 yen, hitting the price of Japanese stocks and exporters.

The drop in the US currency came after North Korean Foreign Minister Ri Yong Ho said in New York that Pyongyang was considering a largest-ever hydrogen bomb test in the Pacific Ocean. This was followed up by leader Kim Jong Un saying Trump would “pay dearly” for his speech at the United Nations earlier this week, in which he threatened to “totally destroy” the rogue state.

On Monday PMI and the Leading Economic Index (consisting of 12 key indexes and indicators) will be released, as will the BoJ Monetary Policy Meeting Minutes.

Foreign investment data is out on Wednesday followed by a slew of data on Thursday including CPI, industrial production and a BoJ summary of opinions.

## **Europe**

The pan-European Stoxx 600 closed flat on Friday with sectors moving in different directions. For the week it was up 0.64 %.

The UK's FTSE 100 jumped 0.6% after a speech in which Prime Minister Theresa May gave little detail on how she wants a Brexit transition period to work, CNBC reported. Sterling fell against the dollar on the speech, potentially boosting revenues at large UK firms that deal in dollars.

Basic resources were among the worst-performing groups. The sector was impacted by the decision of Standard & Poor's to downgrade China's credit worthiness.

The steel producer Arcelormittal was among those at the bottom of the European benchmark, down by more than 1.5%. The firm faces growing competition after Tata Steel and Thyssenkrupp announced a tentative agreement to merge their European businesses to create Europe's second-largest producer - just behind Arcelormittal.

Cosmetics conglomerate L'Oreal rose 2.9% after news that the world's richest woman and the company's largest share holder, 94-year-old Liliane Bettencourt, had died. This boosted traders' opinion that food producer Nestle will soon seek a higher stake in L'Oreal.

Also in France on Friday, second-quarter gross domestic product data revealed an uptick of 0.5% from the previous quarter on higher consumer spending. Corporate profit margins also increased slightly during the three-month period.

French flash PMIs (Purchasing Managers' Index) showed that both services and manufacturing activities increased in August to their highest level since May 2011.

IHS Markit figures for the euro zone released Friday showed private businesses growing stronger in the third quarter of this year, mainly due to the manufacturing sector.

The positive data boosted confidence that the European Central Bank will announce monetary tightening next month.

Tomorrow (Sunday) the German federal election will be held, though most pollsters are predicting Angela Merkel and her steady pair of policy hands to be returned to the Chancellor's office.

M3 Money Supply data, which is a measure of money supply that is released by the European Central Bank, will be released on Wednesday.

British GDP, current account and business investment data is also out on Wednesday, and consumer confidence on Thursday. UK money supply figures will be released on Friday.

Eurozone business and consumer confidence data will be watched on Thursday, then German retail figures on Friday.

## Australia

Shares suffered their fourth week of losses in five, with the ASX hovering around seven-month lows, as investors sought to adapt to changing interest rate expectations into their stock choices, Fairfax Media reported.

Interest rates were the main focus for markets during the week, with ANZ economists saying they now expect the Reserve Bank of Australia to increase the cash rate by 50 basis points to 2% in 2018.

Australian markets were the global underperformers after the Fed meeting and that reflected fears of rate hikes in economies with diverging growth expectations, AMP Capital's Shane Oliver said.

"The market is worried that, if rate hikes occur in Australia, strength in cyclical stocks won't be able to offset losses in yield stocks because earnings growth is more constrained in Australia than in other economies," Mr Oliver said. "In the US they have rate hikes but they also have strong profit growth."

Across the ditch, New Zealand goes to the polls today (Saturday) ahead of its trade balance release on Monday.

In a slow week for Australian data, private sector credit figures will be released on Friday.

## Commodities

Oil markets have had a quiet end to the week, with an uneventful OPEC meeting concluding without any recommendations regarding further production cuts beyond March 2018.

The recent climb in prices appears to have come to an end, with WTI sitting comfortably at \$50, prompting oilprice.com to ask whether \$50 a barrel is the new normal.

"The bull run in the oil market is running out of steam as unease builds (for 2018)" Stephen Brennock, analyst at London brokerage PVM Oil Associates, told Reuters.

Iron ore dropped 8.4% over the week and 3% the week before, Mining.com reported.

Ahead of China's 19th Congress of the Chinese Communist Party next month, the Reserve Bank of Australia called the top of the iron ore cycle on Tuesday when it released the minutes from its last interest rate meeting. Officials at the bank said that China's production of steel was likely to ease from here on while supply of the raw material would keep increasing.

Iron ore pure play Fortescue Metals Group dropped 7.8% over the week, almost in lock step with the iron ore price.

Steel reversal: The slide in iron ore prices comes amid signs that August's record-high production may be close to the high-water mark for Chinese steel output. Environmental inspections are ramping up and authorities at several levels of government are considering enforcing closures in coming months to reduce pollution levels in winter.

The municipal government of the capital Beijing said it would suspend construction of major public projects during winter to improve the capital's air quality, official media said this week.

It's also possible that the ruling Communist Party may tilt economic policy in favour of reform and away from stimulus at next month's Chinese People's Congress, a major policy-setting meeting.

Meanwhile there is no shortage of both iron ore and steel inventories in China.

The gold bulls were encouraged by geopolitical tensions, then were dragged down by the horns at the prospect of rising US rates.

The yellow metal is highly sensitive to rising US interest rates, which boost the cost of holding non-

yielding bullion relative to other assets, while lifting the dollar, in which it is priced.

Traders then bought the dip yesterday as scepticism grows on the Fed's ability to raise rates in December and an additional three times in 2018, Kitco said.

That scepticism is fuelled by US growth jitters, the deficit, the gridlock in Washington and a highly sensitive equity market.

Australian junior gold miners suffered as gold had its second straight weekly decline. St. Barbara was down 11%, Resolute Mining lost 9.3% and Evolution Mining was 7.5% lower.

Base metals were also lacklustre. Notable was copper, which declined further this week after touching a three-year high earlier this month.

But about Chinese imports, rising stock levels at LME warehouses and fewer mine disruptions had the rally come to a screeching halt.

Also yesterday Chinese smelters hiked their treatment and refining charges by as much as 10%.

### Stock Picks

Commonwealth Bank of Australia (ASX: CBA) announced last week that it would be no longer in every sector of the financial services sector after selling its insurance business for A\$3.8bn to pan-Asian insurer AIA Group. It is also looking to spin off (via trade sale or more likely an IPO) its global asset management business Colonial First State Asset Management (CFSGAM). Based on a rule of thumb that asset management business is valued at 3-5 per cent of assets under management, CFSGAM could be worth A\$6.5 to A\$10bn. While the business sales are a strategic move to return to the group's core banking roots, the proceeds would shore up the balance sheet – although how much CBA gets to keep will depend on the way the bank resolves the AUSTRAC case.

Looking at the major financial stocks, AMP Limited (ASX: AMP) offers the largest upside potential with 15% total return; Bank of Queensland (ASX: BOQ) offers the least upside with a forecast total return of only 1.3%. See table below.

Forecast total return for major ASX-listed financial stocks

Security	Name	Share Price (A\$)	Target Price (A\$)	Capital upside / (downside) (%)	FY18E Dividend (A\$)	FY18E DY (%)	Total Return (%)	Franking (%)
AMP	AMP Limited	4.91	5.36	9.2%	0.30	6.1%	15.3%	90%
WBC	Westpac	31.64	34.28	8.3%	1.89	6.0%	14.3%	100%
SUN	Suncorp	12.94	13.93	7.7%	0.76	5.9%	13.5%	100%
CBA	Commonwealth Bank	76.62	81.1	5.8%	4.37	5.7%	11.6%	100%
MQG	Macquarie Bank	88.64	93.91	5.9%	4.83	5.4%	11.4%	45%
NAB	National Aust. Bank	31.28	32.72	4.6%	1.95	6.2%	10.8%	100%
ANZ	ANZ Banking	29.94	31.37	4.8%	1.63	5.4%	10.2%	100%
BEN	Bendigo & Adelaide	11.63	11.78	1.3%	0.69	5.9%	7.2%	100%
BOQ	Bank of Queensland	12.78	12.17	-4.8%	0.77	6.0%	1.3%	100%

Source: IRESS, compiled by State One Stockbroking

## Economic Calendar 25/09/2017 – 29/09/2017

Monday September 25 2017		Actual	Previous	Consensus	Forecast	
04:00 PM	DE IFO Business Climate SEP		115.9	116.0	116.1	
Tuesday September 26 2017		Actual	Previous	Consensus	Forecast	
10:00 PM	US New Home Sales AUG		571K	585K	575K	
Wednesday September 27 2017		Actual	Previous	Consensus	Forecast	
08:30 PM	US Durable Goods Orders MoM AUG		-6.8%	1%	1.1%	
Thursday September 28 2017		Actual	Previous	Consensus	Forecast	
02:00 PM	DE GfK Consumer Confidence OCT		10.9	11	10.9	
05:00 PM	EA Business Confidence SEP		1.09	1.11	1.09	
08:00 PM	DE Inflation Rate YoY Prel SEP		1.8%	1.8%	1.9%	
08:30 PM	US GDP Growth Rate QoQ Final Q2		1.2%	3%	3%	
Friday September 29 2017		Actual	Previous	Consensus	Forecast	
07:05 AM	GB Gfk Consumer Confidence SEP		-10	-11	-9	
07:30 AM	JP Inflation Rate YoY AUG		0.4%		0.5%	
07:30 AM	JP Unemployment Rate AUG		2.8%	2.8%	2.8%	
03:00 PM	CH KOF Leading Indicators SEP		104.1	107	105.1	
03:55 PM	DE Unemployment Change SEP		-5K	-5K	-6.2K	
03:55 PM	DE Unemployment Rate SEP		5.7%	5.7%	5.7%	
04:30 PM	GB GDP Growth Rate QoQ Final Q2		0.2%	0.3%	0.3%	
04:30 PM	GB GDP Growth Rate YoY Final Q2		2%	1.7%	1.7%	

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

## Economic Calendar 2/10/2017 – 6/10/2017

		Actual	Previous	Consensus	Forecast	
<b>Monday October 02 2017</b>						
<b>07:50 AM</b>	JP Takan Large Manufacturers Index Q3		17	18	19	
<b>05:00 PM</b>	EA Unemployment Rate AUG		9.1%		9%	
<b>10:00 PM</b>	US ISM Manufacturing PMI SEP		58.8		52.4	
<b>Tuesday October 03 2017</b>						
<b>11:30 AM</b>	AU RBA Interest Rate Decision				1.5%	
<b>01:00 PM</b>	JP Consumer Confidence SEP		43.3		43.11	
<b>Wednesday October 04 2017</b>						
<b>05:00 PM</b>	IN RBI Interest Rate Decision		6%		6%	
<b>08:15 PM</b>	US ADP Employment Change SEP		237K		185.8K	
<b>10:00 PM</b>	US ISM Non-Manufacturing PMI SEP		55.3		57.5	
	EA ECB Non-Monetary Policy Meeting					
<b>Thursday October 05 2017</b>						
<b>08:30 AM</b>	AU Balance of Trade AUG		A\$0.46B			
<b>08:30 PM</b>	CA Balance of Trade AUG		C\$-3.04B			
<b>08:30 PM</b>	US Balance of Trade AUG		\$-43.7B		\$-45B	
<b>Friday October 06 2017</b>						
<b>08:30 PM</b>	CA Employment Change SEP		22.2K		22.9K	
<b>08:30 PM</b>	CA Unemployment Rate SEP		6.2%		6.3%	
<b>08:30 PM</b>	US Non Farm Payrolls SEP		156K		165K	
<b>08:30 PM</b>	US Unemployment Rate SEP		4.4%		4.5%	
<b>10:00 PM</b>	CA Ivey PMI s.a SEP		56.3		59	

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

## All Ords Top 10 Week Ending 22 September 2017

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
GEM	G8 Education Limited	10.2	MYX	Mayne Pharma Ltd	-12.7
RWC	Reliance Worldwide	7.5	SBM	St Barbara Limited	-11.0
A2M	The A2 Milk Company	7.0	RSG	Resolute Mining	-9.3
BTT	BT Investment Mngmnt	6.9	HT1	Ht&E Limited	-8.6
SVW	Seven Group Holdings	6.3	SXL	Sthn Cross Media	-7.8
BPT	Beach Energy Limited	6.3	FMG	Fortescue Metals Grp	-7.7
ARB	ARB Corporation.	6.1	EVN	Evolution Mining Ltd	-7.5
CNU	Chorus Limited	6.0	ALQ	ALS Ltd	-7.0
APO	Apn Outdoor Grp	5.8	MIN	Mineral Resources.	-6.9
CYB	Cybg PLC	5.2	SOL	Soul Pattinson (W.H)	-6.8

Source: IRESS

## S & P Indices Week Ending 22 September 2017

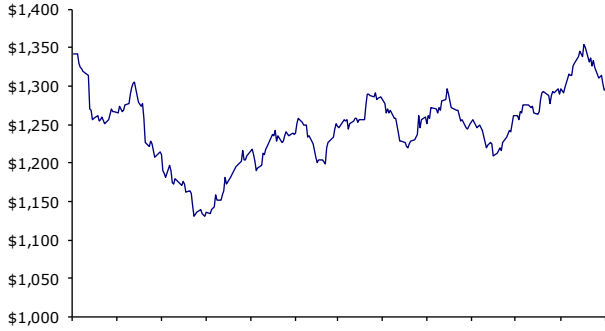
S&P Indices	24/09/2017	17/09/2017	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	9183	9127	0.6%	-1.3%	17.7%
S&P 200 Materials	10265	10427	-1.6%	-1.9%	20.6%
S&P 200 Industrials	5633	5672	-0.7%	-1.4%	13.0%
S&P 200 Consumer Disc.	2127	2128	0.0%	-0.4%	-1.5%
S&P 200 Consumer Staples	9332	9327	0.1%	-1.0%	6.2%
S&P 200 Healthcare	22559	22436	0.5%	1.9%	9.1%
S&P 200 Financials	6419	6370	0.8%	1.9%	10.8%
S&P 200 Info Technology	883	900	-1.8%	2.1%	11.0%
S&P 200 Telecommunicatic	1259	1281	-1.7%	-0.7%	-31.9%
S&P 200 Utilities	7922	8098	-2.2%	-4.3%	15.1%
S&P 200 Property Trusts	1309	1335	-1.9%	0.1%	-5.0%
S&P 200 Financials ex PT	7160	7104	0.8%	1.9%	10.9%

Source: IRESS

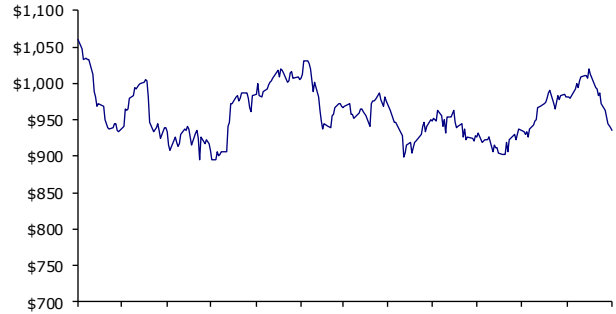


### 1 Year Commodity Price Charts

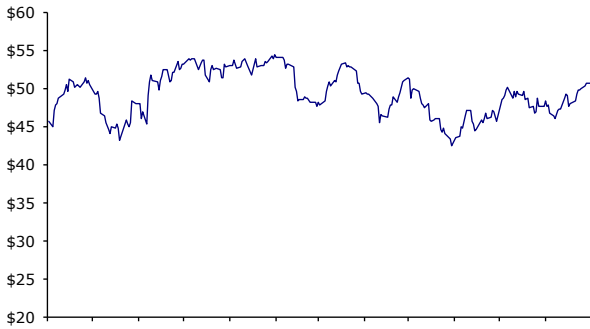
**1 Year Gold**



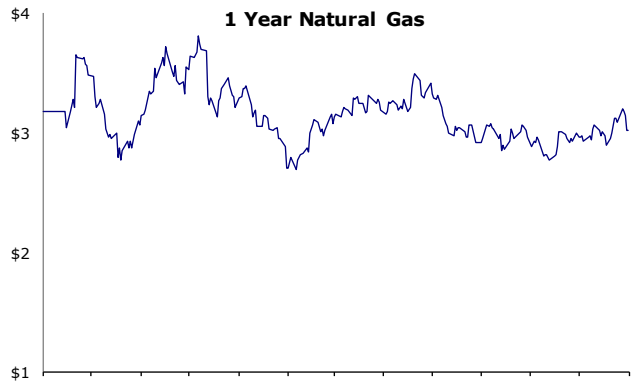
**1 Year Platinum**



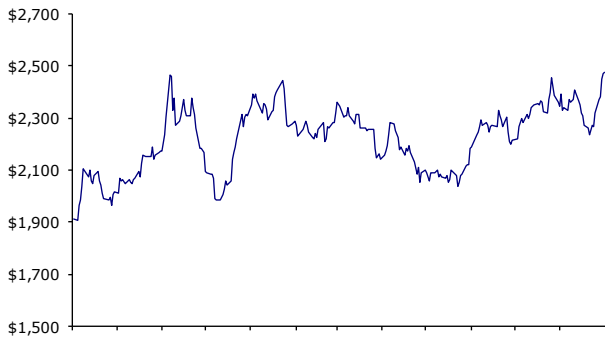
**1 Year Oil**



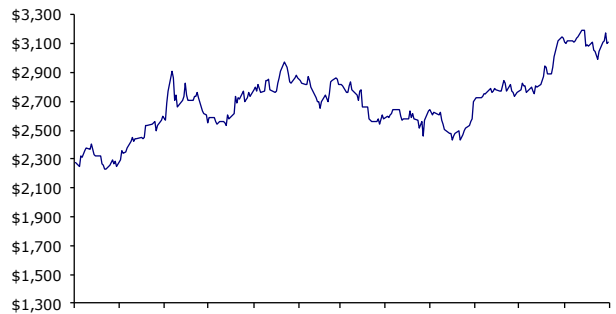
**1 Year Natural Gas**



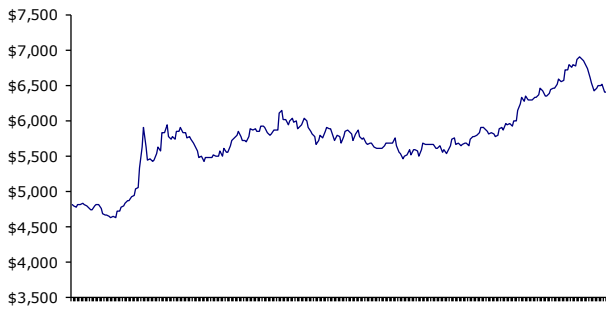
**1 Year Lead**



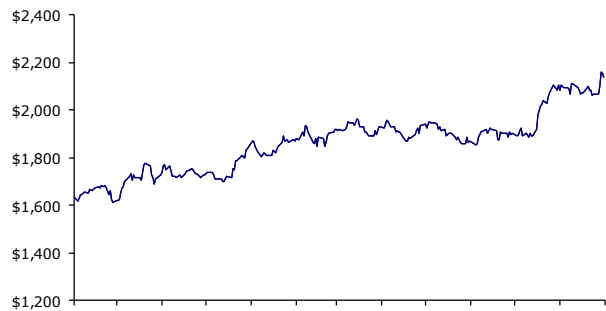
**1 Year Zinc**



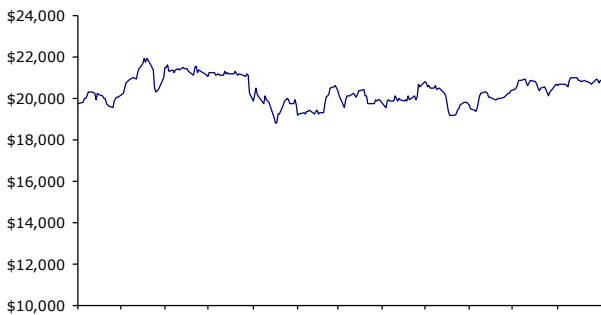
**1 Year Copper**



**1 Year Aluminium**

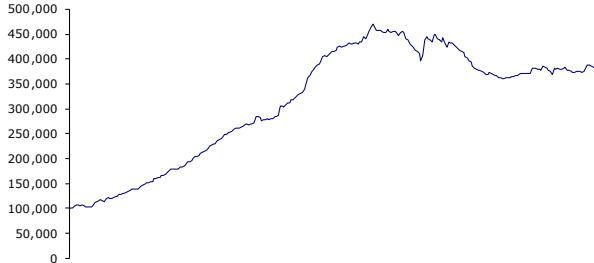


**1 Year Tin**

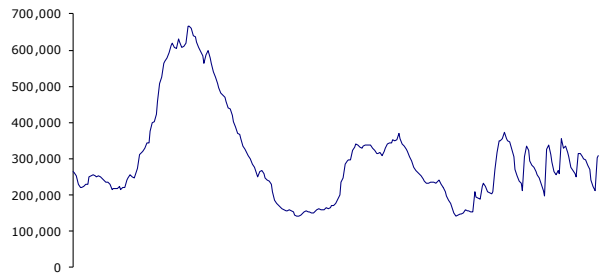


**5 Year Metals Stockpiles**

**Nickel LME Stockpiles - 5 Year**



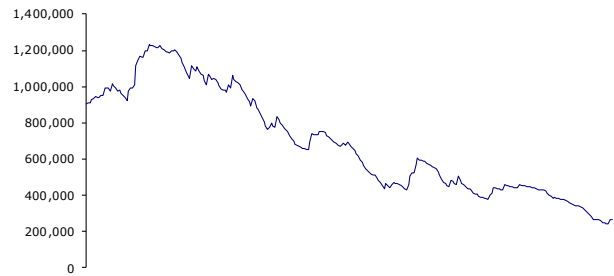
**Copper LME Stockpiles - 5 Year**



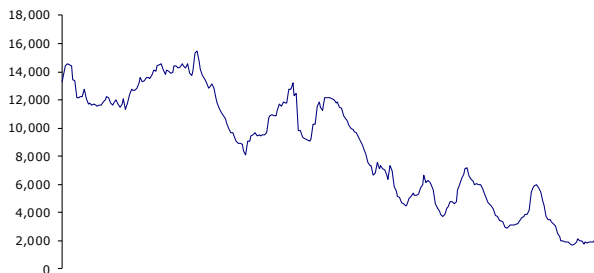
**Lead LME Stockpiles - 5 Year**



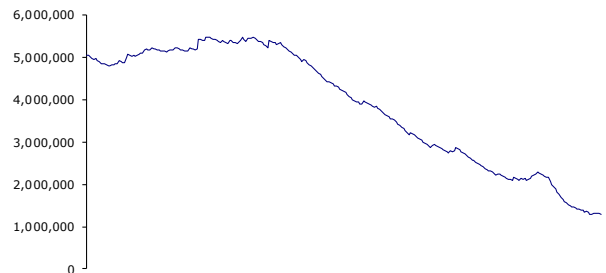
**Zinc LME Stockpiles - 5 Year**



**Tin LME Stockpiles - 5 Year**



**Aluminium LME Stockpiles - 5 Year**



Alan Hill  
Executive Chairman  
Phone: +61 8 9288 3388  
[ahill@stateone.com.au](mailto:ahill@stateone.com.au)

Mark Sullivan  
Institutional Dealer  
Phone: +61 2 9024 9134  
[msullivan@stateone.com.au](mailto:msullivan@stateone.com.au)

Yitz Barber  
Equities Advisor  
Phone: +61 2 9024 9107  
[ybarber@stateone.com.au](mailto:ybarber@stateone.com.au)

Graeme Johnson  
Equities & Derivatives Advisor  
Phone: +61 8 9288 3316  
[gjohnson@stateone.com.au](mailto:gjohnson@stateone.com.au)

Karen Tan  
Equities Advisor  
Phone: +61 8 9288 3303  
[ktan@stateone.com.au](mailto:ktan@stateone.com.au)

David Zhang  
Equities Advisor  
Phone: +61 2 9024 9130  
[dzhang@stateone.com.au](mailto:dzhang@stateone.com.au)

David Brennan  
Senior Investment Analyst  
Phone: +61 2 9024 9142  
[DBrennan@stateone.com.au](mailto:DBrennan@stateone.com.au)

Tammie Wong  
Equities Advisor  
Phone: +61 2 9024 9133  
[twong@stateone.com.au](mailto:twong@stateone.com.au)

Ric Heydon  
Equities & Derivatives Advisor  
Phone: +61 8 9288 3307  
[rheydon@stateone.com.au](mailto:rheydon@stateone.com.au)

Robert Chen  
Equities Advisor  
Phone: +61 2 9024 9132  
[rchen@stateone.com.au](mailto:rchen@stateone.com.au)

Morris Levitzke  
Equities Advisor  
Phone: +61 8 9288 3315  
[mlevitzke@stateone.com.au](mailto:mlevitzke@stateone.com.au)

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