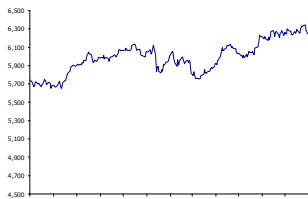


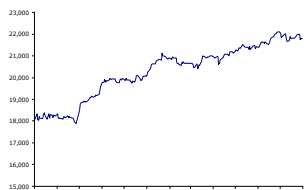
# STATE ONE SPINNAKER

**26 August 2018**  
**Issue 425**

## 12 month XJO chart



## 12 month Dow Jones chart



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## Global Wrap – 26 August 2018

World Markets	26/08/2018	19/08/2018	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	6247	6339	-1.4%	-0.5%	12.7%
Dow Jones	21798	21988	-0.9%	-1.0%	18.0%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2875	2850	0.9%	2.2%	28.0%
FTSE 100	7577	7559	0.3%	-1.0%	9.3%
DAX30	12395	12211	1.5%	-2.7%	2.2%
Shanghai Composite	2729	2698	1.1%	-1.4%	-15.1%
Nikkei 225	22602	22199	1.8%	0.4%	20.4%
Hang Seng	27672	27213	1.7%	-2.4%	21.0%
Currency					
AUD/USD	0.7329	0.7340	-0.1%	0.9%	-7.6%
Commodities					
Oil (\$/bbl)	68.5	66.6	2.8%	-0.7%	43.2%
Gas (\$/gal)	2.9	2.9	-1.2%	6.1%	-2.1%
Iron Ore (\$/t)	0.0	53.9	-100.0%	-100.0%	-100.0%
Copper (\$/t)	6001	5844	2.7%	-2.2%	2.8%
Lead (\$/t)	2079	1977	5.2%	-1.7%	-10.8%
Zinc (\$/t)	2439	2360	3.3%	-7.2%	-11.1%
Aluminium (\$/t)	2062	1999	3.2%	1.3%	19.1%
Nickel (\$/t)	13310	13240	0.5%	-3.4%	17.1%
Tin (\$/t)	19250	18680	3.1%	-3.6%	-10.0%
Gold (\$/oz)	1213	1184	2.5%	-0.9%	3.5%
Silver (\$/oz)	14.9	14.6	1.8%	-3.2%	-12.8%
Platinum (\$/oz)	789	777	1.6%	-3.6%	-15.8%
Wheat (\$/t)	536.500	578.000	-7.2%	-3.8%	31.4%

Source: Iress

## Global Wrap

### Key points

1. ASX rises on news of new PM
2. New records in US as rate fears ease
3. Analysis: The Aussie dollar and how it affects stocks

## US

The S&P 500 and Nasdaq Composite indices hit record highs while the dollar extended early losses as participants digested a keynote speech by Jay Powell at the annual gathering of central bankers at Jackson Hole, Wyoming, The Financial Times reported.

The Federal Reserve chairman reiterated that gradual rate rises remained appropriate, saying he saw “no clear sign” that inflation was accelerating above 2% and there did not seem to be an elevated risk of overheating.

This followed Wednesday's release of Federal Reserve minutes showing the central bank intends to maintain a gradual pace for rate hikes.

The S&P 500, meanwhile, surpassed the intraday record peak it struck on Tuesday, and the tech-heavy Nasdaq Composite hit an all-time peak.

The S&P 500 rose 0.6% to close at 2,874.69, led by gains in materials and tech. The tech-heavy Nasdaq advanced 0.9% and closed at 7,945.98.

Netflix rose 5.8% on Friday after analysts upgraded the stock, noting it will keep going higher because of its success overseas. The stock has had a strong week, gaining more than 10%.

The Dow Jones Industrial Average jumped 133.37 points to 25,790.35 as DowDuPont outperformed.

Brent oil leapt to its highest point since July 11, ensuring further gains for energy stocks. (See more on oil below).

The dollar index, by contrast, sank back towards a three-week low as it headed for its seventh daily decline in eight sessions, helping to drive gold back above the \$1,200 an ounce milestone.

The US currency's retreat earlier in the week was in part due to the latest political drama in Washington, plus Donald Trump's comment that he was "not thrilled" with the Fed's policy tightening.

Former Trump campaign manager Paul Manafort was found guilty of tax and bank fraud charges on Tuesday evening, while Trump's former personal lawyer Michael Cohen pleaded guilty to a range of charges and said he acted at the direction of Trump.

This coming week is a busy one for US data: On Tuesday investors will be watching the trade balance figures and a key consumer confidence index, while Q2 GDP will be released on Wednesday and Personal Consumption Expenditure on Thursday.

## **China**

Hong Kong stocks fell for a second session on Friday as intervention by the city's de facto central bank to prop up the currency raised concerns over interest rates and as talks between the US and China over their trade war failed to make progress.

The Hang Seng Index dropped 0.4%, or 118.59 points, to 27,671.87 and the Hang Seng China Enterprises Index fell 0.3%, or 34.89 points, to 10,779.71.

Investors took profits ahead of the weekend and because of uncertainty over the trade talks, The South China Morning Post said.

However it added the declines were mild, given hopes for strong earning releases by Chinese banks next week.

Uncertainty over the escalating trade spat, along with expectations of higher US interest rates and a stronger US dollar, are weakening the Hong Kong dollar, forcing the Hong Kong Monetary Authority (HKMA) to intervene again in the currency market.

Mainland China stocks were mixed, with the Shanghai Composite Index gaining 0.2%, or 4.81 points, to 2,729.43.

The CSI 300 – which tracks the large caps listed in Shanghai and Shenzhen – added 0.2%, or 5.31 points, to 3,325.33. The Nasdaq style ChiNext dropped 0.4%, or 5.41 points, to 1,450.09.

Next week, in addition to ongoing trade negotiations, the closely watched Chinese Manufacturing PMI (Purchasing Managers Index) will be released on Friday.

## Japan

Stocks rang up solid gains Friday as investors took heart chiefly from the yen's drop against the dollar, The Japan Times reported.

The 225-issue Nikkei average rose 190.95 points, or 0.85 %, to end at 22,601.77 on the Tokyo Stock Exchange, extending its winning streak to a fourth session.

Japanese jobs and Tokyo CPI data will be out on Thursday.

## Europe

The pan-European Euro Stoxx 600 index traded 0.1% higher, with most sectors in the black. Basic resources — with their heavy exposure to China — were the best performers, CNBC reported. This comes despite trade talks between the US and China ending without any progress Thursday, the same day that new tariffs on each other's economies came into force.

However new data for Germany released during the week showed that all sectors of its economy grew in the second quarter, confirming earlier figures of a robust uptick.

In the UK, mortgage approval numbers fell on the year with consumer credit also slowing.

The main data out of Europe this coming week will be German employment and CPI on Thursday, then the zone's CPI on Friday.

## Australia

A volatile week in politics caused sparked in the local markets, with positive results in the technology sector squeezing holders of short positions against the stocks, Fairfax reported.

The S&P/ASX 200 index close the week 91.9 points, or 1.5% lower, at 6247.3, as the benchmark index traded defensively during the uncertainty in Canberra.

The news that Scott Morrison would be the nation's new Prime Minister pushed Australian shares higher on Friday as some certainty returned to the market. That news wasn't enough to offset the losses made through the rest of the week, however, with the prospect of a change in government firmly in the minds of investors.

The major banks were the biggest weights on the index this week with the threat of regulatory changes front of mind for investors. Westpac fell the most of the major four, down 8.5% to \$27.66 this week after it reported on Friday that its net interest margin had fallen 11 basis points.

Flight Centre fell 15.3% to \$57.90 this week after the ABC levelled allegations of customer rip-offs and a culture of bullying inside the company. The company unveiled a 14.5% lift in net profit to \$264.2 million but it wasn't enough to stop the share price from falling.

It was a more positive week for the telecommunications sector. TPG Telecom announced it had entered into discussion with Vodafone over a potential merger of the two companies. TPG Telecom shares rose 29.4% to \$7.74 this week on the news. Telstra shares also rose on the news.

As the new Prime Minister settles into the Lodge and announces a new Cabinet, it is a slow week for Australian data, with building approvals on Wednesday the main release.

Oil prices closed the week with strong gains, after several weeks of declines. The EIA (Energy Information Administration) data showing a steep decline in crude stocks helped push prices up on Wednesday and return a sense of bullishness to the market, oilprice.com reported.

## Stock analysis

The US Fed's decision in June to lift the US central bank's cash rate to 1.75%-2%, while flagging the possibility of two more rate hikes in 2019, increased pressure on an already under-pressure Australian dollar.

At current price levels of 0.728, the exchange rate is approaching its two-year low (0.718 in December 2016).

We would not be surprised if, following the immediate "relief rally" in the currency following Scott Morrison replacing Malcolm Turnbull as Liberal Party leader, the domestic currency weakens below the December 2016 low.

While the 24-hour news cycle leads to much attention over short-term drivers of foreign exchange rates the bigger picture is that nothing drives FX rates over the medium term other than yield differentials via the different rates central banks offer on cash and debt.

If we accept that, inter alia, local employment, CPI, housing, and industrial growth data will be insufficiently strong to allow Australia's Reserve Bank to lift rates until well until 2019, then its yield differential with the US dollar will widen further.

In other words, holding Australian dollars, or AUD denominated debt will be increasingly unattractive to institutional investors versus high-yielding US money market and longer-dated date assets, with lower demand equalling a lower Aussie dollar.

Consider that the global bond market is on most estimates more than double the size of the global stock market and you can see how demand for currencies is greatly influenced by different rates on debt and cash.

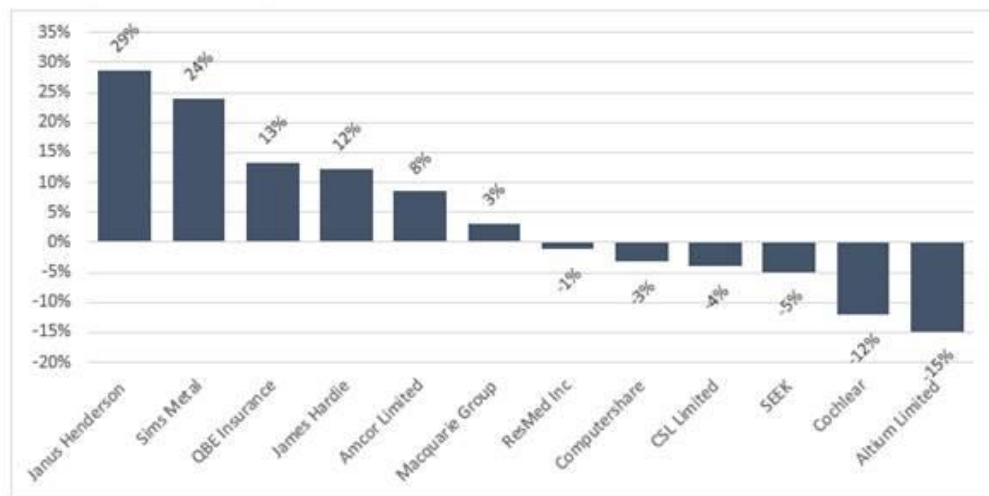
This scenario suggests businesses leveraged to stronger US growth and a weaker Australian dollar may do well. Relative to IRESS consensus target prices and FY19E dividend yields, our portfolio of (non-mining) A\$-leveraged plays sees the most upside in Janus Henderson (ASX:JHG), Sims Metals (ASX:SGM), and QBE Insurance (ASX:QBE). See table and graph below.






















## Forecast total return for selected strong US economy/ A\$-leveraged plays

Security	Name	Share Price (A\$)	Target Price (A\$)	Capital upside / (downside) (%)	FY19E Dividend (A\$)	FY19E DY (%)	Total Return (%)
JHG	Janus Henderson	38.86	48.42	24.6%	1.59	4.1%	29%
SGM	Sims Metal	13.78	16.46	19.4%	0.63	4.6%	24%
QBE	QBE Insurance	10.78	11.64	8.0%	0.57	5.3%	13%
JHX	James Hardie	21.47	23.61	10.0%	0.47	2.2%	12%
AMC	Amcor Limited	14.41	15.15	5.1%	0.48	3.3%	8%
MQG	Macquarie Group	125.34	123.59	-1.4%	5.62	4.5%	3%
RMD	ResMed Inc	14.92	14.60	-2.1%	0.15	1.0%	-1%
CPU	Computershare	18.79	17.84	-5.1%	0.34	1.8%	-3%
CSL	CSL Limited	223.89	212.21	-5.2%	2.67	1.2%	-4%
SEEK	SEEK	21.61	20.10	-7.0%	0.45	2.1%	-5%
COH	Cochlear	212.00	183.14	-13.6%	3.31	1.6%	-12%
ALU	Altium Limited	27.46	23.02	-16.2%	0.37	1.3%	-15%

Source: IRESS, compiled by State One Stockbroking






















**Economic Calendar 27/08/2018 – 31/08/2018**

<b>Monday August 27 2018</b>			Actual	Previous	Consensus
<b>04:00 PM</b>	 DE	Ifo Business Climate AUG		101.7	101.9
<b>Wednesday August 29 2018</b>			Actual	Previous	Consensus
<b>01:00 PM</b>	 JP	Consumer Confidence AUG		43.5	43.4
<b>02:00 PM</b>	 DE	GfK Consumer Confidence SEP		10.6	10.6
<b>08:30 PM</b>	 US	GDP Growth Rate QoQ 2nd Est Q2		2.2%	4%
<b>Thursday August 30 2018</b>			Actual	Previous	Consensus
<b>03:55 PM</b>	 DE	Unemployment Change AUG		-6K	-8K
<b>03:55 PM</b>	 DE	Unemployment Rate AUG		5.2%	5.2%
<b>05:00 PM</b>	 EA	Business Confidence AUG		1.29	1.26
<b>08:00 PM</b>	 DE	Inflation Rate YoY Prel AUG		2%	2%
<b>08:30 PM</b>	 CA	GDP Growth Rate QoQ Q2		0.3%	+
<b>08:30 PM</b>	 CA	GDP Growth Rate Annualized Q2		1.3%	3%
<b>08:30 PM</b>	 US	Personal Income MoM JUL		0.4%	0.3%
<b>08:30 PM</b>	 US	Personal Spending MoM JUL		0.4%	0.4%
<b>Friday August 31 2018</b>			Actual	Previous	Consensus
<b>07:01 AM</b>	 GB	GfK Consumer Confidence AUG		-10	-10
<b>07:30 AM</b>	 JP	Unemployment Rate JUL		2.4%	2.4%
<b>09:00 AM</b>	 CN	NBS Manufacturing PMI AUG		51.2	51
<b>05:00 PM</b>	 EA	Unemployment Rate JUL		8.3%	8.2%
<b>08:00 PM</b>	 BR	GDP Growth Rate QoQ Q2		0.4%	0.1%
<b>08:00 PM</b>	 BR	GDP Growth Rate YoY Q2		1.2%	1.1%
<b>08:00 PM</b>	 IN	GDP Growth Rate YoY Q2		7.7%	7.6%

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



**Economic Calendar 3/09/2018 – 7/09/2018**

<b>Monday September 03 2018</b>			Actual	Previous	Consensus
<b>09:45 AM</b>	 CN	Caixin Manufacturing PMI AUG		50.8	50.6
<b>Tuesday September 04 2018</b>			Actual	Previous	Consensus
<b>12:30 PM</b>	 AU	RBA Interest Rate Decision		1.5%	+
<b>10:00 PM</b>	 US	ISM Manufacturing PMI AUG		58.1	57.8
<b>Wednesday September 05 2018</b>			Actual	Previous	Consensus
<b>09:30 AM</b>	 AU	GDP Growth Rate YoY Q2		3.1%	2.8%
<b>09:30 AM</b>	 AU	GDP Growth Rate QoQ Q2		1%	0.9%
<b>08:30 PM</b>	 CA	Balance of Trade JUL		C\$-0.63B	C\$-2.3B
<b>08:30 PM</b>	 US	Balance of Trade JUL		\$-46.3B	\$-46.4B
<b>10:00 PM</b>	 CA	BoC Interest Rate Decision		1.5%	+
<b>Thursday September 06 2018</b>			Actual	Previous	Consensus
<b>09:30 AM</b>	 AU	Balance of Trade JUL		A\$1.873B	A\$0.9B
<b>08:15 PM</b>	 US	ADP Employment Change AUG		219K	187K
<b>10:00 PM</b>	 US	ISM Non-Manufacturing PMI AUG		55.7	56.0
<b>Friday September 07 2018</b>			Actual	Previous	Consensus
<b>02:00 PM</b>	 DE	Balance of Trade JUL		€21.8B	+
<b>05:00 PM</b>	 EA	GDP Growth Rate YoY 3rd Est Q2		2.5%	2.2%
<b>05:00 PM</b>	 EA	GDP Growth Rate QoQ 3rd Est Q2		0.4%	0.4%
<b>08:30 PM</b>	 CA	Employment Change AUG		54.1K	+
<b>08:30 PM</b>	 CA	Unemployment Rate AUG		5.8%	5.9%
<b>08:30 PM</b>	 US	Unemployment Rate AUG		3.9%	3.9%
<b>08:30 PM</b>	 US	Non Farm Payrolls AUG		157K	180K
<b>10:00 PM</b>	 CA	Ivey PMI s.a AUG		61.8	+

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

## All Ords Top 10 Week Ending 24 August 2018

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
TPM	TPG Telecom Limited	29.3	FLT	Flight Centre Travel	-15.3
ALU	Altium Limited	27.5	PRY	Primary Health Care	-12.5
WTC	Wisetech Global Ltd	26.2	WSA	Western Areas Ltd	-11.3
ECX	Eclixp Group Ltd	23.4	ASL	Ausdrill Limited	-11.0
APX	Appen Limited	23.2	CGC	COSTA GROUP HOLDINGS	-8.8
WEB	Webjet Limited	21.5	ANN	Ansell Limited	-8.8
VOC	Vocus Group Ltd	18.9	WBC	Westpac Banking Corp	-8.8
APT	Afterpay Touch	18.5	GWA	GWA Group Ltd	-8.6
MYX	Mayne Pharma Ltd	15.0	GMA	Genworth Mortgage	-7.3
TME	Trade Me Group	14.8	ORG	Origin Energy	-7.3

Source: IRESS

## S & P Indices Week Ending 24 August 2018

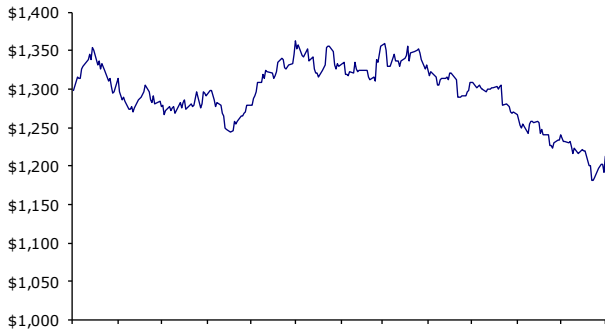
S&P Indices	26/08/2018	19/08/2018	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	11883	12004	-1.0%	-1.9%	33.6%
S&P 200 Materials	11499	11566	-0.6%	-6.8%	16.1%
S&P 200 Industrials	6221	6204	0.3%	2.0%	21.9%
S&P 200 Consumer Disc.	2567	2550	0.7%	2.4%	22.6%
S&P 200 Consumer Staples	11420	11562	-1.2%	1.6%	33.5%
S&P 200 Healthcare	33760	32731	3.1%	8.8%	75.1%
S&P 200 Financials	6154	6446	-4.5%	-2.3%	-3.4%
S&P 200 Info Technology	1234	1185	4.1%	10.9%	58.6%
S&P 200 Telecommunicatic	1205	1140	5.7%	13.5%	-31.4%
S&P 200 Utilities	7808	8124	-3.9%	-3.1%	3.6%
S&P 200 Property Trusts	1435	1468	-2.3%	0.3%	7.0%
S&P 200 Financials ex PT	6864	7189	-4.5%	-2.3%	-3.4%

Source: IRESS

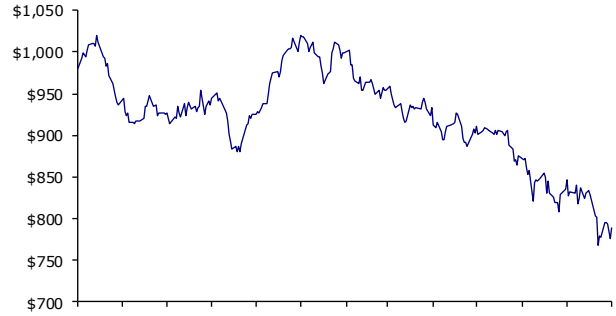


### 1 Year Commodity Price Charts

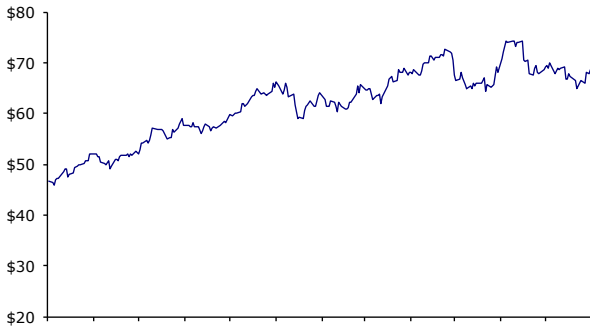
**1 Year Gold**



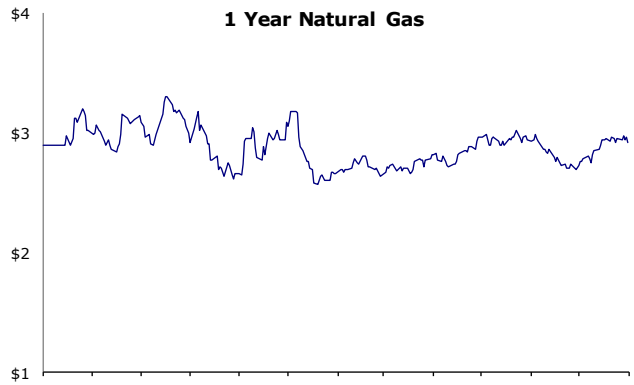
**1 Year Platinum**



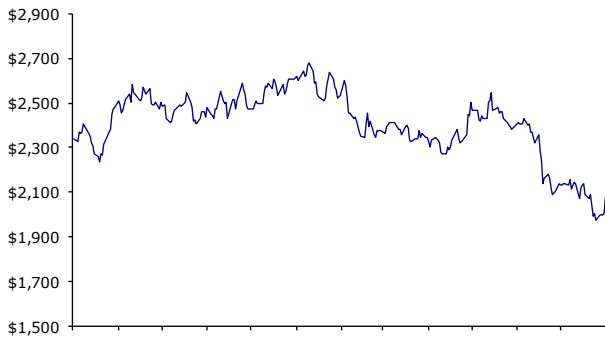
**1 Year Oil**



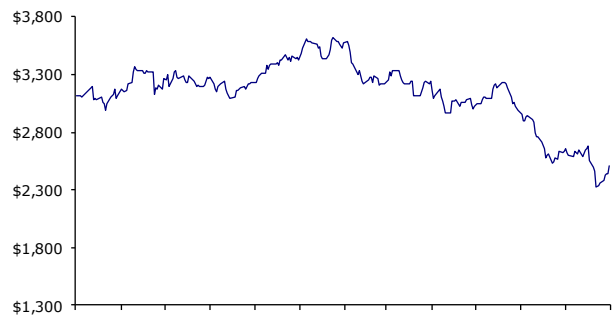
**1 Year Natural Gas**



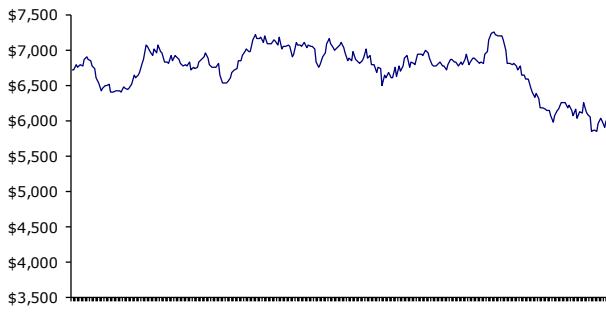
**1 Year Lead**



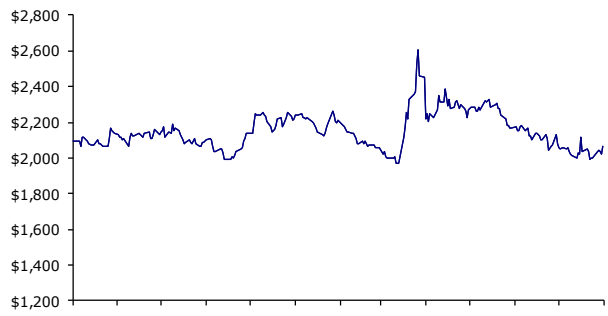
**1 Year Zinc**



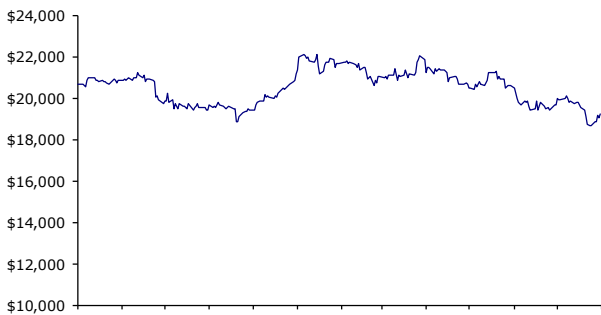
**1 Year Copper**



**1 Year Aluminium**

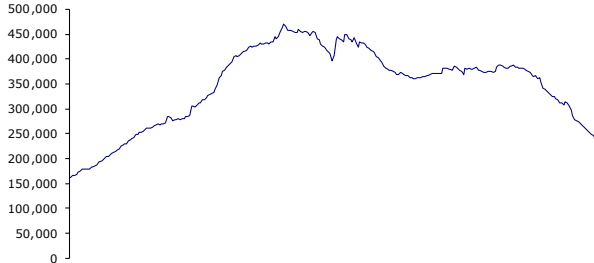


**1 Year Tin**

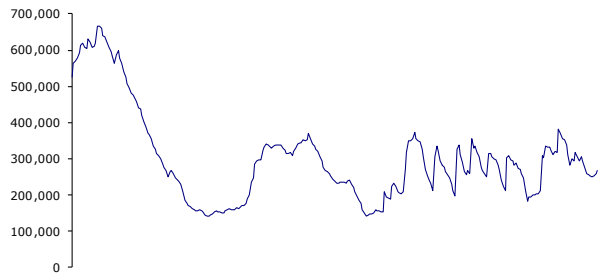


**5 Year Metals Stockpiles**

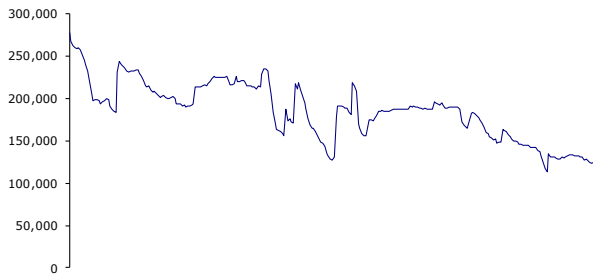
**Nickel LME Stockpiles - 5 Year**



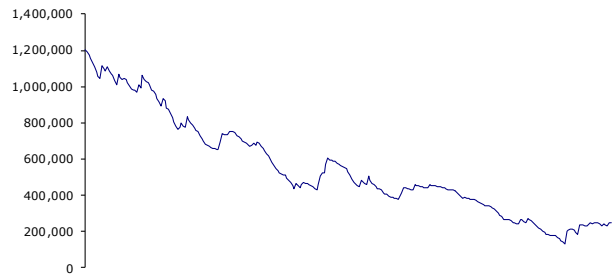
**Copper LME Stockpiles - 5 Year**



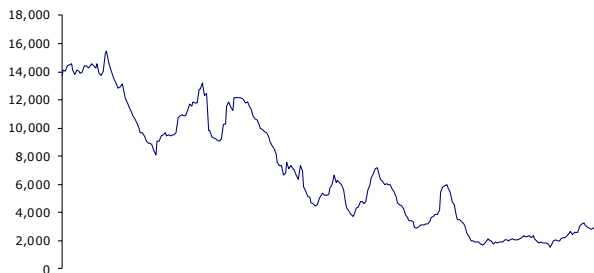
**Lead LME Stockpiles - 5 Year**



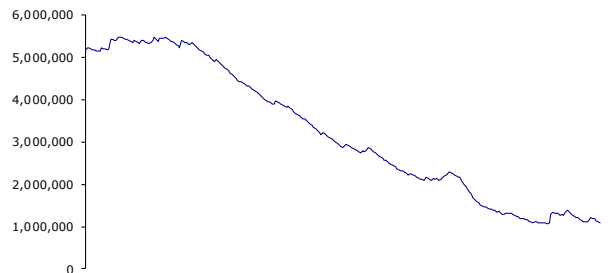
**Zinc LME Stockpiles - 5 Year**



**Tin LME Stockpiles - 5 Year**



**Aluminium LME Stockpiles - 5 Year**



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