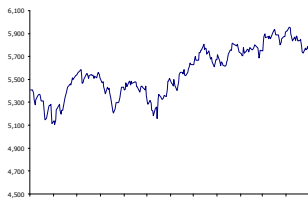


STATE ONE SPINNAKER

28 May 2017
Issue 368

12 month XJO chart



12 month Dow Jones chart



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Overview

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Global Wrap – 28 May 2017

World Markets	28/05/2017	21/05/2017	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	5752	5727	0.4%	-2.4%	9.3%
Dow Jones	21080	20805	1.3%	0.6%	20.5%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2416	2382	1.4%	1.2%	17.7%
FTSE 100	7548	7471	1.0%	4.3%	18.4%
DAX30	12602	12639	-0.3%	0.6%	22.5%
Shanghai Composite	3110	3076	1.1%	-0.6%	-7.7%
Nikkei 225	19687	19678	0.0%	1.2%	6.8%
Hang Seng	25639	25175	1.8%	3.8%	12.2%
Currency					
AUD/USD	0.7449	0.7475	-0.3%	0.4%	3.7%
Commodities					
Oil (\$/bbl)	49.8	50.8	-1.9%	4.8%	25.8%
Gas (\$/gal)	3.3	3.3	-0.9%	2.8%	27.7%
Iron Ore (\$/t)	53.9	53.9	0.0%	6.9%	7.8%
Copper (\$/t)	5671	5596	1.3%	0.6%	7.5%
Lead (\$/t)	2090	2088	0.1%	-6.1%	20.5%
Zinc (\$/t)	2627	2569	2.3%	1.0%	53.2%
Aluminium (\$/t)	1950	1938	0.6%	1.8%	31.8%
Nickel (\$/t)	9005	9180	-1.9%	-3.0%	-13.5%
Tin (\$/t)	20500	20550	-0.2%	3.3%	28.3%
Gold (\$/oz)	1271	1256	1.3%	2.7%	9.0%
Silver (\$/oz)	17.3	16.8	2.9%	5.1%	9.4%
Platinum (\$/oz)	963	941	2.4%	7.2%	-4.8%
Wheat (\$/t)	438.250	435.250	0.7%	-3.5%	-10.7%

Source: Iress

Global Wrap

US

The main US indices stayed in tight ranges ahead of the long Memorial Day weekend on Monday – the unofficial start of the US summer. The muted trading closed an otherwise strong week for stocks.

Options traders are now taking sides as Amazon and Google parent Alphabet chase the \$1,000/share mark. But still worrying many commentators is that new highs are being driven by only a small big-cap cohort, mostly Big Tech.

The week finished with news that the economy grew at 1.2% in the first quarter, versus an earlier estimate of 0.9%.

The US Federal Reserve is still expected to pull the trigger on a June rate rise, after releasing the minutes of its May 2-3 monetary policy meeting, when it decided the US economy's slowdown was likely to be transitory.

Most Fed officials judged "it would soon be appropriate" to tighten monetary policy again and backed a plan that would gradually shrink their \$4.5 trillion balance sheet. Investors will be watching for signs of the Fed paring back reinvestments of maturing securities.

Also released last week was Donald Trump's budget proposal, which outlined plans for a proposed \$3.6 trillion in spending cuts over the next decade, based on 3% GDP growth from the end of 2020.

But the plan was declared dead on arrival by Republicans in Congress because it attacks too many powerful lobbies and includes drilling in the Alaska National Wildlife Refuge, which would again face stiff opposition.

China

China experienced the Moody blues last week as the world's most influential ratings agencies delivered a scathing assessment of Beijing's economic policy and downgraded the country's debt for the first time since the Tiananmen Square tragedy of 1989.

The rating cut, from Aa3 to A1 (with outlook changed to stable from negative) still places the country on a par with other major economies including Japan's.

However Moody's questioned Beijing's ability to rein in credit risks in the financial system while keeping the economy humming above their target for growth of at least 6.5 per cent this year. The ratings agency forecast China's overall debt levels were likely to rise above the 256 per cent of GDP seen at the end of last year.

Earlier last week, China's consumer confidence index in the first quarter hit the highest score since 2015, buoyed by a housing boom and surging consumption power, Nielsen's latest survey showed on Tuesday.

The latest figure of 110 is up two points from the previous quarter.

Profits earned by China's industrial firms in April rose 14% from a year earlier, the statistics bureau said on Saturday.

That compared with a 28.3% rise in January-March, and a 23.8% increase in March. Chinese industrial firms liabilities rose 6.7% from a year earlier as of end-April, compared with an increase of 6.6% in the first three months of 2017.

Australia

Stocks narrowed a weekly gain on Friday, when major energy stocks rose after the oil price stabilised somewhat following Thursday's OPEC meeting.

WorleyParsons added an impressive 12.2 per cent after announcing it was seeking more than \$410 billion in contracts from China's Belt and Road infrastructure plan.

Earlier in the week the market wobbled at news that Australian residential construction fell 4.8% in the March quarter, the biggest quarterly fall in 16 years, the Australian Bureau of Statistics said. Overall construction fell 0.7% when a 0.5% fall was forecast.

Year-on-year construction is down 7.2% and residential building is 2.8% lower, following several years of surge.

Industry analyst Macromonitor is forecasting a total decline in dwelling starts of 23 per cent from the peak in 2016 to a trough in 2019.

Adding some pep to the construction sector is infrastructure spending by state governments, while the downturn in mining investment is expected to bottom out in coming quarters. Big retailers and automotive stocks (AHG and AP Eagers) suffered as Australian consumers cut back on discretionary spending.

The shift to online, including the Amazon threat, is also hitting retailers and shopping centre investment trusts

Japan

In more positive news from our second largest trading partner, Japan's consumer price index increased by 0.3 % in April compared with the same month last year, marking the fourth consecutive rise after more than a year of downturn.

The Japanese government reported on Friday that the CPI had its first rise in 13 months in January, in line with the Bank of Japan's strategy to tackle the deflation the world's third largest economy has suffered for two decades.

Japanese exports managed a fifth consecutive month of gains in April, even if the 7.5% on-year rise was a little less than hoped for. Imports surged 15.1%, better than the 14.8% expected, for an overall trade balance of JPY481.7 billion (US\$4.3 billion).

Trade with the US increased by 2.6% and the total level of surplus with the US fell just over 4%, which could make it more difficult for US President Donald Trump to criticize Japanese trade practices.

The Nikkei Flash Japan Manufacturing Purchasing Managers' Index, or PMI, fell to a six-month low of 52.0 in May from 52.7 in April.

A reading above 50 signals an improvement, while one below 50 points to a contraction in activity. Despite the slowdown, the latest PMI recorded the above-50 level for the ninth consecutive month.

Europe

The eurozone's economic recovery continues to gain strength, with a weak euro, cheap oil and easy credit conditions expected to keep growth strong throughout 2017.

The Financial Times reported a "euphoric" mood among German business last week as a key confidence index reached its highest level on record. The Ifo index rose to 114.6 in May from 113 in April, beating expectations, while a Purchasing Managers' Index for factories jumped to 59.4 in May, according to a report by IHS Markit.

The euro zone's initial May manufacturing PMI was estimated at a robust 57, supported by pleasing figures from France.

However European Central Bank president Mario Draghi continued his push to stamp out any speculation that the bank might raise interest rates before it ends quantitative easing.

He urged investors waiting for a signal on the path of policy normalization to be patient, signaling that June might not be the time for big decisions.

At the G7 meeting in Sicily, diplomats worked over the weekend to bridge the gap between the Trump administration and allies Britain, Canada, France, Germany, Italy and Japan on several difficult issues, including trade.

"In the end we convinced them (the US) to include the fight against protectionism in the final communique, so that was a step forward," one European diplomat said.

Across the channel, Britain's economy suffered a worse than expected slowdown at the start of the year, with growth reported to have decelerated to a quarterly pace of just 0.2% – its weakest in 12 months.

On an annual basis, GDP expansion was also lower at 2%, down from a flash first estimate of 2.1% and compared with an average 0.5% in the eurozone first quarter.

Net trade exerted a 1.4 percentage point drag in the quarter as exports fell 1.6% and imports climbed 2.75% – despite sterling's 10%-plus decline since the June vote.

Britain's economic momentum is widely forecast to slow this year as consumers begin to feel the pinch from higher inflation after the Brexit vote.

With prices rising at a four-year high of 2.7% last month, real wage growth has fallen for the first time in two and a half years.

There was better news on the business investment front, with annual investment up 0.8% on the year to

its best pace since the end of 2015, and weekly new unemployment claims rose by 1,000, less than anticipated.

Commodities

Oil

At their meeting in Vienna last week, the Organisation of the Petroleum Exporting Countries and some non-OPEC producers agreed to continue supply cuts of 1.8 million barrels a day until the end of the first quarter of 2018.

Crude oil prices rebounded Friday after Thursday's near-5% drop, as investors shook off disappointment that OPEC didn't decide on more aggressive cuts.

Oil at \$US50 a barrel has encouraged more US shale output, since production costs are down from a few years ago.

US oil production has risen more than 10 per cent since mid-2016 to more than 9.3 million bpd. Rising US production could completely replace OPEC's output cuts of 1.2 million bpd by year-end, according to RBN Energy.

How US producers respond in coming months could have as much of an effect on pricing as OPEC's cuts.

Trump's proposal to sell almost half of the US's strategic reserve - about 270 million barrels - could also undermine OPEC efforts to prop up prices. Unlike other aspects of Trump's budget proposal, the plan may get support in Congress, which has voted three times in the past two years to reduce the stockpile.

Iron ore

Spot iron ore prices were on course to post their third weekly fall in four on Friday, as they continue to be pressured by plentiful supply in top consumer China and a retreat in Chinese steel prices. There's also the prospect of a slowdown in the Chinese property market.

The National Australia Bank thinks there's another reason prices have fallen so sharply from \$90/tonne early this year: Speculators in Chinese commodity futures are back after a brief hiatus.

"Open interest has climbed rapidly in recent months from around 1.5 million contracts in late February to 2.4 million in mid-May," the bank's commodity analysts, led by Riki Polygenis, wrote in a note released on Friday.

"This increase has coincided with a plunge in the futures price — down 44% at the time of writing, a larger fall than the spot price.

"That speculative pressure — rather than underlying fundamentals — appears to be driving prices at the present time and increases the risk of price volatility in the short term."

Gold

Gold prices continued their third consecutive week of gains as traders attempted to hedge against volatile markets ahead of the long weekend in both the US and UK.

This Wednesday former FBI director James Comey will testify in front of Congress, which could add extra risk aversion.

Kitco notes that gold's resilience in the face of a potential Fed rate rise in just over three weeks is surprising some investors, but others note gold is paying more attention to geopolitical tensions.

Aluminium

China's drive for cleaner production should offer a competitive advantage to less polluting producers of aluminium around the world, The Financial Times said this week. These include En+ Group, an integrated hydro power and aluminium producer that owns a controlling interest in UC Rusal, the world's largest aluminium producer outside China. Other beneficiaries could include Rio Tinto Alcan, Alcoa and Norsk Hydro.

Copper

Rising labour tensions at the world's third biggest copper mine helped push up prices that had been beaten down by demand concerns.

The metal was trading at \$US5718 a tonne on Friday, near a three-week high it hit during the week, after it was reported that about 2000 striking workers had been laid off at Freeport-McMoRan's Grasberg mine in Indonesia. The US-based company later confirmed that "a large number" of the 4000 people who have failed to report to work are now "deemed to have resigned".

Nickel – Metal Bulletin

High global stock levels of nickel, while concerning some investors, are believed unlikely to end a rally that started in January, because some stock is not available and the rest is believed to be not enough to replace lost supplies from Indonesia.

Analysts quoted by Reuters said some of the tonnage has already been set for delivery; some is tied up in financing deals; and some is tightly held by Chinese producers and speculators and will be released only as a last resort.

Benchmark nickel prices on the London Metal Exchange have soared by over 40% this year after top exporter Indonesia imposed a ban on unprocessed ore exports, leading to fears of shortages.

LME nickel inventories have increased 7% since January 12, when Jakarta imposed the ban and some say this proves worries about scarcity are exaggerated - and prices overcooked. In other nickel news that broke late Friday, French investment bank Natixis has filed a lawsuit against broker Marex Spectron relating to an alleged multi-million-dollar warehousing fraud to recover losses incurred in this year's nickel-related warehouse receipt forgery.

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%	2.8%	2.8%	
03:00 PM	CH KOF Leading Indicators MAY		106.0		106.4	
05:00 PM	EA Business Confidence MAY		1.09	1.11	1.15	
08:00 PM	DE Inflation Rate YoY Prel MAY		2%	1.6%	1.8%	
Wednesday May 31 2017		Actual	Previous	Consensus	Forecast	
07:05 AM	GB Gfk Consumer Confidence MAY		-7	-8	-8	
09:00 AM	CN NBS Manufacturing PMI MAY		51.2	51	51.2	
03:55 PM	DE Unemployment Change MAY		-15K	-15K	-9.8K	
03:55 PM	DE Unemployment Rate MAY		5.8%	5.7%	5.7%	
05:00 PM	EA Unemployment Rate APR		9.5%	9.4%	9.4%	
08:00 PM	IN GDP Growth Rate YoY Q1		7%	7.1%	7%	
08:30 PM	CA GDP Growth Rate QoQ Q1		0.6%		0.8%	
08:30 PM	CA GDP Growth Rate Annualized Q1		2.6%	3.6%	3.4%	

Source: www.tradingeconomics.com

Economic Calendar 5/06/2017 – 9/06/2017

Monday June 05 2017		Actual	Previous	Consensus	Forecast
10:00 PM	US ISM Non-Manufacturing PMI MAY		57.5	57.22	
Tuesday June 06 2017		Actual	Previous	Consensus	Forecast
12:30 PM	AU RBA Interest Rate Decision		1.5%	1.5%	
10:00 PM	CA Ivey PMI s.a MAY		62.4	62	
Wednesday June 07 2017		Actual	Previous	Consensus	Forecast
09:30 AM	AU GDP Growth Rate QoQ Q1		1.1%	0.67%	
09:30 AM	AU GDP Growth Rate YoY Q1		2.4%	2.4%	
05:00 PM	EA GDP Growth Rate QoQ 3rd Est Q1		0.5%	0.5%	
05:00 PM	EA GDP Growth Rate YoY 3rd Est Q1		1.8%	1.7%	
05:00 PM	IN RBI Interest Rate Decision		6.25%		
Thursday June 08 2017		Actual	Previous	Consensus	Forecast
09:30 AM	AU Balance of Trade APR		A\$3.11B		
10:00 AM	CN Balance of Trade MAY		\$38.05B		
10:00 AM	CN Exports YoY MAY		8.0%		
10:00 AM	CN Imports YoY MAY		11.9%		
07:45 PM	EA ECB Interest Rate Decision		0%	0%	
08:30 PM	EA ECB Press Conference				
	GB Parliamentary Elections				
Friday June 09 2017		Actual	Previous	Consensus	Forecast
09:30 AM	CN Inflation Rate YoY MAY		1.2%	1.1%	
02:00 PM	DE Balance of Trade APR		€25.4B		
03:00 PM	TR GDP Growth Rate QoQ Q1		3.8%	1.1%	
03:00 PM	TR GDP Growth Rate YoY Q1		3.5%	1.8%	
04:30 PM	GB Balance of Trade APR		£-4.90B		
08:30 PM	CA Employment Change MAY		3.2K	17.4K	
08:30 PM	CA Unemployment Rate MAY		6.5%	6.5%	

Source: www.tradingeconomics.com

All Ords Top 10 Week Ending 26 May 2017

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
ALQ	ALS Ltd	13.6	SIG	Sigma Health Ltd	-32.2
VOC	Vocus Group Ltd	13.5	AHG	Automotive Holdings.	-15.6
GXYDA	Galaxy Resources	13.1	API	Australian Pharm.	-10.8
WOR	WorleyParsons Ltd	12.2	MYR	Myer Holdings Ltd	-10.6
ILU	Iluka Resources	11.2	FXL	FlexiGroup Limited	-10.6
SGM	Sims Metal Mgmt Ltd	9.1	SUL	Super Ret Rep Ltd	-10.2
NST	Northern Star	7.9	FMG	Fortescue Metals Grp	-7.4
IGO	Independence Group	7.8	SXL	Sthn Cross Media	-7.4
FPH	Fisher & Paykel H.	6.6	VRT	Virtus Health Ltd	-6.8
ORE	Orocobre Limited	6.6	APO	Apn Outdoor Grp	-6.4

Source: IRESS

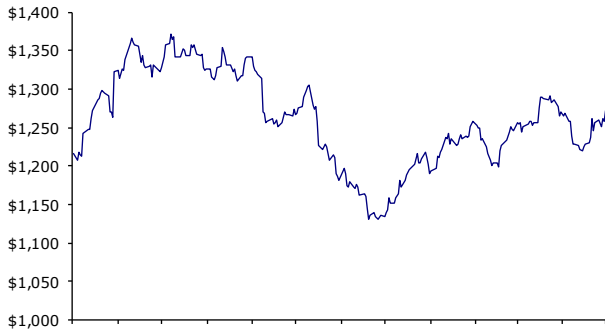
S & P Indices Week Ending 26 May 2017

S&P Indices	28/05/2017	21/05/2017	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	9555	9356	2.1%	2.5%	5.5%
S&P 200 Materials	9792	9754	0.4%	1.9%	19.4%
S&P 200 Industrials	5767	5650	2.1%	2.8%	21.4%
S&P 200 Consumer Disc.	2205	2188	0.8%	-0.9%	20.3%
S&P 200 Consumer Staples	9358	9366	-0.1%	-1.1%	6.8%
S&P 200 Healthcare	23036	22962	0.3%	-1.4%	27.5%
S&P 200 Financials	6374	6414	-0.6%	-7.2%	4.9%
S&P 200 Info Technology	873	862	1.3%	0.1%	21.4%
S&P 200 Telecommunicatic	1563	1539	1.6%	5.2%	-20.9%
S&P 200 Utilities	9126	8956	1.9%	1.3%	35.7%
S&P 200 Property Trusts	1402	1373	2.1%	-2.4%	10.7%
S&P 200 Financials ex PT	7109	7154	-0.6%	-7.2%	2.2%

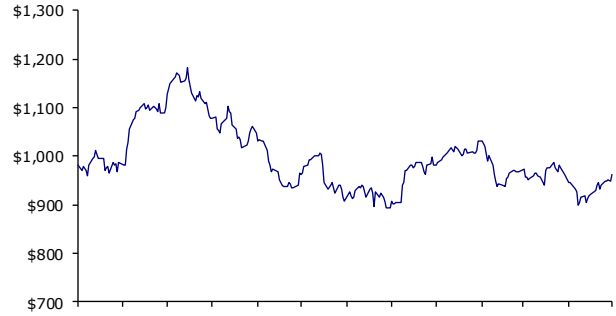
Source: IRESS

1 Year Commodity Price Charts

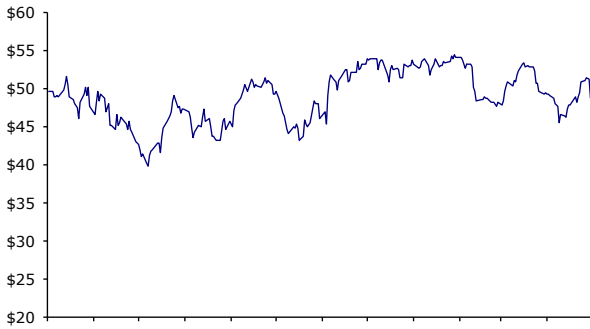
1 Year Gold



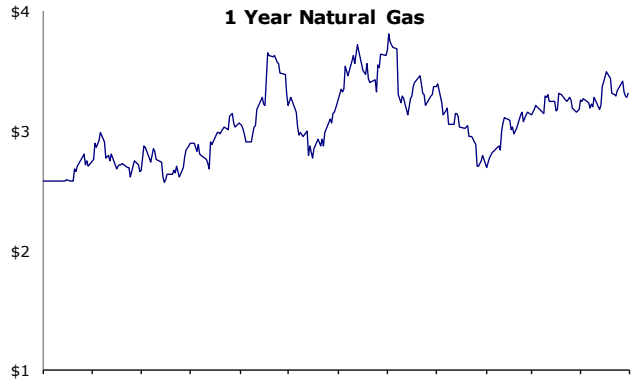
1 Year Platinum



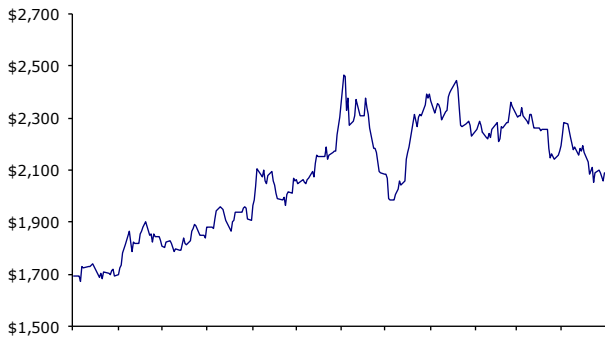
1 Year Oil



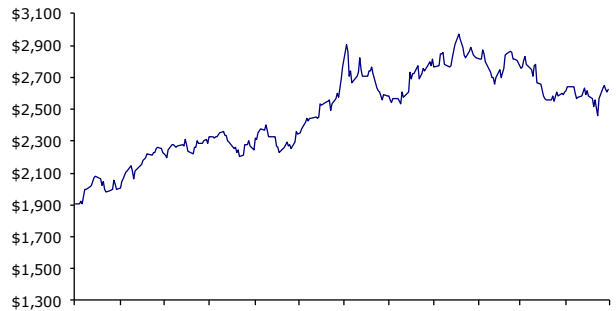
1 Year Natural Gas



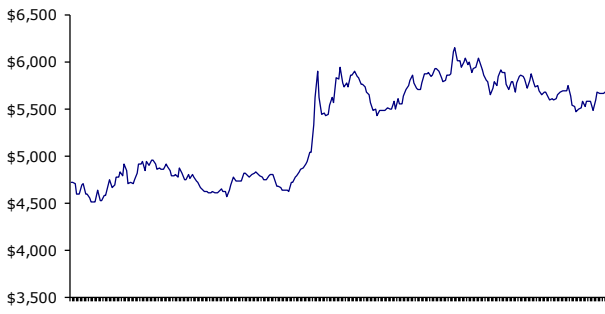
1 Year Lead



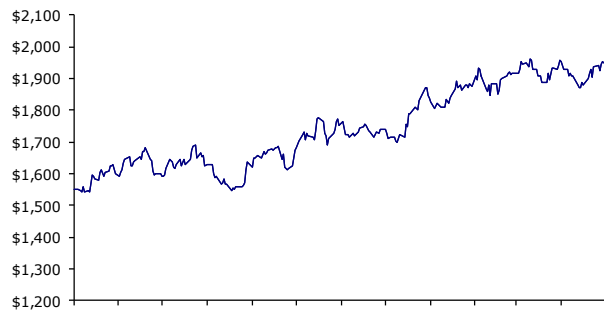
1 Year Zinc



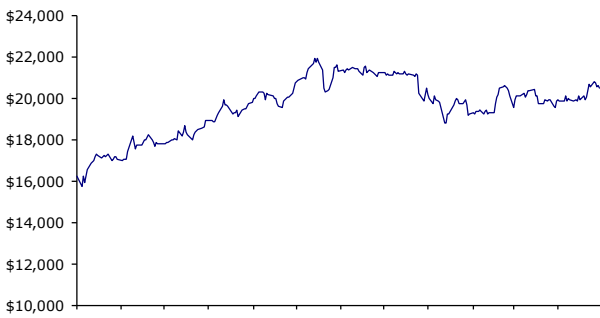
1 Year Copper



1 Year Aluminium

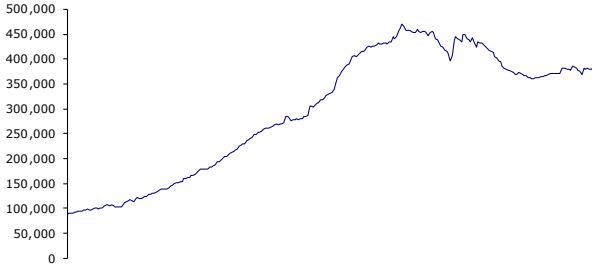


1 Year Tin

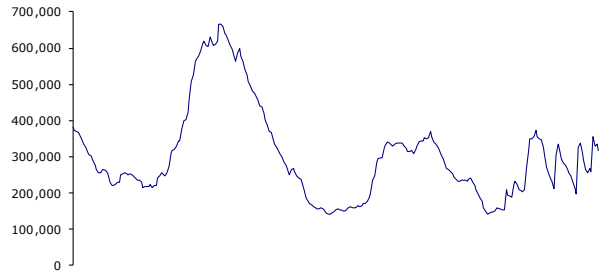


5 Year Metals Stockpiles

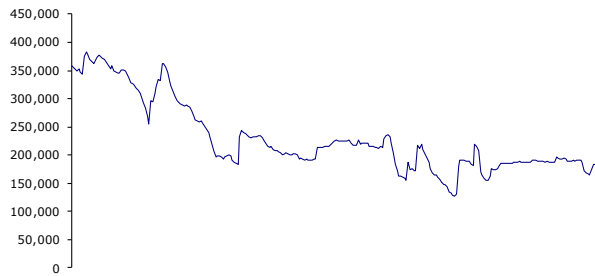
Nickel LME Stockpiles - 5 Year



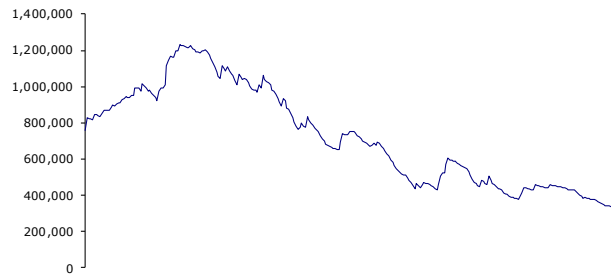
Copper LME Stockpiles - 5 Year



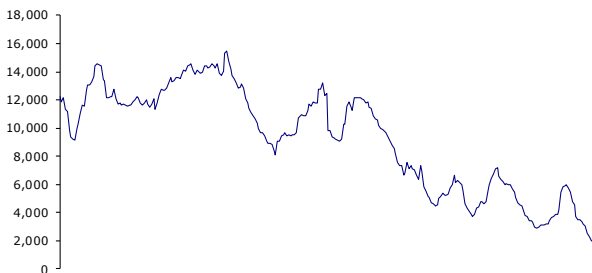
Lead LME Stockpiles - 5 Year



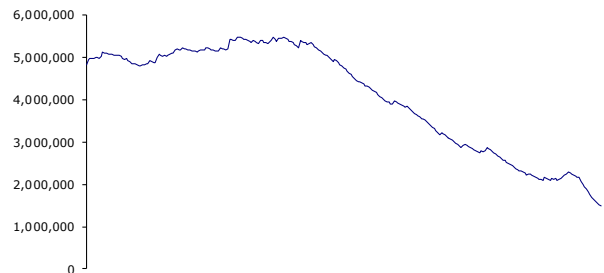
Zinc LME Stockpiles - 5 Year



Tin LME Stockpiles - 5 Year



Aluminium LME Stockpiles - 5 Year



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