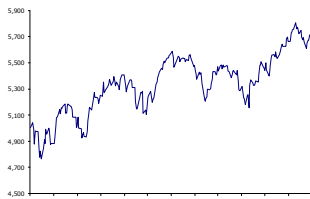


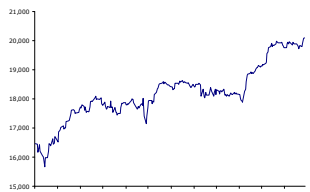
STATE ONE SPINNAKER

29 January 2017
Issue 354

12 month XJO chart



12 month Dow Jones chart



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Overview

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Global Wrap – 29 January 2017

World Markets	29/01/2017	22/01/2017	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	5714	5655	1.0%	-0.4%	8.6%
Dow Jones	20094	19827	1.3%	0.8%	14.9%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2295	2271	1.0%	1.1%	11.8%
FTSE 100	7184	7198	-0.2%	-0.1%	12.7%
DAX30	11814	11630	1.6%	2.0%	33.1%
Shanghai Composite	3159	3137	0.7%	-0.2%	-6.2%
Nikkei 225	19467	18891	3.1%	-0.3%	5.6%
Hang Seng	23361	22886	2.1%	5.5%	2.3%
Currency					
AUD/USD	0.7548	0.7588	-0.5%	-0.2%	6.5%
Commodities					
Oil (\$/bbl)	53.1	52.8	0.6%	-1.2%	57.6%
Gas (\$/gal)	3.4	3.2	5.4%	4.6%	64.4%
Iron Ore (\$/t)	53.9	53.9	0.0%	6.9%	7.8%
Copper (\$/t)	5847	5706	2.5%	6.3%	10.9%
Lead (\$/t)	2365	2309	2.4%	16.7%	36.3%
Zinc (\$/t)	2774	2737	1.4%	9.6%	61.7%
Aluminium (\$/t)	1828	1839	-0.6%	7.4%	23.5%
Nickel (\$/t)	9380	9735	-3.6%	-6.0%	-9.9%
Tin (\$/t)	19975	20200	-1.1%	-5.7%	25.0%
Gold (\$/oz)	1194	1210	-1.4%	2.5%	2.4%
Silver (\$/oz)	17.2	17.1	0.2%	4.1%	8.3%
Platinum (\$/oz)	988	983	0.5%	4.5%	-2.3%
Wheat (\$/t)	420.500	428.250	-1.8%	0.5%	-14.3%

Source: Iress

Global Wrap

US

The first US Federal Reserve policy meeting of the year is not expected to bring any change, but the post-meeting statement will be closely analysed for new commentary given the new presidential regime and actions already initiated by president Trump.

Some analysts are anticipating a possible 0.25% rate rise from the March meeting, however.

The January employment report, scheduled for release Friday, represents the most anticipated new data for the coming week. During the same session, however, final January durable goods orders and the ISM's services sector index will also be released.

Prior to the FOMC's post-meeting statement Wednesday, December personal income and spending are due, and the ISM's influential monthly manufacturing report.

An initial estimate of December quarter GDP growth, released Friday, came in at 1.9%, against forecasts averaging 2.2% and a final 3.5% September quarter reading. A 4.3% fall in December quarter exports contributed to the result, which produced 1.6% overall 2016 GDP growth.

Both the December quarter and annual readings will be revised (twice), but for now, export weakness has been mostly explained away on soybean exports volatility.

The December goods trade deficit was calculated at \$US65B, 0.5% lower than at the end of November. The improvement came from a \$US3.7B increase in exports, to \$US125.5B, against a \$US3.4B rise for imports.

An initial Markit January manufacturing PMI was estimated 0.8 higher for the month, at 55.1.

December existing home sales dropped 2.8% for the month but rose 0.7% year-on-year. Existing home sales across 2016 rose the most in a year for a decade.

New home sales slid 10.4% during December, but rose 12.2% overall in 2016.

In addition to Federal Reserve expectations and new economic indicator reports this week, US indices will likely trade in accordance with corporate results, and react to any new presidential moves, including in relation to proposed lower taxes, reduced regulation for business, and anything perceived as a conflict of interest for anyone appointed to assist president Donald Trump.

Influence across international markets is expected to remain, particularly in light of interpretations of what an exclusionist trade approach will mean.

Commentary could broaden, given the UK PM's visit late this past week, to discuss, among other matters, bilateral trade with the US.

Mid-February, Federal Reserve chair Janet Yellen is scheduled to talk monetary policy and economic status with parliamentarians.

Twice each year, the chairperson usually does this with a House of Representatives financial services committee and a Senate banking committee. The pending round of discussions is expected to prove more intense than recent committee appearances, given a raft of new proposals from the new presidential regime.

Europe

The UK Supreme Court this week dismissed a government appeal against parliament needing to first approve the official commencement of the process to separate from the European Union (EU). The vote was not unanimous, reported as 8 – 3.

Within two days, the government published a 'trigger' bill for parliament's consideration, in the hope the process could still commence by the PM's targeted end-of-March deadline.

As does the US Federal Reserve and Bank of Japan, the Bank of England convenes a policy meeting this week.

Post-meeting statements, together with a new inflation outlook report, will be carefully considered.

Currency moves are anticipated, given the volatility of the British pound this past week. The pound traded at a five-week high against the \$US prior to the Supreme Court decision, but slumped afterwards.

During the week, the UK's December quarter GDP growth was reported at 0.6%, following 0.6% also estimated for the September quarter. For the year, 2016 GDP rose 2.0%, against 2.2% for 2015.

To date, this is the best growth of any G7 nation for 2016, but final estimates (for example for the US) will not be known for some time yet.

In other positive news for the UK this week, (the) CBI reported a 15-point rise in the January manufacturing orders index, to 15, the best reading since April 2015.

Across the channel, euro zone GDP and CPI reports will feature this coming week.

During the week just past, Germany again bemoaned the European Central Bank's decision earlier this month, to continue a substantial bond purchase program through 2017.

Greece and its creditors struggle to agree on a way to progress Greece's bailout arrangements, and at a meeting of the region's finance ministers, the International Monetary Fund (IMF) warned of potential repeat euro zone crises.

China

China's Lunar New Year/Spring Festival holiday period is underway, meaning China's markets will not trade again until Friday.

Nonetheless official (NBS/CFLP) January manufacturing and services PMIs are anticipated this coming Wednesday. A Caixin manufacturing PMI estimate is expected Friday.

December data was still being released this past week, industrial profits rising 2.3% year-on-year and for 2016, 8.5%. The annual gain was the best in three years.

In regulatory developments, the People's Bank of China (PBOC) allowed local, non-banking businesses to borrow twice the amount internationally than was previously approved. Part of the reason was to lower costs for business, the PBOC said. In addition, companies would be permitted to sell offshore raisings to banks.

Finance regulators in the meantime announced tighter checks on foreign exchange activity.

Notably early this past week, a senior Chinese diplomat was reported as saying his nation was 'prepared to take the helm of the global economy if Western nations abdicate their leadership role'.

UK PM Theresa May and Chinese officials also confirmed Mrs May would visit China 'relatively soon' to talk trade.

Japan

The Bank of Japan holds a policy meeting early-week. A statement of outcomes and new outlook commentary, particularly in regard to inflation/deflation, is keenly anticipated Tuesday.

Japan's December core CPI, reported Friday, slipped 0.2% year-on-year. This represented the 10th consecutive pullback, immediately following a flat results for February, but also a slowing compared with November's 0.4% fall.

For 2016, Japan recorded a 0.3% drop in CPI, the first yearly fall since 2012.

The initial January manufacturing PMI was well-received, coming in at 52.8, the best reading in ~three years. The new export orders component rose the most since late-2015.

Japan's ~¥640B December trade surplus exceeded forecasts by more than 100%.

A 5.4% year-on-year rise in exports represented the first annual-basis export gain in 15 months. Imports dropped 2.6%, against expectations of a 0.8% fall.

This coming week, a plethora of major Japanese exporters reports earnings. Investors will be hoping for outlook commentary also, given uncertainties regarding international manufacturing environments and trade relationships.

The government appeared particularly keen to determine the US's position on trade this week, after the US president formally withdrew the US from the Trans-Pacific Partnership (TPP) trade deal. Later in the week, an official said Japan would 'prepare for all US trade contingencies'. The US president's office indicated the new administration was keen on securing a bilateral deal.

Australia

The coming week will feature speculation regarding the Reserve Bank of Australia's (RBA) first policy meeting for 2017.

This is scheduled for 7 February, but even this past week, Credit Suisse was venturing a February RBA rates decision would prove a 'close call'.

Trade figures (Thursday), manufacturing and services sector activity indices, building approvals, housing affordability, private sector credit and business confidence reports will provide plenty of fodder for RBA consideration in the lead-up this coming week.

This past week's data releases included December quarter CPI, which rose 0.5% for the quarter and 1.5% on an annual basis. 0.7% quarterly growth had been forecast and 1.6% year-on-year. Inflation growth had been estimated at 1.3% at the end of the September quarter.

JP Morgan cited CPI figures in forecasting the RBA will cut rates in both May and August.

The Westpac-Melbourne Institute leading index, which indicates likely growth over the next three - nine months, relative to trend, was also reported this past week. The indicator jumped from 0.00% in November to 1.28% for December.

Westpac economists are predicting 3% growth for 2017, but have described 2018 growth potential as 'less encouraging'. Westpac believes business investment and household spending are unlikely to sufficiently offset lower exports and a reduction in housing construction.

December quarter export prices, reported Friday, jumped 12.4%, against a 0.2% rise for import prices. Remarkably, forecasters had anticipated a 0.5% fall in export prices and 11% rise for import prices.

For the year, export prices also came in 12.4% higher, but import prices dropped 4.6%.

Wine exports notably appreciated 7% (\$2.2B) during 2016, helped by a 40% increase in the value of wine exports to China (\$520M).

December quarter producer prices rose 0.5% for the quarter, following a 0.3% rise in the September quarter. Year-on-year, quarterly prices appreciated 0.7%.

Commodities

Oil prices largely fluctuated this week on global supply expectations, in particular regarding likely US production. Almost 30 additional oil rigs were reported to be operation in the US during the previous week.

The US president moved to support greater independence regarding domestic energy needs, proposing major infrastructure projects go ahead, and indicating agreeance with additional shale activity.

Industry onlookers noted however, that most US crude production is considered 'light' crude, but that US refineries are generally designed to use heavier crude, such as the daily 1.6MMbbl that is imported from Venezuela, and other significant medium and heavy crude volumes from Colombia and Ecuador.

Others claimed refiners were comparatively well-supplied with domestic shale oil.

Additional reports emerged this past week, claiming Shell had purchased 6.2MMbbl of US emergency reserves oil earlier this month, at ~\$US53.67/bbl - \$US54.34/bbl, and that Phillips 66 had bought 200,000bbl at ~\$US53.90/bbl. Some of the emergency reserves oil is stored close to US Gulf Coast refineries operated by Shell and Phillips.

In its weekly report, the EIA estimated US crude stockpiles had risen by 2.84MMbbl, and that daily production had reached a nine-month peak of ~8.96MMbbl. This also represented a 6.3% increase over ~six months.

Last weekend, a compliance meeting convened by OPEC, spawned several comments regarding the expected effectiveness of the six-month output cut agreement.

Another such meeting is scheduled for 17 March, and a further one is planned before the scheduled May OPEC meeting.

Reports based on industry and shipping data placed Saudi Arabia's January production at ~9.9MMbbl/d. For its part, Saudi Arabia reported exporting 8.26MMbbl/d in November and producing 10.47MMbbl/d during December. Saudi Arabia energy minister Khalid al-Falih also claimed daily output had fallen below the 10MMbbl mark during January.

Libya reported daily production had reached 722,000bbl.

Saudi Arabia lost to Russia the title of top oil exporter to China during December, reportedly in part due to increased independent refiner demand for the Russian product.

In the meantime, Japan reported it had imported 3% more crude year-on-year during December. LNG imports dropped 6.5% and thermal coal imports 5.5%.

In other trade news, Venezuela's economic crisis has reportedly delayed the delivery of 4MMbbl – 6.9MMbbl of export crude and petroleum products, as ships loaded with the supplies need to be cleaned, inspected and generally be rendered compliant with port regulations.

Among the forecasters this week, investment bank Bernstein ventured that global oil markets were approaching balance. Bernstein estimated a peak 5.73 billion barrels were in storage in July 2016 and 5.65 billion in November.

BP disagreed, predicting, just as the major producer began a significant expansion program in the Gulf of Mexico, that markets would remain oversupplied for up to 20 years.

In news relating to other corporate activity, reports emerged questioning the exact ownership of the 19.5% of Russian oil company Rosneft that was sold late last year.

The €10.2B sale had been announced as to 'a Singapore investment vehicle', said to be equally owned by Qatar and Glencore.

A Cayman Islands entity has been implicated as a part-owner, after records determined Glencore has paid ~3% only of the purchase price.

In addition, Glencore has described its holding in Rosneft as an 'indirect equity interest' amounting to 0.54% of Rosneft.

In the coal sector, Rio Tinto was feted for its \$US2.45B sale of Coal & Allied to Yancoal Australia, pending regulatory approvals.

Iron ore (China port, 62% Fe) prices mostly rallied in the lead-up to Lunar New Year, despite trade volumes declining ahead of the week-long market hiatus during the New Year/Spring Festival holiday season.

Dalian Commodity Exchange iron ore futures also surged again, following a brief hiatus, in expectations of post-February demand.

Brazil in the meantime was reported to be considering moving from a fixed 2% iron ore royalty rate to a 2% - 4%, international price-dependent one. A bill presented in parliament in 2013 sought to raise iron ore royalties to 4%.

In steel sector news, US president Donald Trump promoted the exclusive use of US steel for the proposed Keystone XL and Dakota Access oil pipeline projects.

Analysts debated the likely progress of the projects given community and environmental opposition to each, and the fact that the issues have already delayed some approvals. Canada, however, claimed all necessary national approvals were in place for the Keystone XL line.

In Australia, ASX-listed BlueScope Steel forecast an 18% improvement in interim earnings, in a large part due to steel and iron ore price appreciations.

Comex gold futures traded at two-month highs Monday, but sentiment varied and prices settled lower over consecutive sessions. Trade mostly remained influenced by US equities sentiment and \$US (~two-month lows Monday and Wednesday) moves. Thursday's trade was not only impacted by a strong move higher by the \$US, but also expiring options and a hangover from the previous session's record DJIA settlement.

CIBC Capital Markets predicts the \$US will remain relatively robust through to the end of March, but that conflicting proposed US policies could push the \$US lower from Spring, hence favouring gold.

In the meantime, the World Gold Council (WGC) blamed the reduction in India's gold demand on government moves towards a cashless economy. The WGC said India's gold purchases were usually transacted in cash and estimated that the nation's demand fell from 850t during 2015 to 650t – 750t last year. The WGC anticipates demand could improve to as much as 950t by 2020, however.

London Metals Exchange (LME) base metals trade will be lighter this week, due to the absence of Chinese

traders.

Moreover, demand could be relatively soft through a few weeks, as some manufacturers are known to close for up to three weeks over the Lunar New Year/Spring Festival holiday season.

Copper rallied to 19-month highs this week, supported initially by a softer \$US, then encouraging manufacturing PMIs out of Japan, the euro zone and US, plus expectations of industrial action at the Escondida copper mine in Chile.

The mine is owned by BHP Billiton, which has already lowered its copper output expectations for the year, due to a late-2016 extended power failure in South Australia.

Promised US presidential support for significant infrastructure spending and reduced business sector regulation and taxes, also boosted demand sentiment.

Come Thursday, however, base metals languished, in no small part due to a \$US rally and reduced trade in the last session before Chinese traders departed for the Lunar New Year season.

Aluminium gains this week were mostly attributed to moves in China to constrain capacity on environmental grounds. JP Morgan estimated 30% of smelting capacity could be affected, and up to 50% of refining capacity within an area that accounts for 36% of national capacity.

In other commodity news, agribusinesses in the US have expressed concern at the US withdrawal from Trans-Pacific Partnership trade pact, and also the spat between the leaders of the US and major US agricultural customer Mexico.

Economic Calendar 30/01/2017 – 3/02/2017

Monday January 30 2017		Actual	Previous	Consensus	Forecast	
04:00 PM	ES GDP Growth Rate QoQ Flash Q4		0.7%	0.7%	0.6%	
04:00 PM	ES GDP Growth Rate YoY Flash Q4		3.2%	3%	3.1%	
04:00 PM	CH KOF Leading Indicators JAN		102.2	103.3	102.01	
06:00 PM	EA Business Confidence JAN		0.8		0.84	
09:00 PM	DE Inflation Rate YoY Prel JAN		1.7%	2%	1.9%	
Tuesday January 31 2017		Actual	Previous	Consensus	Forecast	
07:30 AM	JP Unemployment Rate DEC		3.1%	3.1%	3.1%	
08:05 AM	GB Gfk Consumer Confidence JAN		-7	-8	-9	
08:30 AM	AU NAB Business Confidence DEC		5		4.90	
11:00 AM	JP BoJ Interest Rate Decision		-0.1%	-0.1%	-0.1%	
01:00 PM	JP BoJ Quarterly Outlook Report					
02:30 PM	FR GDP Growth Rate QoQ 1st Est Q4		0.2%	0.5%	0.4%	
02:30 PM	FR GDP Growth Rate YoY 1st Est Q4		1.0%		1.2%	
04:55 PM	DE Unemployment Change JAN		-17K	-4K	-11.7K	
04:55 PM	DE Unemployment Rate JAN		6%	6%	6%	
05:00 PM	PL Full Year GDP 2016		3.9%		3.4%	
06:00 PM	EA GDP Growth Rate QoQ Flash Q4		0.3%	0.5%	0.4%	
06:00 PM	EA GDP Growth Rate YoY Flash Q4		1.7%	1.7%	1.8%	
06:00 PM	EA Unemployment Rate DEC		9.8%	9.8%	9.7%	
10:00 PM	MX GDP Growth Rate QoQ Prel Q4		1%		1%	
Wednesday February 01 2017		Actual	Previous	Consensus	Forecast	
09:00 AM	CN NBS Manufacturing PMI JAN		51.4	51.2	51.2	
09:15 PM	US Adp Employment Change JAN		153K	165K	172K	
11:00 PM	US ISM Manufacturing PMI JAN		54.7	55	54.7	
	EA ECB Non-Monetary Policy Meeting					
Thursday February 02 2017		Actual	Previous	Consensus	Forecast	
03:00 AM	US Fed Interest Rate Decision		0.75%	0.75%	0.75%	
08:30 AM	AU Balance of Trade DEC		A\$1.24B		A\$0.9B	
01:00 PM	JP Consumer Confidence JAN		43.1		44	
08:00 PM	GB BoE Interest Rate Decision		0.25%	0.25%	0.25%	
08:00 PM	GB MPC Meeting Minutes					
08:00 PM	GB BoE Quantitative Easing		£435B	£435B	£435B	
09:00 PM	RU GDP Growth Rate YoY Prel Q4		-0.4%		-0.3%	
Friday February 03 2017		Actual	Previous	Consensus	Forecast	
09:45 AM	CN Caixin Manufacturing PMI JAN		51.9	51.8	52	
09:30 PM	US Non Farm Payrolls JAN		156K	171K	161K	
09:30 PM	US Unemployment Rate JAN		4.7%	4.7%	4.7%	
11:00 PM	US ISM Non-Manufacturing PMI JAN		57.2	57	57	

Source: www.tradingeconomics.com

Economic Calendar 6/02/2017 – 10/02/2017

Monday February 06 2017		Actual	Previous	Consensus	Forecast
12:00 PM	ID GDP Growth Rate YoY Q4		5.02%	5.1%	
12:00 PM	ID Full Year GDP 2016		4.79%	5.09%	5%
Tuesday February 07 2017		Actual	Previous	Consensus	Forecast
11:30 AM	AU RBA Interest Rate Decision		1.5%		
02:45 PM	CH Consumer Confidence Q1		-13	-13.11	
09:30 PM	CA Balance of Trade DEC		C\$0.53B	C\$-1.4B	
09:30 PM	US Balance of Trade DEC		\$-45.2B	\$-45B	
11:00 PM	CA Ivey PMI s.a JAN		60.8	55.58	
Wednesday February 08 2017		Actual	Previous	Consensus	Forecast
05:00 PM	IN RBI Interest Rate Decision		6.25%	6%	
Thursday February 09 2017		Actual	Previous	Consensus	Forecast
08:30 AM	AU NAB Business Confidence JAN			4.90	
03:00 PM	DE Balance of Trade DEC		€22.6B		
Friday February 10 2017		Actual	Previous	Consensus	Forecast
10:00 AM	CN Balance of Trade JAN		\$40.82B		
10:00 AM	CN Exports YoY JAN		-6.1%		
10:00 AM	CN Imports YoY JAN		3.1%		
05:30 PM	GB Balance of Trade DEC		£-4.17B		
09:30 PM	CA Employment Change JAN		53.7K	23.3K	
09:30 PM	CA Unemployment Rate JAN		6.9%	6.8%	
11:00 PM	US Michigan Consumer Sentiment Prel FEB		98.5	98.2	
Sunday February 12 2017		Actual	Previous	Consensus	Forecast
	DE German Presidential Election				

Source: www.tradingeconomics.com

All Ords Top 10 Week Ending 27 January 2017

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
TGR	Tassal Group Limited	17.0	BXB	Brambles Limited	-13.3
SFR	Sandfire Resources	11.9	TNE	Technology One	-7.7
RMD	ResMed Inc.	9.7	MTR	Mantra Group Ltd	-5.9
ALU	Altium Limited	9.4	DMP	Domino Pizza Enterpr	-5.8
AWC	Alumina Limited	9.2	TPM	TPG Telecom Limited	-4.7
RIO	Rio Tinto Limited	8.9	SRX	Sirtex Medical	-4.6
BSL	BlueScope Steel Ltd	8.8	HGG	Henderson Group	-4.3
FMG	Fortescue Metals Grp	7.8	NST	Northern Star	-4.3
INM	Iron Mountain Incorp	7.5	NEC	Nine Entertainment	-4.2
ORE	Orocobre Limited	7.4	SAR	Saracen Mineral	-4.0

Source: IRESS

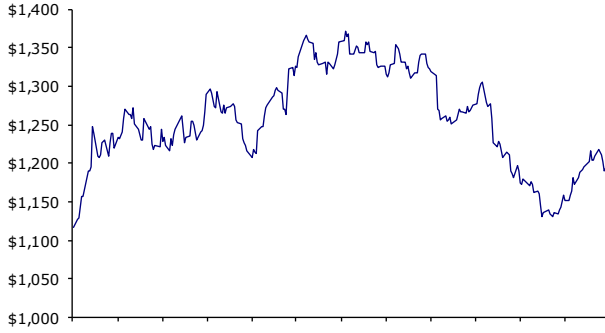
S & P Indices Week Ending 27 January 2017

S&P Indices	29/01/2017	22/01/2017	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	9323	9279	0.5%	2.3%	3.0%
S&P 200 Materials	10439	10050	3.9%	5.2%	27.3%
S&P 200 Industrials	5014	5158	-2.8%	-3.7%	5.5%
S&P 200 Consumer Disc.	2087	2103	-0.8%	-3.6%	13.8%
S&P 200 Consumer Staples	8944	8853	1.0%	-0.1%	2.0%
S&P 200 Healthcare	21019	21085	-0.3%	5.4%	16.3%
S&P 200 Financials	6521	6436	1.3%	-2.4%	7.3%
S&P 200 Info Technology	823	816	0.8%	-0.5%	14.4%
S&P 200 Telecommunicatic	1791	1803	-0.7%	-1.2%	-9.4%
S&P 200 Utilities	8000	8099	-1.2%	0.1%	18.9%
S&P 200 Property Trusts	1343	1323	1.5%	-3.3%	6.0%
S&P 200 Financials ex PT	7273	7178	1.3%	-2.4%	4.5%

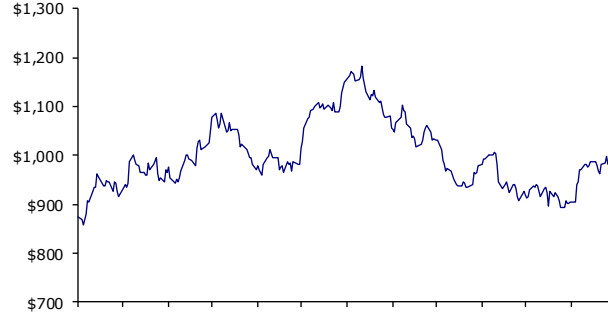
Source: IRESS

1 Year Commodity Price Charts

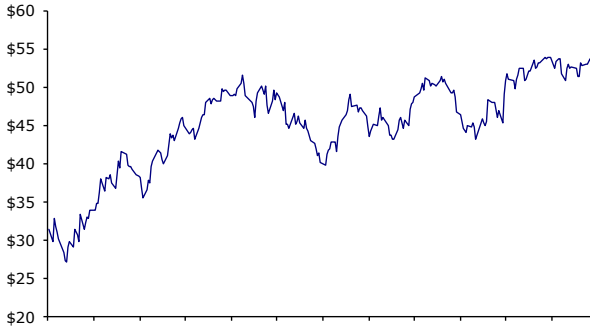
1 Year Gold



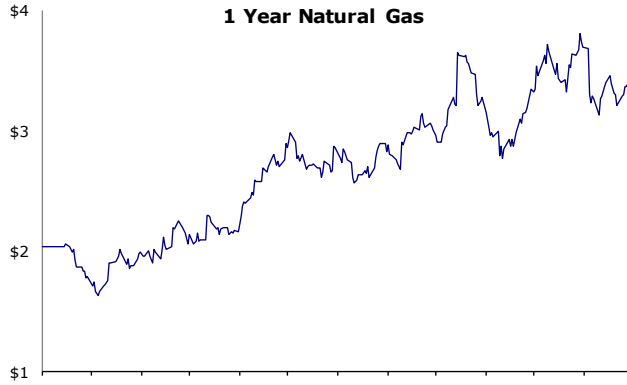
1 Year Platinum



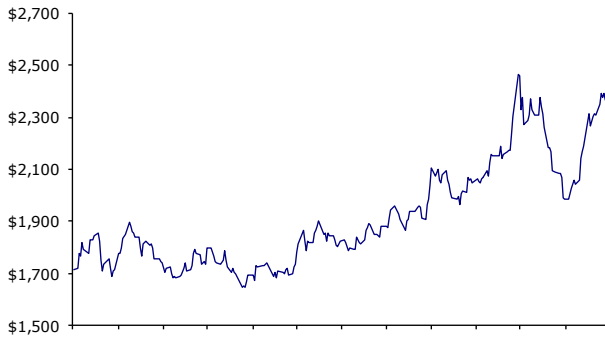
1 Year Oil



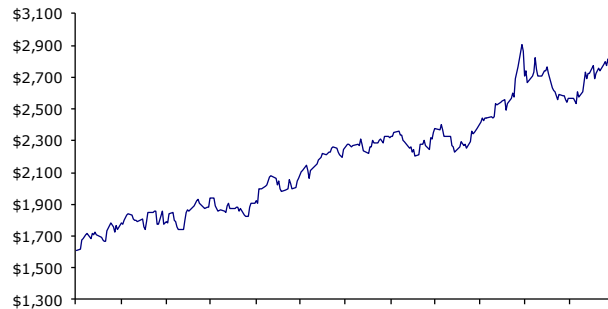
1 Year Natural Gas



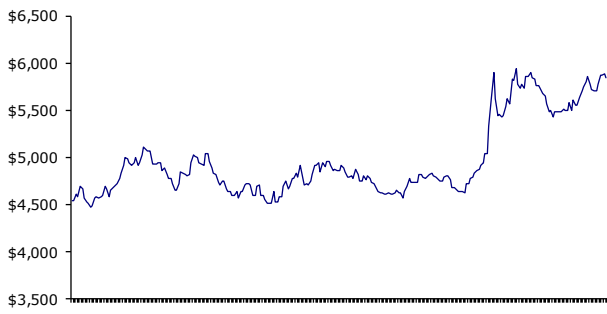
1 Year Lead



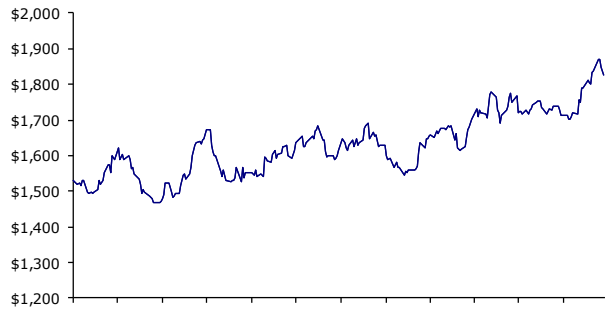
1 Year Zinc



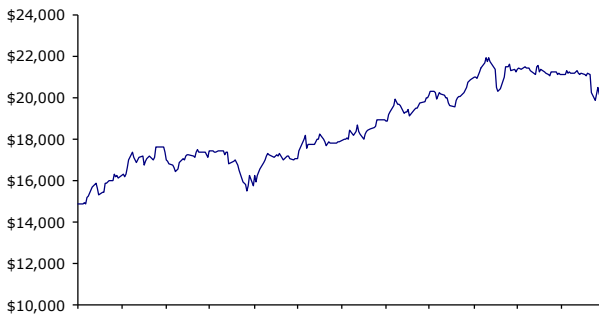
1 Year Copper



1 Year Aluminium

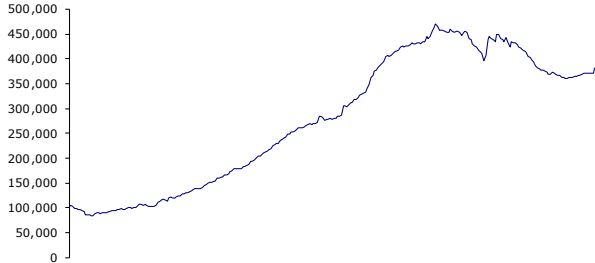


1 Year Tin

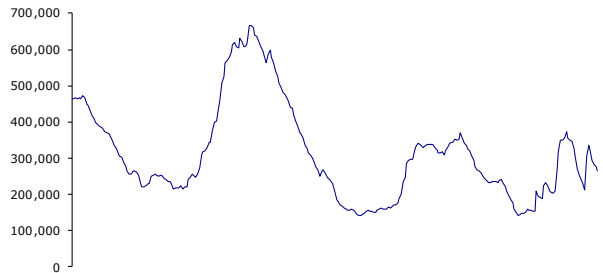


5 Year Metals Stockpiles

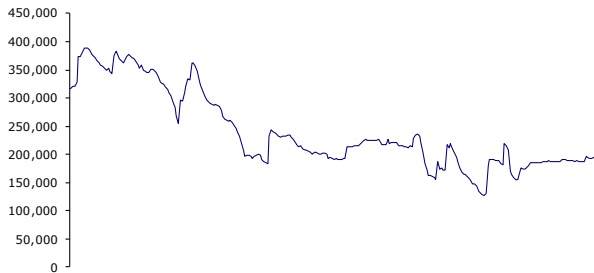
Nickel LME Stockpiles - 5 Year



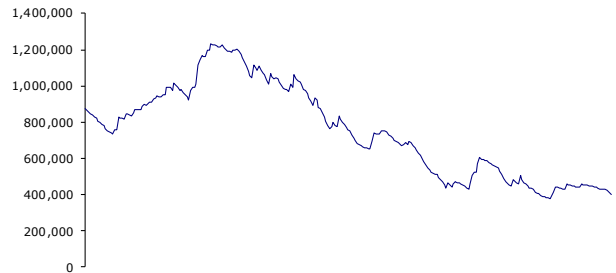
Copper LME Stockpiles - 5 Year



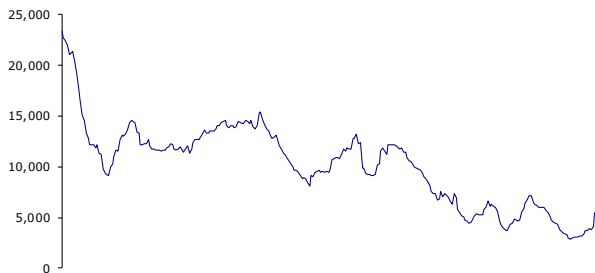
Lead LME Stockpiles - 5 Year



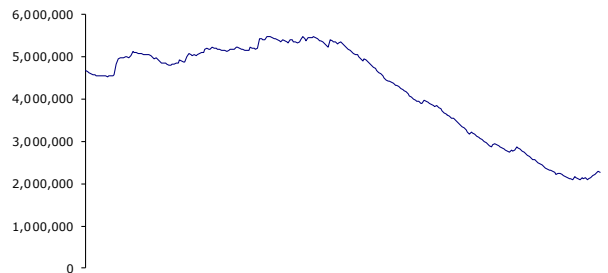
Zinc LME Stockpiles - 5 Year



Tin LME Stockpiles - 5 Year



Aluminium LME Stockpiles - 5 Year



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