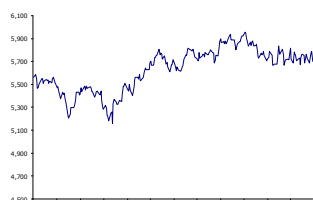


## STATE ONE SPINNAKER

**30 July 2017**  
**Issue 376**

### 12 month XJO chart



### 12 month Dow Jones chart



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## Global Wrap – 30 July 2017

World Markets	30/07/2017	23/07/2017	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	5703	5723	-0.3%	-1.0%	8.3%
Dow Jones	21830	21580	1.2%	1.6%	24.8%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2472	2473	0.0%	1.6%	20.4%
FTSE 100	7368	7453	-1.1%	0.0%	15.6%
DAX30	12163	12240	-0.6%	-2.3%	13.7%
Shanghai Composite	3253	3251	0.1%	1.3%	-3.4%
Nikkei 225	19960	19976	-0.1%	-0.2%	8.3%
Hang Seng	26979	26706	1.0%	5.7%	18.1%
<b>Currency</b>					
AUD/USD	0.7986	0.7924	0.8%	0.4%	5.1%
<b>Commodities</b>					
Oil (\$/bbl)	49.7	46.5	7.0%	9.7%	20.0%
Gas (\$/gal)	2.9	3.0	-0.7%	3.1%	13.5%
Iron Ore (\$/t)	53.9	53.9	0.0%	6.9%	7.8%
Copper (\$/t)	6283	6002	4.7%	8.0%	19.1%
Lead (\$/t)	2281	2212	3.1%	1.6%	31.5%
Zinc (\$/t)	2805	2758	1.7%	1.4%	63.6%
Aluminium (\$/t)	1892	1901	-0.5%	-1.1%	27.8%
Nickel (\$/t)	10180	9560	6.5%	12.3%	-2.2%
Tin (\$/t)	20825	20325	2.5%	3.1%	30.4%
Gold (\$/oz)	1275	1261	1.1%	4.0%	9.4%
Silver (\$/oz)	16.7	16.5	1.4%	4.0%	5.4%
Platinum (\$/oz)	937	937	-0.1%	2.7%	-7.4%
Wheat (\$/t)	481.000	499.250	-3.7%	-14.1%	-2.0%

Source: Iress

## Global Wrap

### Key points

### Iron ore rallies

**Amazon revenue rises 25%, income down 77%**

**US Q2 GDP up 2.6%**

**Eurozone confidence highest since GFC**

### Stock picks for week ahead

### US

The S&P 500 and Nasdaq finished slightly lower on Friday and with weekly losses.

The Dow industrials sector ended with a record weekly gain, but Amazon shares weighed on the Nasdaq after it reported a 77% plunge in second-quarter earnings.

The world's largest online retailer posted second-quarter revenue of \$US38 billion, up 25 per cent from a year earlier. Yet the company posted a 77% drop in quarterly income. Amazon even said it could lose up to \$US400 million in operating profit during the current quarter as its rapid but costly expansion into new shopping categories and countries shows no sign of slowing.

This sparked a reassessment of the market's highest fliers, which have helped benchmarks notch repeated records this year. Amazon shares lost 2.5% after earlier recovering from deeper losses.

Overall the US reporting season has been fairly positive.

The failure of a Republican-led attempt to repeal or replace the Affordable Care Act on Friday morning may have also dampened investor sentiment, some analysts told CNBC. The abolition of Obamacare is seen as a proxy for President Donald Trump's ability to deliver his pro-growth pledges.

The president's woes did not hinder economic activity in the US, which increased in line with economist estimates in the second quarter, according to a report released by the Commerce Department on Friday.

The report said real gross domestic product climbed by 2.6% in the second quarter after rising by a downwardly revised 1.2% in Q1.

The cost of employing the average US worker rose 0.5% in the second quarter, but showed little acceleration despite the tightest labour market in years.

Also on Friday, the University of Michigan revealed consumer sentiment in the US deteriorated by slightly less than initially estimated during July. Its report said the consumer sentiment index for July was upwardly revised to 93.4 from the preliminary reading of 93.1. Economists had expected the index to be unrevised. But that's still a decline from June's 95.1.

Key US data releases this coming week include the trade balance for June and unemployment for July on Friday.

Construction spending for June, manufacturing PMI for July, and June personal income for spending will be released on Tuesday.

Chain store sales for July and June factory orders will come out on Thursday.

## **China**

China stocks ended higher on Friday with the Shanghai benchmark index recording its sixth consecutive week of gains.

It was supported last week by recent solid economic data.

Investors welcomed better-than-expected GDP growth in the second quarter, which signalled stable growth over coming months.

The International Monetary Fund said on Monday it now expected stronger growth of 6.7 % in China in 2017, while a Chinese state think tank also expects annual growth rate of about 6.7 % in the second half.

Regulators issued measures earlier in the year to crack down on speculative forms of financing amid heightened debt risks. With second-quarter growth topping expectations, many analysts expect the government to retain the curbs for at least the rest of the year, Reuters reported.

Tomorrow (Monday) official manufacturing and services PMI for July will be released, followed by the Caixin manufacturing PMI for July on Thursday.

The Caixin manufacturing PMI focuses on smaller and medium-sized companies.

## **Japan**

The Nasdaq's weakness weighed on the Nikkei share average on Friday, while investors stayed cautious as the dollar slipped against the yen.

Sentiment was also hurt by the resignation of Defence Minister Tomomi Inada over a series of gaffes and a cover-up at her ministry. These have contributed to a sharp plunge in public support for pro-business and generally anti-regulation Prime Minister Shinzo Abe, Reuters reported.

Industrial production for June will be released on Monday, followed by manufacturing PMI for July on Tuesday and services PMI for July on Thursday.

## **Europe**

Eurozone economic confidence strengthened unexpectedly in July to near a decade-high, survey data from the European Commission showed on Friday. The economic sentiment index rose slightly to 111.2 in July from 111.1 in June. The score was forecast to fall to 110.8 but instead reached its highest mark since the 2007 financial crisis.

By contrast consumer confidence in the United Kingdom continued to deteriorate in July, the latest survey from GfK revealed on Friday, with an index score of -12. That missed forecasts for a score of -11, and it was down from -10 in June.

Despite the upbeat data release on Friday, the European markets ended the day's session in negative territory. Losses accelerated slightly in late trade, following the weak opening on Wall Street.

Investor sentiment also took a hit after companies such as Renault, BT Group and Swiss bank UBS reported disappointing results.

A big week for Eurozone data starts on Monday with July CPI being flashed and June unemployment released.

Tuesday is Q2 GDP and July manufacturing PMI for the Eurozone and UK

Eurozone PPI for June will be released on Wednesday, followed by June retail sales and July services PMI for the Eurozone and the UK on Thursday.

## Australia

Renewed heavy selling in the big four banks on Friday dragged the market to one of its worst performing days of the year after the ASX200 was up almost 2% on Thursday. Analysts told The Australian Financial Review the negative sentiment was largely investors jostling ahead of next week's reporting season.

The persistently high Australian dollar - US79.77¢ at market close on Friday – also caused US dollar earners to suffer

Resource stocks enjoyed moderate gains over the week, due largely to a lift in the oil price and appetite for the resource giants.

BHP Billiton and Rio Tinto finished the week up 3.4% per cent and 1.9% respectively.

Iron ore pure play Fortescue Metals finished the week up 7% after reporting production figures on Thursday and as the iron ore price added about \$US3 to \$US70.20 a tonne.

The RBA will have its first Tuesday of the month meeting this coming week, with the cash rate widely expected to stay on hold, followed by a statement on monetary policy on Friday.

Data releases this week include private sector credit for June on Monday, manufacturing PMI for July on Tuesday, June building approvals on Wednesday, the trade balance for June and services PMI for July on Thursday and Q2 retail sales on Friday.

## Commodities

*Iron ore* is in a bull market, Business Insider Australia says, after rising more than 20% from its mid-June level to sit just above \$70 a tonne.

And, according to Goldman Sachs' commodity research team, there's likely to be further strength to come, at least in the short-term.

A research report released by the bank this week noted a combination of strong steel and iron ore demand from China and overseas, along with steel production cuts in China due to environmental considerations during winter.

These factors, the bank concluded, will support steel margins and iron ore prices in the near-term.

*Nickel* prices hit a 3-1/2 month peak on Friday as investors shifted from zinc after a build-up in zinc inventories indicated that shortages had eased, Reuters reported.

Rising physical demand from top consumer China also helped lift nickel.

Both metals are mainly used in the steel sector, with zinc for galvanising and nickel a key ingredient in stainless steel.

*Copper* prices drifted in early Asian trading on Friday with little movement in currency markets, a key driver over recent sessions, Business Insider reported.

But the red metal hit a two-year high earlier this week at \$6,400 a tonne as the dollar tracked lower, making dollar-denominated metals cheaper for investors using other currencies.

Meanwhile Glencore has placed a multi-million-dollar bet on copper by investing just over US\$21 million into Brazilian copper producer Paranapanema.

The Swiss commodities trader and miner will take a 5% stake in PMA, which is Brazil's sole and one of the world's largest producers of refined copper products with an installed capacity of 280,000 tonnes of

copper cathode per annum. Glencore will also be allowed to appoint a director to the PMA board.

Tin has hit its highest price in six months as reports of smelter shutdowns in China, the world's largest tin producer, raise concerns supply will tighten further. Media reports in China said smelters in the country's largest tin-producing province had been shut down on environmental concerns.

*Gold* prices rallied for the third consecutive week amid continued weakness in the greenback and the Federal Reserve's decision last week to keep interest rates unchanged.

News that North Korea has conducted yet another missile test spurred a late-week push, DailyFX reported.

*Oil* prices edged lower on Friday but were still near eight-week highs, buoyed by a decline in US inventories and OPEC's ongoing efforts to curb production.

This was not enough to stop Royal Dutch Shell's CEO Ben van Beurden saying this week that oil prices will likely remain "lower forever", oilprice.com reported.

He said this was not just because of too much supply, but also because the coming wave of EV adoption will lead to peak demand, possibly as soon as the late-2020s.

His company now produces more natural gas than oil and he said it would continue to diversify.

On Thursday Shell posted better-than-expected profits for the second quarter at \$3.6 billion, or more than three times larger than the year before.

A day earlier the UK announced it would ban gasoline and diesel cars by 2040. Of course, the world will still need oil for years and decades to come, but the fears of peak demand are more real than ever.

Meanwhile the oil industry has given the green light to more oil and gas projects in the first half of 2017 than all of last year, according data from Wood Mackenzie, cited by the Financial Times. Average development costs are down 40% since 2014, the report said.

### **Stock picks**

The iron ore price has been a stand-out (and unexpectedly strong) performer over the past month, increasing by 18% to over US\$70/t (CFR, China).

At share price levels of A\$5.39, **Fortescue Metals (FMG)** – the ASX's largest cap pure-play iron ore stock - looks fully valued relative to its current IRESS consensus target price of A\$5.26.

However, brokers are revising up commodity price forecasts and we suspect there will be a raft of earnings and target price upgrades to iron-ore exposed stocks over the next few weeks.

We also see opportunities at **Mount Gibson (MGX)**, which has a strong cash balance of ~A\$500m, is looking to restart mining operations at the Koolan Island mine. MGX is tight-lipped on its capital management plans, but clearly, the cash balance means that investors could potentially be in line for a special dividend.

## Economic Calendar 31/07/2017 – 4/08/2017

Monday July 31 2017		Actual	Previous	Consensus	Forecast	
09:00 AM	CN NBS Manufacturing PMI JUL		51.7	51.6	51.5	
03:55 PM	DE Unemployment Change JUL		7K	-5K	-12K	
03:55 PM	DE Unemployment Rate JUL		5.7%	5.7%	5.7%	
05:00 PM	EA Unemployment Rate JUN		9.3%	9.2%	9.2%	
Tuesday August 01 2017		Actual	Previous	Consensus	Forecast	
09:45 AM	CN Caixin Manufacturing PMI JUL		50.4	50.4	50.3	
12:30 PM	AU RBA Interest Rate Decision		1.5%	1.5%	1.5%	
05:00 PM	EA GDP Growth Rate QoQ Flash Q2		0.6%	0.6%	0.5%	
05:00 PM	EA GDP Growth Rate YoY Flash Q2		1.9%	2.1%	2%	
10:00 PM	US ISM Manufacturing PMI JUL		57.8	56.5	55	
Wednesday August 02 2017		Actual	Previous	Consensus	Forecast	
01:00 PM	JP Consumer Confidence JUL		43.3		43.6	
01:45 PM	CH Consumer Confidence Q3		-8		-2	
05:00 PM	IN RBI Interest Rate Decision		6.25%	6%	6%	
08:15 PM	US ADP Employment Change JUL		158K	190K	179K	
	EA ECB Non-Monetary Policy Meeting					
Thursday August 03 2017		Actual	Previous	Consensus	Forecast	
09:30 AM	AU Balance of Trade JUN		A\$2.471B	A\$1.8B	A\$1.6B	
07:00 PM	GB BoE Quantitative Easing		£435B	£435B	£435B	
07:00 PM	GB BoE Interest Rate Decision		0.25%	0.25%	0.25%	
07:00 PM	GB MPC Meeting Minutes					
07:00 PM	GB BoE MPC Vote Hike		3/8		3/8	
07:00 PM	GB BoE MPC Vote Unchanged		5/8		5/8	
07:00 PM	GB BoE MPC Vote Cut		0/8		0/8	
10:00 PM	US ISM Non-Manufacturing PMI JUL		57.4	57	57.6	
Friday August 04 2017		Actual	Previous	Consensus	Forecast	
09:30 AM	AU RBA Statement on Monetary Policy					
08:30 PM	CA Balance of Trade JUN		C\$-1.09B	C\$-1.3B	C\$-1B	
08:30 PM	CA Employment Change JUL		45.3K	14.5K	20K	
08:30 PM	CA Unemployment Rate JUL		6.5%	6.5%	6.5%	
08:30 PM	US Balance of Trade JUN		\$-46.5B	\$-45.5B	\$-46B	
08:30 PM	US Non Farm Payrolls JUL		222K	187K	183K	
08:30 PM	US Unemployment Rate JUL		4.4%	4.3%	4.4%	
10:00 PM	CA Ivey PMI s.a JUL		61.6		62	

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

## Economic Calendar 7/08/2017 – 11/08/2017

Monday August 07 2017		Actual	Previous	Consensus Forecast	
10:00 AM	ID GDP Growth Rate YoY Q2		5.01%	5.2%	
Tuesday August 08 2017		Actual	Previous	Consensus Forecast	
09:30 AM	AU NAB Business Confidence JUL		9	7	
10:00 AM	CN Balance of Trade JUL		\$42.75B		
10:00 AM	CN Exports YoY JUL		11.3%		
10:00 AM	CN Imports YoY JUL		17.2%		
02:00 PM	DE Balance of Trade JUN		€22.0B		
Wednesday August 09 2017		Actual	Previous	Consensus Forecast	
08:30 AM	AU Westpac Consumer Confidence Change AUG		0.4%		
08:30 AM	AU Westpac Consumer Confidence Index AUG		96.6		
09:30 AM	CN Inflation Rate YoY JUL		1.5%	1.4%	
Thursday August 10 2017		Actual	Previous	Consensus Forecast	
04:30 PM	GB Balance of Trade JUN		£-3.07B		
Friday August 11 2017		Actual	Previous	Consensus Forecast	
08:30 PM	US Core Inflation Rate YoY JUL		1.7%	1.7%	
08:30 PM	US Inflation Rate YoY JUL		1.6%	1.7%	
09:00 PM	RU GDP Growth Rate YoY Prel Q2		0.5%	1.3%	

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



## All Ords Top 10 Week Ending 28 July 2017

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
SVW	Seven Group Holdings	14.1	AHY	Asaleo Care Limited	-10.7
SIG	Sigma Health Ltd	11.7	APO	Apn Outdoor Grp	-8.7
A2M	The A2 Milk Company	11.5	SDA	Speedcast Int Ltd	-7.7
RFG	Retail Food Group	10.6	SKT	Sky Network	-6.3
HVN	Harvey Norman	8.0	IGO	Independence Group	-6.3
SBM	St Barbara Limited	7.6	IPH	IPH Limited	-6.3
FMG	Fortescue Metals Grp	7.1	DMP	Domino Pizza Enterpr	-6.0
OZL	OZ Minerals	6.6	GXY	Galaxy Resources	-5.2
MTS	Metcash Limited	6.1	COH	Cochlear Limited	-4.7
BAP	Bapcor Limited	5.9	BSL	BlueScope Steel Ltd	-4.7

Source: IRESS

## S & P Indices Week Ending 28 July 2017

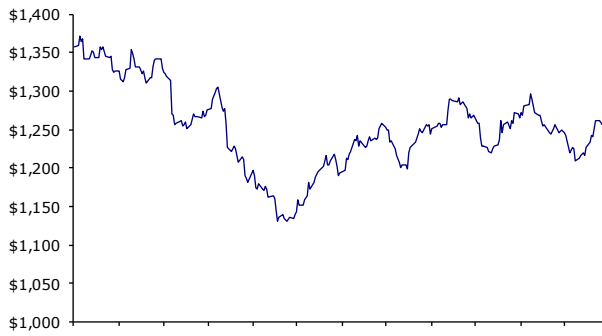
S&P Indices	30/07/2017	23/07/2017	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	8657	8783	-1.4%	-1.3%	-4.4%
S&P 200 Materials	9995	9828	1.7%	0.1%	21.8%
S&P 200 Industrials	5509	5601	-1.6%	-3.2%	15.9%
S&P 200 Consumer Disc.	2180	2193	-0.6%	-1.5%	18.9%
S&P 200 Consumer Staples	9196	9126	0.8%	0.4%	4.9%
S&P 200 Healthcare	22412	22645	-1.0%	-5.4%	24.0%
S&P 200 Financials	6543	6608	-1.0%	-0.1%	7.6%
S&P 200 Info Technology	867	873	-0.8%	-0.9%	20.5%
S&P 200 Telecommunicatic	1451	1450	0.1%	-6.1%	-26.6%
S&P 200 Utilities	8184	8372	-2.2%	-4.0%	21.7%
S&P 200 Property Trusts	1313	1305	0.6%	0.6%	3.7%
S&P 200 Financials ex PT	7298	7370	-1.0%	-0.1%	4.9%

Source: IRESS

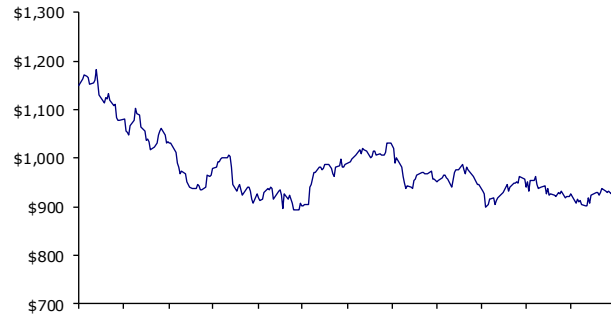


## 1 Year Commodity Price Charts

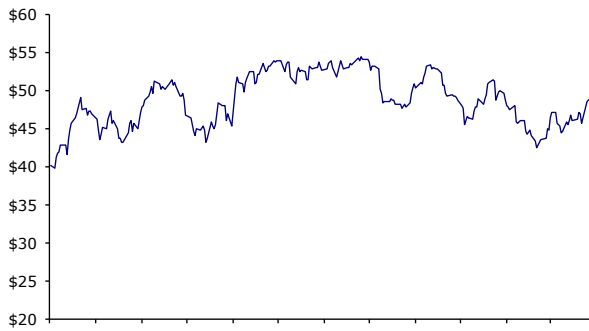
**1 Year Gold**



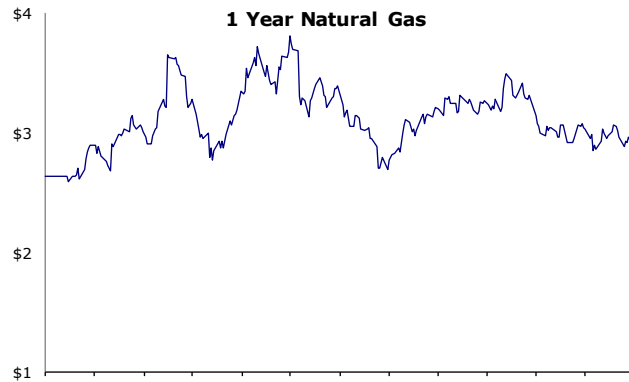
**1 Year Platinum**



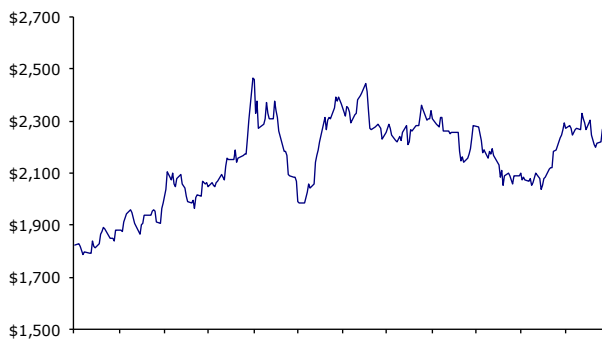
**1 Year Oil**



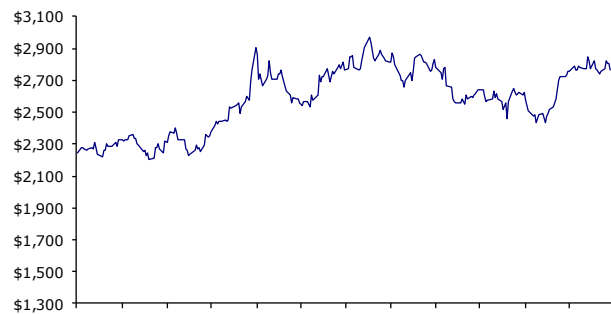
**1 Year Natural Gas**



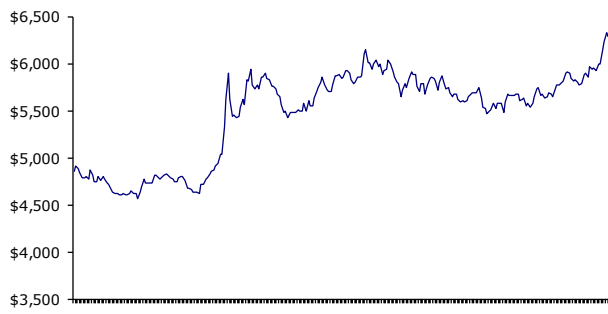
**1 Year Lead**



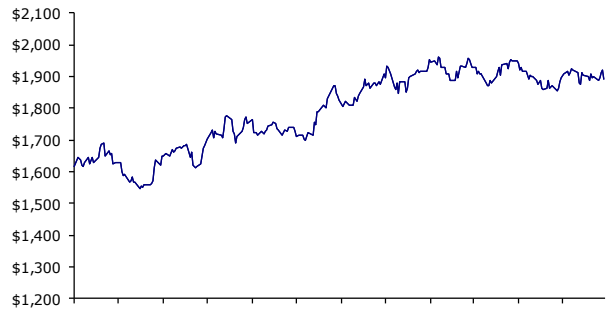
**1 Year Zinc**



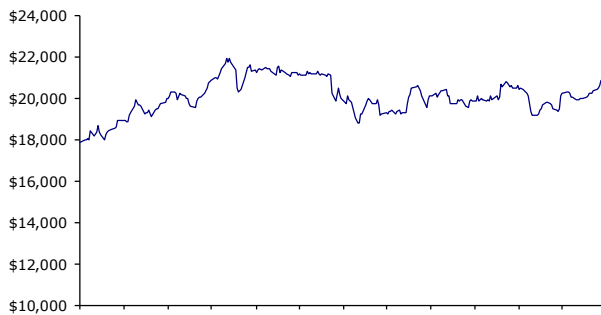
**1 Year Copper**



**1 Year Aluminium**

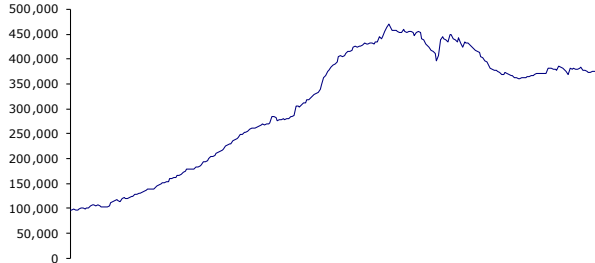


**1 Year Tin**

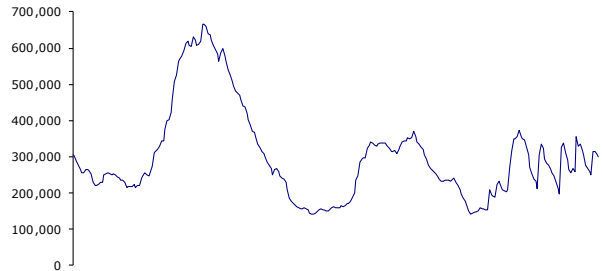


## 5 Year Metals Stockpiles

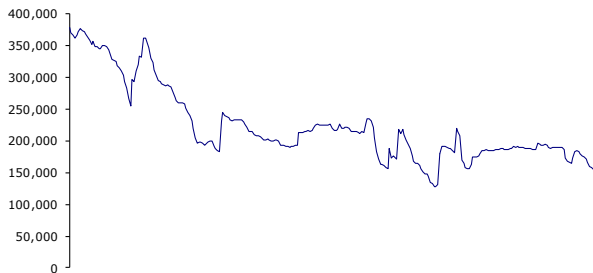
**Nickel LME Stockpiles - 5 Year**



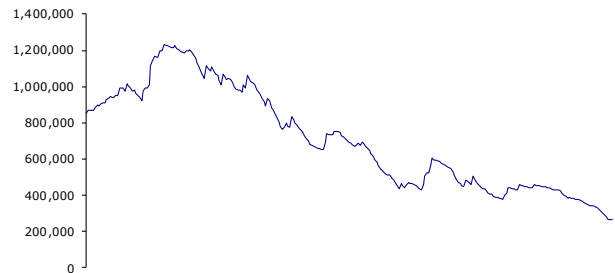
**Copper LME Stockpiles - 5 Year**



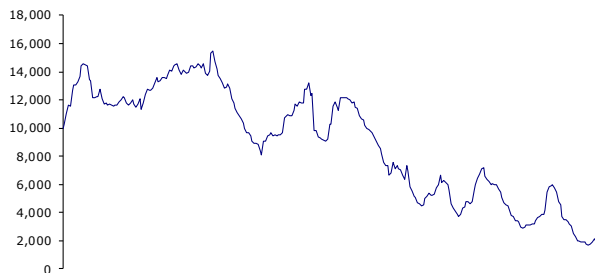
**Lead LME Stockpiles - 5 Year**



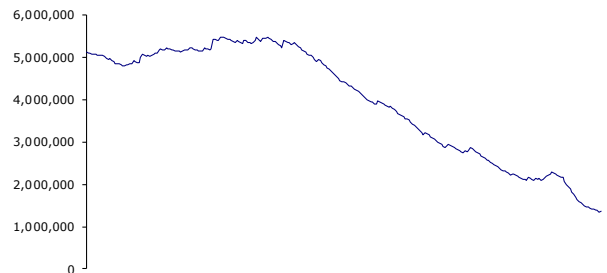
**Zinc LME Stockpiles - 5 Year**



**Tin LME Stockpiles - 5 Year**



**Aluminium LME Stockpiles - 5 Year**



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