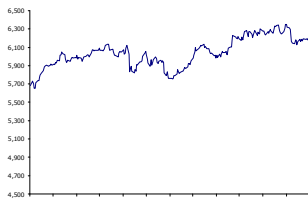


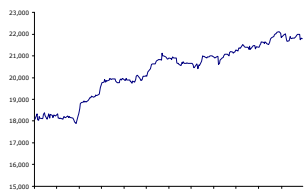
# STATE ONE SPINNAKER

**30 September 2018**  
**Issue 430**

## 12 month XJO chart



## 12 month Dow Jones chart



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**Overview**

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## Global Wrap – 30 September 2018

World Markets	30/09/2018	23/09/2018	Wkly Chg	Mthly Chg	Yearly Chg
ASX 200	6208	6195	0.2%	-0.4%	12.0%
Dow Jones	21798	21988	-0.9%	-1.0%	18.0%
Nasdaq	5284	5284	0.0%	-0.2%	21.9%
S&P 500	2914	2930	-0.5%	0.9%	29.7%
FTSE 100	7510	7490	0.3%	1.7%	8.3%
DAX30	12247	12431	-1.5%	1.7%	-5.4%
Shanghai Composite	2821	2797	0.9%	4.8%	-12.3%
Nikkei 225	24120	23870	1.0%	7.3%	28.5%
Hang Seng	27789	27954	-0.6%	2.0%	21.5%
Currency					
AUD/USD	0.7223	0.7252	-0.4%	-0.9%	-7.8%
Commodities					
Oil (\$/bbl)	73.5	72.2	1.8%	8.3%	42.4%
Gas (\$/gal)	3.0	3.0	1.1%	7.7%	0.7%
Iron Ore (\$/t)	0.0	53.9	-100.0%	-100.0%	-100.0%
Copper (\$/t)	6180	6203	-0.4%	5.6%	5.9%
Lead (\$/t)	2002	1996	0.3%	-3.1%	-14.1%
Zinc (\$/t)	2546	2441	4.3%	4.5%	-7.2%
Aluminium (\$/t)	2012	2034	-1.1%	-1.7%	16.2%
Nickel (\$/t)	12480	12955	-3.7%	0.5%	9.8%
Tin (\$/t)	18950	19100	-0.8%	0.1%	-11.4%
Gold (\$/oz)	1196	1201	-0.4%	-0.5%	2.0%
Silver (\$/oz)	14.7	14.4	2.5%	3.5%	-13.9%
Platinum (\$/oz)	822	833	-1.3%	4.8%	-12.3%
Wheat (\$/t)	508.000	521.000	-2.5%	-2.7%	24.4%

Source: Iress

## Global Wrap

### Key points

1. Oil prices buoy energy stocks
2. Banks claw back some gains after Royal Commission
3. Stock analysis: 'Doctor' Copper

## US

Stocks closed little changed as investors wrapped up a quarter that featured strong gains, CNBC reported.

Trade concerns, which capped gains on Friday, will also linger heading into year-end. The [S&P 500](#) fell marginally 2,913.98 while the [Nasdaq](#) eked out a small gain to close at 8,046.35. The [Dow](#), meanwhile, climbed 18.38 points to 26,458.31 as Intel and Boeing outperformed.

For the quarter, the S&P 500 rose 7.2%, its best quarterly gain since the fourth quarter of 2013. The Nasdaq Composite also notched a 7.1% quarterly gain, its best since first quarter 2017. The Dow Jones Industrial Average outperformed in the third quarter, rising 9.3%.

Heading into the fourth quarter, investors will face uncertainty amid a hotly anticipated mid-term election in November.

Democrats are expected to gain a majority in the House as well as increase their seat count in the Senate. This could delay, or even thwart, the Trump administration's economic agenda.

Trade concerns, which capped gains on Friday, will also linger heading into year-end.

The US and Canada have not yet come to an agreement on their trade relationship with a September 30 deadline rapidly approaching.

The two countries are trying to come to terms so that Canada can join a trade deal struck between the US and Mexico. The new deal would replace the current North American Free Trade Agreement (NAFTA), which has been heavily criticised by President Donald Trump.

Also on investors' watch list next week will be key manufacturing and employment data releases on Monday, Fed Chair Jerome Powell's speech on Tuesday in Boston and non-farm payroll figures on Friday.

The futures market is now implying a 79% chance of the Fed hiking rates in December.

## **China**

China stocks ended higher on Friday, marking their second consecutive weekly gain, aided by Beijing's stimulus measures to offset the impact of a trade war, Reuters reported. The markets were further buoyed by expectations that more Chinese shares will be included in mainstream global benchmarks.

The blue-chip CSI300 index ended 1% higher at 3,438.86, while the Shanghai Composite Index closed up 1.1% at 2,821.35 points.

US President Donald Trump's administration started levying additional tariffs on \$200 billion of Chinese goods on Monday.

Beijing retaliated with fresh tariffs on \$60 billion of US products, and has unveiled a raft of stimulus measures to support consumption and economic growth.

Hopes that more China stocks will be included into mainstream global equity benchmarks helped heal battered investor confidence.

FTSE Russell said on Thursday it would start including mainland shares in its flagship indexes from June next year, while rival MSCI said it would consider boosting the Chinese shares weighting in its indexes next year.

Further, a Reuters survey showed Chinese fund managers increased their suggested equity exposure to a seven-month high in September, while cutting recommended exposure to cash and bonds.

China's financial markets will be closed for three days next week from Monday for the National Day holidays.

## **Japan**

The 225-issue Nikkei average temporarily climbed to its highest level in nearly 27 years on Friday morning as a weaker yen supported exporters and investors expected favourable Japanese corporate earnings, The Japan Times reported.

After hitting a record high of 24,286.10, the benchmark index ended at 24,120.04 at the day's closing, up 1.36% from the previous day.

After talks on the sidelines of the United Nations General Assembly, US President Donald Trump and Prime Minister Shinzo Abe announced on Wednesday in New York an agreement to start negotiations on a trade deal.

Abe later told reporters the two leaders had agreed to “refrain from taking measures against the spirit of” their agreement, “which means the US will not impose” additional tariffs on Japanese-made cars.

## Europe

European markets were hit hard on Friday, as investors reacted to political turmoil in Europe and overseas, CNBC reported.

The pan-European [STOXX 600](#) closed 0.74% lower, with the majority of the region's sectors slipping into negative territory.

Italy's FTSE MIB index tumbled more than 3.7% after Rome agreed to set a higher than expected budget deficit target that could put it on a collision course with Brussels.

Aside from Italy woes, Brexit continues to be of focus as the deadline for when the UK is due to leave the European Union draws closer. British Prime Minister Theresa May has yet to secure a deal with the EU, with important talks expected to take place over the next two months.

## Australia

Australian shares closed the quarter on a high note this week, as the banks rallied on the release of the [royal commission's interim report](#), Fairfax reported.

The S&P/ASX 200 index closed at 6207.6 on Friday, up 13 points, or 0.2%, for the week. That rise was the exact same for the quarter, with the index advancing just 13 points, or 0.2% for the past three months.

The major banks weighed the index for most of the week but rallied on Friday following the release of the royal commission's interim report, wiping most of their losses from the previous four sessions, but still closing the week lower.

Brent crude **oil prices** hit a near four-year high this week, rising on the back of supply concerns in Iran and OPEC's unwillingness to lift production levels. Energy stocks were the main beneficiary on the market with BHP Billiton the market's best performer due to its oil exposure, its shares rising 3.1% to \$34.63.

This coming week the TD Securities inflation index will be released on Monday, ahead of the interest rate announcement on Tuesday and the trade balance on Thursday.

## Aluminium

The price of aluminium weakened in London on Thursday, as it struggles to lift beyond \$US2000 a tonne. The fall came after China announced it would ditch its plans to impose blanket production cuts on heavy industry in 28 northern cities. Aluminium was set to be the most affected by the winter output curbs in northern China, however it now appears that there will be more production of the metal than had been originally forecast by the market. Aluminium is now trading 19.5% below its April high.

**Gold** rallied but held on track for the lowest weekly finish since January 2017 in US Dollar terms on Friday, rising only \$3 per ounce to \$1184 as world stock markets fell amid new fears over Italy's growing public debt, BullionVault reported.

**Silver**, by contrast, spiked to \$14.50 per ounce, back near Monday's four-week high versus the Dollar, while platinum prices trimmed their loss for the week to 1.4% at \$816.

The Chinese holiday next week is expected to remove physical interest from the (gold) market during Asian hours

## Stock analysis: 'Doctor' Copper

Copper: has recovered from August low, but longer-term prospects less clear.

Copper and his base metal friends find themselves on the front line of the escalating trade stand-off

between the US and China.

While London copper has clawed its way back from August's 13-month low of \$US5,773 per tonne, at a current \$US6,280 the red metal is still 15% off its June peak of \$US7,348.

Trade wars, the reasoning goes, mean lower global growth down the line. That's bad for copper usage. Particularly, if growth in the world's largest user of the metal, China, is hit as well, which seems more than likely.

A stronger dollar and ominous signs of stress in emerging markets such as Argentina and Turkey top up the bearish cocktail.

Doctor Copper, seen this way, is signalling that we should be worried about where global manufacturing is heading.

It is also possible, however, that Doctor Copper will not perform according to the gloomy script at all. China has shown every indication of doing what it always does when it's worried about slowing economic momentum, namely investing in more infrastructure.

The country's most powerful planning body, the National Development and Reform Commission, said on September 19 that it intended to boost investment in targeted sectors such as metropolitan subway systems.

It will be a delicate balancing act since Beijing is still deleveraging from previous spending sprees. But it's worth remembering that even before the first US tariffs on Chinese goods kicked in on July 6, the copper market was already fretting about China's slowing fixed asset investment.

It's about to get a government boost, ironically thanks to the trade dispute with the US which caused funds to sell copper in the first place.

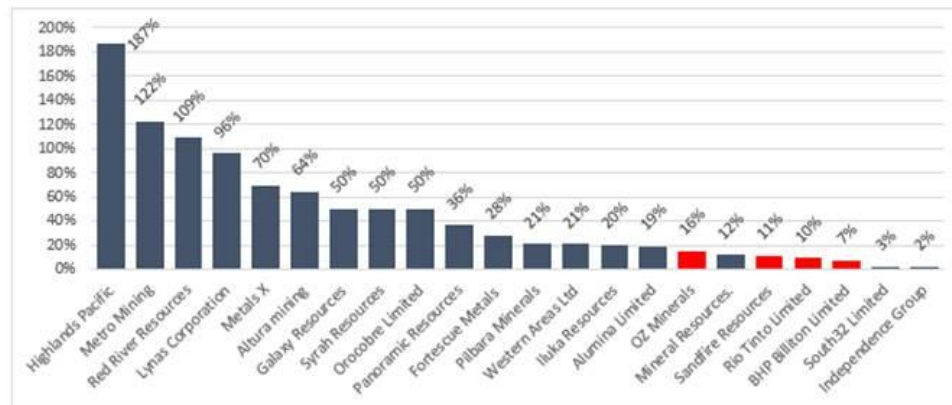
Whether it will be enough to offset what shows every sign of becoming a full trade war remains to be seen.

Looking at (non-gold) mining plays, it looks like stocks exposed to copper are fully priced - or offer relatively less attractive upside compared to non-copper plays. See table and graph below: Cu-exposed stocks are highlighted in red. The top pick in the copper space is OZ Minerals (ASX:OZL) with a total return potential of 16% (14% capital upside plus 2% yield).

Forecast total return for selected larger cap mining stocks (non-gold)

Security	Name	Share Price (A\$)	Target Price (A\$)	Capital upside / (downside) (%)	FY19E Dividend (A\$)	FY19E DY (%)	Total Return (%)
HIG	Highlands Pacific	0.115	0.33	187.0%	0.00	0.0%	187.0%
MMI	Metro Mining	0.18	0.4	122.2%	0.00	0.0%	122.2%
RVR	Red River Resources	0.225	0.47	108.9%	0.00	0.0%	108.9%
LYC	Lynas Corporation	1.75	3.43	96.0%	0.00	0.0%	96.0%
MLX	Metals X	0.56	0.94	67.9%	0.01	1.8%	69.6%
AJM	Altura mining	0.225	0.37	64.4%	0.00	0.0%	64.4%
GXY	Galaxy Resources	2.64	3.97	50.4%	0.00	0.0%	50.4%
SYR	Syrah Resources	2.41	3.62	50.2%	0.00	0.0%	50.2%
ORE	Orocobre Limited	4.19	6.29	50.1%	0.00	0.0%	50.1%
PAN	Panoramic Resources	0.55	0.75	36.4%	0.00	0.0%	36.4%
FMG	Fortescue Metals	3.89	4.81	23.7%	0.17	4.4%	28.0%
PLS	Pilbara Minerals	0.885	1.07	20.9%	0.00	0.0%	20.9%
WSA	Western Areas Ltd	2.73	3.26	19.4%	0.04	1.5%	20.9%
ILU	Iluka Resources	9.96	11.74	17.9%	0.25	2.5%	20.4%
AWC	Alumina Limited	2.72	2.97	9.2%	0.26	9.6%	18.8%
OZL	OZ Minerals	9.18	10.43	13.6%	0.18	2.0%	15.6%
MIN	Mineral Resources	16.04	17.33	8.0%	0.65	4.1%	12.1%
SFR	Sandfire Resources	7.38	7.91	7.2%	0.30	4.1%	11.2%
RIO	Rio Tinto Limited	79.03	83.62	5.8%	2.95	3.7%	9.5%
BHP	BHP Billiton Limited	33.93	35.05	3.3%	1.30	3.8%	7.1%
S32	South32 Limited	3.85	3.76	-2.3%	0.19	4.9%	2.6%
IGO	Independence Group	4.59	4.60	0.2%	0.09	2.0%	2.2%

Source: iRESS (share prices & target prices as at Monday, 24 September 2018), compiled by State One Stockbroking



## Economic Calendar 1/10/2018 – 5/10/2018

Monday October 01 2018			Actual	Previous	Consensus
07:50 AM	JP	Tankan Large Manufacturers Index Q3		21	22
05:00 PM	EA	Unemployment Rate AUG		8.2%	8.2%
10:00 PM	US	ISM Manufacturing PMI SEP		61.3	60.3
Tuesday October 02 2018			Actual	Previous	Consensus
12:30 PM	AU	RBA Interest Rate Decision		1.5%	1.5%
01:00 PM	JP	Consumer Confidence SEP		43.3	43.4
Wednesday October 03 2018			Actual	Previous	Consensus
08:15 PM	US	ADP Employment Change SEP		163K	185K
10:00 PM	US	ISM Non-Manufacturing PMI SEP		58.5	58.1
Thursday October 04 2018			Actual	Previous	Consensus
09:30 AM	AU	Balance of Trade AUG		A\$1.551B	A\$1.4B
10:00 PM	CA	Ivey PMI s.a SEP		61.9	61.4
Friday October 05 2018			Actual	Previous	Consensus
05:00 PM	IN	RBI Interest Rate Decision		6.5%	6.75%
08:30 PM	CA	Balance of Trade AUG		C\$-0.11B	C\$-1.44B
08:30 PM	CA	Employment Change SEP		-51.6K	24.7K
08:30 PM	CA	Unemployment Rate SEP		6%	6%
08:30 PM	US	Balance of Trade AUG		\$-50.1B	\$-53.1B
08:30 PM	US	Non Farm Payrolls SEP		201K	185K
08:30 PM	US	Unemployment Rate SEP		3.9%	3.8%

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

## Economic Calendar 8/10/2018 – 12/10/2018

Tuesday October 09 2018			Actual	Previous	Consensus
08:30 AM	AU	NAB Business Confidence SEP		4	+
02:00 PM	DE	Balance of Trade AUG		€16.5B	+
Wednesday October 10 2018			Actual	Previous	Consensus
07:30 AM	AU	Westpac Consumer Confidence Index OCT		100.5	+
07:30 AM	AU	Westpac Consumer Confidence Change OCT		-3%	+
04:30 PM	GB	Balance of Trade AUG		£-0.111B	+
	EA	ECB Non-Monetary Policy Meeting			
Thursday October 11 2018			Actual	Previous	Consensus
08:30 PM	US	Core Inflation Rate YoY SEP		2.2%	2.3%
08:30 PM	US	Inflation Rate YoY SEP		2.7%	2.8%
Friday October 12 2018			Actual	Previous	Consensus
08:30 AM	AU	RBA Financial Stability Review			+
10:30 AM	CN	Balance of Trade SEP		\$27.91B	\$31.79B
10:30 AM	CN	Exports YoY SEP		9.8%	10.1%
10:30 AM	CN	Imports YoY SEP		20%	18.7%
10:00 PM	US	Michigan Consumer Sentiment Prel OCT		100.1	+

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



## All Ords Top 10 Week Ending 28 September 2018

10 Best Performing Stocks Weekly (%)			10 Worst Performing Stocks Weekly (%)		
NAN	Nanosonics Limited	13.6	LYC	Lynas Corporation	-24.0
APT	Afterpay Touch	13.5	SBM	St Barbara Limited	-10.3
BPT	Beach Energy Limited	12.6	RRL	Regis Resources	-10.1
GWA	GWA Group Ltd	10.2	A2M	The A2 Milk Company	-9.4
VOC	Vocus Group Ltd	9.7	API	Australian Pharm.	-8.7
BKW	Brickworks Limited	8.3	EVN	Evolution Mining Ltd	-7.3
SIG	Sigma Health Ltd	7.7	WEB	Webjet Limited	-6.2
IPH	IPH Limited	7.3	SAR	Saracen Mineral	-5.8
BAL	Bellamy's Australia	6.5	PGH	Pact Group Hldgs Ltd	-5.6
ECX	Eclixp Group Ltd	6.2	SGM	Sims Metal Mgmt Ltd	-5.5

Source: IRESS

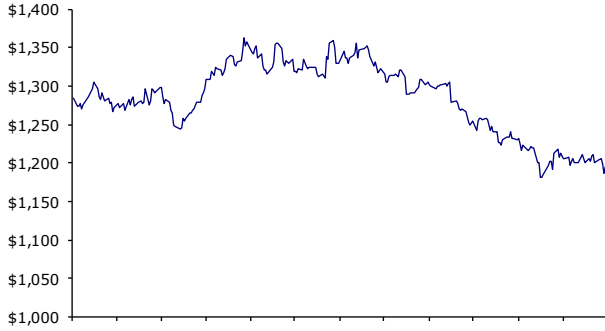
## S & P Indices Week Ending 28 September 2018

S&P Indices	30/09/2018	23/09/2018	Wkly Chg	Mthly Chg	Yearly Chg
S&P 200 Energy	12368	11885	4.1%	5.8%	39.1%
S&P 200 Materials	11920	11841	0.7%	5.0%	20.4%
S&P 200 Industrials	6083	6052	0.5%	-2.2%	19.2%
S&P 200 Consumer Disc.	2462	2440	0.9%	-4.0%	17.6%
S&P 200 Consumer Staples	11060	11061	0.0%	-2.4%	29.3%
S&P 200 Healthcare	31326	31880	-1.7%	-8.2%	62.5%
S&P 200 Financials	6127	6160	-0.5%	-0.5%	-3.8%
S&P 200 Info Technology	1241	1213	2.3%	1.1%	59.6%
S&P 200 Telecommunicatic	1206	1192	1.2%	4.5%	-31.3%
S&P 200 Utilities	7729	7644	1.1%	-1.1%	2.5%
S&P 200 Property Trusts	1427	1431	-0.3%	-2.2%	6.4%
S&P 200 Financials ex PT	6834	6870	-0.5%	-0.5%	-3.8%

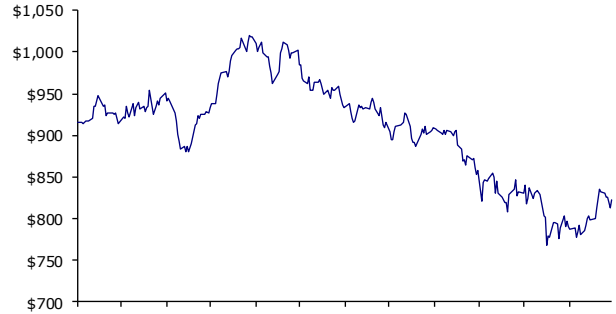
Source: IRESS

### 1 Year Commodity Price Charts

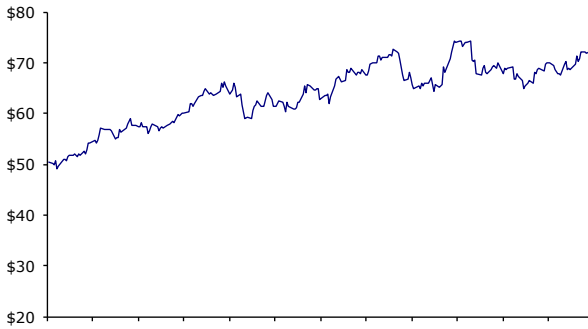
**1 Year Gold**



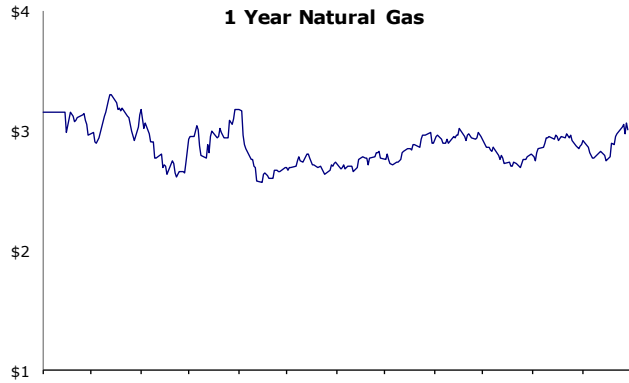
**1 Year Platinum**



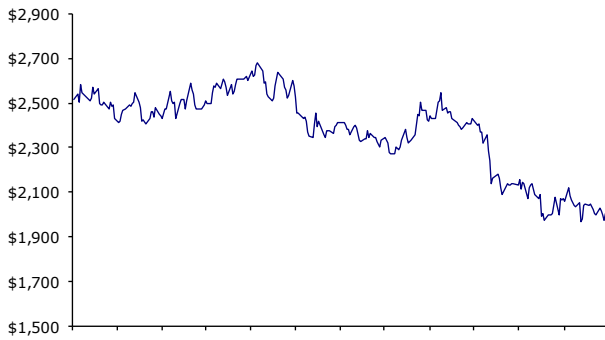
**1 Year Oil**



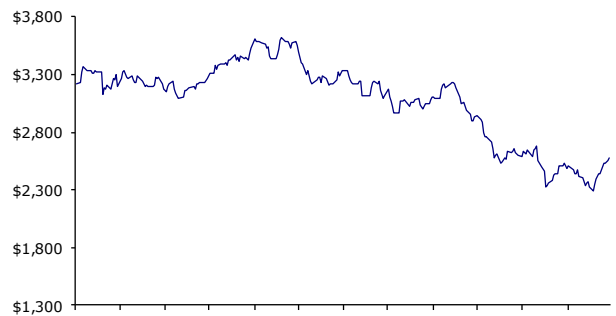
**1 Year Natural Gas**



**1 Year Lead**

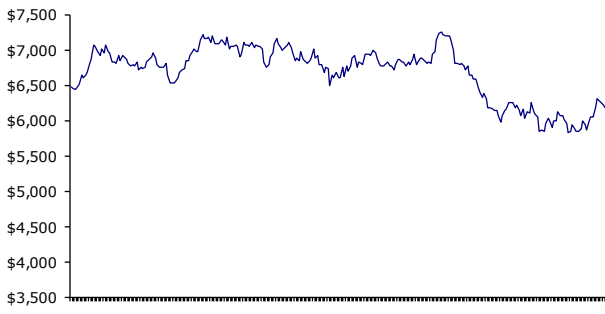


**1 Year Zinc**

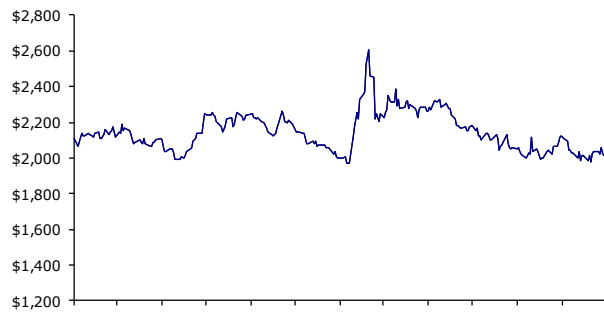




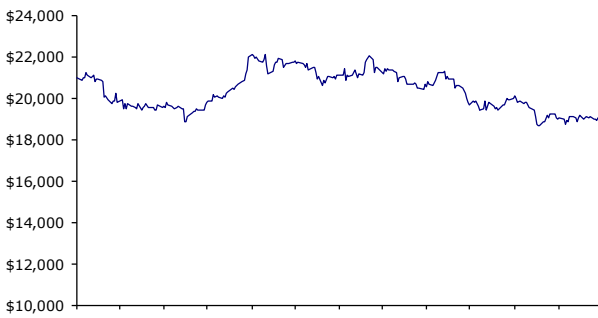
**1 Year Copper**



**1 Year Aluminium**

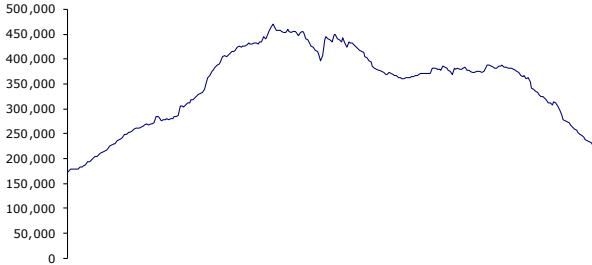


**1 Year Tin**

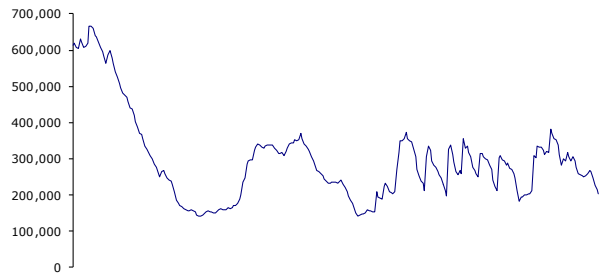


**5 Year Metals Stockpiles**

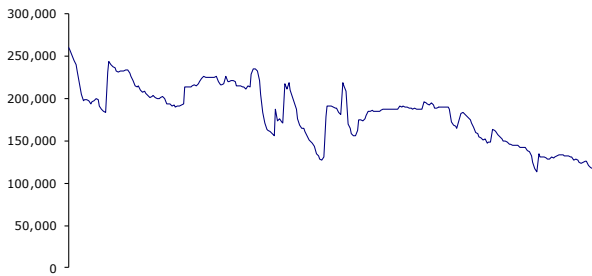
**Nickel LME Stockpiles - 5 Year**



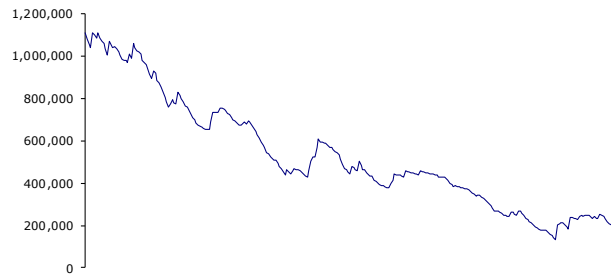
**Copper LME Stockpiles - 5 Year**



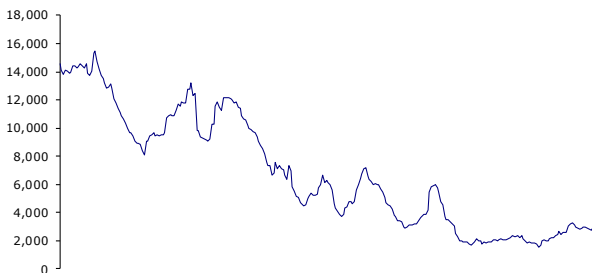
**Lead LME Stockpiles - 5 Year**



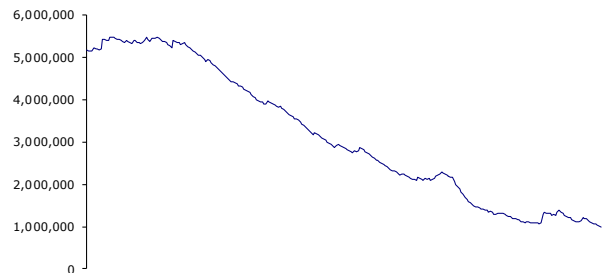
**Zinc LME Stockpiles - 5 Year**



**Tin LME Stockpiles - 5 Year**



**Aluminium LME Stockpiles - 5 Year**



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