



# MORNING REPORT

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## Top News

### NZ dollar holds above US69c as Trump upbeat on trade talks

The New Zealand dollar held above 69 US cents as US President Donald Trump's optimism on the prospects for reaching a trade deal with China helped soothe fears over global growth.

Trump tweeted that trade negotiations between US and Chinese officials are going well, although no deal will be reached until he meets with Chinese President Xi Jinping. Tensions between the world's two biggest economies have threatened to sap global growth at a time when China's economy is already slowing.

The local currency climbed to a six-week high after the Federal Reserve yesterday said it will be patient when it comes to any future interest rate hikes. The lower rate track supported a rally in equity markets around the world and weighed on the greenback, although the 2.63 percent yield on US 10-year Treasuries is still 35 basis points higher than its New Zealand counterpart.

The kiwi also got a boost from Standard & Poor's lifting its outlook on the New Zealand sovereign rating to 'positive'. Local data today include the ANZ-Roy Morgan consumer confidence survey and the December quarter household prices index.

### NZ shares join global rally as Fed poised to keep rates low; Air NZ falls again

New Zealand shares joined a global rally, led by A2 Milk Co, as local investors were buoyed the prospect of low US interest rates keeping equities attractive. Air New Zealand fell for another day.

Greg Smith, head of research at Fat Prophets, said investors had lower expectations for US company earnings and were surprised by the stronger results. The Fed's more subdued outlook for interest rate hikes also supported equity markets.

A2 led the market higher, up 3.7 percent at \$12.65 on a volume of 1.3 million, in line with its 90-day average. The milk marketing firm is the second-biggest company on the NZX and generates a lot of its revenue selling infant formula in China. Synlait Milk, which supplies A2, fell 1 percent to \$9.24 on light volumes.

Air New Zealand fell for a second day after it downgraded its earnings outlook, as ongoing issues with some Rolls Royce engines disrupt its schedule, domestic travel growth has been more muted than expected, and inbound tourism is tapering off from record highs. The shares declined 0.7 percent to \$2.81 on a volume of 1.9 million, more than twice its 759,000 three-month average.

SkyCity Entertainment Group rose 1.6 percent to \$3.84. The hotel and casino operator raised its earnings guidance earlier this week. Morningstar Research retained its fair value estimate at \$4.20, saying the shares offer an attractive dividend yield and are slightly undervalued.

NZX Index			
Index	Last	Change	
S&P/NZX All Index	9,753.84	63.01	▲ 0.65%
S&P/NZX 50 Index	8,985.34	59.82	▲ 0.67%
S&P/NZX MidCap Index	26,337.41	40.68	▲ 0.15%
S&P/NZX SmallCap Index	57,608.09	140.15	▼ 0.24%
S&P/NZAX All Index	539.46	3.94	▼ 0.73%

ASX Index			
Index	Last	Change	
ASX All Ordinaries	5,937.30	13.90	▼ 0.23%
S&P/ASX 200	5,864.70	22.00	▼ 0.37%
ASX Small Ordinaries	2,594.90	20.90	▲ 0.81%
S&P/ASX MIDCAP 50	6,392.60	41.30	▲ 0.65%
S&P/ASX 20	3,265.40	29.00	▼ 0.88%

Foreign Markets Index			
	Last	Change	
S&P 500	2,701.02	19.97	▲ 0.74%
Dow Jones Industrial Average	24,963.35	51.51	▼ 0.21%
NASDAQ Composite	7,275.76	92.68	▲ 1.29%
DAX PERFORMANCE-INDEX	11,173.10	8.56	▼ 0.08%
ASX All Ordinaries	5,937.30	13.90	▼ 0.23%
NIKKEI 225	20,773.49	216.95	▲ 1.06%
HANG SENG INDEX	27,942.47	299.62	▲ 1.08%

Currencies (per NZ\$ 1.00)			
	Last	Change	
AUD	0.9508	0.0009	▼ 0.09%
USD	0.6907	0.0009	▲ 0.13%
CNY	4.6250	0.0060	▼ 0.13%
EUR	0.6036	0.0028	▲ 0.47%
CAD	0.9069	0.0004	▼ 0.04%
GBP	0.5268	0.0007	▲ 0.13%
JPY	75.1900	0.0140	▼ 0.02%

NZ Interest Rates		
	Last	Change
NZ OCR	1.75	
3-month Bank Bill	1.94	
5-year Swap	2.10	
10-year Swap	2.53	

Commodities Futures			
	Last	Change	
Gold	1,325.00	9.50	▲ 0.72%
Silver	16.05	0.12	▲ 0.77%
Crude Oil	53.84	0.39	▼ 0.72%

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