

MORNING REPORT

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Top News

NZ shares outperform Australia as ANZ kicks off bank earnings

New Zealand shares outperformed their Australian counterparts as Australia & New Zealand Banking Group kicked off reporting by the 'four pillars' of the banking sector.

The S&P/NZX index advanced 103.93 points, or 1.2 percent, to 8,752.31. Within the index, 35 stocks gained, nine fell and six were unchanged. Turnover was \$167.4 million.

Asian stocks followed Wall Street higher, with New Zealand one of the stronger performers. Australia's S&P/ASX 200 index was largely flat in afternoon trading after ANZ was the first of three major banks posting annual reports. ASB Bank parent Commonwealth Bank of Australia is in a different reporting period, but today sold its Colonial First State Asset Management arm to Japan's Mitsubishi UFJ for A\$4.1 billion. National Australia Bank and its Bank of New Zealand subsidiary report tomorrow.

Greg Smith, head of research at Fat Prophets, said Australia's banking sector has been under pressure from the Royal Commission into financial services. Investors want to see how lenders will improve earnings as Australia's property market slows, he said.

"It's all about simplification and reducing complexity and ANZ are ahead of the curve on that front," he said.

NZ dollar falls as US wages grow faster than expected

The New Zealand dollar fell as stronger-than-expected US wage growth helped push US bond yields higher, making the greenback more attractive.

The kiwi declined to 65.20 US cents as at 8am in Wellington from 65.42 cents yesterday. The trade-weighted index slipped to 71.84 from 72.07.

The yield on US 10-year Treasuries rose 4 basis points to 3.15 percent after data showed private wages grew at a faster pace than expected in the third quarter. The US employment cost index precedes official non-farm payrolls data on Friday, with higher wages seen as a key component underpinning the Federal Reserve's plans to raise interest rates. The yield on 10-year US Treasuries is 59 basis points higher than its New Zealand equivalent, making the greenback more attractive for investors.

"The relative strength of the US economy, set against continued gradual slowing elsewhere, has helped support the USD," Bank of New Zealand interest rate strategist Nick Smyth said in a note.

Improved risk sentiment among investors also underpinned higher US yields and a stronger greenback. Stocks on Wall Street gained with the Dow Jones Industrial Average rising 1.8 percent in afternoon trading.

Smyth said the kiwi and Australian dollars underperformed among the 10 most-traded currencies. Australian inflation data yesterday was softer than expected, while business confidence in New Zealand remains sour. The local currency fell to 92.12 Australian cents from 92.31 cents yesterday.

| NZX Index | | | |
|------------------------|-----------|--------|---------|
| Index | Last | Change | |
| S&P/NZX All Index | 9,548.77 | 111.12 | ▲ 1.18% |
| S&P/NZX 50 Index | 8,752.31 | 103.93 | ▲ 1.20% |
| S&P/NZX MidCap Index | 25,301.02 | 215.88 | ▲ 0.86% |
| S&P/NZX SmallCap Index | 62,742.04 | 495.37 | ▲ 0.80% |
| S&P/NZAX All Index | 528.65 | 2.87 | ▼ 0.54% |

| ASX Index | | | |
|----------------------|----------|--------|---------|
| Index | Last | Change | |
| ASX All Ordinaries | 5,913.30 | 25.40 | ▲ 0.43% |
| S&P/ASX 200 | 5,830.30 | 25.20 | ▲ 0.43% |
| ASX Small Ordinaries | 2,585.30 | 8.60 | ▲ 0.33% |
| S&P/ASX MIDCAP 50 | 6,541.80 | 12.90 | ▲ 0.20% |
| S&P/ASX 20 | 3,246.50 | 16.40 | ▲ 0.51% |

| Foreign Markets Index | | | |
|-----------------------|-----------|--------|---------|
| | Last | Change | |
| S&P 500 | 2,715.59 | 32.96 | ▲ 1.23% |
| Dow Jones | 25,150.64 | 276.00 | ▲ 1.11% |
| NASDAQ Composite | 7,317.77 | 156.12 | ▲ 2.18% |
| DAX | 11,447.51 | 160.12 | ▲ 1.42% |
| ASX All Ordinaries | 5,913.30 | 25.40 | ▲ 0.43% |
| NIKKEI 225 | 21,920.46 | 463.17 | ▲ 2.16% |
| HANG SENG INDEX | 24,979.69 | 394.16 | ▲ 1.60% |

| Currencies (per NZ\$ 1.00) | | | |
|----------------------------|---------|--------|---------|
| | Last | Change | |
| AUD | 0.9215 | 0.0011 | ▼ 0.12% |
| USD | 0.6523 | 0.0032 | ▼ 0.49% |
| CNY | 4.5450 | 0.0230 | ▼ 0.50% |
| EUR | 0.5762 | 0.0016 | ▼ 0.28% |
| CAD | 0.8585 | 0.0009 | ▼ 0.10% |
| GBP | 0.5107 | 0.0051 | ▼ 0.99% |
| JPY | 73.6365 | 0.4765 | ▼ 0.64% |

| NZ Interest Rates | | |
|-------------------|------|--------|
| | Last | Change |
| NZ OCR | 1.75 | |
| 3-month Bank Bill | 1.94 | |
| 5-year Swap | 2.33 | |
| 10-year Swap | 2.83 | |

| Commodities Futures | | | |
|---------------------|----------|--------|---------|
| | Last | Change | |
| Gold | 1,216.70 | 8.60 | ▼ 0.70% |
| Silver | 14.27 | 0.20 | ▼ 1.36% |
| Crude Oil | 65.06 | 1.12 | ▼ 1.69% |

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