

MORNING REPORT

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Top News

NZ dollar firms a little; traders still eyeing an OCR cut

The New Zealand dollar recovered some of the ground lost after the US Federal Reserve appeared to take a rate cut off the table - but it is probably headed lower.

The kiwi was trading at 66.31 US cents at 5pm in Wellington from 66.19 at 8am. The trade-weighted index rose to 72.33 points from 72.24.

"It was a small rebound – most currencies experienced a small rebound," said Imre Speizer, market strategist at Westpac.

But it's still all about interest rate differentials and Powell said the pullback in inflation in the US is only "transitory" and so a rate cut won't be needed.

The Fed's inflation target is 2 percent and the core measure it watches came in at 1.6 percent in the March quarter.

"We suspect transitory factors may be at work," Fed chair Jerome Powell said, adding that inflation should return to the bank's target over time.

But the local market is pricing in a 55 percent chance the Reserve Bank of New Zealand will cut its official cash rate next week, down from a 60 percent chance late yesterday.

The New Zealand two-year swap rate rose to 1.6239 percent from 1.6095 yesterday while the 10-year swap rate climbed to 2.1825 percent from 2.1650.

"We still think there's a slightly greater than 50 percent chance that there's a cut in May," Speizer says.

NZ shares gain as investors welcome Z's dividend view; Trade Me departs

New Zealand shares rose as investors welcomed greater clarity on Z Energy's dividend intentions in the first local result of the latest reporting season. Index reweightings from Trade Me Group's pending departure were also a feature.

The S&P/NZX 50 Index increased 118.57 points, or 1.2 percent, to a record 10,084.99. Within the index, 42 stocks rose, four fell and four were unchanged. Turnover was \$250.5 million, of which Trade Me accounted for \$58.1 million.

Z Energy advanced 2.6 percent to \$6.37 on a bigger-than-usual volume of 2.7 million shares after the transport fuels company signalled at least a 12 percent increase in dividends as it continues to strip out costs since integrating Caltex into its network. The company reported a 13 percent decline in annual earnings due to the extended outage at Marsden Point refinery and as record prices at the pump trimmed petrol volumes.

"The market liked Z because of the clarity about the dividend," said Stuart Williams, head of equities at Nikko Asset Management. "They didn't get that right going back to the half-year, but they've done a good job of explaining it which was welcomed by the market."

Refining NZ, which operates the refinery, was up 1 percent at \$2.09 on a volume of 650,000 shares, more than three-times its 90-day average of 187,000.

NZX Index			
Index	Last	Change	
S&P/NZX All Index	10,914.83	128.46	▲ 1.19%
S&P/NZX 50 Index	10,085.75	119.33	▲ 1.20%
S&P/NZX MidCap Index	28,769.97	487.63	▲ 1.72%
S&P/NZX SmallCap Index	60,198.93	70.52	▼ 0.12%
S&P/NZAX All Index	626.33	0.84	▲ 0.13%
ASX Index			
Index	Last	Change	
ASX All Ordinaries	6,430.00	36.50	▼ 0.56%
S&P/ASX 200	6,338.40	37.50	▼ 0.59%
ASX Small Ordinaries	2,855.30	13.10	▼ 0.46%
S&P/ASX MIDCAP 50	6,816.80	21.90	▼ 0.32%
S&P/ASX 20	3,527.90	25.90	▼ 0.73%
Foreign Markets Index			
	Last	Change	
S&P 500	2,654.80	6.75	▲ 0.25%
Dow Jones	24,099.05	64.10	▼ 0.27%
NASDAQ Composite	7,130.70	64.44	▲ 0.91%
FTSE	7,520.36	11.06	▲ 0.15%
ASX All Ordinaries	6,430.00	36.50	▼ 0.56%
NIKKEI 225	22,508.03	40.16	▲ 0.18%
HANG SENG INDEX	30,808.45	527.78	▲ 1.74%
Currencies (per NZ\$ 1.00)			
	Last	Change	
AUD	0.9455	0.0015	▲ 0.16%
USD	0.6617	0.0006	▼ 0.09%
CNY	4.4570	0.0000	0.00%
EUR	0.5922	0.0007	▲ 0.12%
CAD	0.8913	0.0015	▲ 0.17%
GBP	0.5076	0.0002	▲ 0.04%
JPY	73.7730	0.0045	▼ 0.01%
NZ Interest Rates			
	Last	Change	
NZ OCR	1.75		
3-month Bank Bill	1.88		
5-year Swap	1.78		
10-year Swap	2.19		
Commodities Futures (Spot Price \$USD)			
	Last	Change	
Gold	1,271.90	12.30	▼ 0.96%
Silver	14.63	0.10	▼ 0.67%
Crude Oil	61.63	1.97	▼ 3.10%

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