

MORNING REPORT

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Top News

NZ shares fall as A2 director sells; Fletcher overture rebuffed

New Zealand shares fell, led by A2 Milk Co, after one of the company's directors sold a small parcel of shares. Fletcher Building declined after surprising investors with a takeover bid for Steel & Tube Holdings.

The S&P/NZX 50 index dropped 32.64 points, or 0.4 percent, to 9,293.95. Within the index, 24 stocks fell, 19 gained and seven were unchanged. Turnover was \$136 million.

A2 led the market lower, falling 2.6 percent to \$11.08 after disclosing director Peter Hinton sold 25,000 shares at \$11.91 apiece on Sept. 26. The sale came in the wake of CEO Jayne Hrdlicka's share sale, which investors have criticised as being poorly communicated.

"It's a relatively immaterial percentage of his holdings, but it doesn't come out as particularly good coming after CEO Hrdlicka sold all of her shares," said James Lindsay, a senior portfolio manager at Nikko Asset Management.

Today's disclosure comes after Morningstar Research included the stock in its top 10 stock ideas for Australia and New Zealand. It said the recent price decline meant A2 stock was trading at a discount to the analyst's \$14.60 fair value estimate.

Fletcher dropped 1.5 percent to \$6.48 after its initial bid for steel products maker Steel & Tube was turned down as too low. Fletcher offered \$1.70 a share, or \$284 million, and has the support of shareholders with 20 percent of the company's stock. CEO Ross Taylor says he will keep pursuing the company, but was coy on whether he'll raise the bid.

Lindsay said the takeover bid was a surprise with other firms seen as more likely targets.

NZ dollar drops as US bond yields rise on stronger than expected data

The New Zealand dollar fell as better than expected US data drove yields on US bonds to a seven-year high, making the greenback a more attractive investment option.

The kiwi dropped to 65.31 US cents as at 8am in Wellington from 65.73 cents yesterday. The trade-weighted index declined to 71.37 from 71.62.

The yield on 10-year US Treasuries climbed 10 basis points to 3.15 percent after the ISM non-manufacturing survey beat expectations in hitting a 21-year high. A strong ADP private payrolls report also raised expectations for non-farm payrolls figures at the end of the week. Higher US bond yields make the greenback more attractive to investors, and US 10-year Treasuries are now 54 basis points higher than their New Zealand equivalent, the widest spread in at least 20 years.

"The NZD and AUD are the weakest currencies across the G10 over the past 24 hours, both down almost 1 percent," Bank of New Zealand interest rate strategist Nick Smyth said in a note. "The increase in US-NZ interest rate differentials likely played a part in the move."

The kiwi traded at 56.69 euro cents from 56.77 cents yesterday as fears over Italy's government debt subsided. Prime Minister Giuseppe Conte said the coalition will target smaller budget deficits in coming years.

NZX Index			
Index	Last	Change	
S&P/NZX All Index	10,127.15	31.33	▼ 0.31%
S&P/NZX 50 Index	9,293.95	32.64	▼ 0.35%
S&P/NZX MidCap Index	26,638.69	12.27	▼ 0.05%
S&P/NZX SmallCap Index	64,986.53	268.75	▲ 0.42%
S&P/NZAX All Index	532.02	0.00	▲ 0.00%
ASX Index			
Index	Last	Change	
ASX All Ordinaries	6,265.20	19.40	▲ 0.31%
S&P/ASX 200	6,146.10	19.90	▲ 0.32%
ASX Small Ordinaries	2,857.60	15.70	▲ 0.55%
S&P/ASX MIDCAP 50	7,022.40	28.20	▲ 0.40%
S&P/ASX 20	3,389.00	7.80	▲ 0.23%
Foreign Markets Index			
	Last	Change	
S&P 500	2,924.82	1.39	▲ 0.05%
Dow Jones	26,826.15	52.21	▲ 0.20%
NASDAQ Composite	8,023.65	24.11	▲ 0.30%
DAX	12,287.58	51.45	▼ 0.42%
ASX All Ordinaries	6,265.20	19.40	▲ 0.31%
NIKKEI 225	24,110.96	159.66	▼ 0.66%
HANG SENG INDEX	27,091.26	35.12	▼ 0.13%
Currencies (per NZ\$ 1.00)			
	Last	Change	
AUD	0.9172	0.0003	▼ 0.03%
USD	0.6530	0.0064	▼ 0.97%
CNY	4.4840	0.0450	▼ 0.99%
EUR	0.5671	0.0040	▼ 0.70%
CAD	0.8391	0.0065	▼ 0.77%
GBP	0.5033	0.0048	▼ 0.94%
JPY	74.6280	0.3365	▼ 0.45%
NZ Interest Rates			
	Last	Change	
NZ OCR	1.75		
3-month Bank Bill	1.94		
5-year Swap	2.35		
10-year Swap	2.85		
Commodities Futures			
	Last	Change	
Gold	1,202.30	4.70	▼ 0.39%
Silver	14.66	0.03	▼ 0.19%
Crude Oil	76.39	1.16	▲ 1.54%

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