

MORNING REPORT

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Top News

NZ dollar falls as greenback benefits on tax reform progress; RBNZ speech awaited

Tax cuts are expected to stoke a US economy that's already travelling at a fast enough pace to give the Federal Reserve reason to hike interest rates again this month. The Senate now has to align the legislation with a version of the reforms already approved by the House of Representatives before it heads back to President Donald Trump for final sign-off. In New Zealand today, traders will be watching for acting Reserve Bank governor Grant Spencer's speech titled 'Low inflation and its implications for monetary policy', with the local central bank well behind the Fed in its cycle.

Optimism about tax cuts has helped offset negative sentiment from the ongoing probe into contact between Trump's campaign team and Russian diplomats and the president's tweets critical of the FBI.

"With markets deciding to focus on the positive boost to growth from US tax reform and ignore other political rumblings the NZD/USD could see support tested," said Con Williams, rural economist at ANZ Bank New Zealand, in a note. "The RBNZ's governor speech today is likely to reinforce an on hold view too."

Tax plan progress lifts Dow

"Financials should benefit from not only tax reform but as we start to see rates move higher, their interest margins become more profitable," Emily Roland, head of investment research at John Hancock Investments in Boston, told Reuters. "We're seeing some rotation away from technology stocks, which is likely due for a breather, into financial stocks and we expect to see that continue," according to Roland.

British Prime Minister Theresa May and European Commission President Jean-Claude Juncker failed to reach a Brexit deal in Brussels on Monday. "It was not possible to reach a complete agreement today," Juncker told reporters, according to Bloomberg, adding that talks will resume this week and he's confident there will be an agreement that paves the way for trade talks to begin.

NZ shares mixed in subdued trading as NZX suffers outage; Synlait falls

New Zealand shares edged lower in quiet trading as investors weighed up the mixed messages from Wall Street on Friday and NZX's trading platform suffered an outage late in the day. Synlait Milk declined ahead of an investor update this week.

Stock markets across Asia yesterday lacked direction after Wall Street dipped on Friday on news former US National Security Adviser Michael Flynn pleaded guilty to lying to federal agents and was cooperating with an investigation into Russian interference in last year's election. That eroded earlier optimism new tax legislation lowering the corporate rate will be passed into law.

Trading was hindered by an outage on NZX's platform with data issues affecting all vendors. The outage disrupted stocks, indices, futures and options trading, according to Reuters updates and was first reported at 3.26pm. As at 5.30pm there was still no estimated time for a resolution.

Contact Energy rose 0.6 percent to \$5.48. US fund manager BlackRock issued a notice yesterday saying it is no longer a substantial shareholder in the power company after last week's MSCI index reweighting. The fund manager reduced its stake to 2.4 percent from 5.4 percent.

NZX Index				
Index	Last	Change		
S&P/NZX All Index	8,884.433	3.927	▼	0.04%
S&P/NZX 50 Index	8,184.871	8.389	▼	0.10%
S&P/NZX MidCap Index	24,376.698	17.558	▲	0.07%
S&P/NZX SmallCap Index	56,473.309	249.169	▲	0.44%
S&P/NZAX All Index	564.906	5.206	▲	0.93%
ASX Index				
Index	Last	Change		
ASX All Ordinaries	6,070.62	4.89	▼	0.08%
S&P/ASX 200	5,985.59	4.17	▼	0.07%
ASX Small Ordinaries	2,690.47	4.85	▼	0.18%
S&P/ASX MIDCAP 50	6,679.60	15.34	▼	0.23%
S&P/ASX 20	3,304.38	3.08	▼	0.09%
Foreign Markets Index				
	Last	Change		
S&P 500	2,646.82	4.60	▲	0.17%
Dow Jones	24,370.76	139.17	▲	0.57%
NASDAQ Composite	6,795.65	51.93	▼	0.76%
FTSE	7,338.97	38.48	▲	0.53%
ASX All Ordinaries	6,070.62	4.89	▼	0.08%
NIKKEI 225	22,707.16	111.87	▼	0.49%
HANG SENG INDEX	29,138.28	64.04	▲	0.22%
Currencies (per NZ\$ 1.00)				
	Last	Change		
AUD	0.9016	0.0019	▼	0.21%
USD	0.6847	0.0014	▼	0.20%
CNY	4.5330	0.0070	▼	0.15%
EUR	0.5775	0.0009	▼	0.16%
CAD	0.8695	0.0021	▼	0.24%
GBP	0.5084	0.0023	▼	0.45%
JPY	77.1125	0.3425	▼	0.44%
NZ Interest Rates				
	Last	Change		
NZ OCR	1.75			
3-month Bank Bill	1.94			
5-year Swap	2.59			
10-year Swap	3.09			
Commodities Future				
	Last	Change		
Gold	1,278.20	4.10	▼	0.32%
Silver	16.19	0.11	▼	0.66%
Crude Oil	57.44	0.92	▼	1.58%

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