

# MORNING REPORT

As at 8.52 AM 5/06/2019

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## Top News

### NZ shares drop below 10,000; A2 slumps on China fears

The S&P/NZX 50 Index closed below 10,000 for the first time in almost a month, as A2 Milk slumped almost 11 percent on fears that China's plans to develop its domestic infant formula market may weigh on the milk marketing firm.

The NZX50 dropped 166.06 points, or 1.6 percent, to 9,951.93. Within the index, 30 stocks fell, 16 rose, and four were unchanged. Turnover was \$143.3 million, of which A2 accounted for \$38.5 million.

The local market was already poised for a weak session after Australia's S&P/ASX 200 Index opened the winter quarter on the back foot, falling 1.3 percent yesterday. The Australian market clawed back some of that loss, and was up 0.3 percent in afternoon trading, with bank stocks getting a boost from the Reserve Bank of Australia meeting expectations when it cut the target cash rate a quarter-point to 1.25 percent.

That wasn't enough to smooth the domestic decline, with A2 weighing on the broader market, given its heavy weighting on the index. A2 dropped \$1.71 to \$14.09 on a volume of 2.7 million, more than three times its 90-day average of 780,000 shares. Synlait Milk, which supplies A2, fell 2.5 percent to \$8.65.

"That's on the back of the Chinese government on Monday releasing an action plan on the improved quality of its domestically-made baby formula and increasing its market share to above 50 percent," said Peter McIntyre, an investment adviser at Craigs Investment Partners. "That's really had an impact on A2."

Fonterra Shareholders' Fund unit increased 0.3 percent to \$4, Fonterra Cooperative Group's farmer-owned shares were down 0.3 percent at \$3.99 ahead of tonight's Global Dairy Trade auction.

### NZ dollar rises on growing expectations for US rate cut

The New Zealand dollar was higher on growing speculation the US could move to cut rates, in particular against the backdrop of rising trade tensions.

The kiwi was trading at 66.16 US cents at 7:50am in Wellington from 65.76 US cents at 5pm in Wellington. The trade-weighted index was at 72.52 points from 72.26.

The greenback came under pressure after US Federal Reserve Chairman Jerome Powell said the Fed is "closely monitoring" the implications of trade tensions and will "act as appropriate to sustain the expansion, with a strong labor market and inflation near our symmetric 2 percent objective."

The weaker US dollar meant the kiwi largely shrugged off news that global dairy prices dipped in the overnight auction, with the GDT price index down 3.4 percent from the previous auction two weeks ago.

"A weak result at last night's GDT auction did little to cap the kiwi's rise. The USD lost ground as the Fed's Chair Powell hinted at a willingness to cut US interest rates amidst mixed data and trade tensions," said ANZ FX/rates strategist Sandeep Parekh.

NZX Index			
Index	Last	Change	
S&P/NZX All Index	10,762.32	180.48	▼ 1.65%
S&P/NZX 50 Index	9,951.93	170.95	▼ 1.69%
S&P/NZX MidCap Index	28,532.66	152.27	▼ 0.53%
S&P/NZX SmallCap Index	59,235.28	425.31	▼ 0.71%
S&P/NZAX All Index	559.72	2.46	▲ 0.44%
ASX Index			
Index	Last	Change	
ASX All Ordinaries	6,416.70	5.90	▲ 0.09%
S&P/ASX 200	6,332.40	11.90	▲ 0.19%
ASX Small Ordinaries	2,750.50	18.30	▼ 0.66%
S&P/ASX MIDCAP 50	6,633.90	37.40	▼ 0.56%
S&P/ASX 20	3,557.10	18.30	▲ 0.52%
Foreign Markets Index			
Index	Last	Change	
S&P 500	2,803.27	58.82	▲ 2.14%
Dow Jones	25,332.18	512.40	▲ 2.06%
NASDAQ Composite	7,527.12	194.10	▲ 2.65%
DAX	11,971.17	178.36	▲ 1.51%
ASX All Ordinaries	6,416.70	5.90	▲ 0.09%
NIKKEI 225	20,408.54	2.34	▼ 0.01%
HANG SENG INDEX	26,761.52	132.34	▼ 0.49%
Currencies (per NZ\$ 1.00)			
Currency	Last	Change	
AUD	0.9452	-0.0006	▼ 0.06%
USD	0.66	0.0012	▲ 0.18%
CNY	4.5650	0.0090	▲ 0.20%
EUR	0.59	0.0004	▲ 0.07%
CAD	0.8853	-0.0014	▼ 0.16%
GBP	0.52	-0.0006	▼ 0.12%
JPY	71.4720	0.1760	▲ 0.25%
NZ Interest Rates			
Rate	Last	Change	
NZ OCR	1.50		
3m Bank Bill	1.64		
5y Swap	1.54		
10y Swap	1.91		
Commodities Futures (Spot Price \$USD)			
Commodity	Last	Change	
Gold	1,330.70	2.80	▲ 0.21%
Silver	14.81	0.07	▲ 0.47%
Crude Oil	52.93	0.32	▼ 0.60%

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