



MORNING REPORT

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Web: www.equity.co.nz / E-mail: Info@equity.co.nz / Tel: +64 (9)304 0145 / Address: Level 7, 12-26 Swanson Street, Auckland, NZ

Top News

Yen Matches Three-Month High After Mideast Stocks Get a Mauling

The yen held near its strongest level against the dollar in almost three months amid demand for haven assets after the U.S. killing of Iran's most senior military commander sent Middle Eastern stocks into retreat, setting the tone for what's likely to be a volatile week.

Japan's currency appreciated for a third-straight day as markets opened in Sydney, while the Australian dollar weakened. All the Middle East's major equity gauges fell Sunday. Kuwait's dropped more than 4%, trimming a rally that made it the best market in the region last year. Saudi Aramco slumped as the country's Tadawul All Share Index lost as much 2.5%. Egypt's EGX30 gauge fell 4.4%, the most since September, and stocks in the United Arab Emirates, Qatar, Bahrain, Israel and Oman also weakened.

Geopolitical risks flared after Iranian General Qassem Soleimani was killed in Iraq last week in a drone attack ordered by U.S. President Donald Trump. Iran's President Hassan Rouhani vowed revenge, while Trump said late Saturday the U.S. had identified 52 Iranian sites that would be hit "very hard" if Tehran retaliated. Iran also said it would no longer abide by any limits on its enrichment of uranium, while Iraq's parliament voted to expel U.S. troops from the country. "Investors who were hoping for lower geopolitical tension in the Middle East and North Africa in 2020 got their hopes dashed on the second day of the year," said Mohammed Ali Yasin, chief strategy officer at Abu Dhabi-based Al Dhabi Capital Ltd. "2020 will continue to be a year of high geopolitical tensions."

Global markets turned sour Friday as Soleimani's death triggered a flight to havens at the expense of riskier assets. MSCI Inc.'s index of emerging-market stocks fell the most in more than a month. Brent crude rose to \$68.60 a barrel, its highest level since mid-September, and gold, a haven for investors in rocky markets, almost reached a six-year high.

As markets reopened Monday, the yen appreciated 0.2% to touch 107.84 per dollar, matching Friday's level that was the strongest since Oct. 10. The Aussie dollar slipped 0.2% to 69.37 U.S. cents. The cost of insuring Saudi Arabia's debt against default spiked. The country's five-year credit default swaps are now more expensive than Indonesia's for the first time in almost two years, even though Moody's Investors Service rates the latter four levels lower. Yields on the bonds of Saudi Arabia, Abu Dhabi, Lebanon and Iraq all climbed.

Aramco shares may be in the grips of their biggest test since the initial public offering less than a month ago. The stock dropped 1.7% Sunday to 34.55 riyals, their lowest closing level since the Dec. 11 listing.

Optimists will point to the resilience of financial markets in the face of political tension. Volatility surged in September after drone strikes against Aramco facilities highlighted the vulnerability of Saudi Arabia's oil installations. Iran-backed Houthi rebels in Yemen, who've launched several drone attacks on Saudi targets in the past, claimed responsibility.

NZX Index				
Index	Last	Change		
S&P/NZX All Index	12,557.64	111.25	↑	0.89%
S&P/NZX 50 Index	11,593.15	101.25	↑	0.88%
S&P/NZX MidCap Index	32,883.74	149.64	↑	0.46%
S&P/NZX SmallCap Index	67,220.31	664.57	↑	1.00%

ASX Index				
Index	Last	Change		
ASX All Ordinaries	6,855.20	45.20	▲	0.66%
S&P/ASX 200	6,733.50	42.90	▲	0.64%
ASX Small Ordinaries	2,932.80	32.40	▲	1.12%
S&P/ASX MIDCAP 50	7,271.30	53.00	▲	0.73%
S&P/ASX 20	3,692.70	20.70	▲	0.56%

Foreign Markets Index				
	Last	Change		
S&P 500	3,234.85	23.00	▼	0.71%
Dow Jones Industrial Average	28,634.88	233.92	▼	0.81%
NASDAQ Composite	9,020.77	71.42	▼	0.79%
DAX PERFORMANCE-INDEX	13,219.14	166.76	▼	1.25%
ASX All Ordinaries	6,855.20	45.20	▲	0.66%
NIKKEI 225	23,656.62	181.08	▼	0.76%
HANG SENG INDEX	28,451.50	92.00	▼	0.32%

Currencies (per NZ\$ 1.00)				
	Last	Change		
AUD	0.9594	0.0007	▲	0.07%
USD	0.67	-0.0011	▼	0.17%
CNY	4.6420	0.0000	▲	0.00%
EUR	0.60	-0.0013	▼	0.22%
CAD	0.8641	-0.0023	▼	0.27%
GBP	0.51	-0.0009	▼	0.18%
JPY	71.7750	-0.2700	▼	0.38%

NZ Interest Rates				
	Last	Change		
NZ OCR	1.00			
3m Bank Bill	1.29			
5y Swap	1.40			
10y Swap	1.72			

Commodities Futures (Spot Price \$USD)				
	Last	Change		
Gold	1,555.20	27.10	▲	1.77%
Silver	18.09	0.05	▲	0.27%
Crude Oil	63.04	1.86	▲	3.04%

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www.equity.co.nz [E-mail: Info@equity.co.nz](mailto:Info@equity.co.nz)

Contact Equity Investment Advisers today.
Tel: +64 (9)304 0145 / NZ: 0800 474 669