



# MORNING REPORT

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## Top News

### China to Cut Tariffs 50% on U.S. Goods Spelled Out in Deal

China will halve tariffs on some \$75 billion of imports from the U.S. later this month, reciprocating a U.S. action and likely satisfying part of the interim trade deal.

The cut will be effective from 1:01 p.m. on Feb. 14 in Beijing, according to a Ministry of Finance statement on Thursday, the same time as when the U.S. will implement reductions in tariffs on Chinese products. Punitive Chinese duties on American goods that were adopted from Sept. 1 last year will be lowered, with the rate on some dropping to 5% from 10%, and the others to 2.5% from 5%.

Both nations agreed to cut tariffs on each others' goods as part of the phase-one deal signed last month. Even with the world's two biggest economies pausing their trade war, duties remain on large parts of their bilateral trade with numerous other points of friction in the relationship. The ongoing coronavirus that has claimed more than 500 lives in China and sickened thousands is raising concerns that the Asian nation might have to cancel orders if the situation worsens.

China National Offshore Oil Corp. told some suppliers it won't take delivery of liquefied natural gas cargoes it has agreed to, invoking what's called force majeure to get out of the contracts.

The Jan. 15 deal has a clause that states the U.S. and China will consult "in the event that a natural disaster or other unforeseeable event" delays either from complying. Chinese officials are hoping the U.S. will agree to some flexibility on pledges in their phase-one trade deal, people familiar with the situation said, though it is unclear if such a request has been formally raised.

The U.S. is monitoring developments on the virus carefully and will have "a much better idea over the next two weeks," Treasury Secretary Steven Mnuchin said Thursday on Fox Business Network. "Based on current information, I don't expect there will be any issues in them fulfilling their commitments."

Other retaliatory tariffs China has imposed on U.S. goods will remain, according to the statement. In the meantime, the Asian nation will continue processing applications for tariff exemptions, it said. "We don't see any impact from this tariff cut -- the measures are in line with what the U.S. side is doing," said Li Qiang, head of Shanghai JC Intelligence Co. While China will continue to process waivers on farm product imports, it won't remove its punitive tariffs if the U.S. maintains its duties, he said.

The yuan extended gains after news of the tariff reduction, with the offshore rate advancing as much as 0.3% to 6.9573 per dollar. Soybean futures traded in Chicago rose 0.4%. Brent crude futures in London climbed as much as 2.4%. In the deal, China agreed to increase its imports from the U.S., including agricultural products and services, from 2017 levels by no less than \$200 billion over the next two years. China is set to release January trade data on Friday, providing a first glimpse of this year's imports from the U.S.

NZX Index				
Index	Last		Change	
S&P/NZX All Index	12,553.22	98.73	↑	0.79%
S&P/NZX 50 Index	11,604.09	92.60	↑	0.80%
S&P/NZX MidCap Index	32,648.24	170.54	↑	0.53%
S&P/NZX SmallCap Index	65,638.14	313.47	↑	0.48%

ASX Index				
Index	Last		Change	
ASX All Ordinaries	7,148.70	67.80	▲	0.96%
S&P/ASX 200	7,049.20	73.10	▲	1.05%
ASX Small Ordinaries	3,019.80	18.10	▲	0.60%
S&P/ASX MIDCAP 50	7,575.70	63.40	▲	0.84%
S&P/ASX 20	3,907.60	48.80	▲	1.26%

Foreign Markets Index				
	Last		Change	
S&P 500	3,343.48	8.79	▲	0.26%
Dow Jones Industrial Average	29,362.10	71.25	▲	0.24%
NASDAQ Composite	9,560.71	52.03	▲	0.55%
DAX PERFORMANCE-INDEX	13,574.82	96.49	▲	0.72%
ASX All Ordinaries	7,148.70	67.80	▲	0.96%
NIKKEI 225	23,873.59	554.03	▲	2.38%
HANG SENG INDEX	27,493.70	706.96	▲	2.64%

Currencies (per NZ\$ 1.00)				
	Last		Change	
AUD	0.9598	0.0000	▲	0.00%
USD	0.65	-0.0017	▼	0.26%
CNY	4.5010	-0.0130	▼	0.29%
EUR	0.59	-0.0001	▼	0.02%
CAD	0.8584	-0.0016	▼	0.19%
GBP	0.50	0.0019	▲	0.38%
JPY	71.0165	-0.0865	▼	0.12%

NZ Interest Rates				
	Last		Change	
NZ OCR	1.00			
3m Bank Bill	1.26			
5y Swap	1.21			
10y Swap	1.49			

Commodities Futures (Spot Price \$USD)				
	Last		Change	
Gold	1,570.30	7.50	▲	0.48%
Silver	17.82	0.22	▲	1.24%
Crude Oil	51.06	0.31	▲	0.61%

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