

MORNING REPORT

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Top News

NZ shares climb as rate cut stokes demand for yield stocks; Mercury gains

New Zealand shares gained after the Reserve Bank's unexpectedly large interest rate cut revived demand for yield stocks, boosting the likes of Mercury NZ to a record.

The S&P/NZX 50 Index advanced 199.09 points, or 1.9 percent, to 10,786.26, recovering all of yesterday's sharp sell-off. Within the index, 45 stocks rose, three fell, and two were unchanged. Turnover was \$151.8 million.

The local market jumped after the Reserve Bank cut the official cash rate by 50 basis points to a record low 1 percent, providing more stimulus earlier than economists had anticipated. Asian markets were mixed following Wall Street's recovery overnight as investors remained nervous about the escalating trade tensions between China and the US. Hong Kong's Hang Seng fell 0.3 percent in afternoon trading, while Australia's S&P/ASX 200 Index was up 0.7 percent and South Korea's Kospi 200 decreased 0.2 percent.

"After a bit of a rough day yesterday, the market recovered last night and the Reserve Bank came to the party today," said Grant Davies, an investment advisor at Hamilton Hindin Greene.

"The usual suspects took off today - Mercury, in particular, is a favourite, but going down the list it's all those dividend yield stocks and property stocks too."

NZ dollar pares losses as markets bet on global rates going lower

The New Zealand dollar pared some of yesterday's steep losses as other central banks also cut rates, adding to the view that rates are going lower globally.

The kiwi was trading at 64.55 US cents at 7:50 am in Wellington versus 63.95 cents at 5pm in Wellington. The trade-weighted index was at 71.77 points from 71.23.

The kiwi tumbled to a low of 63.76 cents yesterday after the Reserve Bank of New Zealand slashed rates by 50 basis points to 1.0 percent, taking markets by surprise.

Overnight, the central bank of India and Thailand also cut rates.

According to Capital Economics, the Reserve Bank of India delivered a slightly larger-than-expected cut of 35 basis points rather than the usual 25 points. Meanwhile, the Bank of Thailand's surprise cut in the policy rate from 1.75 percent to 1.50 percent was driven by concerns about the strength of the currency and the worsening outlook for the economy.

While the kiwi remains under pressure, it "spent most of the night grinding higher" as investors wagered the rest of the central banking world may follow its lead, Kiwibank trader Mike Shirley said.

Both the European Central Bank and the US Federal Reserve have signalled more easing on the horizon. The Reserve Bank of Australia also left the door open to more cuts this week.

The Australian dollar fell to its lowest level against the greenback in more than 10 years. The Australian dollar was trading at 67.62 US cents at 7:50

NZX Index			
Index	Last	Change	
S&P/NZX All Index	11,646.75	209.36	▲ 1.83%
S&P/NZX 50 Index	10,786.26	199.09	▲ 1.88%
S&P/NZX MidCap Index	30,598.63	550.96	▲ 1.83%
S&P/NZX SmallCap Index	60,531.02	515.86	▲ 0.86%

ASX Index			
Index	Last	Change	
ASX All Ordinaries	6,588.50	42.00	▲ 0.64%
S&P/ASX 200	6,519.50	41.40	▲ 0.64%
ASX Small Ordinaries	2,819.80	30.80	▲ 1.10%
S&P/ASX MIDCAP 50	6,865.20	61.20	▲ 0.90%
S&P/ASX 20	3,633.40	14.80	▲ 0.41%

Foreign Markets Index			
	Last	Change	
S&P 500	2,883.98	2.21	▲ 0.08%
Dow Jones	26,007.07	22.45	▼ 0.09%
NASDAQ Composite	7,862.83	29.56	▲ 0.38%
DAX	11,650.15	82.19	▲ 0.71%
ASX All Ordinaries	6,588.50	42.00	▲ 0.64%
NIKKEI 225	20,516.56	68.75	▼ 0.33%
HANG SENG INDEX	25,997.03	20.79	▲ 0.08%

Currencies (per NZ\$ 1.00)			
	Last	Change	
AUD	0.9538	-0.0119	▼ 1.25%
USD	0.65	-0.0076	▼ 1.18%
CNY	4.5390	-0.0440	▼ 0.97%
EUR	0.58	-0.0070	▼ 1.22%
CAD	0.8574	-0.0088	▼ 1.03%
GBP	0.53	-0.0053	▼ 1.00%
JPY	68.4910	-0.9765	▼ 1.43%

NZ Interest Rates			
	Last	Change	
NZ OCR	1.00		
3m Bank Bill	1.22		
5y Swap	1.06		
10y Swap	1.36		

Commodities Futures (Spot Price \$USD)			
	Last	Change	
Gold	1,495.00	22.60	▲ 1.53%
Silver	17.12	0.68	▲ 4.10%
Crude Oil	52.26	1.37	▼ 2.55%

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