



MORNING REPORT

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Top News

NZ dollar falls as strong US jobs data pares Fed rate-cut expectations

The New Zealand dollar fell after stronger-than-expected US jobs data pared expectations of a hefty rate cut by the Federal Reserve this month.

Total non-farm payroll employment increased by 224,000 in June and the unemployment rate was little changed at 3.7 percent, the US Bureau of Labor Statistics reported. Markets had expected an increase of 165,000.

Market pricing is now showing a 5 percent chance of a 50-point cut and a 95 percent chance of a 25-point cut, according to the CME FedWatch Tool. Prior to the jobs data, there was a 30 percent chance of a 50 basis-point cut. The Fed is due to meet July 30-31.

NZ shares rise as Fonterra Fund recovers

New Zealand shares were led higher by a recovery in Fonterra Shareholders' Fund units after a sharp sell-off yesterday. Utilities and property investors remain in favour among investors wanting a decent yield.

Fonterra fund units led the market higher, up 3.7 percent at \$3.68. They bounced back from yesterday's 5.3 percent slide but are still down 20 percent so far this year. Chief financial officer Marc Rivers moved to calm the market, issuing a statement to the stock exchange saying there was nothing new behind the slump. About 395,000 units changed hands, almost twice their 90-day average of 200,000. Fonterra's farmer-owned shares rose 5.1 percent to \$3.69 on a volume of 641,000, more than its 163,000 average.

Companies offering reliable income remained in demand, and Smith said that will likely remain a key theme after the Reserve Bank of Australia cut its benchmark interest rate this week, putting pressure on New Zealand's central bank to follow suit. What's more, upcoming US employment data may force the Federal Reserve to cut, adding to the attraction of New Zealand's high-yield stocks.

Meridian Energy rose 2.7 percent to \$4.83 on a volume of 1.1 million shares. Chorus was up 2.2 percent at \$5.80, Goodman Property Trust rose 2.1 percent to \$1.97, and Genesis Energy climbed 2 percent to \$3.50 on a volume of 1.9 million shares, about three times its 610,000 average.

Smith said the local benchmark - which is at a record and trading at the highest forward price-to-earnings multiple across Asia - can probably run further due to the Reserve Bank of New Zealand's scope to cut interest rates further.

Heartland Group Holdings, whose licensed New Zealand bank division supports the higher capital requirements, rose 1.8 percent to \$1.70, while dual-listed Australian & New Zealand Banking Group was up 0.1 percent at \$29.60 and Westpac Banking Corp rose 1.2 percent to \$29.89.

Mercury NZ was the most traded stock on a volume of 4.7 million shares, well up on its 672,000 average. It rose 1.7 percent to \$4.58.

NZX Index

Index	Last	Change
S&P/NZX All Index	11,460.55	56.66 ▲ 0.50%
S&P/NZX 50 Index	10,615.47	57.19 ▲ 0.54%
S&P/NZX MidCap Index	30,378.16	202.34 ▲ 0.67%
S&P/NZX SmallCap Index	60,003.96	304.85 ▼ 0.51%

ASX Index

Index	Last	Change
ASX All Ordinaries	6,831.80	30.90 ▲ 0.45%
S&P/ASX 200	6,751.30	33.30 ▲ 0.50%
ASX Small Ordinaries	2,904.80	21.20 ▲ 0.74%
S&P/ASX MIDCAP 50	7,135.60	42.20 ▲ 0.59%
S&P/ASX 20	3,777.80	14.50 ▲ 0.39%

Foreign Markets Index

Index	Last	Change
S&P 500	2,990.41	5.41 ▼ 0.18%
Dow Jones Industrial Average	26,922.12	43.88 ▼ 0.16%
NASDAQ Composite	8,161.79	8.44 ▼ 0.10%
DAX PERFORMANCE-INDEX	12,568.53	61.37 ▼ 0.49%
ASX All Ordinaries	6,831.80	30.90 ▲ 0.45%
NIKKEI 225	21,746.38	43.98 ▲ 0.20%
HANG SENG INDEX	28,774.83	20.97 ▼ 0.07%

Currencies (per NZ\$ 1.00)

	Last	Change
AUD	0.9499	0.0000 ▲ 0.00%
USD	0.66	-0.0001 ▼ 0.02%
CNY	4.5690	0.0000 ▲ 0.00%
EUR	0.59	0.0001 ▲ 0.02%
CAD	0.8666	0.0000 ▲ 0.00%
GBP	0.53	0.0000 ▲ 0.00%
JPY	71.8750	-0.0100 ▼ 0.01%

NZ Interest Rates

	Last	Change
NZ OCR	1.50	
3m Bank Bill	1.62	
5y Swap	1.38	
10y Swap	1.72	

Commodities Futures (Spot Price \$USD)

	Last	Change
Gold	1,401.20	19.70 ▼ 1.39%
Silver	15.02	0.32 ▼ 2.09%
Crude Oil	57.73	0.39 ▲ 0.68%

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