

# MORNING REPORT

As at 8.55 AM 8/11/2018

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## Top News

### NZ shares lift as US election results look to be largely as expected

New Zealand shares rose as results from the US midterm elections seemed to indicate the Democrats would take control of the House but wouldn't win the Senate. Z Energy gained while A2 Milk and Synlait Milk fell.

The S&P/NZX 50 index rose 38.37 points, or 0.4 percent, to 8,854.79. Within the index, 27 stocks rose, seven were unchanged and 16 fell. Turnover was \$121.2 million.

Most Asian share markets were in positive territory, but the reaction was fairly muted as the result was in line with expectations. According to Dow Jones Newswires, control of the Senate will have a major impact on the second half of President Donald Trump's term. A Republican majority would allow the president to continue to appoint conservative judges and confirm nominees to administration posts. It would also help Trump should Democrats win the House and seek to impeach him, since a trial would occur in the Senate, and conviction requires a two-thirds majority vote.

Z Energy added 4.9 percent to \$5.54. The company has made an effort to clarify expectations for its second-half dividend after the firm's shares plunged to a three-year low last week.

"Some of the selling has abated a little," said David Price, director of institutional equities at Forsyth Barr. "When you are a yield stock you need to be clear about what you are doing and how you are doing it," he said.

### NZ dollar sustains rally on labour data ahead of Reserve Bank update

The New Zealand dollar climbed, sustaining its rally after yesterday's unemployment rate data eased bets the central bank will cut interest rates any time soon.

The Reserve Bank is set to release its latest forecasts and policy statement this morning, hot on the heels of yesterday's report showing New Zealand's unemployment rate dropped to the lowest in a decade in the September quarter.

Meanwhile, in the US midterm congressional elections Republicans strengthened their control over the Senate while Democrats took the House, as had been expected.

"Remarkably, it was not the mid-terms that was the big news for kiwi yesterday but the stellar labour market report," ANZ Bank New Zealand economist Miles Workman and senior macro strategist Philip Borkin said in a note. "Kiwi has blown through resistance, and while a still cautious RBNZ may limit the upside today, there is plenty of momentum here now."

The kiwi traded at 67.90 US cents at 830 am in Wellington from 66.39 cents late yesterday. The trade-weighted index was at 73.87 from 73.67.

Analysts will watch closely to see how the Reserve Bank accounts for the stronger-than-expected labour market data that were released less than a day before the central bank's update due this morning.

"The forecasts would have already been finalised and will already be out of date, but there has been time for the bank to re-write its press release, which forms the opening chapter," Jason Wong, Bank of New Zealand's senior markets strategist, said in a note.

NZX Index				
Index	Last	Change		
S&P/NZX All Index	9,655.84	39.79	▲	0.41%
S&P/NZX 50 Index	8,854.80	38.38	▲	0.44%
S&P/NZX MidCap Index	25,703.58	53.95	▲	0.21%
S&P/NZX SmallCap Index	62,972.76	38.02	▲	0.06%
S&P/NZAX All Index	524.94	0.00	▲	0.00%
ASX Index				
Index	Last	Change		
ASX All Ordinaries	5,982.00	23.30	▲	0.39%
S&P/ASX 200	5,896.90	21.70	▲	0.37%
ASX Small Ordinaries	2,654.40	30.50	▲	1.16%
S&P/ASX MIDCAP 50	6,550.70	7.70	▲	0.12%
S&P/ASX 20	3,290.30	12.90	▲	0.39%
Foreign Markets Index				
	Last	Change		
S&P 500	2,804.33	48.88	▲	1.77%
Dow Jones	26,089.40	454.39	▲	1.77%
NASDAQ Composite	7,540.69	164.73	▲	2.23%
DAX	11,579.10	94.76	▲	0.83%
ASX All Ordinaries	5,982.00	23.30	▲	0.39%
NIKKEI 225	22,085.80	61.95	▼	0.28%
HANG SENG INDEX	26,147.69	26.73	▲	0.10%
Currencies (per NZ\$ 1.00)				
	Last	Change		
AUD	0.9325	0.0093	▲	1.01%
USD	0.6790	0.0120	▲	1.80%
CNY	4.6970	0.0850	▲	1.84%
EUR	0.5927	0.0084	▲	1.44%
CAD	0.8897	0.0141	▲	1.61%
GBP	0.5167	0.0073	▲	1.43%
JPY	76.9790	1.3000	▲	1.72%
NZ Interest Rates				
	Last	Change		
NZ OCR	1.75			
3-month Bank Bill	1.94			
5-year Swap	2.55			
10-year Swap	3.03			
Commodities Futures				
	Last	Change		
Gold	1,227.60	1.30	▲	0.11%
Silver	14.56	0.06	▲	0.41%
Crude Oil	61.75	0.46	▼	0.74%

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