

MORNING REPORT

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Top News

NZ shares rally on RBNZ rate cut

Oakland New Zealand shares staged a late rally as the Reserve Bank's cut to the official cash rate boosted the attraction of companies paying reliable dividends such as Contact Energy and Mercury NZ.

The S&P/NZX 50 Index increased 35.66 points, or 0.4 percent, to 10,063.05. Within the index, 30 stocks rose, 14 fell and six were unchanged. Turnover was \$153.2 million.

The benchmark index had been in the red through much of the session, as Asian equity markets followed dour trading in New York amid heightened fears about US-China trade relations. However, the Reserve Bank's decision to cut the OCR to a record low 1.5 percent, making dividend yields more attractive than fixed-interest returns and lowering finance costs for corporates, spurred a rally in late trading.

Companies paying reliable dividends were among those most in vogue. Contact was up 3.8 percent at \$7.14 on a volume of 1.3 million shares, while Mercury NZ rose 2.6 percent to \$3.93 on 712,000 shares.

"The RBNZ cut rates, which was a bit of a surprise in choosing not to follow the lead of the Federal Reserve and RBA," said Greg Smith, head of research at Fat Prophets.

Smith said the impact of the rate cut on the economy will depend on where the central bank settles on imposing tougher capital requirements on banks.

NZ dollar weaker after RBNZ cut; all eyes on US-China talks

The New Zealand dollar was weaker after the domestic central bank cut rates to a record low 1.50 percent and as markets await news on the latest US-China trade talks.

The kiwi was trading at 65.73 US cents at 7:45am in Wellington versus 65.89 US cents at 5pm. The trade-weighted index eased to 71.87 from 71.90.

The kiwi took a tumble when the central bank cut the rate and rejigged its forecasts to show another cut is possible. Most economists are forecasting another cut this year and markets have a cut fully priced-in by March next year.

However, central bank governor Adrian Orr stopped short of "promising further aggressive action" and the kiwi recovered as markets judged his tone to be fairly neutral, ANZ Bank senior economist Miles Workman said. ANZ is expecting two more rate cuts, one by November and one in February.

Orr is due to appear this morning before a parliamentary committee and may offer more clues as to what the bank's next move might be.

However, "US-China headlines continue to dominate" with talks due to resume later in the global trading day in Washington, said Mike Shirley, a dealer at Kiwibank.

Markets were jittery after US President Donald Trump tweeted he would be happy to keep tariffs on Chinese imports and China warned it would retaliate.

NZX Index			
Index	Last	Change	
S&P/NZX All Index	10,884.22	35.37	0.33%
S&P/NZX 50 Index	10,063.05	35.66	0.36%
S&P/NZX MidCap Index	28,675.43	72.64	0.25%
S&P/NZX SmallCap Index	59,433.31	233.77	0.39%
S&P/NZAX All Index	601.58	0.42	0.07%
ASX Index			
Index	Last	Change	
ASX All Ordinaries	6,351.80	31.70	0.50%
S&P/ASX 200	6,269.10	26.60	0.42%
ASX Small Ordinaries	2,790.00	20.50	0.73%
S&P/ASX MIDCAP 50	6,717.30	35.80	0.53%
S&P/ASX 20	3,505.90	7.20	0.20%
Foreign Markets Index			
	Last	Change	
S&P 500	2,879.42	4.63	0.16%
Dow Jones	25,967.33	2.24	0.01%
NASDAQ Composite	7,943.32	20.44	0.26%
DAX	12,179.93	87.19	0.72%
ASX All Ordinaries	6,351.80	31.70	0.50%
NIKKEI 225	21,602.59	321.13	1.46%
HANG SENG INDEX	29,003.20	359.82	1.23%
Currencies (per NZ\$ 1.00)			
	Last	Change	
AUD	0.9408	0.0005	0.05%
USD	0.6573	0.0027	0.41%
CNY	4.4580	0.0150	0.34%
EUR	0.5873	0.0024	0.41%
CAD	0.8860	0.0031	0.35%
GBP	0.5052	0.0005	0.10%
JPY	72.3635	0.3960	0.54%
NZ Interest Rates			
	Last	Change	
NZ OCR	1.50	0.25	14.29%
3-month Bank Bill	1.88		
5-year Swap	1.75		
10-year Swap	2.16		
Commodities Futures (Spot Price \$USD)			
	Last	Change	
Gold	1,281.50	4.10	0.32%
Silver	14.85	0.08	0.51%
Crude Oil	62.01	0.61	0.99%

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