

MORNING REPORT

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Top News

NZ dollar tumbles 1.2% on TWI basis after RBNZ's dovish tilt

The New Zealand dollar tumbled 1.2 percent against its trading partners and interest rate swaps fell after the Kiwi central bank said rates would stay at record lows for up to a year longer than previously indicated.

The kiwi fell to 66.73 US cents as at 5pm from 67.50 cents at 8am and 67.53 cents yesterday. The trade-weighted index dropped 71.80 from 72.68.

New Zealand's two-year swap rate fell 7 basis points to 2.03 percent while 10-year swaps were down 9 basis points to 2.92 percent.

The moves came after the Reserve Bank kept the official cash rate at 1.75 percent as expected but pushed out its forecasts to show the OCR rate lifting to 1.9 percent in September 2020 versus a prior projection of September 2019. A full rate hike is now signalled by December 2020, when the benchmark rate is forecast to be 2 percent. The central bank had previously indicated it would reach that level in March 2020.

Governor Adrian Orr also kept the door open to a rate cut, reiterating that the next move could be up or down.

The kiwi was also sharply weaker against the Australian dollar as the two central banks' policy tracks diverge, trading at 89.74 from 90.91 cents yesterday. Yesterday, Reserve Bank of Australian governor Philip Lowe essentially ruled out a rate cut across the Tasman.

NZ shares up as dollar weakens on OCR track, Pushpay, Skycity gain

New Zealand shares gained as the dollar sank following the official cash rate update, with Pushpay Holdings recovering from recent selling and Skycity Entertainment Group continuing to gain.

The S&P/NZX50 Index rose 68.1 points, or 0.77 percent, to 8,940.19. Within the index, 33 stocks rose, nine fell and eight were unchanged. Turnover was \$95 million.

This morning, Reserve Bank governor Adrian Orr kept the official cash rate at 1.75 percent. That was widely expected, but Orr also said he now expects to keep rates on hold into 2020, at least a year longer than previously thought, and reiterated the next move could be up or down.

"The RB statement was certainly one of the key focal points of the day and it has seen the currency weaken quite sharply against the US and Australian dollars, and an element of the market today is that, although not entirely - there's a randomness in order flow driving some of it," said Matt Goodson, managing director at Salt Funds Management. "Certainly names that do tend to move on a Kiwi/Aussie dollar have moved, like Fletcher Building and other names with offshore earnings - Fisher and Paykel Healthcare is up, Pushpay is up after a few very weak days, NZ Refining is a big beneficiary of a weaker kiwi dollar."

NZX Index				
Index	Last	Change		
S&P/NZX All Index	9,736.57	65.76	▲	0.68%
S&P/NZX 50 Index	8,940.19	68.10	▲	0.77%
S&P/NZX MidCap Index	25,406.89	49.71	▲	0.20%
S&P/NZX SmallCap Index	64,016.87	262.59	▼	0.41%
S&P/NZAX All Index	533.56	2.71	▼	0.50%
ASX Index				
Index	Last	Change		
ASX All Ordinaries	6,383.60	28.70	▲	0.45%
S&P/ASX 200	6,297.70	29.20	▲	0.47%
ASX Small Ordinaries	2,827.80	7.50	▲	0.27%
S&P/ASX MIDCAP 50	7,075.10	56.70	▲	0.81%
S&P/ASX 20	3,480.60	18.50	▲	0.53%
Foreign Markets Index				
	Last	Change		
S&P 500	2,853.58	4.12	▼	0.14%
Dow Jones	25,509.23	74.52	▼	0.29%
NASDAQ Composite	7,891.78	3.46	▲	0.04%
DAX	12,676.11	42.57	▲	0.34%
ASX All Ordinaries	6,383.60	28.70	▲	0.45%
NIKKEI 225	22,598.39	45.92	▼	0.20%
HANG SENG INDEX	28,607.30	248.16	▲	0.88%
Currencies (per NZ\$ 1.00)				
	Last	Change		
AUD	0.8969	0.0109	▼	1.20%
USD	0.6614	0.0134	▼	1.99%
CNY	4.5170	0.1000	▼	2.17%
EUR	0.5737	0.0075	▼	1.29%
CAD	0.8627	0.0160	▼	1.82%
GBP	0.5157	0.0080	▼	1.53%
JPY	73.4625	1.3965	▼	1.87%
NZ Interest Rates				
	Last	Change		
NZ OCR	1.75			
3-month Bank Bill	1.94			
5-year Swap	2.41			
10-year Swap	2.93			
Commodities Futures				
	Last	Change		
Gold	1,219.90	1.10	▼	0.09%
Silver	15.46	0.03	▲	0.18%
Crude Oil	66.71	0.23	▼	0.34%

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