

MORNING REPORT

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Web: www.equity.co.nz / E-mail: Info@equity.co.nz / Tel: +64 (9)304 0145 / Address: Level 7, 12-26 Swanson Street, Auckland, NZ

Top News

NZD stronger as weak US payrolls increase odds of interest rate cuts

The New Zealand dollar held its gains after weaker-than-expected US jobs data increased speculation the Federal Reserve will move to lower interest rates there.

The kiwi was trading at 66.61 US cents at 7:55am versus 66.64 US cents late Friday in New York and 66.16 US cents at 5pm Friday in Wellington. The trade-weighted index was at 72.96 from 73.00 late Friday in New York.

The US Bureau of Labor report showed a small 75,000 gain in non-farm payrolls and downward revisions to previous months' figures. Economists had expected a 180,000 increase.

"While the unemployment rate stayed at 3.6 percent, and wage growth was solid, the release nonetheless supports our view that the US economy is losing momentum," said Capital Economics.

While it expects Fed officials will want to see evidence of more sustained weakness before taking action "we are increasingly convinced that the Fed will begin cutting interest rates later this year."

The New Zealand dollar "led by example, rallying strongly after disappointing US payrolls data added more credence to Fed cuts," said ANZ Bank FX/rates strategist Sandeep Parekh. This week's US CPI data - due mid-week - will be key.

NZ shares climb back above 10,000; Synlait rallies on covenant appeal

New Zealand's benchmark index climbed back above 10,000, led by Synlait Milk, on news the dairy company is appealing a ruling that may prevent the opening of its second processing facility.

The S&P/NZX 50 Index rose 0.6 percent to 10,047.82. Within the index, 26 stocks rose, 15 fell, and nine were unchanged. Turnover was \$103.2 million with just six stocks trading on volumes of more than a million shares.

Synlait rose 4 percent to \$9.10 on a volume of 102,000 shares, below its 90-day average of 123,000. The milk processor said it's appealing to the Supreme Court in an effort to get covenants removed from land where it's all but completed a processing factory in Pokeno. The company is still pursuing a commercial solution to the dispute.

Grant Williamson, a director at Hamilton Hindin Greene, said Synlait has also been weighed down by A2 Milk's performance in recent days as investors pondered the impact of China's goal of lifting its internal production of infant formula. A2 increased 0.8 percent to \$14.40 on 433,000 shares, a smaller volume than usual.

"Synlait is back up above where it started the week, but is still well off its highs," he said.

Equity markets were generally stronger across Asia Pacific, although the uncertainty around US trade policy kept activity relatively quiet. The most heavily traded local stocks were widely held blue-chip companies, such as Spark New Zealand and Fletcher Building, and stocks held for their yield, such as property companies and utilities.

NZX Index			
Index	Last	Change	
S&P/NZX All Index	10,859.50	63.19	▲ 0.59%
S&P/NZX 50 Index	10,047.82	60.82	▲ 0.61%
S&P/NZX MidCap Index	28,703.27	100.16	▲ 0.35%
S&P/NZX SmallCap Index	59,229.06	32.59	▼ 0.05%
S&P/NZAX All Index	552.34	0.01	▲ 0.00%

ASX Index			
Index	Last	Change	
ASX All Ordinaries	6,525.20	58.80	▲ 0.91%
S&P/ASX 200	6,443.90	60.90	▲ 0.95%
ASX Small Ordinaries	2,790.30	24.90	▲ 0.90%
S&P/ASX MIDCAP 50	6,766.30	66.20	▲ 0.99%
S&P/ASX 20	3,612.20	32.10	▲ 0.90%

Foreign Markets Index			
	Last	Change	
S&P 500	2,873.34	29.85	▲ 1.05%
Dow Jones	25,983.94	263.24	▲ 1.02%
NASDAQ Composite	7,742.10	126.55	▲ 1.66%
DAX	12,045.38	92.28	▲ 0.77%
ASX All Ordinaries	6,525.20	58.80	▲ 0.91%
NIKKEI 225	20,884.71	110.71	▲ 0.53%
HANG SENG INDEX	26,965.28	69.88	▲ 0.26%

Currencies (per NZ\$ 1.00)			
	Last	Change	
AUD	0.9505	-0.0019	▼ 0.20%
USD	0.67	-0.0006	▼ 0.09%
CNY	4.6040	0.0000	▲ 0.00%
EUR	0.59	-0.0001	▼ 0.02%
CAD	0.8817	-0.0026	▼ 0.29%
GBP	0.52	-0.0005	▼ 0.10%
JPY	72.2650	0.1400	▲ 0.19%

NZ Interest Rates		
	Last	Change
NZ OCR	1.50	
3m Bank Bill	1.62	
5y Swap	1.55	
10y Swap	1.92	

Commodities Futures (Spot Price \$USD)			
	Last	Change	
Gold	1,344.90	2.20	▲ 0.16%
Silver	15.01	0.11	▲ 0.70%
Crude Oil	54.04	1.45	▲ 2.76%

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www.equity.co.nz E-mail: Info@equity.co.nz

Contact Equity Investment Advisers today.
 Tel: +64 (9)304 0145 / NZ: 0800 474 669