

# MORNING REPORT

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## Top News

### NZ shares fall for 7th day as US bond yields hold sway

New Zealand shares fell for a seventh day. Rising US bond yields kept a lid on equity markets across Asia, weighing on growth-orientated stocks such as A2 Milk Co and Pushpay Holdings.

The S&P/NZX 50 index dropped 77.12 points, or 0.8 percent, to 9,069.98. Within the index, 32 stocks fell, 13 gained, and five were unchanged. Turnover was \$104.6 million.

New Zealand's benchmark index has dropped 3 percent during the past seven sessions as rising US bond yields inject new volatility into financial markets. The yield on US 10-year Treasuries has climbed to 3.24 percent on growing expectations the Federal Reserve will keep raising interest rates, reducing the attraction of equities.

Greg Smith, head of research at Fat Prophets, said investors are readjusting to higher interest rates, which is putting pressure on stocks that have been trading at high valuations.

"In a rising interest rate environment, equities still win the beauty parade, but cash is becoming more attractive than it has been," he said. "New Zealand is still one of the higher-yielding markets around."

A2, which trades at a price-to-earnings multiple of 39.5 times, fell 3.7 percent to \$10.20. Pushpay, which is chasing global growth at the expense of short-term earnings, declined 3.3 percent to \$3.81.

Restaurant Brands New Zealand led the market lower, down 3.8 percent to \$7.53.

Smith said the rising US interest rate track is also boosting the greenback, which benefits exporters who can sell more of their product with a weaker currency. The kiwi dollar has dropped almost 9 percent this year, closing at 64.54 US cents.

### NZ dollar gains as US bond yields come off the boil

The New Zealand dollar edged up after Dallas Federal Reserve President Robert Kaplan noted the need for caution about the pace of interest rate increases and US bond yields reversed some of their recent gains.

The kiwi increased to 64.66 US cents as at 8am in Wellington from 64.44 cents yesterday. The trade-weighted index advanced to 70.84 from 70.64.

The yield on US 10-year Treasuries slipped 2 basis points to 3.21 percent as US markets re-opened from their Columbus Day holiday. Kaplan, who isn't a voting member on the Federal Open Market Committee, said the bond market was sending a gloomy signal about long-term economic prospects as the flattening of the yield curve - the difference between short-term and long-term rates - indicated investors see growth slowing. Kaplan said the Fed should keep raising the federal funds rate another three times, then pause to see where the benchmark is relative to a neutral setting.

"The USD generally pared back gains overnight, after the halt in the bond market rout. This has seen the kiwi move a touch higher, but not enough to break resistance," ANZ Bank New Zealand economist Liz Kendall said in a note. "Unless we see a resurgence in volatility, another attempt to break higher could be on the cards, although we maintain a downward bias over the medium term."

NZX Index				
Index	Last	Change		
S&P/NZX All Index	9,885.20	85.07	▼	0.85%
S&P/NZX 50 Index	9,069.98	77.12	▼	0.84%
S&P/NZX MidCap Index	26,129.96	200.32	▼	0.76%
S&P/NZX SmallCap Index	63,857.67	627.53	▼	0.97%
S&P/NZAX All Index	528.36	1.41	▼	0.27%
ASX Index				
Index	Last	Change		
ASX All Ordinaries	6,155.50	63.10	▼	1.01%
S&P/ASX 200	6,041.10	59.20	▼	0.97%
ASX Small Ordinaries	2,768.20	45.00	▼	1.60%
S&P/ASX MIDCAP 50	6,862.30	83.20	▼	1.20%
S&P/ASX 20	3,338.80	30.20	▼	0.90%
Foreign Markets Index				
	Last	Change		
S&P 500	2,882.51	1.92	▼	0.07%
Dow Jones	26,451.28	35.50	▼	0.13%
NASDAQ Composite	7,743.80	7.85	▲	0.10%
DAX	11,977.22	30.06	▲	0.25%
ASX All Ordinaries	6,155.50	63.10	▼	1.01%
NIKKEI 225	23,469.39	314.33	▼	1.32%
HANG SENG INDEX	26,172.91	29.66	▼	0.11%
Currencies (per NZ\$ 1.00)				
	Last	Change		
AUD	0.9110	0.0009	▼	0.10%
USD	0.6466	0.0012	▲	0.19%
CNY	4.4760	0.0110	▲	0.25%
EUR	0.5626	0.0010	▲	0.18%
CAD	0.8372	0.0008	▲	0.10%
GBP	0.4919	0.0011	▼	0.22%
JPY	73.0445	0.0285	▼	0.04%
NZ Interest Rates				
	Last	Change		
NZ OCR	1.75			
3-month Bank Bill	1.94			
5-year Swap	2.41			
10-year Swap	2.94			
Commodities Futures				
	Last	Change		
Gold	1,192.90	4.30	▲	0.36%
Silver	14.41	0.09	▲	0.60%
Crude Oil	74.89	0.60	▲	0.81%

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