

MORNING REPORT

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Top News

NZ dollar hits fresh 3-month high amid reports China may scale back US govt bond buying

The New Zealand dollar rose to a new three-month high as reports China may cut its purchases of new US government bonds weighed on Wall Street and the greenback.

Stocks on Wall Street and the greenback fell while US Treasuries were also sold off, pushing yields higher, on media reports citing unnamed sources that Chinese officials reviewing the Asian nation's foreign-exchange holdings recommended slowing or completely halting purchases of US Treasuries. China is the biggest foreign holder of US government debt with US\$1.19 trillion of Treasuries as of October last year, and has been placed under increased pressure from US President Donald Trump over the nations' trading relationship.

Treasuries slide as China adds to concern

US Treasuries slid amid concern demand for the securities is fading.

China added to bond investors' jitters on Wednesday as Bloomberg reported, citing people familiar with the matter, that senior government officials in Beijing reviewing the nation's foreign-exchange holdings have recommended slowing or halting purchases of US Treasuries.

It isn't clear whether the officials' recommendations have been adopted, according to Bloomberg. US Treasuries fell, sending yields on the 10-year note three basis points higher to 2.58 percent, the highest level in 10 months.

Appetite for government debt has eased as optimism about the global economic outlook has lifted. Investors will closely watch US inflation data, including Friday's report on the consumer price index.

NZ shares drop as rising US bond yields dim dividend allure; A2, Air NZ, Pushpay fall

New Zealand shares fell as rising US bond yields trimmed the attraction of the local market's relatively high dividend yields, and prompted investors to crystallise some gains. A2 Milk Co, Air New Zealand and Pushpay Holdings declined.

Overnight, the yield on US 10-year Treasuries rose almost 6 basis points to 2.54 percent, the highest since March last year, as investors cooled on bonds with an upcoming glut of supply coinciding with the Bank of Japan surprising markets by reducing its purchases of long-dated Japanese bonds. Smalley said US interest rate movements will be a key factor for markets around the world in 2018.

A2 Milk, last year's best performer, led the index lower, dropping 2.9 percent to \$8.10, while Genesis Energy, which traded at dividend yield of 8.7 percent, dropped 2.8 percent to \$2.42.

Pushpay dipped 1.4 percent to \$4.29. The company exceeded its target of US\$100 million in annualised committed monthly revenue and will move forward its US listing date as it continues to target bigger churches.

NZX Index				
Index	Last	Change		
S&P/NZX All Index	9,111.885	72.455	▼	0.79%
S&P/NZX 50 Index	8,364.903	68.327	▼	0.81%
S&P/NZX MidCap Index	24,562.233	169.747	▼	0.69%
S&P/NZX SmallCap Index	60,589.970	280.920	▼	0.46%
S&P/NZAX All Index	539.941	3.789	▼	0.70%
ASX Index				
Index	Last	Change		
ASX All Ordinaries	6,205.90	35.60	▼	0.57%
S&P/ASX 200	6,096.70	39.10	▼	0.64%
ASX Small Ordinaries	2,783.90	12.50	▼	0.45%
S&P/ASX MIDCAP 50	6,813.30	65.40	▼	0.95%
S&P/ASX 20	3,395.80	14.00	▼	0.41%
Foreign Markets Index				
	Last	Change		
S&P 500	2,745.21	6.08	▼	0.22%
Dow Jones	#N/A	#N/A	#N/A	#N/A
NASDAQ Composite	7,141.42	22.16	▼	0.31%
FTSE 100	#N/A	#N/A	#N/A	#N/A
ASX All Ordinaries	6,205.90	35.60	▼	0.57%
NIKKEI 225	23,788.20	61.79	▼	0.26%
HANG SENG INDEX	31,073.72	62.31	▲	0.20%
Currencies (per NZ\$ 1.00)				
	Last	Change		
AUD	0.9176	0.0023	▲	0.25%
USD	0.7185	0.0024	▲	0.34%
CNY	4.6800	0.0060	▲	0.13%
EUR	0.6011	0.0012	▲	0.20%
CAD	0.9033	0.0109	▲	1.22%
GBP	0.5318	0.0030	▲	0.57%
JPY	80.0185	0.6455	▼	0.80%
NZ Interest Rates				
	Last	Change		
NZ OCR	1.75			
3-month Bank Bill	1.94			
5-year Swap	2.71			
10-year Swap	3.20			
Commodities Futures				
	Last	Change		
Gold	1,319.00	5.30	▲	0.40%
Silver	17.00	0.01	▼	0.03%
Crude Oil	63.45	0.49	▲	0.78%

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