

# MORNING REPORT

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## Top News

### NZ shares edge lower as investors await earnings season

New Zealand shares edged lower as investors prepare for earnings season to kick into life, with the outlook for dividends a key feature after the Reserve Bank's surprisingly steep rate cut this week.

The S&P/NZX 50 Index decreased by 1.09 points, or 0.01 percent, to 10,873.21. Within the index, 24 stocks fell, 20 rose, and six were unchanged. Turnover was \$114.2 million, with just five companies trading on volumes of more than a million shares.

The benchmark index went through a volatile week as a sell-off on trade tensions between the US and China spooked global markets, only to be reversed on Wednesday when the Reserve bank unexpectedly cut the official cash rate 50 basis points to a record low 1 percent. New Zealand's relatively high dividend yield has made it an attractive investment destination, and a weaker currency only added to the lustre by making local stocks cheaper for foreign buyers.

"The rate cut has reinforced the focus back on yield. As long as companies don't make any murmurings about adjusting their payouts, things will be pretty good," said Greg Smith, head of research at Fat Prophets.

Contact Energy kicks off the reporting season proper when it announces its annual result on Monday. It rose 2.1 percent to \$8.30 on a volume of 1.4 million shares, more than its 90-day average of 1 million. The stock is trading at a dividend yield of 4.4 percent, and Smith said investors will be watching capital spending intentions. Meridian Energy, which is trading at a yield of 3 percent, rose 2.5 percent to \$5 on a volume of 1.3 million.

### NZ dollar range-bound as US-China trade tensions continue

The New Zealand dollar is range-bound as trade tensions continue to drive sentiment.

The kiwi was trading at 64.65 US cents at 7:50 am in Wellington unchanged from 64.65 cents Friday in New York. It was at 64.88 US cents at 5pm in Wellington Friday. The trade-weighted index was at 71.86 points from 71.87.

Markets remained jittery after US President Donald Trump warned that the September round of talks between the US and China might not take place. Trump added to market fears when he said the United States would not do business with Chinese telecoms giant Huawei Technologies.

"We are not going to do business with Huawei. ... And I really made the decision. It's much simpler not doing any business with Huawei. ... That doesn't mean we won't agree to something if and when we make a trade deal," Trump said, according to CNBC.

The Commerce Department, however, later clarified Trump's comments only refer to the ban on the US government buying from Huawei.

Markets remain "very sensitive to reports on the US-China trade relationship," said ANZ FX/rates strategist Sandeep Parekh.

The kiwi traded at 53.56 British pence from 53.66 in New York on Friday and 53.47 British pence in Wellington. The pound is under pressure after news the UK economy contracted 0.2 percent in the second quarter, stoking fears of a technical recession.

NZX Index				
Index	Last	Change		
S&P/NZX All Index	11,743.10	2.00	▼	0.02%
S&P/NZX 50 Index	10,873.21	1.99	▼	0.02%
S&P/NZX MidCap Index	30,940.19	59.30	▼	0.19%
S&P/NZX SmallCap Index	61,107.10	103.04	▲	0.17%

ASX Index				
Index	Last	Change		
ASX All Ordinaries	6,663.40	21.10	▲	0.32%
S&P/ASX 200	6,584.40	16.30	▲	0.25%
ASX Small Ordinaries	2,875.60	19.20	▲	0.67%
S&P/ASX MIDCAP 50	6,949.90	42.10	▲	0.61%
S&P/ASX 20	3,657.30	2.30	▲	0.06%

Foreign Markets Index				
	Last	Change		
S&P 500	2,918.65	19.44	▼	0.66%
Dow Jones	26,287.44	90.76	▼	0.34%
NASDAQ Composite	7,959.14	80.02	▼	1.00%
DAX	11,693.80	151.60	▼	1.28%
ASX All Ordinaries	6,663.40	21.10	▲	0.32%
NIKKEI 225	20,684.82	91.52	▲	0.44%
HANG SENG INDEX	25,939.30	181.50	▼	0.69%

Currencies (per NZ\$ 1.00)				
	Last	Change		
AUD	0.9536	0.0009	▲	0.09%
USD	0.65	0.0003	▲	0.05%
CNY	4.5670	0.0000	▲	0.00%
EUR	0.58	0.0004	▲	0.07%
CAD	0.8548	-0.0004	▼	0.05%
GBP	0.54	-0.0006	▼	0.11%
JPY	68.3250	-0.0200	▼	0.03%

NZ Interest Rates		
	Last	Change
NZ OCR	1.00	
3m Bank Bill	1.21	
5y Swap	0.99	
10y Swap	1.28	

Commodities Futures (Spot Price \$USD)				
	Last	Change		
Gold	1,508.00	1.50	▼	0.10%
Silver	16.94	0.01	▲	0.05%
Crude Oil	54.27	1.73	▲	3.29%

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