

# MORNING REPORT

As at 9.00 AM 12/10/2018

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

## Top News

### NZ shares drop to 4-month low following Wall St rout; A2 slumps 11%

New Zealand shares joined Wall Street's rout, falling to a four-month low as investors sold out of growth-orientated stocks against the backdrop of rising US interest rates. A2 Milk Co led the slide, shedding more than a tenth of its value.

The S&P/NZX 50 index dropped 329.62 points, or 3.6 percent, to 8,721.20, its ninth straight decline. Within the index, 49 stocks fell and just Sanford gained, up 0.3 percent to \$7.68. Turnover was \$138.2 million.

The benchmark index has been on the turn for more than a week as US 10-year Treasury yields rose to a seven-year high as investors firmed up forecasts for the Federal Reserve to raise interest rates. Investors turned that up a notch for equity markets in New York, with the Dow Jones Industrial Average dropping 3.2 percent in a period of heightened uncertainty.

The NZX50's decline was steeper than its Australian counterpart with the S&P/ASX 200 index down 2.3 percent in afternoon trading. The Shanghai Composite Index dropped 4.3 percent and Hong Kong's Hang Seng was down 3.8 percent.

"What's unusual about it is that New Zealand usually does a bit better than Aussie," said Stuart Williams, head of equities at Nikko Asset Management. "That's roughly accountable for the contribution of A2 to our market."

A2 sank 11 percent to \$9.04, leading the market lower. The milk marketing firm has slumped 26 percent since mid-September when new chief executive Jayne Hrdlicka disclosed an unexpected sale of shares. A2's been under pressure as a growth-orientated stock than other more defensive companies on the prospect of higher US interest rates.

### NZ dollar gains as US inflation misses expectations; Trump scolds Fed

The New Zealand dollar gained as weaker than expected US inflation prompted traders to reassess their expectations for faster interest rate hikes there.

The kiwi rose to 65.18 US cents as at 8am in Wellington from 64.75 cents yesterday. The trade-weighted index advanced to 71.21 from 70.95.

The yield on US 10-year Treasuries fell 8 basis points to 3.15 percent as data showed US core inflation was steady at an annual pace of 2.2 percent. That supports the Fed's stance for a gradual increase in interest rates and may have disappointed some investors who anticipated a more aggressive approach.

The Fed's track for rates has been weighing on global equity markets and Wall Street was weaker for a second day, with the Dow Jones Industrial Average down 1.1 percent in late trading. Yesterday's 3.2 percent slide in the Dow prompted politicians to comment on the market, including President Donald Trump. He said the Fed was "out of control" and too aggressive in its monetary policy outlook. Still, Trump has no plans to sack chair Jerome Powell.

NZX Index			
Index	Last	Change	
S&P/NZX All Index	9,510.13	354.87	▼ 3.60%
S&P/NZX 50 Index	8,721.20	329.62	▼ 3.64%
S&P/NZX MidCap Index	25,461.52	693.28	▼ 2.65%
S&P/NZX SmallCap Index	62,203.56	1,630.68	▼ 2.55%
S&P/NZAX All Index	520.90	6.05	▼ 1.15%

ASX Index			
Index	Last	Change	
ASX All Ordinaries	5,993.50	170.30	▼ 2.76%
S&P/ASX 200	5,883.80	166.00	▼ 2.74%
ASX Small Ordinaries	2,682.70	90.00	▼ 3.25%
S&P/ASX MIDCAP 50	6,629.60	207.90	▼ 3.04%
S&P/ASX 20	3,251.10	96.80	▼ 2.89%

Foreign Markets Index			
	Last	Change	
S&P 500	2,728.57	57.11	▼ 2.05%
Dow Jones	25,050.91	547.83	▼ 2.14%
NASDAQ Composite	7,333.32	88.73	▼ 1.20%
DAX	11,539.35	173.15	▼ 1.48%
ASX All Ordinaries	5,993.50	170.30	▼ 2.76%
NIKKEI 225	22,590.86	915.18	▼ 3.89%
HANG SENG INDEX	25,266.37	926.70	▼ 3.54%

Currencies (per NZ\$ 1.00)			
	Last	Change	
AUD	0.9168	0.0021	▲ 0.23%
USD	0.6525	0.0081	▲ 1.26%
CNY	4.4920	0.0110	▲ 0.25%
EUR	0.5632	0.0037	▲ 0.66%
CAD	0.8510	0.0089	▲ 1.06%
GBP	0.4932	0.0045	▲ 0.92%
JPY	73.1540	0.7955	▲ 1.10%

NZ Interest Rates		
	Last	Change
NZ OCR	1.75	
3-month Bank Bill	1.94	
5-year Swap	2.38	
10-year Swap	2.90	

Commodities Futures			
	Last	Change	
Gold	1,227.30	33.90	▲ 2.84%
Silver	14.60	0.28	▲ 1.95%
Crude Oil	70.74	2.43	▼ 3.32%

Disclaimer: The above information is provided on a best endeavours basis and Equity Investment Advisers Ltd does not accept any liability under any circumstances for errors or omissions. Parties should recheck the information before using it in any decision-making process. Acknowledgements: Equity Investment Advisers (EIA) sincerely expresses its gratitude to the following sources for the contribution of valuable information in the production of EIA morning reports: Yahoo New Zealand, ANZ securities, ASX, Nikkei Indexes, NZX, NYSE, NASDAQ, business desk.

**Do you need to make any changes to your portfolio?**  
[www.equity.co.nz](http://www.equity.co.nz) E-mail: [Info@equity.co.nz](mailto:Info@equity.co.nz)

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