



# MORNING REPORT

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## Top News

### NZ dollar gains as China holds off retaliating against latest US tariffs

The New Zealand dollar recovery extended through Northern Hemisphere trading as China refrained from retaliating immediately to the latest round of US tariffs, set to hit US\$200 billion of the Asian powerhouse's exports to the world's biggest economy.

The threat of an escalating trade war weighed heavily on prices for raw materials and emerging market assets and the CRB commodity index - a measure of 19 commonly traded commodities - gained 0.6 percent after China's Ministry of Commerce said it was trying to avoid escalating the trade dispute. Meanwhile, US Treasury Secretary Steven Mnuchin said Washington was open to negotiations if China adopted structural change.

The greenback was also weighed on by weaker than expected US inflation at 0.1 percent in June. Rising US consumer prices and a strong labour market have prompted the Federal Reserve to continue its path to higher interest rates, which have bolstered demand for the greenback with a more attractive yield.

Local data today include the Business NZ-BNZ performance of manufacturing index, which has continued to show robust industrial production.

### NZ shares drop as A2 weakens on trading update, Kathmandu at 4.5-year high

New Zealand shares fell, led lower by A2 Milk Co and Sky Network Television, while Kathmandu Holdings hit a four-and-a-half year high.

A2 Milk was the worst performer, down 3.5 percent to \$11.36. It lifted annual sales 68 percent, just beating the guidance given in May, and said it expects to maintain an earnings margin of about 30 percent in the coming year even with increased spending.

Goodson said the weakness of the Australian and Kiwi dollars against the greenback had seen support for exporters across Australasia. On the flipside, stocks with a large US dollar cost base have weakened - Sky TV was today down 3.3 percent to \$2.61 and Air New Zealand dipped 0.2 percent to \$3.175.

The best performer on the index was Kathmandu Holdings, up 3.8 percent to \$3.02, the highest it has closed since December 2014. The stock has risen 20 percent this year, with much of those gains coming since June 25 when it said it expects to increase profit by up to 37 percent this year on higher sales and better margins.

The dual-listed banks gained, with Westpac Banking Corp rising 2.2 percent to \$32.60 and Australia and New Zealand Banking Group up 2.1 percent to \$31.72. Chorus rose 1.9 percent to \$4.37 and Skellerup Holdings advanced 1.6 percent to \$1.95.

NZX Index			
Index	Last	Change	

S&P/NZX All Index	9,775.44	22.89	▼ 0.23%
S&P/NZX 50 Index	8,985.47	17.96	▼ 0.20%
S&P/NZX MidCap Index	25,506.43	17.20	▼ 0.07%
S&P/NZX SmallCap Index	62,833.75	118.06	▼ 0.19%
S&P/NZAX All Index	519.83	1.44	▲ 0.28%

ASX Index			
Index	Last	Change	

ASX All Ordinaries	6,349.80	49.60	▲ 0.79%
S&P/ASX 200	6,268.30	52.70	▲ 0.85%
ASX Small Ordinaries	2,842.50	5.50	▲ 0.19%
S&P/ASX MIDCAP 50	7,022.50	45.30	▲ 0.65%
S&P/ASX 20	3,475.50	33.00	▲ 0.96%

Foreign Markets Index			
	Last	Change	

S&P 500	2,798.29	24.27	▲ 0.87%
Dow Jones	24,924.89	224.44	▲ 0.91%
NASDAQ Composite	7,823.92	107.30	▲ 1.39%
FTSE	7,651.33	59.37	▲ 0.78%
ASX All Ordinaries	6,349.80	49.60	▲ 0.79%
NIKKEI 225	22,187.96	255.75	▲ 1.17%
HANG SENG INDEX	28,480.83	169.14	▲ 0.60%

Currencies (per NZ\$ 1.00)			
	Last	Change	

AUD	0.9149	0.0023	▼ 0.25%
USD	0.6777	0.0019	▲ 0.28%
CNY	4.5180	0.0040	▲ 0.09%
EUR	0.5806	0.0020	▲ 0.35%
CAD	0.8916	0.0008	▼ 0.09%
GBP	0.5132	0.0015	▲ 0.29%
JPY	76.2465	0.5910	▲ 0.78%

NZ Interest Rates		
	Last	Change

NZ OCR	1.75	
3-month Bank Bill	1.94	
5-year Swap	2.56	
10-year Swap	3.04	

Commodities Futures			
	Last	Change	

Gold	1,247.20	2.80	▲ 0.23%
Silver	15.98	0.16	▲ 1.03%
Crude Oil	70.37	0.01	▼ 0.01%

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