

Equity Investment Advisers Morning Report

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Top News

NZ dollar gains on 'dovish' Yellen, falls vs Canadian dollar after Bank of Canada hikes

The New Zealand dollar rose against the greenback after Federal Reserve chair Janet Yellen appeared to put more emphasis on weak inflation in testimony to Congress and fell against the Canadian dollar after Canada hiked interest rates.

Yellen reiterated the Fed's view that interest rate increases in the US would be gradual and also said the central bank was restrained in how much rates could rise, with a lower "neutral" rate, and qualified previous comments that weak first-quarter inflation was due to temporary effects, saying overnight that was only "partly" the cause. Traders took that subtle wording shift as a sign of a slightly more dovish Fed. The Bank of Canada hiked its key rate a quarter point, the first increase since 2010, saying the Canadian economy no longer needed so much stimulus.

Yellen lifts markets

Wall Street and US Treasuries rallied after US Federal Reserve Chair Janet Yellen flagged that lower-than-expected inflation will likely keep the pace of interest rate increases in check. "The federal funds rate would not have to rise all that much further to get to a neutral policy stance," Yellen said in her semiannual testimony to Congress, speaking before the House Financial Services Committee on Wednesday.

The Dow touched a record high, led by gains in shares of DuPont and those of Microsoft, recently up 2.7 percent and 1.5 percent respectively. Shares of JPMorgan Chase and those of Travelers posted the only percentage declines in the Dow, recently 0.3 percent and 0.03 percent weaker respectively.

"We thought that it was pretty balanced and a pretty steady continuation of the themes" that Yellen had laid out after the Fed's meeting last month, Michael Feroli, chief US economist at JPMorgan Chase in New York, told Bloomberg. "It was pretty straight down the middle." Meanwhile, shares of American Airlines rallied, up 4 percent as of 3.38pm in New York, after the company upgraded its forecast for its second-quarter total revenue per available seat mile (TRASM).

NZ shares down, Chorus and Air NZ fall while Ryman, NZX gain

New Zealand shares dropped, led lower by Chorus and Air New Zealand, while Ryman Healthcare and NZX rose as investors search for untapped value.

The local index followed the Australian index lower, with the ASX down 1.1 percent at 5pm local time, after US markets fell overnight amidst uncertainty ahead of Federal Reserve Chair Janet Yellen's testimony to the US House panel. Trading has been softer in the past fortnight as school holidays have begun, with institutional news scarce ahead of the August financial reporting season.

Chorus led the index lower, down 2.6 percent to \$4.38, while Air New Zealand was down 2.2 percent to \$3.49 and Summerset Group Holdings dropped 1.9 percent to \$4.70. Ryman Healthcare was the best performer, rising 1.9 percent to \$8.99, while NZX gained 1.8 percent to \$1.15.

NZX Index				
Index	Last		Change	
S&P/NZX All Index	8,229.55	42.51	↓	0.51%
S&P/NZX 50 Index	7,586.02	42.55	↓	0.56%
S&P/NZX Mid Cap Index	21,472.87	112.33	↓	0.52%
S&P/NZX Small Cap	51,815.10	27.62	↑	0.05%
S&P/NZX All Index	585.44	1.05	↓	0.18%

ASX Index				
Index	Last		Change	
ALL ORDINARIES	5,717.7	50.8	↓	0.89%
S&P/ASX 200	5,673.8	55.1	↓	0.97%
S&P/ASX SMALL ORD	2,347.5	19.8	↓	0.84%
S&P/ASX MIDCAP 50	6,183.9	53.8	↓	0.87%
S&P/ASX 20	3,228.3	31.8	↓	0.99%

Foreign Markets Index				
	Last		Change	
S&P 500	2,443.25	17.72	↑	0.73%
DJIA	21,532.14	123.07	↑	0.57%
Nasdaq	6,261.17	67.87	↑	1.10%
FTSE 100	7,416.93	87.17	↑	1.19%
ALL ORDINARIES	5,717.7	50.80	↓	0.89%
Nikkei 225	20,098.38	97.10	↓	0.48%
Hang Seng	26,043.64	166.00	↑	0.64%

Currencies (per NZ\$ 1.00)				
	Last		Change	
AUD	0.9455	0.0005	↓	0.05%
USD	0.7261	0.0036	↑	0.50%
CNY	4.9280	0.0150	↑	0.31%
EUR	0.6359	0.0059	↑	0.94%
CAD	0.9252	0.0077	↓	0.83%
GBP	0.5634	0.0012	↑	0.21%
JPY	82.1510	0.1625	↓	0.20%

NZ Interest Rates				
	Last		Change	
NZ OCR	1.75			
3-month Bank Bill	1.98			
5-year Swap	2.87			
10-year Swap	3.37			

Commodities				
	Last		Change	
Spot Gold \$US	1,220.16	2.85	↑	0.23%
Spot Silver \$US	15.91	0.07	↑	0.47%
Oil(WTI)	45.49	0.39	↑	0.86%

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