

MORNING REPORT

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Top News

NZ dollar headed for 1.5% weekly gain on improved global outlook

The New Zealand dollar is headed for a 1.5 percent weekly gain after soothing comments from the Federal Reserve and signs of progress in US-China trade talks reduced fears of sharply slowing global growth.

The kiwi was trading at 68.06 US cents at 5pm, from 67.87 cents late yesterday and 67.02 cents this time a week ago. The trade-weighted index was at 73.46 from 73.29.

BNZ, which is picking the kiwi dollar to end 2019 at 70 US cents, said slower global growth this year is to be expected, but that is a long way from the deep downturn some investors had been picking late last year.

"If anything, pricing so far for 2019 suggests that risk assets might have overshot to the downside late last year, pricing in too much pessimism about the economic outlook," senior markets strategist Jason Wong said in an outlook paper today.

"The New Year has begun with higher global equity markets, higher global rates, higher commodity prices and stronger emerging market and commodity currencies."

Equity markets, and the kiwi, gained this week after Federal Reserve chair Jerome Powell last Friday affirmed his confidence in the US economy but signalled the central bank would take a more patient view on further rate rises this year.

Last night, he told the Economic Club of Washington DC that the US economy is still "solid" and that his principal concern is the risk of a global slowdown.

NZ shares rises as positive offshore leads spur buying

New Zealand shares rose as investors were cheered when US Federal Reserve Chairman Jerome Powell reiterated the US central bank can be patient on raising interest rates further.

The S&P/NZX 50 index rose 40.42 points, or 0.5 percent, to 8,959.58. Within the index, 31 stocks rose, seven were unchanged and 12 fell. Turnover was \$61.1 million.

Powell told the Economic Club of Washington DC the Fed can "watch patiently and carefully." His comments, coupled with other similar comments from Fed officials recently, has meant the market has pared back its expectations regarding Fed rate hikes for this year, increasing the attractiveness of equity markets. Investors, however, are still jittery about the US-China trade tensions. US and Chinese officials are now working on arrangements for higher-level trade talks after mid-level officials met this week.

Leads from US markets were reasonably strong "and we have flowed on from there," said Grant Davies, an investment advisor at Hamilton Hindin Greene in Christchurch. The Dow Jones Industrial Average added 0.5 percent in overnight trading.

With few domestic drivers, investor sentiment is largely being driven by events offshore. Volumes remained very tepid and "we are still in that holding pattern coming up to the earnings season in February," he said.

NZX Index				
Index	Last	Change		
S&P/NZX All Index	9,730.26	41.44	▲	0.43%
S&P/NZX 50 Index	8,959.58	40.42	▲	0.45%
S&P/NZX MidCap Index	26,261.99	135.19	▲	0.52%
S&P/NZX SmallCap Index	58,489.99	44.17	▼	0.08%
S&P/NZAX All Index	508.54	3.68	▼	0.72%
ASX Index				
Index	Last	Change		
ASX All Ordinaries	5,834.80	19.10	▼	0.33%
S&P/ASX 200	5,774.60	20.70	▼	0.36%
ASX Small Ordinaries	2,501.30	4.20	▼	0.17%
S&P/ASX MIDCAP 50	6,295.50	28.50	▼	0.45%
S&P/ASX 20	3,238.80	18.20	▼	0.56%
Foreign Markets Index				
	Last	Change		
S&P 500	2,596.26	0.38	▼	0.01%
Dow Jones	23,995.95	5.95	▼	0.02%
NASDAQ Composite	6,971.48	14.59	▼	0.21%
DAX	10,887.46	34.14	▼	0.31%
ASX All Ordinaries	5,834.80	19.10	▼	0.33%
NIKKEI 225	20,359.70	195.90	▲	0.97%
HANG SENG INDEX	26,667.27	145.87	▲	0.55%
Currencies (per NZ\$ 1.00)				
	Last	Change		
AUD	0.9464	0.0005	▼	0.05%
USD	0.6827	0.0006	▼	0.09%
CNY	4.6150	0.0040	▼	0.09%
EUR	0.5959	0.0001	▼	0.02%
CAD	0.9052	0.0009	▼	0.10%
GBP	0.5313	0.0008	▼	0.15%
JPY	74.0850	0.0400	▼	0.05%
NZ Interest Rates				
	Last	Change		
NZ OCR	1.75			
3-month Bank Bill	1.94			
5-year Swap	2.18			
10-year Swap	2.63			
Commodities Futures				
	Last	Change		
Gold	1,287.90	0.50	▲	0.04%
Silver	15.64	0.00	▲	0.02%
Crude Oil	51.70	0.89	▼	1.69%

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