

MORNING REPORT

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Top News

NZ dollar holds above 70 US cts as investors pick more aggressive Fed rate hikes

The New Zealand dollar held above 70 US cents in local trading, having dipped on speculation the Federal Reserve may raise interest rates more aggressively than previously anticipated.

The kiwi traded at 70.11 US cents as at 5pm in Wellington from 70.03 cents at 8am and down from 70.37 cents yesterday. The trade-weighted index was at 73.62 from 73.72 yesterday.

The greenback got a boost from a Wall Street Journal report that Fed chair Jerome Powell plans to hold press conferences more frequently than the current quarterly briefings, which investors interpreted as making every meeting a live chance for a rate hike. The Fed ends its two-day policy meeting tomorrow morning NZ time, and is expected to raise the federal funds rate a quarter point to a range of 1.75 percent-to-2 percent. Investors also predict a steeper path for higher rates.

"A hike is as good as certain - the question will be what words and dots and other things they put around," said Imre Speizer, senior markets strategist at Westpac Banking Corp in Auckland. "Most of the market thinking like we like we are, that there's a decent risk of a hawkish narrative, and if you don't get one they might sell the (US) dollar off."

Local data today showed food prices fell in May on cheaper produce, while guest nights tapered off in April as public holidays fell outside that month.

NZ shares up led by Comvita, Summerset; A2 Milk drops

New Zealand shares gained to a new record, led higher by Comvita and Summerset Group Holdings, and offsetting the drag of a weaker A2 Milk.

The S&P/NZX50 Index rose 18.5 points, or 0.2 percent, to 8,977.31. Within the index, 24 stocks rose, 19 fell and seven were unchanged. Turnover was \$134.8 million.

"Markets are pretty subdued across Asia but New Zealand is travelling pretty well considering that A2 makes up over 7 percent of our index," said Peter McIntyre, investment adviser at Craigs Investment Partners. "It's weaker in Australia and that's probably where we're getting our funds flow from this afternoon, it was quiet until lunchtime."

A2 Milk was the worst performer, down 2.4 percent to \$11.50. The dual-listed banks also weakened, with Australia and New Zealand Banking Group down 1.2 percent to \$28.35 and Westpac Banking Corp falling 1.2 percent to \$29.45.

"A2 has lost ground today and that's potentially profit taking although it's always been a volatile trading stock, it's really no surprise," McIntyre said. A2's share price has been turbulent over the past month since it gave an update with a less positive outlook than many investors had expected, dropping from \$13.30 before the announcement to as low as \$10.24 in late May, though it has been recovering lost ground since then.

Comvita led the index higher, rising 2.7 percent to \$5.75. The stock's still down 15 percent since May 21, when it announced it had pulled out of talks with an unnamed third party looking to take it over when it couldn't reach a deal on price.

NZX Index				
Index	Last	Change		
S&P/NZX All Index	9,772.69	22.23	▲	0.23%
S&P/NZX 50 Index	8,977.31	17.66	▲	0.20%
S&P/NZX MidCap Index	25,576.88	82.60	▲	0.32%
S&P/NZX SmallCap Index	61,825.85	242.35	▲	0.39%
S&P/NZAX All Index	496.89	7.83	▲	1.60%
ASX Index				
Index	Last	Change		
ASX All Ordinaries	6,133.10	31.70	▼	0.51%
S&P/ASX 200	6,023.50	30.90	▼	0.51%
ASX Small Ordinaries	2,838.10	27.60	▼	0.96%
S&P/ASX MIDCAP 50	6,892.50	42.10	▼	0.61%
S&P/ASX 20	3,292.70	21.90	▼	0.66%
Foreign Markets Index				
	Last	Change		
S&P 500	2,775.63	11.22	▼	0.40%
Dow Jones	25,201.20	119.53	▼	0.47%
NASDAQ Composite	7,695.70	8.09	▼	0.11%
FTSE	7,703.71	0.10	▼	0.00%
ASX All Ordinaries	6,133.10	31.70	▼	0.51%
NIKKEI 225	22,966.38	88.03	▲	0.38%
HANG SENG INDEX	30,725.15	377.91	▼	1.22%
Currencies (per NZ\$ 1.00)				
	Last	Change		
AUD	0.9269	0.0017	▲	0.18%
USD	0.7020	0.0012	▲	0.17%
CNY	4.4920	0.0090	▲	0.20%
EUR	0.5954	0.0012	▼	0.20%
CAD	0.9118	0.0002	▼	0.02%
GBP	0.5251	0.0011	▲	0.21%
JPY	77.4500	0.1095	▲	0.14%
NZ Interest Rates				
	Last	Change		
NZ OCR	1.75			
3-month Bank Bill	1.94			
5-year Swap	2.71			
10-year Swap	3.20			
Commodities Futures				
	Last	Change		
Gold	1,302.90	3.50	▲	0.27%
Silver	17.06	0.16	▲	0.97%
Crude Oil	66.63	0.27	▲	0.41%

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