

MORNING REPORT

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Top News

NZ shares join global rout as bond markets stoke recession fears

New Zealand shares joined a global slump as investors fretted over the prospect of a worldwide recession in the wake of bond market pricing. Heartland Group was among the few local stocks in positive territory after reporting solid earnings growth.

The S&P/NZX 50 Index dropped 145.65 points, or 1.3 percent, to 10,704.11. Within the index, 39 stocks fell, four rose, and seven were unchanged. Turnover was \$134.5 million on a volume of 27.1 million shares, slightly more than the 90-day average of 25.6 million.

Stock markets across Asia took their cues from a weak performance on Wall Street after the US Treasury yield curve inverted - where the rate on long-term bonds is lower than on short-term - for the first time since 2007. A sustained inversion is often seen as a sign of a looming recession. Australia's S&P/ASX 200 Index dropped 2.7 percent in afternoon trading, the worst performer across Asia Pacific, while Japan's Topix was down 1.1 percent and Singapore's Straits Times Index fell 1.5 percent.

New Zealand's benchmark index is the second-best performer so far this year, with the NZX50 up 21.5 percent, just behind China's CSI 300 Index which is up 21.7 percent.

Matt Goodson, managing director at Salt Funds Management, said volumes weren't very heavy, which is what typically comes when markets capitulate to a major slump, and that today's slide is against the backdrop of a strong performance so far this year.

NZ dollar stuck in tight range; global sentiment the driver

The New Zealand dollar stuck to a tight range as ongoing trade concerns offset better-than-expected retail data in the US.

The kiwi was trading at 64.49 at 7:45am from 64.41 US cents at 5pm in Wellington. The trade-weighted index was at 71.72 points from 71.61.

"Financial markets remained on a defensive theme, as some better-than-expected data flow failed to offset ongoing trade concerns," said ANZ senior economist Miles Workman.

US retail sales increased 0.7 percent last month after gaining 0.3 percent in June, the US Department of Commerce said. Economists had expected a 0.3 percent rise. The data helped temper worries of a possible US recession.

Any gains, however, were capped after China called the latest US tariffs a violation of accords reached by Presidents Donald Trump and Xi Jinping and vowed retaliation, according to Bloomberg.

Sentiment improved slightly when Chinese foreign ministry spokesperson Hua Chunying said "China holds a consistent and clear position on China-US trade talks. We hope the US can work in concert with China to implement the two presidents' consensus that was reached in Osaka."

Today, the Bank of New Zealand-Business NZ performance of manufacturing index will be closely watched to see if it remains below the survey's long-term average of 53.4. In June, the index rose 0.9 points to a

NZX Index			
Index	Last	Change	
S&P/NZX All Index	11,561.07	156.87	▼ 1.34%
S&P/NZX 50 Index	10,704.11	145.65	▼ 1.34%
S&P/NZX MidCap Index	30,512.04	396.41	▼ 1.28%
S&P/NZX SmallCap Index	60,207.49	952.52	▼ 1.56%

ASX Index			
Index	Last	Change	
ASX All Ordinaries	6,490.80	186.70	▼ 2.80%
S&P/ASX 200	6,408.10	187.80	▼ 2.85%
ASX Small Ordinaries	2,787.10	77.90	▼ 2.72%
S&P/ASX MIDCAP 50	6,769.00	226.30	▼ 3.24%
S&P/ASX 20	3,556.50	107.10	▼ 2.92%

Foreign Markets Index			
	Last	Change	
S&P 500	2,847.60	7.00	▲ 0.25%
Dow Jones	25,579.39	99.97	▲ 0.39%
NASDAQ Composite	7,766.62	7.32	▼ 0.09%
DAX	11,412.67	79.99	▼ 0.70%
ASX All Ordinaries	6,490.80	186.70	▼ 2.80%
NIKKEI 225	20,405.65	249.48	▼ 1.21%
HANG SENG INDEX	25,495.46	193.18	▲ 0.76%

Currencies (per NZ\$ 1.00)			
	Last	Change	
AUD	0.9517	-0.0024	▼ 0.25%
USD	0.65	0.0012	▲ 0.19%
CNY	4.5360	0.0140	▲ 0.31%
EUR	0.58	0.0024	▲ 0.41%
CAD	0.8589	0.0015	▲ 0.17%
GBP	0.53	-0.0012	▼ 0.23%
JPY	68.3705	0.2015	▲ 0.29%

NZ Interest Rates		
	Last	Change
NZ OCR	1.00	
3m Bank Bill	1.21	
5y Swap	0.94	
10y Swap	1.21	

Commodities Futures (Spot Price \$USD)			
	Last	Change	
Gold	1,535.00	7.20	▲ 0.47%
Silver	17.25	0.03	▼ 0.20%
Crude Oil	54.69	0.54	▼ 0.98%

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