



# MORNING REPORT

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## Top News

### NZ dollar under pressure as markets fret about global slowdown

The New Zealand dollar remained range-bound as weak data in both China and the US and continuing trade tensions increase fears of a global slowdown.

The kiwi fell after softer-than-expected retail sales and industrial production in China late yesterday added to fears of a slowdown in this country's main trading partner.

Overnight, US data also pointed to sluggish growth. Retail sales, a measure of purchases at stores, restaurants and online, declined a seasonally adjusted 0.2 percent in April from a month earlier. Factory output also dropped 0.5 percent from the month before, according to Federal Reserve data.

Risk appetite, however, got a lift from news US President Donald Trump would hold off on imposing tariffs on imported cars and parts. Treasury Secretary Steven Mnuchin's remarks that he expects trade talks to resume soon in China also helped.

Looking ahead, today's jobs data in Australia will be key as the market tries to determine whether the Reserve Bank of Australia might move to cut rates. Yesterday's softer-than-expected first-quarter lift in Aussie wages has added to the view a rate cut is on the cards.

### NZ shares outperform global rally as low rates bolster local outlook

New Zealand shares joined a global rally, as the local outlook for low interest rates added tailwind to broader optimism among investors that the US and China will compromise on their trade stoush. China-focused exporter A2 Milk led the local market higher.

Stocks on Wall Street rallied overnight on hope the US and China will find common ground and end their protracted trade dispute, which has seen the resumption of tit-for-tat tariffs being imposed. Stocks were up across Asia, with Australia's S&P/ASX 200 Index up 0.8 percent in afternoon trading. China's Shanghai Composite rose 1.4 percent and South Korea's Kospi Index increased 0.6 percent.

The Reserve Bank cut the official cash rate to a record 1.5 percent last week, increasing the attraction of companies that pay reliable dividends and giving corporates cheaper access to finance. The lower return also tends to push down the currency, which is a boon for exporters who derive increased value from their foreign sales.

A2 Milk led the market higher, up 2.6 percent at \$16.30 on a volume of 465,000 shares, less than its 90-day average of 799,000. New Zealand's biggest listed company has benefited from successfully breaking into China's infant formula market. Supplier Synlait Milk rose 2 percent to \$10.20.

Utilities and property firms typically benefit from low rates, given their predictable dividend streams. Meridian Energy rose 2.3 percent to \$4.28 on a volume of 1 million shares and Vital Healthcare Property Trust was up 1.7 percent at \$2.40.

NZX Index			
Index	Last	Change	
S&P/NZX All Index	10,958.18	63.39	▲ 0.58%
S&P/NZX 50 Index	10,131.58	61.23	▲ 0.61%
S&P/NZX MidCap Index	28,717.91	4.31	▲ 0.02%
S&P/NZX SmallCap Index	59,352.19	33.68	▼ 0.06%
S&P/NZAX All Index	603.45	0.00	▲ 0.00%

ASX Index			
Index	Last	Change	
ASX All Ordinaries	6,370.90	43.70	▲ 0.69%
S&P/ASX 200	6,284.20	44.30	▲ 0.71%
ASX Small Ordinaries	2,796.30	22.10	▲ 0.80%
S&P/ASX MIDCAP 50	6,745.40	39.80	▲ 0.59%
S&P/ASX 20	3,489.70	24.50	▲ 0.71%

Foreign Markets Index			
	Last	Change	
S&P 500	2,850.96	16.55	▲ 0.58%
Dow Jones Industrial Average	25,648.02	115.97	▲ 0.45%
NASDAQ Composite	7,822.15	87.65	▲ 1.13%
DAX PERFORMANCE-INDEX	12,099.57	107.95	▲ 0.90%
ASX All Ordinaries	6,370.90	43.70	▲ 0.69%
NIKKEI 225	21,188.56	121.33	▲ 0.58%
HANG SENG INDEX	28,268.71	146.69	▲ 0.52%

Currencies (per NZ\$ 1.00)			
	Last	Change	
AUD	0.9475	0.0002	▲ 0.02%
USD	0.6563	0.0000	0.00%
CNY	4.5130	0.0020	▲ 0.04%
EUR	0.5861	0.0004	▲ 0.07%
CAD	0.8821	0.0001	▲ 0.01%
GBP	0.5112	0.0002	▲ 0.04%
JPY	71.9360	0.0220	▲ 0.03%

NZ Interest Rates			
	Last	Change	
NZ OCR	1.50	0.25	▼ 14.29%
3-month Bank Bill	1.70		
5-year Swap	1.70	0.01	▼ 0.29%
10-year Swap	2.09	0.01	▼ 0.24%

Commodities Futures (Spot Price \$USD)			
	Last	Change	
Gold	1,297.20	0.90	▲ 0.07%
Silver	14.80	0.01	▼ 0.08%
Crude Oil	62.11	0.33	▲ 0.53%

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