

# MORNING REPORT

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## Top News

### NZ shares fall as Meridian faces declining hydro storage

New Zealand shares fell for a second day with Meridian Energy lower as the power company confronts dry conditions, and exporters Comvita and Fisher & Paykel Healthcare faced a stronger kiwi dollar.

The S&P/NZX index declined 34.62 points, or 0.4 percent, to 8,803.45. Within the index 26 stocks fell, 19 gained, and five were unchanged. Turnover was \$174.2 million, with Ryman Healthcare accounting for \$99.2 million of that. Ryman fell 0.8 percent to \$12.70.

Meridian fell 1.7 percent to \$3.13 on slightly bigger volumes than normal after its monthly operating update showed South Island storage 25 percent below average and North Island storage at 90 percent. National hydro storage is below historical norms, coinciding with an outage at the Pohokura gas field which has pushed up wholesale prices.

"The dry conditions are having an impact, particularly in the South Island," said Greg Smith, head of research at Fat Prophets.

Genesis Energy, which has ramped up production from its dual-fuel Rankine units at Huntly to fill the gap, rose 1 percent to \$2.445.

Summerset Group led the market lower, down 3 percent to \$6.89 on almost half the usual volume. The stock has gained 24 percent this year, the NZX 50's best performer, having given up 11 percent during the past three months.

### NZ dollar at 2-week high as inflation lowers rate cut expectations

The New Zealand dollar rose to a two-week high as yesterday's stronger than expected inflation data lowered traders' expectations for a rate cut.

The kiwi increased to 65.90 US cents as at 8am in Wellington from 65.68 cents yesterday. The trade-weighted index edged up to 71.87 from 71.75.

Traders have pared back their bets on the Reserve Bank cutting the official cash rate. The overnight index swaps curve implies an 18 percent chance of a lower rate by August next year, down from 24 percent. Local data yesterday showed the annual pace of inflation rose to 1.9 percent in the September quarter, higher than all forecasts including the RBNZ's 1.4 percent prediction.

"We still find it highly unlikely that the RBNZ would cut rates in the current environment and expect easing expectations to continue to fade over time," Bank of New Zealand senior markets strategist Jason Wong said in a note. "The NZD faded after the initial move higher, but has regained that ground in overnight trading."

The GDT price index dipped 0.3 percent at the Global Dairy Trade auction overnight, with prices for whole milk powder falling 0.9 percent to US\$2,729 a tonne. That was a smaller decline than futures pricing indicated.

No local data is scheduled for today. Tomorrow's release of minutes to the Federal Reserve's last policy meeting will be watched but isn't expected to shift traders' views.

NZX Index			
Index	Last	Change	
S&P/NZX All Index	9,607.14	35.88	▼ 0.37%
S&P/NZX 50 Index	8,803.45	34.62	▼ 0.39%
S&P/NZX MidCap Index	25,560.87	0.64	▲ 0.00%
S&P/NZX SmallCap Index	63,089.52	45.06	▼ 0.07%
S&P/NZAX All Index	531.77	10.19	▲ 1.95%

ASX Index			
Index	Last	Change	
ASX All Ordinaries	5,977.80	29.80	▲ 0.50%
S&P/ASX 200	5,869.90	32.80	▲ 0.56%
ASX Small Ordinaries	2,682.50	13.60	▲ 0.51%
S&P/ASX MIDCAP 50	6,673.40	52.00	▲ 0.79%
S&P/ASX 20	3,236.70	14.70	▲ 0.46%

Foreign Markets Index			
	Last	Change	
S&P 500	2,811.92	61.13	▲ 2.22%
Dow Jones	25,808.24	557.69	▲ 2.21%
NASDAQ Composite	7,654.50	223.76	▲ 3.01%
DAX	11,776.55	162.39	▲ 1.40%
ASX All Ordinaries	5,977.80	29.80	▲ 0.50%
NIKKEI 225	22,549.24	277.94	▲ 1.25%
HANG SENG INDEX	25,462.26	17.20	▲ 0.07%

Currencies (per NZ\$ 1.00)			
	Last	Change	
AUD	0.9228	0.0038	▲ 0.41%
USD	0.6588	0.0035	▲ 0.53%
CNY	4.5530	0.0220	▲ 0.49%
EUR	0.5690	0.0030	▲ 0.53%
CAD	0.8529	0.0013	▲ 0.15%
GBP	0.4996	0.0012	▲ 0.24%
JPY	73.9080	0.6650	▲ 0.91%

NZ Interest Rates		
	Last	Change
NZ OCR	1.75	
3-month Bank Bill	1.94	
5-year Swap	2.41	
10-year Swap	2.92	

Commodities Futures			
	Last	Change	
Gold	1,228.00	2.30	▼ 0.19%
Silver	14.68	0.05	▼ 0.35%
Crude Oil	71.89	0.11	▲ 0.15%

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