

# MORNING REPORT

As at 8.43 AM 18/01/2019

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## Top News

### NZ dollar extends decline amid mixed data

The New Zealand dollar weakened amid mixed signals on the local economy and as investors grow more positive on the prospects for a less-painful departure for the UK from the European Union.

The kiwi was trading at 67.60 US cents at 5pm, from 67.81 cents this morning and 68.11 cents late yesterday. It was at 52.50 British pence from 52.71 pence this morning and from 53 pence this time yesterday. The trade-weighted index was at 73.20 from 73.68 last night.

UK Prime Minister Theresa May this morning saw off a no-confidence vote in her government – as expected – just as a report showed New Zealand house sales in December were the lowest for that month in seven years.

Mike Shirley, senior dealer with Kiwibank, said there had been no initial reaction to the housing data, which should not have been a surprise.

A 20-point drop in the kiwi early this afternoon had no fundamental driver and was more a reflection of thin liquidity triggering stop-loss selling.

He said the kiwi continues to be driven by major events like Brexit, the global growth outlook and China-US trade relations. The lack of reaction to the strong dairy prices in Tuesday night's GlobalDairyTrade auction was evidence of that.

"We're very much a cork on a very big sea of volatility," he said.

"The kiwi will continue to be driven by offshore headlines and events."

Marshall Gittler, chief strategist at ACLS Global, was also surprised by the weakness of the kiwi, given the strong dairy auction result and yesterday's record 560 billion yuan injection by China's central bank to ensure liquidity ahead of January tax payments and the Lunar New Year holidays starting next month.

### NZ shares get further lift from positive offshore markets

New Zealand shares rose as sentiment continued to benefit from positive offshore leads. Genesis Energy, A2 Milk and Synlait Milk gained.

The S&P/NZX 50 index rose 50.37 points, or 0.6 percent, to 9,077.81. Within the index, 26 stocks rose, nine were unchanged and 15 fell. Turnover was \$118.7 million.

Overnight, strong earnings from Bank of America Corp and Goldman Sachs Group boosted investor sentiment. The Dow Jones Industrial Average added 0.6 percent while the S&P 500 and the Nasdaq Composite both added 0.2 percent and the "stronger offshore leads globally are providing us with some direction," said Peter McIntyre, investment adviser at Craigs Investment Partners.

He expects the market to remain focused offshore and on US earnings in the short term, but said the focus will then shift to the domestic reporting season in February.

Spark New Zealand was once again the most heavily traded stock with some 6.4 million shares turning over – around 3 million more than the daily average for the past three months. It was unchanged at \$4.05. It is widely held by international investors "so it has good liquidity, which is the attraction for investors, plus its yield," McIntyre said.

NZX Index			
Index	Last	Change	
S&P/NZX All Index	9,850.39	51.43	▲ 0.52%
S&P/NZX 50 Index	9,077.81	50.37	▲ 0.56%
S&P/NZX MidCap Index	26,399.53	87.22	▲ 0.33%
S&P/NZX SmallCap Index	58,322.21	52.36	▼ 0.09%
S&P/NZAX All Index	515.52	6.98	▲ 1.37%

ASX Index			
Index	Last	Change	
ASX All Ordinaries	5,909.80	16.10	▲ 0.27%
S&P/ASX 200	5,850.10	14.90	▲ 0.26%
ASX Small Ordinaries	2,540.20	3.00	▲ 0.12%
S&P/ASX MIDCAP 50	6,397.40	38.70	▲ 0.61%
S&P/ASX 20	3,281.40	6.60	▲ 0.20%

Foreign Markets Index			
	Last	Change	
S&P 500	2,632.43	16.33	▲ 0.62%
Dow Jones	24,312.14	104.98	▲ 0.43%
NASDAQ Composite	7,075.03	40.33	▲ 0.57%
DAX	10,918.62	12.62	▼ 0.12%
ASX All Ordinaries	5,909.80	16.10	▲ 0.27%
NIKKEI 225	20,402.27	40.48	▼ 0.20%
HANG SENG INDEX	26,755.63	146.47	▼ 0.54%

Currencies (per NZ\$ 1.00)			
	Last	Change	
AUD	0.9406	0.0048	▼ 0.51%
USD	0.6749	0.0028	▼ 0.41%
CNY	4.5720	0.0090	▼ 0.20%
EUR	0.5928	0.0020	▼ 0.34%
CAD	0.8973	0.0009	▼ 0.10%
GBP	0.5197	0.0064	▼ 1.22%
JPY	73.5410	0.3685	▼ 0.50%

NZ Interest Rates		
	Last	Change
NZ OCR	1.75	
3-month Bank Bill	1.94	
5-year Swap	2.11	
10-year Swap	2.56	

Commodities Futures			
	Last	Change	
Gold	1,292.20	1.60	▼ 0.12%
Silver	15.53	0.10	▼ 0.66%
Crude Oil	52.05	0.26	▼ 0.50%

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