



## MORNING REPORT

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### Top News

#### Chinese Factories Hold Up Economic Growth Despite Broad Weakness

Chinese manufacturers offered the biggest support to the country's economic stabilization in the last three months of 2019, thanks to easing trade tensions and improving global demand.

Output in industrial enterprises rose 5.9% from the same period in 2018, the National Bureau of Statistics said on Saturday, bouncing back from an almost decade-low of 5% in the prior quarter. Manufacturers, accounting for more than 85% of total industrial output, grew 5.9% in the quarter, from 4.8% previously, recording the biggest increase since data was available.

The data adds to evidence that Chinese factories — struggling with higher tariffs, deflationary prices and maturing debt — saw demand improve toward the end of 2019, boosted by a turnaround in the global outlook. The signing of the phase-one deal with the U.S. this week will likely carry that momentum further into 2020, on optimism further escalation is prevented for now.

The world's second-largest economy stabilized at the weakest level in almost 30 years last quarter, as industrial production and manufacturing investment exceeded expectations.

Still, the breakdown released Saturday pointed to residual economic weakness in a wide range of sectors, with 7 out of 11 reporting slower output growth. In particular, expansion in the technology and software sector dropped to 15.6% for a fifth consecutive quarterly decline. Growth in construction, property and consumption businesses also slowed.

China's statistics authority releases gross domestic product breakdown a day after the headline report, offering greater details on the economy.

#### Emerging Markets Yearn for Growth as Yield Buffer Evaporates

The winning streak in emerging markets may hinge on whether central banks have finally done enough to bring about an economic turnaround.

With policy makers in developing economies widely seen as being in the final stages of their easing cycle, the bulls will be hoping data on Friday that showed China's economy expanded 6% in December is a sign of things to come. Analysts have raised their earnings-per-share estimates for emerging-market companies for the following 12 months by more than 1% compared with the end of June. The International Monetary Fund is due to give updated economic forecasts on Monday.

Investors are turning their focus to the growth story now the phase-one trade deal has been signed and policy makers become increasingly wary of cutting interest rates as inflation starts to pick up. Central banks in Malaysia, Indonesia and Nigeria are set to keep their benchmark rates unchanged this week, strengthening the view that real yields in emerging markets are evaporating rapidly. Analysts have raised their EPS estimates for emerging-market companies this year.

NZX Index				
Index	Last	Change		
S&P/NZX All Index	12,770.14	67.06	↑	0.53%
S&P/NZX 50 Index	11,800.21	62.35	↑	0.53%
S&P/NZX MidCap Index	33,414.79	118.73	↑	0.36%
S&P/NZX SmallCap Index	67,097.68	227.04	↑	0.41%

ASX Index				
Index	Last	Change		
ASX All Ordinaries	7,180.30	21.70	▲	0.30%
S&P/ASX 200	7,064.10	22.30	▲	0.32%
ASX Small Ordinaries	3,061.50	7.30	▲	0.24%
S&P/ASX MIDCAP 50	7,622.50	26.90	▲	0.35%
S&P/ASX 20	3,871.90	11.10	▲	0.29%

Foreign Markets Index				
	Last	Change		
S&P 500	3,329.62	12.81	▲	0.39%
Dow Jones Industrial Average	29,348.10	50.50	▲	0.17%
NASDAQ Composite	9,388.94	31.81	▲	0.34%
DAX PERFORMANCE-INDEX	13,526.13	96.73	▲	0.72%
ASX All Ordinaries	7,180.30	21.70	▲	0.30%
NIKKEI 225	24,041.26	108.16	▲	0.45%
HANG SENG INDEX	29,056.42	173.42	▲	0.60%

Currencies (per NZ\$ 1.00)				
	Last	Change		
AUD	0.9613	-0.0009	▼	0.09%
USD	0.66	-0.0003	▼	0.05%
CNY	4.5360	0.0000	▲	0.00%
EUR	0.60	-0.0002	▼	0.03%
CAD	0.8637	-0.0001	▼	0.01%
GBP	0.51	0.0005	▲	0.10%
JPY	72.7750	-0.0600	▼	0.08%

NZ Interest Rates				
	Last	Change		
NZ OCR	1.00			
3m Bank Bill	1.29			
5y Swap	1.36			
10y Swap	1.69			

Commodities Futures (Spot Price \$USD)				
	Last	Change		
Gold	1,557.30	6.80	▲	0.44%
Silver	18.04	0.10	▲	0.56%
Crude Oil	58.81	0.29	▲	0.50%

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