

# MORNING REPORT

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## Top News

### NZ shares shrug off Synlait slump, join global rally

New Zealand shares rose as investors shrugged off a slightly gloomier outlook for Synlait Milk and joined a global rally as the latest bout in the US-China trade war wasn't as harsh as feared.

The S&P/NZX index increased 29.29 points, or 0.3 percent, to 9,345.06. Within the index 23 stocks gained, 18 fell and nine were unchanged. Turnover was \$148.2 million.

Stocks across Asia followed Wall Street higher after US President Donald Trump's 10 percent tariff on US\$200 billion of Chinese goods and the subsequent retaliation were more moderate than investors had anticipated. The Shanghai Composite index was up 1 percent in afternoon trading, while Japan's Topix gained 1.5 percent and Australia's S&P/ASX 200 index increased 0.5 percent.

"The trade shots did not trigger a risk-off mode but acted as a catalyst to positive investor sentiment," CMC Market analyst Jonathan Chan said. "Risk assets such as equities found support in a robust manner."

The main local news was Synlait's near-doubling of annual profit to \$74.6 million as the milk processor lifted sales of its high-value dairy products. However, the share price fell 6.6 percent to \$11.94 due to chief executive Leon Clement playing down the outlook, saying infant formula sales will probably grow at a slower pace.

Rickey Ward, NZ equity manager at JBWere, said the result was pretty good and in line with expectations, but the outlook fell short of what people were hoping for.

"High multiples and good returns bring high expectations and the market is very sensitive to slight variations on that," he said.

### NZ dollar gains as China's Li makes soothes trade fears; GDP awaits

The New Zealand dollar rose above 66 US cents on optimism China won't devalue its currency in a trade war with the US.

The kiwi increased to 66.15 US cents as at 8am in Wellington from 65.94 cents yesterday. It gained to 4.5283 Chinese yuan from 5.170 yuan.

Stocks on Wall Street and commodity prices gained as fears over the US-China trade war eased after Chinese Premier Li Keqiang told the World Economic Forum in China that a one-way devaluation of the yuan posed more harm than good for Asia's biggest economy. The world's two biggest economies have been escalating tariffs in a trade war that analysts fear will slow global growth. The latest round of tariffs announced this week were smaller than expected, soothing some concerns and damping recent volatility in markets.

Li's comments "suggested that China would not actively use its currency as a weapon in the US-China trade war but market forces could obviously still weaken CNY on any escalation of trade tensions, and China wouldn't necessarily prevent that from happening," Bank of New Zealand senior markets strategist Jason Wong said in a note. The Australian and New Zealand dollars "got oversold on trade fears and with Trump taking a more moderate position on tariffs, it has allowed a relief rally to take place."

NZX Index				
Index	Last	Change		
S&P/NZX All Index	10,159.16	26.21	▲	0.26%
S&P/NZX 50 Index	9,345.06	29.29	▲	0.31%
S&P/NZX MidCap Index	26,599.51	1.05	▼	0.00%
S&P/NZX SmallCap Index	63,369.43	221.19	▼	0.35%
S&P/NZAX All Index	537.66	0.64	▼	0.12%
ASX Index				
Index	Last	Change		
ASX All Ordinaries	6,297.00	27.50	▲	0.44%
S&P/ASX 200	6,190.00	28.50	▲	0.46%
ASX Small Ordinaries	2,821.70	14.70	▲	0.52%
S&P/ASX MIDCAP 50	7,088.50	35.50	▲	0.50%
S&P/ASX 20	3,411.60	19.20	▲	0.57%
Foreign Markets Index				
	Last	Change		
S&P 500	2,907.95	3.64	▲	0.13%
Dow Jones	26,405.76	158.80	▲	0.61%
NASDAQ Composite	7,950.04	6.07	▼	0.08%
DAX	12,219.02	61.35	▲	0.50%
ASX All Ordinaries	6,297.00	27.50	▲	0.44%
NIKKEI 225	23,672.52	251.98	▲	1.08%
HANG SENG INDEX	27,407.37	322.71	▲	1.19%
Currencies (per NZ\$ 1.00)				
	Last	Change		
AUD	0.9105	0.0019	▼	0.21%
USD	0.6617	0.0030	▲	0.46%
CNY	4.5300	0.0120	▲	0.27%
EUR	0.5666	0.0022	▲	0.39%
CAD	0.8544	0.0005	▼	0.06%
GBP	0.5033	0.0023	▲	0.46%
JPY	74.2410	0.2350	▲	0.32%
NZ Interest Rates				
	Last	Change		
NZ OCR	1.75			
3-month Bank Bill	1.94			
5-year Swap	2.37			
10-year Swap	2.89			
Commodities Futures				
	Last	Change		
Gold	1,208.70	5.80	▲	0.48%
Silver	14.27	0.09	▲	0.63%
Crude Oil	71.17	1.32	▲	1.89%

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