

MORNING REPORT

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Top News

NZ shares fall as Synlait drops on weak earnings

New Zealand shares fell for a second day, led lower by Synlait Milk after the dairy company reported weaker earnings, disappointing investors who had anticipated another strong result.

The S&P/NZX 50 Index declined 61.57 points, or 0.7 percent, to 9,435.7. Within the index, 31 stocks fell, 15 gained, and four were unchanged. Turnover was \$111.8 million.

Synlait fell as low as \$9.30, ending the day at \$9.75, down 14 percent. The milk processor reported a 9.7 percent decline in first-half profit as a new pricing arrangement with A2 Milk and restrictions on Chinese imports squeezed margins.

"When expectations get too high you've got to meet them, and they didn't quite do that," said Grant Davies, an investment adviser at Hamilton Hindin Greene.

Synlait supplies A2 Milk, and its share price has followed the milk marketing firm higher over the past year. However, Davies questions the close link: "The value-add and margin comes in the A2 branding." A2 declined 0.6 percent to \$13.62.

The dairy sector was the major news today with Synlait and Fonterra Cooperative both reporting first-half earnings. A Global Dairy Trade auction overnight posted another increase in dairy prices.

NZ dollar benefits from dovish Federal Reserve

The New Zealand dollar rose after the US Federal Reserve signalled only one further rate hike in 2020.

The kiwi was trading at 69.11 US cents at 8am in Wellington versus 68.33 US cents at 5pm in Wellington. The trade-weighted index was at 74.57 from 74.07.

The Fed held interest rates steady at 2.25- 2.50 percent. Its "dot plot," which charts estimates for where voting committee members think the benchmark rate should be over the next three years, now points to only one rate hike in 2020. It had previously pointed to two hikes in 2019 and another in 2020.

It also downgraded the growth and inflation outlook and "provided guidance on ending balance sheet normalisation, with asset runoffs to conclude by the end of September," said ANZ economists Michael Callaghan and Miles Workman.

"After holding in a tight range in the lead up to the FOMC this morning, the dovish read from the Fed sent this cross sharply higher through resistance," they said, referring to the NZD/USD cross.

The focus will now shift to New Zealand's fourth-quarter economic growth data, due at 10:45 am. Economists are tipping the economy to have grown 0.6 percent on the quarter and "today's GDP figures will set the tone for next week's RBNZ official cash rate review," they said.

NZX Index			
Index	Last	Change	
S&P/NZX All Index	10,227.43	74.43	▼ 0.72%
S&P/NZX 50 Index	9,435.70	72.47	▼ 0.76%
S&P/NZX MidCap Index	27,365.42	118.76	▼ 0.43%
S&P/NZX SmallCap Index	58,349.82	47.92	▲ 0.08%
S&P/NZAX All Index	585.14	16.13	▲ 2.83%

ASX Index			
Index	Last	Change	
ASX All Ordinaries	6,251.80	24.80	▼ 0.40%
S&P/ASX 200	6,165.30	19.50	▼ 0.32%
ASX Small Ordinaries	2,775.60	14.20	▼ 0.51%
S&P/ASX MIDCAP 50	6,636.00	24.30	▼ 0.36%
S&P/ASX 20	3,427.90	8.20	▼ 0.24%

Foreign Markets Index			
	Last	Change	
S&P 500	2,825.04	7.53	▼ 0.27%
Dow Jones	25,751.61	135.77	▼ 0.52%
NASDAQ Composite	7,729.94	5.99	▲ 0.08%
DAX	11,603.89	184.52	▼ 1.57%
ASX All Ordinaries	6,251.80	24.80	▼ 0.40%
NIKKEI 225	21,608.92	42.07	▲ 0.20%
HANG SENG INDEX	29,320.97	145.31	▼ 0.49%

Currencies (per NZ\$ 1.00)			
	Last	Change	
AUD	0.9672	0.0003	▲ 0.03%
USD	0.6887	0.0033	▲ 0.48%
CNY	4.6090	0.0090	▲ 0.20%
EUR	0.6030	0.0009	▼ 0.15%
CAD	0.9152	0.0019	▲ 0.21%
GBP	0.5218	0.0052	▲ 1.01%
JPY	76.2780	0.0710	▼ 0.09%

NZ Interest Rates		
	Last	Change
NZ OCR	1.75	
3-month Bank Bill	1.88	
5-year Swap	1.93	
10-year Swap	2.33	

Commodities Futures (Spot Price \$USD)			
	Last	Change	
Gold	1,314.30	7.80	▲ 0.60%
Silver	15.22	0.08	▼ 0.53%
Crude Oil	60.12	1.09	▲ 1.85%

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