

# MORNING REPORT

As at 8.48 AM 22/08/2019

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## Top News

### NZ shares sink as investors punish A2 over margins

New Zealand shares dropped in one of the reporting season's busiest days as A2 Milk fell to a six-week low when its margins disappointed investors. Fletcher Building and Spark New Zealand both gained on their results.

The S&P/NZX 50 Index decreased 94.52 points, or 0.9 percent, to 10,709.32. Within the index, 14 stocks fell, 26 rose and 10 were unchanged. Turnover was \$254.1 million, of which A2 and Spark accounted for \$152.8 million.

Index heavyweight A2 sank 12 percent to \$14.81, the lowest close since July 4, despite reporting 40 percent-plus gains in earnings and revenue. Investors traded 5.5 million shares of the stock, well up on its 90-day average of 718,000.

Matt Goodson, managing director at Salt Funds Management, said the result was in line with expectations, but margins were lower than expected as the firm lifts its marketing spend to pursue more growth.

"It's a stock that doesn't have many people who are neutral - it's either supporters or detractors," he said. That means it typically gets violent reactions in both directions, he said.

New Zealand Refining fell 4.2 percent to \$2.05 after trimming its interim dividend payment to 2 cents per share, reflecting a widening first-half loss due to higher power costs and reduced gas supplies due to lower production from the Pohokura gas field.

### NZ dollar hovers near 64 US cents as central bankers gather

The New Zealand dollar is hovering near 64 US cents after minutes from the US Federal Reserve suggested the rate cut there last month wasn't the start of a strong easing cycle.

The kiwi was trading at 64.01 US cents at 7:50 am in Wellington from 64.07 US cents at 5pm and the trade-weighted index was at 71.24 from 71.28.

ANZ Bank economists Miles Workman and Michael Callaghan said markets had a "risk-on tone" ahead of the release of the FOMC minutes.

The greenback found more support when the minutes seemed to indicate the latest rate cut wasn't the start of a full-on easing cycle.

"Most participants viewed a proposed quarter-point policy easing at this meeting as part of a recalibration of the stance of policy, or mid-cycle adjustment, in response to the evolution of the economic outlook over recent months," the minutes said.

ANZ Bank noted "there was also discussion around wanting to avoid looking like they were on a path to more cuts. That said, two officials would have preferred to cut 50bps."

The focus will now shift to the annual conference of central bankers held at Jackson Hole in Wyoming. Fed chair Jerome Powell is due to speak on Friday and his speech will be scrutinized for any clues about future rate cuts.

NZX Index				
Index	Last	Change		
S&P/NZX All Index	11,567.99	99.96	▼	0.86%
S&P/NZX 50 Index	10,709.32	94.52	▼	0.87%
S&P/NZX MidCap Index	30,599.07	127.20	▲	0.42%
S&P/NZX SmallCap Index	60,446.59	324.65	▼	0.53%

ASX Index				
Index	Last	Change		
ASX All Ordinaries	6,572.60	54.80	▼	0.83%
S&P/ASX 200	6,483.30	61.70	▼	0.94%
ASX Small Ordinaries	2,815.50	3.50	▼	0.12%
S&P/ASX MIDCAP 50	6,882.00	66.70	▼	0.96%
S&P/ASX 20	3,589.10	40.30	▼	1.11%

Foreign Markets Index				
	Last	Change		
S&P 500	2,924.43	23.92	▲	0.82%
Dow Jones	26,202.73	240.29	▲	0.93%
NASDAQ Composite	8,020.21	71.65	▲	0.90%
DAX	11,802.85	151.67	▲	1.30%
ASX All Ordinaries	6,572.60	54.80	▼	0.83%
NIKKEI 225	20,618.57	58.65	▼	0.28%
HANG SENG INDEX	26,270.04	38.50	▲	0.15%

Currencies (per NZ\$ 1.00)				
	Last	Change		
AUD	0.9441	-0.0027	▼	0.29%
USD	0.64	-0.0016	▼	0.25%
CNY	4.5200	-0.0130	▼	0.29%
EUR	0.58	-0.0007	▼	0.12%
CAD	0.8506	-0.0042	▼	0.49%
GBP	0.53	0.0007	▲	0.13%
JPY	68.2240	0.0555	▲	0.08%

NZ Interest Rates		
	Last	Change
NZ OCR	1.00	
3m Bank Bill	1.17	
5y Swap	0.96	
10y Swap	1.24	

Commodities Futures (Spot Price \$USD)			
	Last	Change	
Gold	1,512.00	3.70	▼ 0.24%
Silver	17.10	0.05	▼ 0.28%
Crude Oil	55.92	0.21	▼ 0.37%

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