

# MORNING REPORT

As at 9.05 AM 23/03/2020

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## Top News

### New Zealand Turns to Quantitative Easing to Support Economy

New Zealand's central bank has taken the historic step to quantitative easing to try to limit a looming recession as the negative economic impacts of the coronavirus outbreak intensify.

The Reserve Bank will buy up to NZ\$30 billion (\$17 billion) of government bonds in the secondary market over the next 12 months, it said in a statement Monday. It will seek to buy NZ\$750 million bonds a week across a range of maturities, via an auction process, it said. The purchases will begin this week.

"This package is huge," said David Croy, interest rate strategist at ANZ Bank New Zealand in Wellington. "QE will help support the economy and soothe markets that have been dysfunctional. This package will have an immediate and significant impact on the local bond market."

New Zealand's economy is stalling as the virus outbreak halts tourist arrivals and domestic restrictions start to impact travel, trade and commerce. The RBNZ's Monetary Policy Committee last week cut the official cash rate to 0.25% and freed up bank capital, while the government announced a NZ\$12.1 billion support program. Still, most economists are forecasting the economy will contract sharply during 2020.

The New Zealand dollar extended its declines Monday, buying 56.81 U.S. cents at 8:45 a.m. in Wellington. The currency has dropped almost 16% since the start of this year.

ANZ Bank last week said the economy and market needed QE of as much as NZ\$20 billion. Croy today said the size of the intervention announced "will put to bed any questions about how effective it will be."

The government supports QE and has signed a memorandum of understanding and a letter of indemnity with the RBNZ to enable the program to proceed, Finance Minister Grant Robertson said in a statement.

"This is part of our strategy to mobilize all arms of New Zealand's economic infrastructure in our fight against the COVID-19 virus," he said. "We are all uniting together — the Government, the Reserve Bank, private businesses and the retail banks — to cushion the impact on New Zealand from this global pandemic."

The RBNZ's actions follow other central banks, including Australia which last week pledged to buy three-year bonds and target a yield on those securities of 0.25%.

"The severity of the impacts on the New Zealand economy has increased," the RBNZ said. "Weaker global activity is affecting the economy through a range of channels, not just reduced trade. Domestic measures to contain the outbreak of the virus are also reducing economic activity. Employment and inflation are expected to fall relative to their targets in the near term."

The RBNZ also said that financial conditions in New Zealand "have tightened unnecessarily" over the past week, reducing the effectiveness of the low OCR.

NZX Index			
Index	Last	Change	
S&P/NZX All Index	9,909.24	73.80	▲ 0.75%
S&P/NZX 50 Portfolio Index	5,353.18	51.20	▲ 0.97%
S&P/NZX MidCap Index	23,864.45	239.57	▲ 1.01%
S&P/NZX SmallCap Index	44,860.72	871.80	▼ 1.91%

ASX Index			
Index	Last	Change	
ASX All Ordinaries	4,854.30	44.90	▲ 0.93%
S&P/ASX 200	4,816.60	33.70	▲ 0.70%
ASX Small Ordinaries	1,999.70	44.60	▲ 2.28%
S&P/ASX MIDCAP 50	4,927.80	91.20	▲ 1.89%
S&P/ASX 20	2,757.70	7.00	▲ 0.25%

Foreign Markets Index			
	Last	Change	
S&P 500	2,304.92	104.47	▼ 4.34%
Dow Jones Industrial Average	19,173.98	913.22	▼ 4.55%
NASDAQ Composite	6,879.52	271.06	▼ 3.79%
DAX PERFORMANCE-INDEX	8,928.95	318.52	▲ 3.70%
ASX All Ordinaries	4,854.30	44.90	▲ 0.93%
NIKKEI 225	16,552.83	173.77	▼ 1.04%
HANG SENG INDEX	22,805.07	1,095.97	▲ 5.05%

Currencies (per NZ\$ 1.00)			
	Last	Change	
AUD	0.9798	0.0042	▼ 0.43%
USD	0.5680	0.0031	▼ 0.55%
CNY	4.0300	0.0000	▲ 0.00%
EUR	0.5309	0.0030	▼ 0.57%
CAD	0.8159	0.0027	▼ 0.33%
GBP	0.4897	0.0003	▼ 0.06%
JPY	62.9640	0.3440	▼ 0.55%

NZ Interest Rates		
	Last	Change
NZ OCR	0.25	
3m Bank Bill	0.67	
5y Swap	0.92	
10y Swap	1.37	

Commodities Futures (Spot Price \$USD)			
	Last	Change	
Gold	1,501.10	16.50	▲ 1.11%
Silver	12.63	0.24	▲ 1.98%
Crude Oil	23.64	1.01	▲ 4.46%

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