

MORNING REPORT

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Top News

Fed Unleashes Unprecedented Measures to Shore Up Reeling Economy

The Federal Reserve, racing again to contain mounting economic and financial-market fallout from the coronavirus, unveiled a sweeping series of measures that pushed the 106-year old central bank deeper into uncharted territory.

In a surprise announcement Monday before markets opened in New York, the U.S. central bank said it will buy unlimited amounts of Treasury bonds and mortgage-backed securities to keep borrowing costs at rock-bottom levels -- and to help ensure chaotic markets function properly. It also set up programs to ensure credit flows to corporations as well as state and local governments.

The Fed's latest steps landed as investors wait for U.S. lawmakers to deliver a multi-trillion dollar package of coronavirus support, which failed to come together Sunday when Democrats objected that it did not do enough for average Americans.

Following a string of emergency measures last week, the moves also increasingly push the central bank into new territory by providing direct support to U.S. employers, municipalities and households, which would traditionally be viewed as fiscal policy.

"Wow, just wow," George Rusnak, head of investment management at Wells Fargo Private Bank, said on Bloomberg Television. "Hopefully you'll come out of this with some fiscal stimulus as well, and you'll be set with good growth opportunities in the long run."

In a sign, however, of just how unnerved investors are by the pandemic, the Fed's moves failed to spark anything beyond a brief rally in stocks and corporate bonds Monday after weeks of staggering losses.

Stocks fell 4.5% in New York. Yields on 10-year U.S. Treasuries initially sank below 0.69% as investors digested the news before pushing back to around 0.74%.

Some pockets of the market reacted positively to the Fed moves. Signs of stress in the corporate debt sector eased, with the CDX Investment Grade index spread tightening. Bond ETFs eligible for central-bank purchases rallied and the dollar retreated versus major peers.

Monday's Fed action followed an already-dizzying number of steps taken by Chairman Jerome Powell in the past three weeks that would have been unthinkable just months ago. They represent a dramatic reaction to the sudden stop inflicted on the economy by the contagion and by the subsequent panic among investors.

Group of 20 finance ministers and central bank chiefs separately joined an emergency call to work on a joint response to the economic blow dealt by the pandemic.

NZX Index			
Index	Last	Change	
S&P/NZX All Index	9,144.96	764.27	▼ 7.71%
S&P/NZX 50 Portfolio Index	4,840.64	512.53	▼ 9.57%
S&P/NZX MidCap Index	20,866.00	2,998.00	▼ 12.56%
S&P/NZX SmallCap Index	39,745.42	5,115.00	▼ 11.40%

ASX Index			
Index	Last	Change	
ASX All Ordinaries	4,564.10	290.20	▼ 5.98%
S&P/ASX 200	4,546.00	270.60	▼ 5.62%
ASX Small Ordinaries	1,825.80	173.90	▼ 8.70%
S&P/ASX MIDCAP 50	4,511.30	416.50	▼ 8.45%
S&P/ASX 20	2,633.30	124.40	▼ 4.51%

Foreign Markets Index			
	Last	Change	
S&P 500	2,237.40	67.52	▼ 2.93%
Dow Jones Industrial Average	18,591.93	582.05	▼ 3.04%
NASDAQ Composite	6,860.67	18.84	▼ 0.27%
DAX PERFORMANCE-INDEX	8,741.15	187.80	▼ 2.10%
ASX All Ordinaries	4,564.10	290.20	▼ 5.98%
NIKKEI 225	16,887.78	334.95	▲ 2.02%
HANG SENG INDEX	21,696.13	1,108.94	▼ 4.86%

Currencies (per NZ\$ 1.00)			
	Last	Change	
AUD	0.9812	0.0027	▲ 0.28%
USD	0.5682	0.0005	▲ 0.09%
CNY	4.0290	0.0020	▼ 0.05%
EUR	0.5296	0.0011	▼ 0.21%
CAD	0.8265	0.0110	▲ 1.33%
GBP	0.4952	0.0055	▲ 1.11%
JPY	63.2420	0.2920	▲ 0.46%

NZ Interest Rates		
	Last	Change
NZ OCR	0.25	
3m Bank Bill	0.58	
5y Swap	0.65	
10y Swap	1.00	

Commodities Futures (Spot Price \$USD)			
	Last	Change	
Gold	1,561.70	77.10	▲ 5.19%
Silver	13.24	0.85	▲ 6.90%
Crude Oil	23.54	0.91	▲ 4.02%

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