



## MORNING REPORT

As at 8.55 AM 24-05-18

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### Top News

#### Treasuries rally as Fed's in no rush

US Treasuries climbed while Wall Street was mixed, giving up some of its earlier declines, as Federal Reserve policy makers signalled the pace of interest rate hikes is unlikely to accelerate soon.

The Dow was mixed as slides in shares of General Electric and those of American Express, recently down 7.4 percent and 0.2 percent respectively, offset advances in shares of Boeing and those of Merck, recently up 1.2 percent and 1.1 percent respectively.

Shares of General Electric slumped amid concern about Chief Executive Officer John Flannery's comments about the outlook for its power business.

#### NZ dollar gains as Fed minutes point to 3 hikes, European data weakens

The New Zealand dollar rose against the greenback and the euro after the Federal Reserve minutes pointed to no more than three rate hikes this year while European manufacturing and services data weakened.

The Fed minutes showed most policymakers saw the need for another rate hike in the US "soon" but overall the tone was taken as slightly dovish. In Europe, figures showed the Markit services and manufacturing PMIs both fell in May, while consumer confidence came in lower than expected.

Markets remain jittery about global trade after US President Donald Trump tempered optimism over progress made so far in trade talks with China. The latest update on New Zealand trade is due for release this morning, with merchandise trade data for April expected to show a modest \$198 million surplus in the month.

#### NZ shares drop on Fonterra, A2 weakness; Steel & Tube drops 18% on 2018 loss

New Zealand shares dropped after Fonterra Cooperative Group cut its dividend forecast, weighing on the Fonterra Shareholders' Fund and A2 Milk Co. Steel & Tube Holdings plunged to a 17-year low after warning of a full-year loss.

Fonterra Shareholders' Fund units led the index lower, dropping 6.8 percent to \$5.35. The cooperative has raised its forecast farmgate milk price for the 2018 and 2019 seasons while cutting its projected dividends for 2018, saying rising global dairy prices are squeezing margins.

It raised its forecast milk price for the current season by 20 cents to \$6.75 per kilogram of milk solids and gave an opening price forecast for 2019 of \$7/kgMS, but cut its forecast dividend range for the current year to a range of 15-20 cents a share, from a previous forecast of 25-35 cents.

Auckland International Airport fell 2.4 percent to \$6.59 and Comvita dropped 2.3 percent to \$5.93.

Argosy Property was the best performer, up 2.5 percent to \$1.045. It lifted annual earnings 2.1 percent on flat rental income and said it will cut its retail exposure over the next 18 months, with real estate selling at "attractive prices" and the market near a cyclical peak.

| NZX Index                  |           |        |   |       |
|----------------------------|-----------|--------|---|-------|
| Index                      | Last      | Change |   |       |
| S&P/NZX All Index          | 9,314.85  | 69.39  | ▼ | 0.74% |
| S&P/NZX 50 Index           | 8,553.23  | 60.09  | ▼ | 0.70% |
| S&P/NZX MidCap Index       | 25,030.87 | 49.22  | ▲ | 0.20% |
| S&P/NZX SmallCap Index     | 60,861.87 | 728.02 | ▼ | 1.18% |
| S&P/NZAX All Index         | 515.35    | 8.88   | ▲ | 1.75% |
| ASX Index                  |           |        |   |       |
| Index                      | Last      | Change |   |       |
| ASX All Ordinaries         | 6,140.30  | 9.60   | ▼ | 0.16% |
| S&P/ASX 200                | 6,032.50  | 9.40   | ▼ | 0.16% |
| ASX Small Ordinaries       | 2,805.10  | 7.10   | ▼ | 0.25% |
| S&P/ASX MIDCAP 50          | 6,783.60  | 29.50  | ▼ | 0.43% |
| S&P/ASX 20                 | 3,330.60  | 1.50   | ▼ | 0.05% |
| Foreign Markets Index      |           |        |   |       |
|                            | Last      | Change |   |       |
| S&P 500                    | 2,733.29  | 8.85   | ▲ | 0.32% |
| Dow Jones                  | 24,886.81 | 52.40  | ▲ | 0.21% |
| NASDAQ Composite           | 7,425.96  | 47.50  | ▲ | 0.64% |
| FTSE                       | 7,788.44  | 89.01  | ▼ | 1.13% |
| ASX All Ordinaries         | 6,140.30  | 9.60   | ▼ | 0.16% |
| NIKKEI 225                 | 22,689.74 | 270.60 | ▼ | 1.18% |
| HANG SENG INDEX            | 30,665.64 | 568.71 | ▼ | 1.82% |
| Currencies (per NZ\$ 1.00) |           |        |   |       |
|                            | Last      | Change |   |       |
| AUD                        | 0.9147    | 0.0007 | ▼ | 0.08% |
| USD                        | 0.6914    | 0.0022 | ▼ | 0.32% |
| CNY                        | 4.4170    | 0.0040 | ▲ | 0.09% |
| EUR                        | 0.5909    | 0.0021 | ▲ | 0.36% |
| CAD                        | 0.8881    | 0.0010 | ▼ | 0.11% |
| GBP                        | 0.5179    | 0.0015 | ▲ | 0.29% |
| JPY                        | 76.0570   | 0.8600 | ▼ | 1.12% |
| NZ Interest Rates          |           |        |   |       |
|                            | Last      | Change |   |       |
| NZ OCR                     | 1.75      |        |   |       |
| 3-month Bank Bill          | 1.94      |        |   |       |
| 5-year Swap                | 2.67      |        |   |       |
| 10-year Swap               | 3.17      |        |   |       |
| Commodities Futures        |           |        |   |       |
|                            | Last      | Change |   |       |
| Gold                       | 1,293.20  | 1.20   | ▲ | 0.09% |
| Silver                     | 16.47     | 0.11   | ▼ | 0.66% |
| Crude Oil                  | 71.77     | 0.43   | ▼ | 0.60% |

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