



MORNING REPORT

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Top News

NZ stocks drop as investors dump power companies on smelter scare

New Zealand shares dropped as Contact Energy, Meridian Energy and the other power companies were sold off sharply on the prospect of the Tiwai Point smelter facing potential closure.

The S&P/NZX 50 Index fell 236.60 points, or 2.1 percent, to 10,853.79. Within the index, 30 stocks declined, 10 rose, and 10 were unchanged. Turnover was \$228.9 million, of which Meridian alone accounted for \$57.4 million.

The electricity generator-retailers all fell after Rio Tinto, which controls New Zealand Aluminium Smelters, said it was reviewing the smelter's future after rejecting Meridian's proposed pricing. The smelter secured a \$30 million sweetener in 2013 when it strong-armed the then-government during power supply negotiations. Energy Minister Megan Woods today said the government won't provide more financial support.

Meridian chief executive Neil Barclay said the company put forward a number of proposals and concessions to the smelter's owner, but that its offer fell short. He said he was still open to negotiations. Meridian dropped 8.7 percent to \$4.95 on a volume of 11.5 million shares, more than eight times its 1.4 million 90-day average.

Contact was hit even harder, leading the market lower as it fell 9.7 percent to \$7.69 with 3.7 million shares changing hands, well up on its 1 million average. Mercury NZ dropped 8.4 percent to \$4.995 with 4.8 million traded, Genesis Energy fell 6.1 percent to \$3.06 and Trustpower was down 3 percent at \$8.34.

NZ dollar benefits as EU likely to grant Brexit extension

The New Zealand dollar rose on improved risk sentiment overnight as European Union officials look set to grant a Brexit extension.

The kiwi was trading at 64.20 US cents at 8am in Wellington from 63.89 cents at 5pm. The trade-weighted index was at 70.92 from 70.72.

"Kiwi outperformed most of its G-10 peers as markets flip back into a risk-on setting as EU officials look set to grant the UK a three-month extension to the Brexit deadline," said ANZ Bank FX/rates strategist Sandeep Parekh.

The UK government won't meet its current timetable of leaving the EU on Oct. 31 and an extension appears likely, something that has helped calm market nerves. However, Brexit uncertainty looks likely to continue to weigh on UK business investment and activity for now, said Parekh.

In a tweet, Donald Tusk, president of the European Council, said he gave reasons why he recommended the EU27 accept the UK request for an extension in a phone call with Prime Minister Boris Johnson. Earlier he tweeted he would recommend accepting the request to avoid a "no-deal Brexit."

Looking ahead, Parekh said markets will be focused on the European Central Bank's policy meeting later in the global trading day "but the market doesn't expect much action following last month's easing package."

| NZX Index | | | |
|--|-----------|---------|-------|
| Index | Last | Change | |
| S&P/NZX All Index | 11,730.55 | 248.72 | 2.08% |
| S&P/NZX 50 Index | 10,853.79 | 236.60 | 2.13% |
| S&P/NZX MidCap Index | 31,441.32 | 337.54 | 1.06% |
| S&P/NZX SmallCap Index | 62,874.90 | 235.35 | 0.37% |
| ASX Index | | | |
| Index | Last | Change | |
| ASX All Ordinaries | 6,778.20 | 0.40 | 0.01% |
| S&P/ASX 200 | 6,673.10 | 0.90 | 0.01% |
| ASX Small Ordinaries | 2,868.40 | 7.10 | 0.25% |
| S&P/ASX MIDCAP 50 | 6,994.90 | 21.40 | 0.31% |
| S&P/ASX 20 | 3,701.80 | 2.40 | 0.06% |
| Foreign Markets Index | | | |
| | Last | Change | |
| S&P 500 | 3,001.26 | 5.27 | 0.18% |
| Dow Jones | 26,817.33 | 29.23 | 0.11% |
| NASDAQ Composite | 8,112.36 | 8.07 | 0.10% |
| DAX | 12,798.19 | 43.50 | 0.34% |
| ASX All Ordinaries | 6,778.20 | 0.40 | 0.01% |
| NIKKEI 225 | 22,625.38 | 76.48 | 0.34% |
| HANG SENG INDEX | 26,566.73 | 219.47 | 0.82% |
| Currencies (per NZ\$ 1.00) | | | |
| | Last | Change | |
| AUD | 0.9371 | 0.0030 | 0.32% |
| USD | 0.64 | 0.0018 | 0.28% |
| CNY | 4.5380 | 0.0050 | 0.11% |
| EUR | 0.58 | 0.0011 | 0.19% |
| CAD | 0.8398 | 0.0013 | 0.15% |
| GBP | 0.50 | -0.0005 | 0.10% |
| JPY | 69.7940 | 0.3035 | 0.43% |
| NZ Interest Rates | | | |
| | Last | Change | |
| NZ OCR | 1.00 | | |
| 3m Bank Bill | 1.05 | | |
| 5y Swap | 1.07 | | |
| 10y Swap | 1.39 | | |
| Commodities Futures (Spot Price \$USD) | | | |
| | Last | Change | |
| Gold | 1,495.40 | 7.90 | 0.53% |
| Silver | 17.56 | 0.06 | 0.34% |
| Crude Oil | 55.82 | 1.34 | 2.46% |

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