

# MORNING REPORT

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## Top News

### NZ shares fall as rate outlook weighs on yield stocks; Skellerup drops

New Zealand shares fell as diminishing expectations for interest rates to go lower sapped the appeal of companies held for their dividends such as Meridian Energy and Chorus. Skellerup led the index lower after reporting a record profit.

The S&P/NZX 50 Index dropped 102.87 points, or 1 percent, to 10,622.35. Within the index, 33 stocks fell, 12 rose and five were unchanged. Turnover was \$169.1 million, of which Sanford accounted for \$66.9 million.

Investors pared back their expectations for central banks around the world to cut interest rates further. Central bankers are converging in their annual symposium in Jackson Hole, Wyoming, and investors are keenly waiting for Federal Reserve chair Jerome Powell's speech after two regional Fed presidents said no more cuts were needed in the US.

"Yield plays have been sold off a little bit, so that's the power companies and infrastructure stocks that have done so well over the last 12 months giving back some of those gains. Swap rates are up quite a bit," said Grant Davies, an investment advisor at Hamilton Hindin Greene. Swap rates are used as a benchmark to set interest rates on corporate bonds.

Meridian Energy fell 4.1 percent to \$4.77 and Chorus declined 2.7 percent to \$5.14. Both companies are reporting on Monday. Mercury NZ was down 2 percent at \$5.095, Auckland International Airport slipped 2 percent to \$9.40 and Port of Tauranga declined 1.6 percent to \$6.06.

Skellerup led the index lower, down 4.9 percent at \$2.35 on a volume of 416,000 shares, almost three times its 90-day average of 156,000 shares. The rubber goods maker reported a record profit through the strength of its industrial division. Its agricultural unit posted flat earnings in a mixed international dairy market.

### NZ dollar down on US-China trade jitters

The New Zealand dollar fell on renewed concerns about US-China trade tensions as both sides announced further tariffs.

The kiwi was trading at 63.77 US cents at 7:50am in Wellington from 64.02 late Friday in New York. The trade-weighted index was at 71.02 points from 71.27.

US President Donald Trump said Friday he will raise existing duties on US\$250 billion in Chinese products to 30 percent from 25 percent on Oct. 1. Tariffs on another US\$300 billion in Chinese goods, which start to take effect on Sept. 1, will now be 15 percent instead of 10 percent. The move came after China unveiled retaliatory tariffs on US\$75 billion worth of US goods.

Trump also said he was ordering US companies to find "alternatives" to China, including closing operations there and moving production to the United States, according to Reuters.

Reuters also reported that US Treasury Secretary Steven Mnuchin said Trump could order companies out of China under the International Emergency Economic Powers Act if he declared a national emergency.

| NZX Index              |           |        |   |       |
|------------------------|-----------|--------|---|-------|
| Index                  | Last      | Change |   |       |
| S&P/NZX All Index      | 11,475.98 | 107.64 | ▼ | 0.93% |
| S&P/NZX 50 Index       | 10,622.36 | 103.75 | ▼ | 0.97% |
| S&P/NZX MidCap Index   | 30,711.06 | 156.79 | ▼ | 0.51% |
| S&P/NZX SmallCap Index | 60,499.39 | 131.38 | ▲ | 0.22% |

| ASX Index            |          |        |   |       |
|----------------------|----------|--------|---|-------|
| Index                | Last     | Change |   |       |
| ASX All Ordinaries   | 6,614.30 | 21.30  | ▲ | 0.32% |
| S&P/ASX 200          | 6,523.10 | 21.30  | ▲ | 0.33% |
| ASX Small Ordinaries | 2,813.50 | 6.50   | ▼ | 0.23% |
| S&P/ASX MIDCAP 50    | 6,928.90 | 13.70  | ▲ | 0.20% |
| S&P/ASX 20           | 3,611.10 | 11.20  | ▲ | 0.31% |

| Foreign Markets Index |           |        |   |       |
|-----------------------|-----------|--------|---|-------|
|                       | Last      | Change |   |       |
| S&P 500               | 2,847.11  | 75.84  | ▼ | 2.59% |
| Dow Jones             | 25,628.90 | 623.30 | ▼ | 2.37% |
| NASDAQ Composite      | 7,751.77  | 239.62 | ▼ | 3.00% |
| DAX                   | 11,611.51 | 135.49 | ▼ | 1.15% |
| ASX All Ordinaries    | 6,614.30  | 21.30  | ▲ | 0.32% |
| NIKKEI 225            | 20,710.91 | 82.91  | ▲ | 0.40% |
| HANG SENG INDEX       | 26,179.33 | 130.63 | ▲ | 0.50% |

| Currencies (per NZ\$ 1.00) |         |         |   |       |
|----------------------------|---------|---------|---|-------|
|                            | Last    | Change  |   |       |
| AUD                        | 0.9476  | -0.0002 | ▼ | 0.02% |
| USD                        | 0.64    | -0.0017 | ▼ | 0.27% |
| CNY                        | 4.5300  | -0.0010 | ▼ | 0.02% |
| EUR                        | 0.57    | -0.0023 | ▼ | 0.40% |
| CAD                        | 0.8491  | -0.0012 | ▼ | 0.14% |
| GBP                        | 0.52    | -0.0006 | ▼ | 0.12% |
| JPY                        | 67.0750 | -0.4300 | ▼ | 0.64% |

| NZ Interest Rates |      |        |
|-------------------|------|--------|
|                   | Last | Change |
| NZ OCR            | 1.00 |        |
| 3m Bank Bill      | 1.19 |        |
| 5y Swap           | 1.00 |        |
| 10y Swap          | 1.29 |        |

| Commodities Futures (Spot Price \$USD) |          |        |   |       |
|--|----------|--------|---|-------|
|  | Last     | Change |   |       |
| Gold                                   | 1,527.20 | 29.90  | ▲ | 2.00% |
| Silver                                 | 17.40    | 0.35   | ▲ | 2.08% |
| Crude Oil                              | 53.97    | 1.38   | ▼ | 2.49% |

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