



MORNING REPORT

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Web: www.equity.co.nz / E-mail: Info@equity.co.nz / Tel: +64 (9)304 0145 / Address: Level 7, 12-26 Swanson Street, Auckland, NZ

Top News

Stock Rout Deepens, Bond Yields Plunge to Records

Global stocks plunged to four-month lows, government debt yields sunk to unprecedented levels and crude oil extended declines as anxiety over the spread of the coronavirus deepened.

The S&P 500 whipsawed investors Thursday, turning lower again after California's governor said the state was monitoring 8,400 people for signs of the virus after they traveled to Asia. The decline of as much as 10% since last Friday was the benchmark on pace for its worst week since the 2008 global financial crisis and pushed the index into what is known as a correction. The MSCI All-Country World Index fell to the lowest since October, while the Stoxx Europe 600 also entered a correction.

"Stocks and bonds say we're doomed," said Chris Rupkey, chief financial economist for MUFG Union Bank. "Anyone who has a better idea for what lies ahead please let us know because right now the direction ahead for the economy is straight down."

The outbreak has the potential to become a pandemic and is at a decisive stage, the head of the World Health Organization said Thursday. The global economy is on course for its weakest year since the financial crisis as the virus damages demand in China and beyond, Bank of America predicted. Earlier, Goldman Sachs slashed its outlook for U.S. companies' profit growth to zero. Germany is examining potential stimulus measures to stem the economic impact. Saudi Arabia halted religious visits that draw millions.

Haven assets continued to be in demand, and the yen strengthened as yields on 10-year U.S. and Australian government bonds hit fresh record lows. Oil sank further. The pound reversed a gain after the U.K. told the European Union it could walk away from the negotiating table in June if progress isn't being made toward a trade deal.

Investors are pricing in a Federal Reserve easing in April followed by another rate cut in July, swaps data show, while bets for easing from Japan to Australia have also increased after the International Monetary Fund cut global growth forecasts.

Komal Sri-Kumar, president and founder of Sri-Kumar Global Strategies, discusses the stock market sell-off. Source: Bloomberg

Losses continue to mount as investors weigh each gloomy headline on the virus. U.S. health authorities on Wednesday said they found the first case of the illness that does not have ties to a known outbreak. Microsoft Corp. joined an expanding list of companies warning over the impact of the virus on operations.

"The way the market is going down, it's happening pretty quickly, but it's very difficult to say that it's over," said Sameer Samana, senior global market strategist for Wells Fargo Investment Institute. "Bottoming is a multistep process and you're probably still in step one."

(Bloomberg)

| NZX Index | | | | |
|----------------------------|-----------|--------|--------|-------|
| Index | Last | | Change | |
| S&P/NZX All Index | 12,344.35 | 106.40 | ▼ | 0.85% |
| S&P/NZX 50 Portfolio Index | 6,937.26 | 86.57 | ▼ | 1.23% |
| S&P/NZX MidCap Index | 31,299.03 | 237.60 | ▼ | 0.75% |
| S&P/NZX SmallCap Index | 61,351.38 | 65.45 | ▼ | 0.11% |

| ASX Index | | | | |
|----------------------|----------|-------|--------|-------|
| Index | Last | | Change | |
| ASX All Ordinaries | 6,737.40 | 53.30 | ▼ | 0.78% |
| S&P/ASX 200 | 6,657.90 | 50.20 | ▼ | 0.75% |
| ASX Small Ordinaries | 2,848.30 | 23.40 | ▼ | 0.81% |
| S&P/ASX MIDCAP 50 | 7,029.40 | 26.20 | ▼ | 0.37% |
| S&P/ASX 20 | 3,731.70 | 25.60 | ▼ | 0.68% |

| Foreign Markets Index | | | | |
|------------------------------|-----------|--------|--------|-------|
| | Last | | Change | |
| S&P 500 | 3,038.68 | 77.71 | ▼ | 2.49% |
| Dow Jones Industrial Average | 26,262.32 | 695.27 | ▼ | 2.58% |
| NASDAQ Composite | 8,738.49 | 242.29 | ▼ | 2.70% |
| DAX PERFORMANCE-INDEX | 12,367.46 | 407.42 | ▼ | 3.19% |
| ASX All Ordinaries | 6,737.40 | 53.30 | ▼ | 0.78% |
| NIKKEI 225 | 21,948.23 | 477.96 | ▼ | 2.13% |
| HANG SENG INDEX | 26,778.62 | 82.13 | ▲ | 0.31% |

| Currencies (per NZ\$ 1.00) | | | | |
|----------------------------|---------|--------|--------|-------|
| | Last | | Change | |
| AUD | 0.9588 | 0.0021 | ▼ | 0.22% |
| USD | 0.63 | 0.0022 | ▲ | 0.35% |
| CNY | 4.4190 | 0.0080 | ▼ | 0.18% |
| EUR | 0.57 | 0.0034 | ▼ | 0.59% |
| CAD | 0.8436 | 0.0049 | ▲ | 0.58% |
| GBP | 0.49 | 0.0021 | ▲ | 0.43% |
| JPY | 69.3890 | 0.0480 | ▼ | 0.07% |

| NZ Interest Rates | | |
|-------------------|------|--------|
| | Last | Change |
| NZ OCR | 1.00 | |
| 3m Bank Bill | 1.08 | |
| 5y Swap | 1.01 | |
| 10y Swap | 1.26 | |

| Commodities Futures (Spot Price \$USD) | | | |
|--|----------|------|---------|
| | Last | | Change |
| Gold | 1,642.10 | 1.00 | ▼ 0.06% |
| Silver | 17.75 | 0.16 | ▼ 0.92% |
| Crude Oil | 46.97 | 1.76 | ▼ 3.61% |

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www.equity.co.nz [E-mail: Info@equity.co.nz](mailto:Info@equity.co.nz)

Contact Equity Investment Advisers today.
Tel: +64 (9)304 0145 / NZ: 0800 474 669