



## MORNING REPORT

As at 9.00 AM 30-05-18

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### Top News

#### Italy's chaos boosts US Treasuries, sinks equities

US Treasuries rallied, while equities on both sides of the Atlantic dropped amid concern that political turmoil in Italy might pose a threat to the eurozone and prompt the US Federal Reserve to slow its interest rate hike trajectory.

US financial markets had been closed on Monday for the Memorial Day holiday.

The Dow slid, led by declines in shares of JPMorgan Chase as well as those of Goldman Sachs and American Express, recently down 4.8 percent, 3.8 percent and 3.7 percent respectively. Coca-Cola was the only stock in the Dow to gain, trading 0.5 percent stronger.

The Fed is widely expected to lift its target interest rate at its next meeting in June and has flagged another hike later this year.

#### NZ dollar falls below 69 US cents as Italy remains in focus, stability report looms

The New Zealand dollar fell below 69 US cents and dropped against the yen as Italy's political hiatus sent Italian bond yields soaring and prompted investors to look for safe havens.

The yield on Italian 2-year bonds soared 180 basis points due to ongoing political turmoil in Italy, in particular, concerns about what a new round of Italian elections might bring including stronger calls to exit the eurozone. In New Zealand, the Reserve Bank's financial stability report is due out at 9am and traders will be watching for any comment related to the kiwi dollar.

In other developments overnight, the US said it will impose tariffs of 25 percent on some US\$50 billion of imports from China and impose restrictions on Chinese investment in the US.

#### NZ shares drop as A2 extends slide, F&P Healthcare drops, Synlait, Mainfreight gain

New Zealand shares fell as A2 Milk extended its decline and Fisher & Paykel Healthcare and Scales Corp dropped while Synlait Milk and Mainfreight rose.

A2 Milk led the index lower, falling 2 percent to \$10.55. The stock has been dropping for two weeks after it missed expectations in a trading update, prompting some analysts to reassess what have been optimistic assumptions for the company's outlook. A2 will join the MSCI Global Standard Index on Thursday when that index is rebalanced.

F&P Healthcare dropped 1.4 percent to \$13. Yesterday, the company lifted 2018 annual profit to the top end of its forecast range and said it expects record earnings in the coming year as it benefits from growing global demand.

Synlait was the best performer, up 1.6 percent to \$10.55, and Kiwi Property Group rose 1.5 percent to \$1.40.

NZX Index				
Index	Last	Change		
S&P/NZX All Index	9,402.23	12.55	▼	0.13%
S&P/NZX 50 Index	8,635.86	9.34	▼	0.11%
S&P/NZX MidCap Index	25,157.60	91.19	▲	0.36%
S&P/NZX SmallCap Index	60,943.69	250.55	▼	0.41%
S&P/NZAX All Index	516.22	0.85	▲	0.17%
ASX Index				
Index	Last	Change		
ASX All Ordinaries	6,121.70	8.10	▲	0.13%
S&P/ASX 200	6,013.60	9.60	▲	0.16%
ASX Small Ordinaries	2,807.00	6.20	▲	0.22%
S&P/ASX MIDCAP 50	6,771.40	21.40	▼	0.32%
S&P/ASX 20	3,311.80	13.40	▲	0.41%
Foreign Markets Index				
	Last	Change		
S&P 500	2,689.86	31.47	▼	1.16%
Dow Jones	24,361.45	391.64	▼	1.58%
NASDAQ Composite	7,396.59	37.26	▼	0.50%
FTSE	7,632.64	97.64	▼	1.26%
ASX All Ordinaries	6,121.70	8.10	▲	0.13%
NIKKEI 225	22,358.43	122.66	▼	0.55%
HANG SENG INDEX	30,484.58	307.68	▼	1.00%
Currencies (per NZ\$ 1.00)				
	Last	Change		
AUD	0.9192	0.0009	▼	0.10%
USD	0.6899	0.0043	▼	0.62%
CNY	4.4280	0.0130	▼	0.29%
EUR	0.5981	0.0009	▲	0.15%
CAD	0.8978	0.0043	▼	0.48%
GBP	0.5204	0.0012	▼	0.23%
JPY	74.9505	1.0125	▼	1.33%
NZ Interest Rates				
	Last	Change		
NZ OCR	1.75			
3-month Bank Bill	1.94			
5-year Swap	2.64			
10-year Swap	3.12			
Commodities Futures				
	Last	Change		
Gold	1,298.60	5.10	▼	0.39%
Silver	16.41	0.14	▼	0.85%
Crude Oil	66.84	1.04	▼	1.53%

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