

MORNING REPORT

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Top News

KEY FACTORS IMPACTING KEY OVERSEAS

Wall Street's main indices closed lower on the back of the latest data showing stronger inflation and weaker U.S. retail sales in May. This further worried already-jittery investors awaiting the results of the Federal Reserve's latest policy meeting.

U.S. retail sales dropped more than expected in May, with spending rotating back to services from goods as vaccinations allow Americans to travel and engage in activities that had been restricted by the pandemic. However, the trend in retail sales remains strong. Retail sales increased 0.9%. Economists had forecast retail sales declining 0.8%.

With more than half of eligible Americans are fully vaccinated, this is likely to boost demand for air travel, hotel accommodation, dining out and entertainment etc. Rising overall consumer demand, fuelled by trillions of dollars from the government and record-low interest rates, is straining supply chains and helping to push inflation. The Labour Department said on Tuesday its producer price index for final demand increased 0.8% last month after rising 0.6% in April. In the 12 months through May, the PPI accelerated 6.6%, the largest gain since November 2010. In the light of the latest PPI and CPI data, economists are forecasting that the core personal consumption expenditures price index, would push the year-on-year rate to about 3.4% from 3.1% in April. However, Fed Chair Jerome Powell remains adamant that higher inflation will be transitory.

Fed officials are in the midst of a two-day policy meeting. Observers will be watching to see if the Fed gives any indication as to when and how it will withdraw some of the support to the economy. The Fed is expected to emphasise that more progress towards a recovery is needed before they slow their bond purchases.

There was some encouraging news on supply bottlenecks, with the Federal Reserve reporting production at factories increased 0.9% in May and more easing of the supply squeeze could help to slow inflation and support retail sales.

KEY FACTORS IMPACTING THE NZX AND ASX

The S&P/NZX 50 was up 1.1%. primarily on the back of FPH and ATM's strong performances yesterday. Royal Phillips, a major producer of medical ventilators announced a recall of close to 5m ventilators, which the stock market saw as positive for FPH. ATM had a strong day with buyers back in a serious manner with a lot less selling of these shares. Infratil also had a good performance, closing 1.5% higher.

The ASX had another record day primarily driven by Commonwealth Bank and CSL shares strong performances.

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NZX Index				
Index	Last		Change	
S&P/NZX All Index	13,844.61	142.74	▲	1.04%
S&P/NZX 50 Portfolio Index	8,107.58	44.93	▲	0.56%
S&P/NZX MidCap Index	36,085.94	111.30	▼	0.31%
S&P/NZX SmallCap Index	90,624.17	434.57	▲	0.48%
ASX Index				
Index	Last		Change	
ASX All Ordinaries	7,633.00	55.80	▲	0.74%
S&P/ASX 200	7,379.50	67.20	▲	0.92%
ASX Small Ordinaries	3,375.00	4.20	▼	0.12%
S&P/ASX MIDCAP 50	8,990.50	39.20	▲	0.44%
S&P/ASX 20	4,165.70	50.70	▲	1.23%
Foreign Markets Index				
	Last		Change	
S&P 500	4,246.59	8.56	▼	0.20%
Dow Jones Industrial Average	34,299.33	94.42	▼	0.27%
NASDAQ Composite	14,072.86	101.29	▼	0.71%
FTSE 100	7,172.48	25.80	▲	0.36%
ASX All Ordinaries	7,633.00	55.80	▲	0.74%
NIKKEI 225	29,441.30	279.50	▲	0.96%
HANG SENG INDEX	28,638.53	203.60	▼	0.71%
Currencies (per NZ\$ 1.00)				
	Last		Change	
AUD	0.9267	0.0007	▲	0.08%
USD	0.7122	0.0022	▼	0.31%
CNY	4.5625	0.0072	▼	0.16%
EUR	0.5873	0.0022	▼	0.37%
CAD	0.868	0.0004	▲	0.05%
GBP	0.5057	0.0006	▼	0.12%
JPY	78.3765	0.2610	▼	0.33%
US 10 Year Treasury Yield				
US 10YR	1.50%			
NZ Interest Rates				
	Last			
NZ OCR	0.25			
90-day Bank Bill	0.26			
5y Bank Bill	0.34			
10y Bank Bill	0.70			
Swap rate spread close (bps)	58			
Commodities Futures (Spot Price \$USD)				
	Last		Change	
Gold	1,860.50	5.40	▼	0.29%
Silver	27.78	0.26	▼	0.92%
Crude Oil	72.41	1.53	▲	2.16%