

MORNING REPORT

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Top News

KEY OVERSEAS MARKET

Global stocks traded lower on Monday as fear of contagion from a potential collapse of China's Evergrande prompted a broad sell-off and sent investors fleeing equities for safety. The Chinese real estate developer Evergrande's shares tumbled in excess of 15% due to its excessive debt and its likely inability to make debt repayments later this week. Hong Kong's Hang Seng index tanked 3.3%, while China's Shanghai Composite was closed for a holiday. The Dow Jones Industrial Average dropped 800 points or 2.17% while the S&P 500 and the Nasdaq Composite fell 2.14% and 2.57% respectively. All 11 sectors were lower, with economically sensitive groups like energy down the most. In Europe Germany's DAX 30 declined 2.31%, France's CAC 40 lost 1.74% and Britain's FTSE 100 fell 0.86%.

Investors are now focused on the upcoming Federal Reserve's two-day policy meeting, as they await to see if the Federal Reserve will announce when the tapering of its asset purchases will begin. The consensus is for an actual announcement to be delayed until the November or December. Rising worries about the economic recovery pushed the 10 - year bond yield down to 1.3%.

West Texas Intermediate crude oil slid \$1.34 to \$70.61 a barrel, while gold ticked up \$12.40 to \$1,761.80 an ounce.

NZX & ASX

Australian shares dropped more than 2% on Monday, their worst session in nearly seven months, as weak commodity prices negatively impacted mining and energy stocks. The S&P/ASX 200 index ended 2.1% lower at 7,248.2. Commodity prices were weighed down by a stronger U.S. dollar, together with the looming catastrophe at indebted property giant China Evergrande which frayed nerves. Heavyweight miners fell more than 4% pressured by a slump in Chinese iron ore futures. Rio Tinto extended losses into a fourth session, while BHP Group Ltd tumbled to a 10-month low. Energy stocks dropped 3%, their worst session in over a month. Property stocks also fell, with Lendlease Group and Goodman Group shedding 3.5% and 2.5%, respectively. Evergrande is one of the biggest property owners in Australia. The market talk is they will be forced to liquidate large amounts of property to fulfil their debt obligations and that will seriously hurt property and property-related stocks. On the positive side AusNet Services closed at a record high following a higher non-binding Canadian buyout proposal of A\$9.57 billion.

New Zealand's benchmark S&P/NZX 50 index ended 0.4% lower at 13,178.58 on turnover of \$133m. The negative mood of the Australian market together with the rise in market interest rates negatively impacted, following strong GDP data. Markets a pricing a 25 basis points increase in the OCR in October.

NZX Index				
Index	Last	Change		
S&P/NZX All Index	14,386.77	63.62	▼	0.44%
S&P/NZX 50 Index	13,178.58	55.97	▼	0.42%
S&P/NZX MidCap Index	37,944.68	235.10	▼	0.62%
S&P/NZX SmallCap Index	93,486.11	917.60	▼	0.97%
ASX Index				
Index	Last	Change		
ASX All Ordinaries	7,537.90	165.00	▼	2.14%
S&P/ASX 200	7,248.20	155.50	▼	2.10%
ASX Small Ordinaries	3,425.50	94.10	▼	2.67%
S&P/ASX MIDCAP 50	9,100.90	251.70	▼	2.69%
S&P/ASX 20	3,986.50	81.00	▼	1.99%
Foreign Markets Index				
	Last	Change		
S&P 500	4,357.73	75.26	▼	1.70%
Dow Jones Industrial Average	33,970.47	614.41	▼	1.78%
NASDAQ Composite	14,713.90	330.06	▼	2.19%
FTSE 100	6,903.91	59.73	▼	0.86%
ASX All Ordinaries	7,537.90	165.00	▼	2.14%
NIKKEI 225	30,500.05	176.75	▲	0.58%
HANG SENG INDEX	24,099.14	821.62	▼	3.30%
Currencies (per NZ\$ 1.00)				
	Last	Change		
AUD	0.9689	0.0005	▲	0.05%
USD	0.7033	0.0001	▼	0.01%
CNY	4.5477	0.0010	▼	0.02%
EUR	0.5997	0.0001	▲	0.02%
CAD	0.9012	0.0037	▲	0.41%
GBP	0.5148	0.0033	▲	0.65%
JPY	76.9367	0.3911	▼	0.51%
US 10 Year Treasury Yield				
US 10YR	1.31%			
NZ Interest Rates				
	Last			
NZ OCR	0.25			
90-day Bank Bill	0.67			
5y Bank Bill	1.56			
10y Bank Bill	1.87			
Swap rate spread close (bps)	61			
Commodities Futures (Spot Price \$USD)				
	Last	Change		
Gold	1,766.00	14.60	▲	0.83%
Silver	22.25	0.09	▼	0.41%
Crude Oil	70.70	1.27	▼	1.76%

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