

# MORNING REPORT

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

## Top News

### NZ shares sink; rising rates sap demand for yield stocks

New Zealand shares dropped to a one-week low as higher interest rates reduced demand for reliable dividends from the likes of Meridian Energy and Spark New Zealand.

The S&P/NZX 50 Index fell 217.7 points, or 2 percent, to 10,924.88. Within the index, 36 stocks dropped, nine rose, and five were unchanged. Turnover was \$176.6 million.

The local market was the worst performer across Asia-Pacific as bond yields followed US Treasuries higher. New Zealand's 10-year swap rate at 1.37 percent has climbed almost 20 basis points this month. Low interest rates have underpinned the NZX50's high proportion of yield stocks, such as utilities and property investors, and they were among the hardest hit in today's sell-off.

Meridian led the market lower, down 5.1 percent at \$5.08 on a volume of 2.2 million shares, more than its 90-day average of 1.4 million. Spark dropped 4.8 percent to \$4.425 on a volume of 4.3 million shares, Z Energy fell 4.4 percent to \$6.30 with 1.5 million shares changing hands, Mercury NZ declined 3.8 percent to \$5.33 on a volume of one million and Contact Energy was down 3.7 percent at \$8.45 with one million shares traded.

"We've seen that dramatic drop in yields rebound a little bit and that's part of the reason why our market is getting sold off," said Peter McIntyre, an investment advisor at Craigs Investment Partners. "It suggests we are seeing a bit of offshore selling in our market."

The benchmark index is still up 24 percent so far this year, the second-best performer behind China's CSI 300 Index which has climbed 31 percent.

### NZ dollar dips on US data; focus now on ECB

The New Zealand dollar dipped after US producer price's lifted in August but was largely trading water ahead of the European Central Bank rate decision due overnight.

The kiwi was trading at 64.15 US cents at 7:50 am in Wellington from 64.30 cents at 5pm. The trade-weighted index was at 71.31 from 71.41.

The US Bureau of Labor Statistics reported that the PPI for final demand rose 0.1 percent in August and rose 1.8 percent in the 12 months through August. Economists polled by Reuters had expected a flat result in August and a 1.7 percent annual increase.

However, the lift in the US dollar was capped by near-term rate expectations.

"Despite this inflation measure coming in stronger than expected, the Federal Reserve is still expected to cut interest rates next week – a decision the market has now fully priced in," said ANZ Bank FX/rates strategist Sandeep Parekh.

Risk appetite - and the kiwi - was also supported by news that China is granting tariff exemptions for 16 types of American-made products as a sign of goodwill ahead of the next round of trade talks. The tariffs were slated to be imposed on Sept. 17 and the exemption is valid for a year.

NZX Index			
Index	Last	Change	
S&P/NZX All Index	11,783.92	230.77	▼ 1.92%
S&P/NZX 50 Index	10,924.88	218.78	▼ 1.96%
S&P/NZX MidCap Index	31,163.83	403.85	▼ 1.28%
S&P/NZX SmallCap Index	60,313.18	108.59	▲ 0.18%

ASX Index			
Index	Last	Change	
ASX All Ordinaries	6,752.20	24.20	▲ 0.36%
S&P/ASX 200	6,638.00	23.90	▲ 0.36%
ASX Small Ordinaries	2,883.60	11.20	▲ 0.39%
S&P/ASX MIDCAP 50	7,102.50	24.10	▲ 0.34%
S&P/ASX 20	3,681.50	20.30	▲ 0.55%

Foreign Markets Index			
	Last	Change	
S&P 500	3,000.93	21.54	▲ 0.72%
Dow Jones	27,137.04	227.61	▲ 0.85%
NASDAQ Composite	8,169.68	85.52	▲ 1.06%
DAX	12,359.07	90.36	▲ 0.74%
ASX All Ordinaries	6,752.20	24.20	▲ 0.36%
NIKKEI 225	21,597.76	205.66	▲ 0.96%
HANG SENG INDEX	27,159.06	475.38	▲ 1.78%

Currencies (per NZ\$ 1.00)			
	Last	Change	
AUD	0.9345	-0.0016	▼ 0.17%
USD	0.64	-0.0008	▼ 0.12%
CNY	4.5650	-0.0030	▼ 0.07%
EUR	0.58	0.0009	▲ 0.15%
CAD	0.8465	0.0020	▲ 0.24%
GBP	0.52	0.0006	▲ 0.12%
JPY	69.1600	0.1005	▲ 0.15%

NZ Interest Rates		
	Last	Change
NZ OCR	1.00	
3m Bank Bill	1.15	
5y Swap	1.08	
10y Swap	1.38	

Commodities Futures (Spot Price \$USD)			
	Last	Change	
Gold	1,504.20	5.00	▲ 0.33%
Silver	18.04	0.00	▲ 0.01%
Crude Oil	56.01	1.39	▼ 2.42%

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[www.equity.co.nz](http://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