



Improving outlook boost for NZ shares

By ROMY UDANGA - BusinessDay.co.nz Last updated 05:00 08/09/2010

Improving global conditions have rippled through to the local stockmarket, pushing the NZX 50 up 4.5 per cent over the last five trading days.

The surge has added \$1.3 billion to market values despite the destruction wreaked by the Christchurch earthquake.

ING NZ investment analyst Craig Brown said the trend indicated global economic results aligning with expectations were giving some comfort to New Zealand companies.

"The results and outlook commentaries were as expected, in that companies were retaining a fairly cautious sort of a stand and were giving out only limited guidance, which is what you'd expect in this type of environment.

"A recovery of more markets is underpinning a greater degree of confidence in equities and the economies generally," Mr Brown said.

The NZX 50 index has been on a roll this month, gaining 138 points to reach 3174 yesterday, representing a total market capitalisation of \$36.6b.

The rise follows a roller-coaster ride of dips and gains for shares over the past few months on talk of a double-dip recession.

Dave Wilson, investment strategist at NZ Funds Management, said the more positive US manufacturing survey and US payrolls statistics "suggest that the double-dip recession is probably off the agenda this week".

The manufacturing survey reported economic activity in the US manufacturing sector expanded in August for the 13th consecutive month, and the overall economy grew for the 16th consecutive month.

The US payrolls figures showed far fewer jobs were lost than expected.

"There's a general improvement of sentiment that what we will see is modest economic activity this year," Mr Wilson said.

Of the companies in the NZX 50, the share prices of Rakon and Nuplex gained more than 10 per cent over the last five trading days. Rakon gained 12 cents or 10.8 per cent and closed at \$1.23 yesterday. Nuplex gained 30 cents or 10 per cent and was at \$3.40.

Mr Wilson said the impact of the earthquake had been "positive for construction and building firms and negative for insurance firms".

Fletcher Building's share price rose from \$7.70 before the earthquake to \$8.15 yesterday. Steel & Tube rose from \$2.20 to \$2.37.

AMP and Tower lost traction on the first trading day after the earthquake.

But their share prices were crawling up to their pre-quake levels of \$6.58 and \$1.88 respectively yesterday after they announced that their liabilities were capped by reinsurance.



Market up on back of global rally

Improving global conditions have pushed the NZX50 up 4.5 per cent over the last five trading days, adding \$1.3 billion to market values despite the destruction wreaked by the Christchurch earthquake.

ING NZ investment analyst Craig Brown said the trend was nothing to do with "something unique to New Zealand" but indicated latest global economic results aligning with expectations were giving some comfort to New Zealand companies.

"The results and outlook commentaries were as expected in that companies were retaining a fairly cautious sort of a stand and were giving out only limited guidance, which is what you'd expect in this type of environment. A recovery of more markets is underpinning a greater degree of confidence in equities and the economies generally," Mr Brown said.

This month the NZX50 index has been on a roll, gaining 138 points to sit at 3174 yesterday, representing total market capitalisation of \$36.6b.

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IAMP Capital's weekly update said New Zealand's upcoming economic survey of manufacturing is likely to show further expansion in the June quarter and the terms of trade is expected to have increased further in the second quarter on the back of higher export commodity prices. Fairfax