

BRAMWELL BROWN LTD

INVESTMENT ADVISERS – BROKERS

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Bramwell Brown Limited – Newsletter – August 2017

Melbourne

This will be another brief newsletter I'm sorry. I will be out of the office from Friday July 28th until Monday August 7th attending my daughter's graduation in Melbourne. Sue will be manning the fort in my absence but will not be in the office at all times. If you need something done through this period please email or leave a message for Sue on the office phone (3788299). If you need to contact Sue urgently you can phone 3789612 or 0272838519. If you need to contact me I will be checking emails periodically.

Markets

Market Indicator	July 2017	June 2016	June 2015
NZX50 Gross Index	7713	6988	5863
NZX50 Capital Index	3607	3336	2978
S&P ASX200	5727	5406	5639
Dow Jones	21613	17675	17898
NZ/AU Exchange Rate	0.9342	0.9326	0.8932
NZ/US Exchange Rate	0.7411	0.6698	0.6834
NZ/GB Exchange Rate	0.5688	0.4483	0.4351
Official Cash Rate	1.75%	2.25%	3.25%
3 Month Bank Bill Rate	1.93%	2.41%	3.28%
5 Year Swap Rate	2.77%	2.48%	3.40%
10 Year Swap Rate	3.28%	2.89%	3.86%

It is clear to see the effect low interest rates are having on the markets. Low interest rates are driving share markets around the world as investors seek higher returns elsewhere. It's hard to see a catalyst for an increase in interest rates at present. Quarterly inflation to June this year was 0.0% and for the year to June was only 1.7%. The strength of our dollar is also apparent – a sign that New Zealand is in pretty good shape.

Secondary Market Bond Yields

Here is a selection of commonly traded bonds on the New Zealand exchange.

Company	Coupon	Maturity Date	Yield
ANZ Bank	6.25%	March 2019	2.70%
Contact Energy	5.80%	May 2019	3.09%
Z Energy	6.50%	November 2019	3.75%
Infratil	6.75%	November 2019	4.70%
Warehouse	5.30%	June 2020	4.08%
Goodman Property Trust	6.20%	December 2020	3.60%
Sky TV	6.25%	March 2021	5.00%
Wellington Airport	6.25%	May 2021	3.55%
<u>Infratil</u>	<u>4.90%</u>	<u>June 2021</u>	<u>5.15%</u>
Kiwi Income Property Trust	6.15%	August 2021	4.20%
<u>Z Energy</u>	<u>4.01%</u>	<u>November 2021</u>	<u>4.08%</u>
Trustpower	5.63%	December 2021	4.20%
Goodman Property Trust	5.00%	June 2022	4.10%
Infratil	6.85%	June 2022	5.25%
<u>Trustpower</u>	<u>4.01%</u>	<u>December 2022</u>	<u>4.20%</u>
Meridian Energy	4.53%	March 2023	4.00%
Fonterra	4.42%	March 2023	3.80%
Infratil	5.25%	September 2023	5.00%
<u>Kiwi Property Group</u>	<u>4.00%</u>	<u>September 2023</u>	<u>4.40%</u>
<u>Z Energy</u>	<u>4.32%</u>	<u>November 2023</u>	<u>4.39%</u>
<u>Infratil</u>	<u>5.50%</u>	<u>June 2024</u>	<u>5.65%</u>
Kiwi Bank	6.61%	July 2024	5.50%
BNZ Capital Notes	5.31%	December 2025	4.40%
ASB Capital Notes	5.25%	December 2026	4.59%
Westpac Capital Notes	4.69%	September 2026	4.50%
Mercury NZ Limited	6.90%	July 2044	4.58%

I had this table in the newsletter six months ago. Since then only two bonds have seen an increase in their yield – all others have declined. The bonds I have underlined are all trading at a discount to their issue price – their yield is higher than the coupon rate which they were issued at. Six months ago nine bonds fitted this category – now there are six. This is more evidence of an expectation that interest rates are going to remain low for a long time.