

# BRAMWELL BROWN LTD

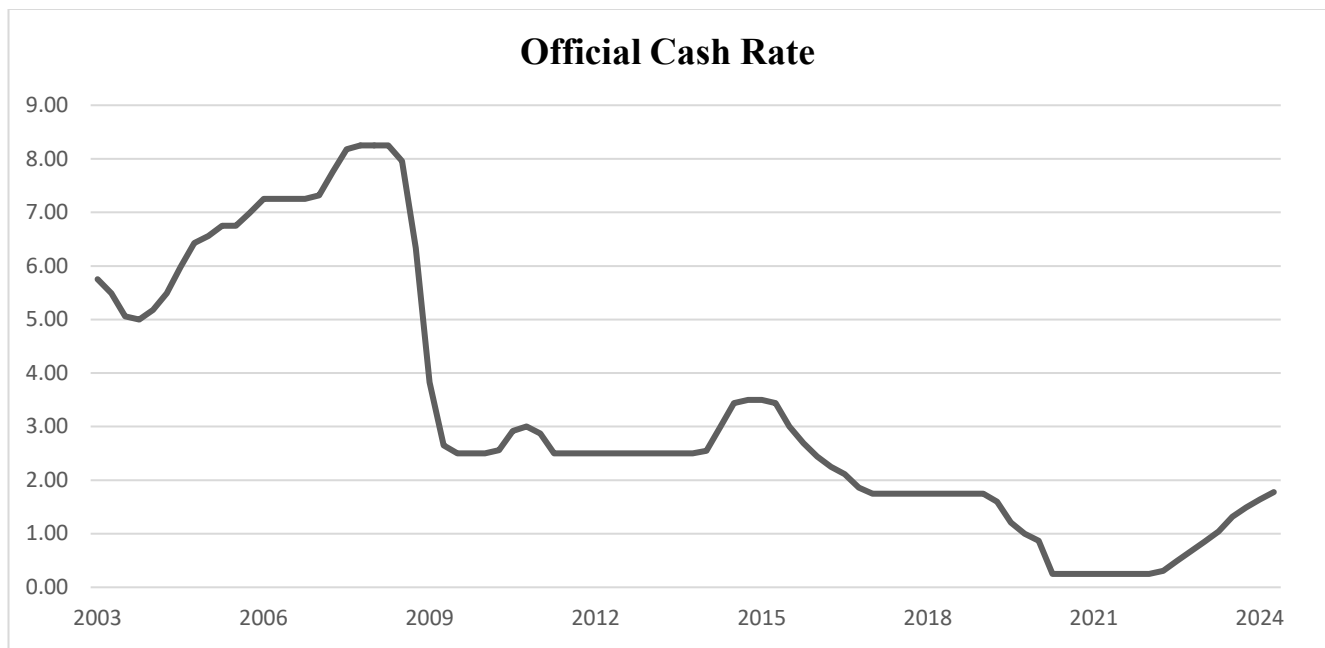
INVESTMENT ADVISERS – SHAREBROKERS

Director: Brett Dymond – BBS, GradDipBusStud (Personal Financial Planning)

## Bramwell Brown Limited – Newsletter – July 2021

### Interest Rates

Are we starting to see the bottom of the interest rate cycle? When the Reserve Bank met at the end of May they left the Official Cash Rate (OCR) at 0.25%, however they indicated in their Monetary Policy Statement that they expected the OCR to reach 1.75% in 2024. Below is a chart that was included in the Reserve Bank's May release.



We have seen slight increases in bank term deposit rates, yet the secondary market bond rates aren't showing any significant upwards pattern. Any increase in interest rates will be welcome news for those who rely on bank deposits to supplement their retirement income. However, we know interest rates affect the price of other assets. We have seen significant increases in share and house values over the last ten years, due to low interest rates. In theory the same will happen in reverse, as interest rates rise.

I've never been an advocate of timing markets, and trying to sell shares on a high, and buy on a low. History has proved time and again, this is difficult to achieve with any success. But I am an advocate of periodically taking profits from high-performing shares, and banking that profit in the form of term deposits or bonds. I think investors should be looking at their current share-holdings with that in mind.

## Official Cash Rate

Here is the Reserve Bank's commentary from their latest (May) review of the Official Cash Rate.

The Monetary Policy Committee agreed to maintain the current stimulatory level of monetary settings in order to meet its consumer price inflation and employment objectives. The Committee will keep the Official Cash Rate (OCR) at 0.25 percent, and the Large-Scale Asset Purchase and Funding for Lending programmes unchanged.

The global economic outlook has continued to improve, with ongoing fiscal and monetary stimulus underpinning the recovery. New Zealand's commodity export prices have benefited from this rise in global demand. However, divergences in economic activity, both within and between countries, remain significant. The sustainability of the global economic recovery remains dependent on the containment of COVID-19. The near-term economic data will continue to be highly variable. While economic growth in New Zealand slowed over the summer months following an earlier strong rebound, construction activity remains robust. The aggregate level of employment has also proved resilient, while fiscal spending continues to support domestic economic activity. However, tourism-related business activity continues to be affected by the absence of international visitors, with the recent opening of Trans-Tasman travel expected to only partially offset revenue losses. The extent of the dampening effect of the Government's new housing policies on house price growth and hence economic activity will also take time to be observed.

Overall, our medium-term outlook for growth remains similar to the scenario presented in the February *Statement*. Confidence in the outlook is rising as the more extreme negative health scenarios wane given the vaccination progress globally. We remain cautious however, given ongoing virus-related restrictions in activity, the sectoral unevenness of economic recovery, and the weak level of business investment. A range of international and domestic factors are currently resulting in rising costs for businesses and consumers. These factors include disruptions to global raw material supplies, higher oil prices, and pressure on shipping arrangements. These price pressures are likely to be temporary and are expected to abate over the course of the year. The Committee noted that medium-term inflation and employment would likely remain below its *Remit* targets in the absence of prolonged monetary stimulus. The Committee also noted that while the low interest rate environment has supported house prices, other factors such as recent tax changes, the growing supply of housing, and lending restrictions, are providing offsetting pressures. The Committee agreed to maintain its current stimulatory monetary settings until it is confident that consumer price inflation will be sustained near the 2 percent per annum target midpoint, and that employment is at its maximum sustainable level. Meeting these requirements will necessitate considerable time and patience.

## Bond Yields

Here is a selection of the current yields on commonly traded bonds listed on the New Zealand Exchange. I've included the May 2021 yields (where applicable) to show some comparison, however as I mentioned previously there is no particular pattern emerging.

<b>Company</b>	<b>Coupon</b>	<b>Maturity Date</b>	<b>Yield May 2021</b>	<b>Yield July 2021</b>
Summerset	4.78%	July 2023	1.60%	1.80%
WEL Networks	4.90%	August 2023	2.15%	2.20%
Infratil	5.25%	September 2023	2.50%	2.50%
Kiwi Property Group	4.00%	September 2023	1.48%	1.47%
Z Energy	4.32%	November 2023	1.70%	1.60%
Investore	4.40%	April 2024	1.98%	2.00%
Infratil	5.50%	June 2024	2.60%	2.75%
Precinct Properties	4.42%	November 2024	2.00%	2.04%
Kiwi Property Group	4.33%	December 2024	1.81%	1.83%
Synlait Milk	3.83%	December 2024	4.00%	4.50%
Infratil	4.75%	December 2024	2.69%	2.90%
Wellington Airport	5.00%	June 2025	2.15%	2.15%
Infratil	6.15%	June 2025	2.89%	2.50%
Summerset	4.20%	September 2025	2.16%	2.22%
Property for Industry	4.25%	October 2025	2.02%	2.20%
Argosy Property	4.00%	March 2026	2.40%	2.10%
Infratil	3.35%	March 2026	2.88%	2.89%
Trustpower	3.35%	July 2026	2.25%	2.30%
Westpac Capital Notes	4.69%	September 2026	1.69%	1.09%
ASB Capital Notes	5.25%	December 2026	1.73%	1.28%
Infratil	3.35%	December 2026	2.94%	2.85%
Ryman Healthcare	2.55%	December 2026	2.45%	2.35%
Sky City Entertainment	3.02%	May 2027		2.50%
Precinct Properties	2.85%	May 2027		2.55%
Infratil	3.60%	December 2027		2.95%
Arvida	2.87%	February 2028	2.50%	2.70%
Infratil	4.85%	December 2028	3.00%	2.70%
Trustpower	3.97%	February 2029	2.20%	2.15%
NZX	5.40%	June 2033	2.70%	2.75%
Genesis Energy	4.65%	July 2048	2.30%	2.08%
Mercury Energy	3.60%	July 2049	2.30%	2.10%

## Kiwi Property Group Green Bond

Kiwi Property Group is considering an offer of seven-year, fixed-rate, senior, secured green bonds to institutional and retail investors. Full details of the offer will be released upon the offer opening, which is expected to be in the week commencing July 5<sup>th</sup>. If Kiwi Property proceeds with the Green Bond offer, it will be made in accordance with the Financial Markets Conduct Act 2013 as an offer of debt securities of the same class as existing quoted debt securities. The Green Bonds are expected to be quoted on the NZX Debt Market and assigned an issue credit rating of BBB+ by S&P Global Ratings.

**PLEASE CONTACT THE OFFICE IF THIS OFFER IS OF INTEREST TO YOU**

## Bank Term Deposit Rates

Here is a summary of some of the bank term deposit rates on offer at present. The top line shows the rates available two months ago. The rates underlined and in bold are the current rates.

	<b>1 Year</b>	<b>2 Years</b>	<b>3 Years</b>	<b>4 Years</b>	<b>5 Years</b>
ANZ	0.80%	0.85%	0.90%	0.90%	0.90%
<b>ANZ</b>	<b>1.20%</b>	<b>1.30%</b>	<b>1.40%</b>	<b>1.55%</b>	<b>1.75%</b>
ASB	0.80%	1.00%	1.25%	1.50%	1.75%
<b>ASB</b>	<b>1.00%</b>	<b>1.10%</b>	<b>1.25%</b>	<b>1.50%</b>	<b>1.75%</b>
BNZ	1.00%	1.10%	1.20%	1.30%	1.40%
<b>BNZ</b>	<b>1.10%</b>	<b>1.10%</b>	<b>1.20%</b>	<b>1.30%</b>	<b>1.40%</b>
Heartland	1.00%	1.20%	1.35%	1.55%	1.75%
<b>Heartland</b>	<b>1.35%</b>	<b>1.20%</b>	<b>1.35%</b>	<b>1.55%</b>	<b>1.75%</b>
Kiwibank	0.85%	0.90%	0.90%	0.90%	0.90%
<b>Kiwibank</b>	<b>1.05%</b>	<b>1.15%</b>	<b>1.30%</b>	<b>1.50%</b>	<b>1.60%</b>
Rabobank	1.00%	1.00%	1.05%	1.05%	1.15%
<b>Rabobank</b>	<b>1.34%</b>	<b>1.19%</b>	<b>1.34%</b>	<b>1.54%</b>	<b>1.74%</b>
Westpac	0.80%	0.85%	0.85%	0.90%	0.90%
<b>Westpac</b>	<b>1.20%</b>	<b>1.35%</b>	<b>1.50%</b>	<b>1.70%</b>	<b>1.80%</b>

## Holiday

I will be out of the office for the week of Monday July 12<sup>th</sup> to Friday 16<sup>th</sup>. Angeline will be in the office each morning, and will be available by phone and email at other times. She will be able to assist you with any queries.

**DISCLOSURE STATEMENT AVAILABLE ON REQUEST AND FREE OF CHARGE**