

S&P/NZX Index Insights

A Race to the End

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We pick that NZ Refining (NZR) will exit the benchmark S&P/NZX 50 indices, allowing Serko (SKO) to enter at the upcoming S&P/NZX September 2020 quarterly index review. Official outcomes of the review will be announced close of market, Friday, 4 September 2020, with an effective date close of market Friday, 18 September 2020.

A tight race – Passive demand

Our calculations indicate that the final standings saw SKO just edge ahead of Tower (TWR) at the data cut-off date of Friday, 21 August. We estimate passive demand for SKO will be in the order of 1.4m shares, which equates to 10.3x Average Daily Volume (ADV).

Figure 1. September 2020 Review: The Forsyth Barr Pick

Index	Enter	Exit	Expected Weight (rank)
S&P/NZX 10	no change expected		
S&P/NZX 20	no change expected		
S&P/NZX 50	SKO	NZR	0.20% (48)
S&P/NZX 50 Portfolio	SKO	NZR	0.29% (48)

Source: Forsyth Barr analysis

All eyes on Pacific Edge – Liquidity is potentially the thorn in its side

The recent dramatic rise in Pacific Edge's (PEB) share price, which saw it quadruple over a matter of weeks, sees it as a potential entrant (based purely on size) for the S&P/NZX 50 indices at future index reviews. However, liquidity requirements must be satisfied first for members and non members alike. Based on our calculations, we believe PEB has (just) failed the liquidity threshold at the September 2020 review, implying that (should PEB's price hold/increase) PEB will not be eligible to enter until June 2021 at the earliest. We note that non-members must pass the liquidity threshold for three consecutive quarterly index reviews and actual liquidity outcomes are not made public by S&P DJI.

Figure 2. Current rankings for S&P/NZX 50 Index inclusion/exclusion

Ranking	Code	Current status	6-mth average price	6-mth average market cap
42	FSF	S&P/NZX 50 Member	\$3.78	
43	SKL	S&P/NZX 50 Member	\$2.07	\$379.05m
44 (entry level)	NZX	S&P/NZX 50 Member	\$1.35	\$373.17m
45	RBD	S&P/NZX 50 Member	\$11.48	\$358.13m
46	VGL	S&P/NZX 50 Member	\$1.55	
47	NPH	S&P/NZX 50 Member	\$3.26	
48	SKT	S&P/NZX 50 Member	\$0.17	
49	THL	S&P/NZX 50 Member	\$1.73	\$213.06m
50	SKO		\$3.03	\$207.79m
51	TWR		\$0.62	\$207.52m
52	HLG		\$3.71	\$177.01m
53	WHS		\$2.10	\$167.81m
54	BGP		\$3.21	\$164.13m
55	ERD		\$2.83	\$152.66m
56 (exit level)	NZR	S&P/NZX 50 Member	\$0.84	\$149.63m
57	CVT		\$2.83	\$128.94m
58	TRA		\$1.94	\$121.42m

Source: Forsyth Barr analysis, ranking 44: automatic entry level, ranking 56: automatic exit level, S&P DJI restricts publication of index constituent information to 10% for any given index.

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