

The Weekly Snapshot

28 June 2021

ANZ Investments brings you a brief snapshot of the week in markets

Global sharemarkets continued to forge higher last week as the S&P 500 had its best week since February 2021 lifting the S&P 500 and Nasdaq to new all-time highs. For the week, the S&P 500 was up 2.8% and is now up close to 15% year to date. Oil prices also continued to rise with the price of a barrel of oil reaching US\$74, the highest since April 2018. Locally, markets were more mixed with the NZX50 registering a small gain of 0.6% while the Australian market was down by 0.8%.

What's happening in markets

The major story last week was the implementation of Level 2 lockdown for Wellington following a positive test for COVID-19 by a visitor from Australia. While there has been no subsequent community cases discovered, it was a timely reminder that the strong economic recovery remains at risk until the entire country can be vaccinated.

Global markets were comforted by further speeches from members of the Federal Reserve with the overall tone more moderate in comparison to the hawkish release the previous week. Cleveland Fed President Loretta Mester said that now is not the time to end accommodative policies and that it is important communications do not add to market volatility. New York Fed President John Williams echoed these comments saying there is a long way to go to full employment and a rate rise is a "way off".

President Biden announced a tentative US\$1.2 trillion infrastructure bill with bipartisan support. The plan includes \$579 billion in new spending over eight years, focusing only on physical infrastructure such as roads, bridges, rail, broadband internet, water and sewer pipes. The cost will be met largely by proceeds of unspent stimulus monies but does include a provision to increase resources for the Inland Revenue Service to help recover a greater portion of uncollected taxes.

Sales of existing homes in the US eased slightly in May but still outperformed expectations. In May, 5.80m homes sold versus 5.85m the previous month with the market being constrained by low inventories and high prices. This is the fourth consecutive month where the number of homes traded has fallen. The surge in demand to upgrade homes brought on by occupants spending more time at home during the lockdowns is now waning.

In Europe, the release of strong readings for the Purchasing Managers Index (PMI) showed that the recovery from the pandemic-induced lockdowns continues to strengthen as the economy re-opens. European Services PMI was at 58 versus an expected reading of 55. Anything above 50 indicates an expansion in activity. The US Composite PMI ticked down to 63.9 in June, from 68.7 previously – a drop, but still firmly expansionary, with 12 months in a row of positive readings (above 50).

In a blow to the local sharemarket, Westpac announced that following a detailed review, the bank would not be demerging its New Zealand subsidiary. In its statement to the market, Westpac noted that they had considered the issue but concluded that a demerger would not be in the interests of shareholders. Local analysts were hopeful of a demerger and potential listing on the sharemarket to broaden market diversity.

Finally there was a reminder that some companies have not yet been able to return to "normal". Carnival Corp, the world's largest operator of a cruise liners reported on Thursday that the company lost US\$2.07 billion in the last quarter and over \$14 billion since the pandemic began.

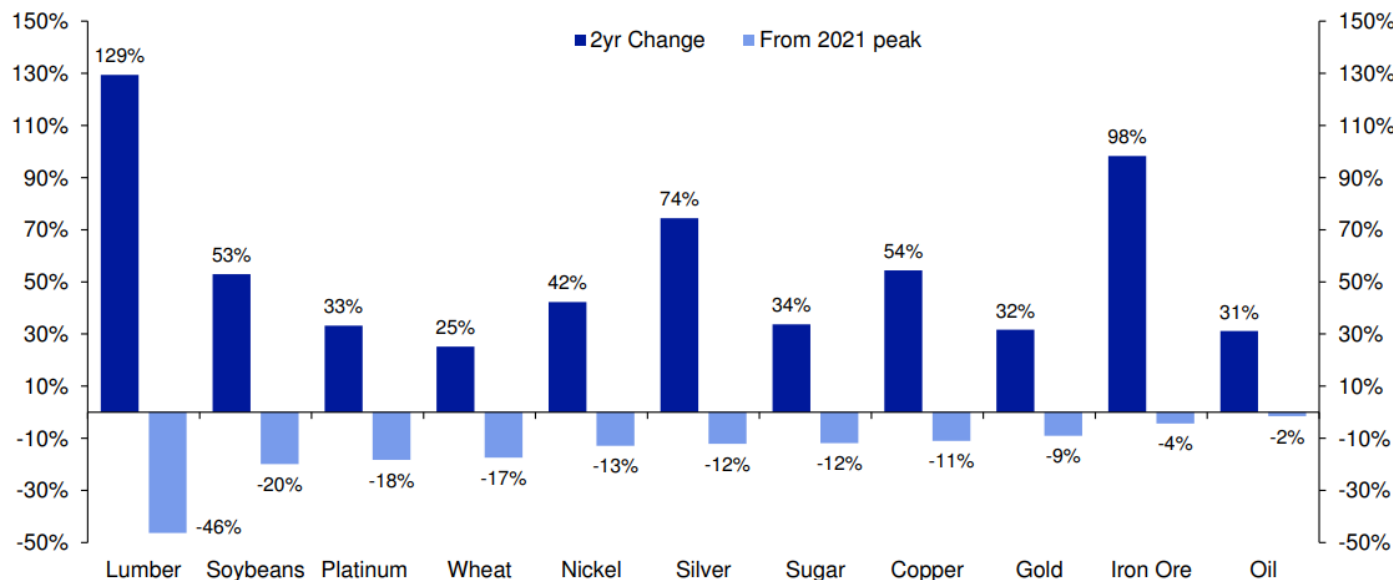
What's on the calendar

The main focus of markets will be on unemployment numbers in the United States released late in the week with analysts carefully watching for ongoing strength in the labour market. Locally, we have Consumer Confidence and Building Permit data being released.

Chart of the week

Interesting chart this week showing the change in commodity prices over the last two years. Most are up strongly over that period but have fallen from their 2021 highs.

Change In Selected Commodities



Source : Bloomberg Finance LP. Deutsche Bank

Here's what we are reading

It seems that any and all market volatility is blamed on evil short sellers. But, as this article explains, short selling is integral to the functioning of a healthy market.

https://www.realclearmarkets.com/articles/2021/06/24/demonizing_short_sales_is_an_economically_foolish_decision_782767.html

The major story of the week was not a business one but the victory of the Black Caps in the inaugural cricket world test championship. Terrific article here about the rise of the team from the lows of being bowled out for 45 in South Africa in 2013 to World Champions.

<https://www.thecricketmonthly.com/story/1266453/world-test-championship-final---new-zealand-climb-to-the-top>

Disclaimer: This information is issued by ANZ Bank New Zealand Limited (ANZ). The information is current as at 25 November and is subject to change. The information is general in nature and does not take into account your personal objectives, needs and financial circumstances. You should consider the appropriateness of the information, having regard to your personal objectives, needs and financial circumstances. This information is not to be construed as personal advice, and should not be relied upon as a substitute for professional advice. Although all the information in this document is obtained in good faith from sources believed to be reliable, no representation of warranty, express or implied is made as to its accuracy or completeness. To the extent permitted by law ANZ does not accept any responsibility or liability arising from your use of this information. Past performance is not indicative of future performance. The actual performance any given investor realises will depend on many things, is not guaranteed and may be negative as well as positive.