# The Weekly Snapshot

## 10 June 2024

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

Coming off a down week, US equity markets resumed their move higher, with several indices trading to all-time highs buoyed by a continued surge in artificial intelligence (AI)-related companies, including Nvidia, which saw its market-cap surpass US$3 trillion for the first time, putting it into second place behind Microsoft on the list of largest public companies. For the week, the S&P 500 rose 1.3% and the Nasdaq 100 saw a 2.5% gain – both made record highs.

Meanwhile, European markets were mixed with the UK's FTSE ending the week lower, while the Euro Stoxx 50 benefited from a rate-cut by the European Central Bank (ECB) to finish the week up 1.4%.

In New Zealand, the NZX 50 appeared on track for a good weekly gain, but a 1% decline on Friday saw it finish lower for the week, while across the Tasman, the ASX 200 outperformed many global share markets, finishing the week more than 2% higher.

In fixed interest, most bond markets finished the week higher (meaning yields were lower), but gains were pared on Friday after some better-than-expected employment data out of the US scaled back the probability of interest rate cuts later this year.

### What's happening in markets?

Last week saw two major central banks begin cutting interest rates after the two-year tightening cycle that took central bank policy rates to multi-year highs. On Wednesday, the Bank of Canada (BoC) cut its key policy rate by 25 basis points to 4.75%, and while the decision to cut rates was largely expected, the central bank struck a relatively dovish tone, which pushed bond yields lower after the meeting. "*If inflation continues to ease, and our confidence that inflation is headed sustainably to the 2% target continues to increase, it is reasonable to expect further cuts to our policy interest rate*", said Governor Tiff Macklem.

Meanwhile, the ECB on Thursday cut its key interest rates by 25 basis points, but signalled another interest rate cut would be contingent on economic data given the lingering inflation concerns. "*The Governing Council will continue to follow a data-dependent and meeting-by-meeting approach to determining the appropriate level and duration of restriction*", the ECB said in a statement.

The BoC and ECB join the Swiss National Bank (SNB) and Sweden's Riksbank in cutting interest rates that have weighed on business and households, amid tepid economic growth.

In economic data, US employment figures were front and centre and provided some mixed results. Job openings in April fell to 8.1 million, their lowest level in more than three years, while the number of Americans filing for unemployment benefits rose to 229,000, which was above forecasts – both signs that the employment market could be softening. However, on Friday, the closely watched nonfarm payrolls report showed the US economy added 272,000 jobs in May, more than expected, while average hourly earnings were also higher than expected, rising 4.1% from a year ago.

### What's on the calendar?

Market direction will largely be driven by events in the US, with the US Federal Reserve (the Fed) meeting and some tier one economic data. The Fed is widely expected to leave interest rates unchanged on Wednesday, but the focus will be on the Committee's updated "dot plots" – each Fed official's projection for the central bank's fed funds rate.

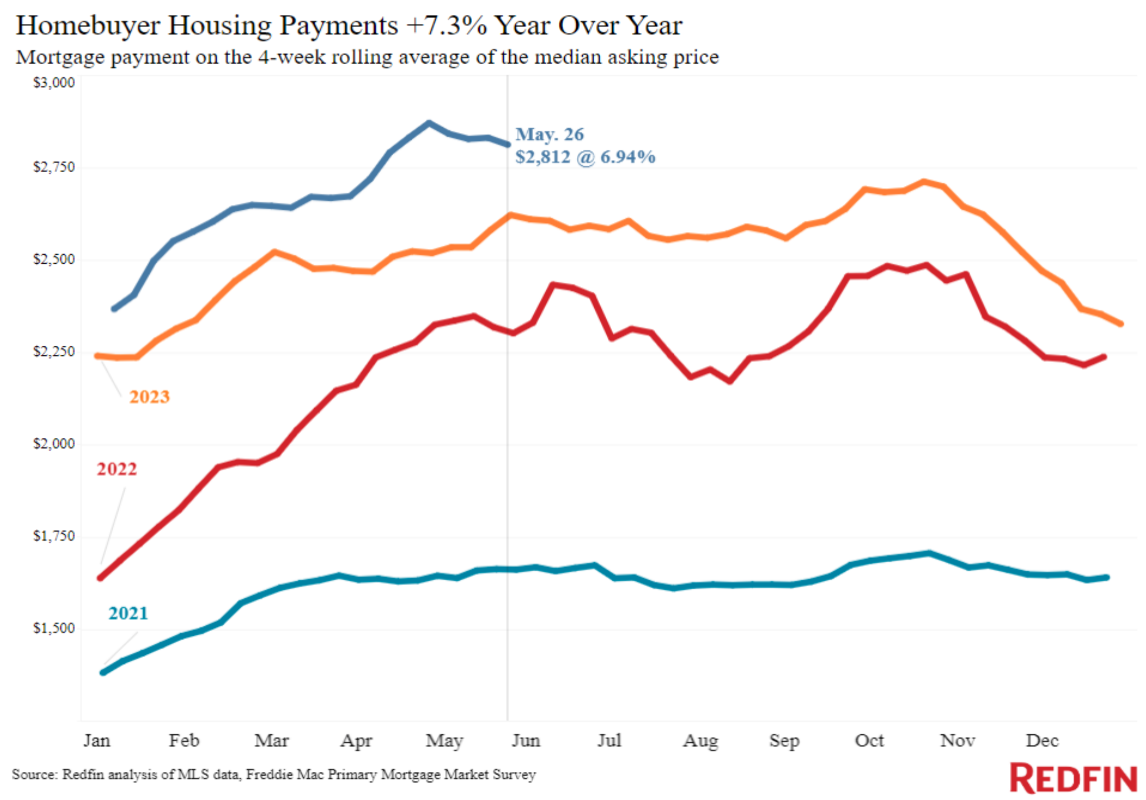
On one hand, April inflation came in slower-than-expected, and there have been some signs the economy is cooling – including manufacturing activity in May, which slowed for a second straight month. However, Friday's employment report is likely to quash any expectations of imminent rate cuts.

Meanwhile, the latest US inflation report will also garner plenty of attention, with policymakers hoping for some relief in the shelter component, which has been a significant factor in keeping consumer prices elevated. And in other pricing data, US producer prices, which measures prices received by domestic producers, is released on Thursday.

Elsewhere, this week includes the release of UK GDP and employment figures, Australian business and consumer confidence reports, China's May CPI report, while the Bank of Japan (BoJ) will meet, where it is expected to keep interest rates unchanged.

## Chart of the week

The inflation rate in the US does not capture mortgage payments, despite them being the largest expense for many households. Given this, with median homebuyer housing payments up 7.3% year-over-year and ~70% higher than 2021, we could start to see some easing of home prices, and in turn, rental prices, which have been keeping the inflation rate elevated.

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