The Weekly Snapshot

11 December 2023

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

It was another good week for investors, with most equity and bond markets finishing the week higher. In the US, several share markets recorded their sixth straight week of gains – it was the longest streak in about four years for some. The S&P 500 ended the week up 0.2%, finishing at its highest level of the year, while the Nasdaq Composite rose 0.5%. Meanwhile, in Europe, the Euro Stoxx 50 rose 2%, while down under, the NZX 50 continued its resurgence, gaining 0.8%.

In fixed interest markets, global bonds were mostly higher, with yields continuing to decline. In the US, the 10-year government bond fell to a three-month low near 4.1%, before rebounding to close the week mostly unchanged, while government bond yields in New Zealand, Australia and Europe finished the week lower. Japan was the outlier after some comments by the central bank governor (which the market took as hawkish) saw bond yields rise.

What's happening in markets?

On Friday, the US jobs report showed the economy added 199,000 jobs in November, with the unemployment rate edging down to 3.7% as the participation rate rose. Healthcare and government workers saw the biggest gains, while workers returning from strike in the auto and entertainment industries helped lift the headline number. Average hourly earnings, which is a key inflation indicator, rose by 0.4% for the month and 4% from a year prior.

In Japan, Japanese bond yields rose on Thursday following Bank of Japan (BOJ) governor, Kazuo Ueda's testimony to parliament where he hinted that the central bank may be preparing to exit its ultraloose monetary policy. He said that policy "*will become even more challenging from the year end and heading into next year*", comments that markets took as hawkish. Along with a surge in Japanese yields, the yen rose to a three-month high versus the dollar, rising as much as 3% on Thursday. It gave up some of these gains on Friday, but still ended the week up more than 1% versus the US dollar.

Meanwhile, in Australia, the Reserve Bank of Australia (RBA) left its policy rate unchanged at 4.35%, but maintained its hawkish bias, saying the Board "*remains resolute in its determination to return inflation to target and will do what is necessary to achieve that outcome*." RBA Governor Michele Bullock added that the "*limited information received on the domestic economy since the November meeting has been broadly in line with expectations*".

Also in Australia, third-quarter GDP figures came in a little on the softer side, but still showed an expansion of 0.2% over the quarter and 2.1% year-on-year (this was a little higher than expected given some upward revisions to previous figures). On the whole, the RBA will be relatively comfortable with the data, as it hopes the interest rate rises are doing enough to cool the economy without seeing a marked deterioration in growth.

Finally, in China, exports ticked higher in November, while imports fell slightly from a year ago. Although both numbers were better than most forecasts, it did little to offset the overall trend, which has shown broad-based slowing of domestic and international demand.

What's on the calendar?

As we get closer to Christmas, this is one of the busiest weeks on the calendar for financial markets, with pricing data – both CPI and PPI – out of the US, followed by the December US Federal Reserve (the Fed) meeting. On inflation, consumer prices for November are expected to be about flat – with the risk to the downside after the recent decline in oil prices. A flat reading would see the year-on-year inflation rate remain a little above 3%, while producer prices – after a surprise 0.5% fall last month – are expected to show a mild rebound.

Meanwhile, the Fed is widely expected to leave its policy rate unchanged. However, some recent events, including softening economic data and a sell-off in bond yields (which is loosening financial conditions) will give policymakers a few things to ponder. Additionally, the Fed will release its closely watched economic projections, where it forecasts inflation, growth, unemployment, and most importantly, the path of the fed funds rate.

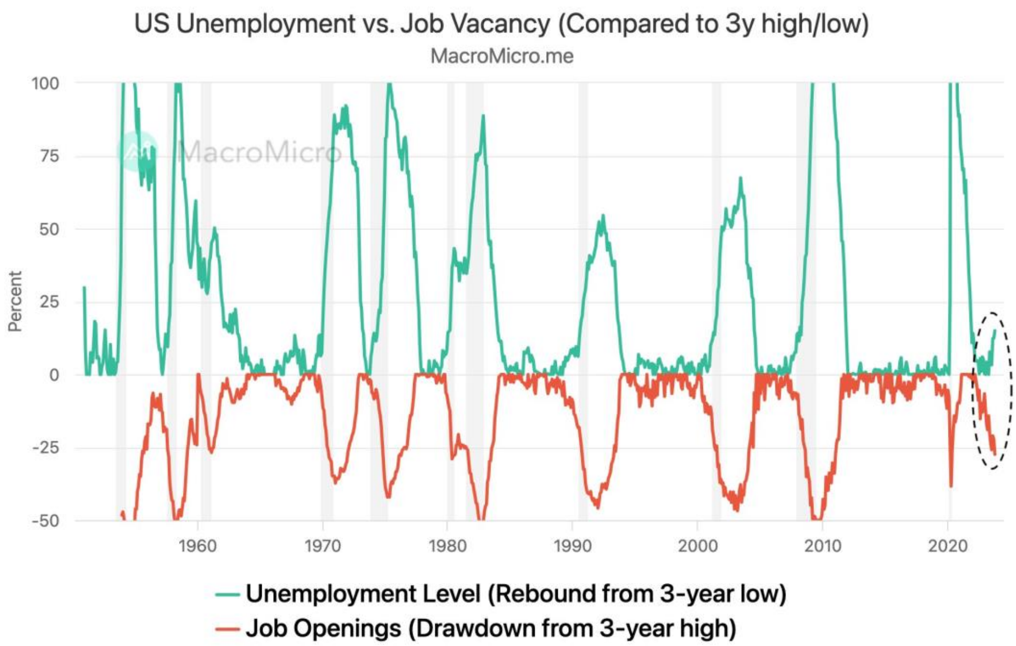
In other central bank meetings, the European Central Bank (ECB) and the Bank of England (BoE) are also expected to leave policy rates unchanged when they meet on Thursday.

In New Zealand, GDP growth figures for Q3 will be released on Thursday. Although the data is backward looking, there is a growing consensus that the domestic economy has been slowing for a while, with much of the growth coming from migration. Whether or not this is the case, Thursday's data could shed some light on this notion.

And finally, across the Tasman, we will get the latest update on the Australian employment market with the November jobs report due on Thursday.

Chart of the week

The US employment market has been the pillar of the post-COVID economic rebound. Although still historically tight, there are some signs the labour market is starting to loosen.



Here's what we're reading

The US economy: Vibes vs. data. Click here.

The Takeaways Two Years After 'Transitory' Timed Out. Click here.

The U.S. Economy Is Booming. Or Stagnating? Click here.