The Weekly Snapshot

11 March 2024

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

It was a mixed week for international equity markets, with US and European indices giving back some gains following disappointing news from Apple and Tesla, and a sell-off in Nvidia shares on Friday which brought an end to the chipmaker's recent strong run. That being said, markets in both these regions still managed to hit fresh highs mid-week. Overall, the S&P 500 Index was down 0.3%, while the NASDAQ 100 Index fell 1.6%. While shares in the UK also fell, European shares were higher following the European Central Bank's decision to keep interest rates there on hold.

Closer to home, the NZX 50 Index was up 1.5%, and the ASX 200 Index in Australia rose 1.3%. While finishing higher, both markets had already closed for the week by the time Friday rolled around in the US.

Meanwhile, bond yields fell (and their prices rose) following various comments from central bankers which seems to suggest that interest rates cuts could certainly be on the cards for later this year. The yield on the US 10-year government bond fell 11 basis point, to 4.08%.

What's happening in markets?

Central bank rhetoric was again in the spotlight. The European Central Bank (ECB) left interest rates unchanged at 4.0% following its meeting last week, while presenting a more positive outlook on inflation and hinting at a possible first rate cut in June. Investors had already moved to price in the likelihood of rate cuts beginning in June, and they took the revised (lowered) growth and inflation forecasts as a sign that cuts would begin then. The news drove the Stoxx 600 Index above the 500 level for the first time.

The ECB's announcement came hot on the heels of comments from US Federal Reserve Chairman, Jerome Powell, who in various speeches during the week said that he expects interest rates in the US to come down this year. While he acknowledged the central bank was not immediately ready to begin cutting interest rates, he said it isn't far from having the confidence it needs on inflation to do so:

"We believe that our policy rate is likely at its peak for this tightening cycle. If the economy evolves broadly as expected, it will likely be appropriate to begin dialling back policy restraint at some point this year".

Late in the week we had US jobs data, which provided conflicting signals as to the state of the labour market there. On the one hand the number of jobs added last month was more than expected, but on the other, the unemployment rate rose unexpectedly to 3.9% and wage growth was softer than expected.

Finally, two things to note on the geopolitical front. Sweden formally joined NATO (the North Atlantic Treaty Organization), ending years of neutrality and becoming the 32nd member of the alliance. It first applied to join in May 2022, not long after Russia's war with Ukraine began.

Meanwhile, in the US, Super Tuesday saw President Biden and former President Donald Trump both win commanding victories across nearly all of the states holding Democratic and Republican nominating contests. It solidifies the likelihood of a general election rematch between the two in November.

What's on the calendar?

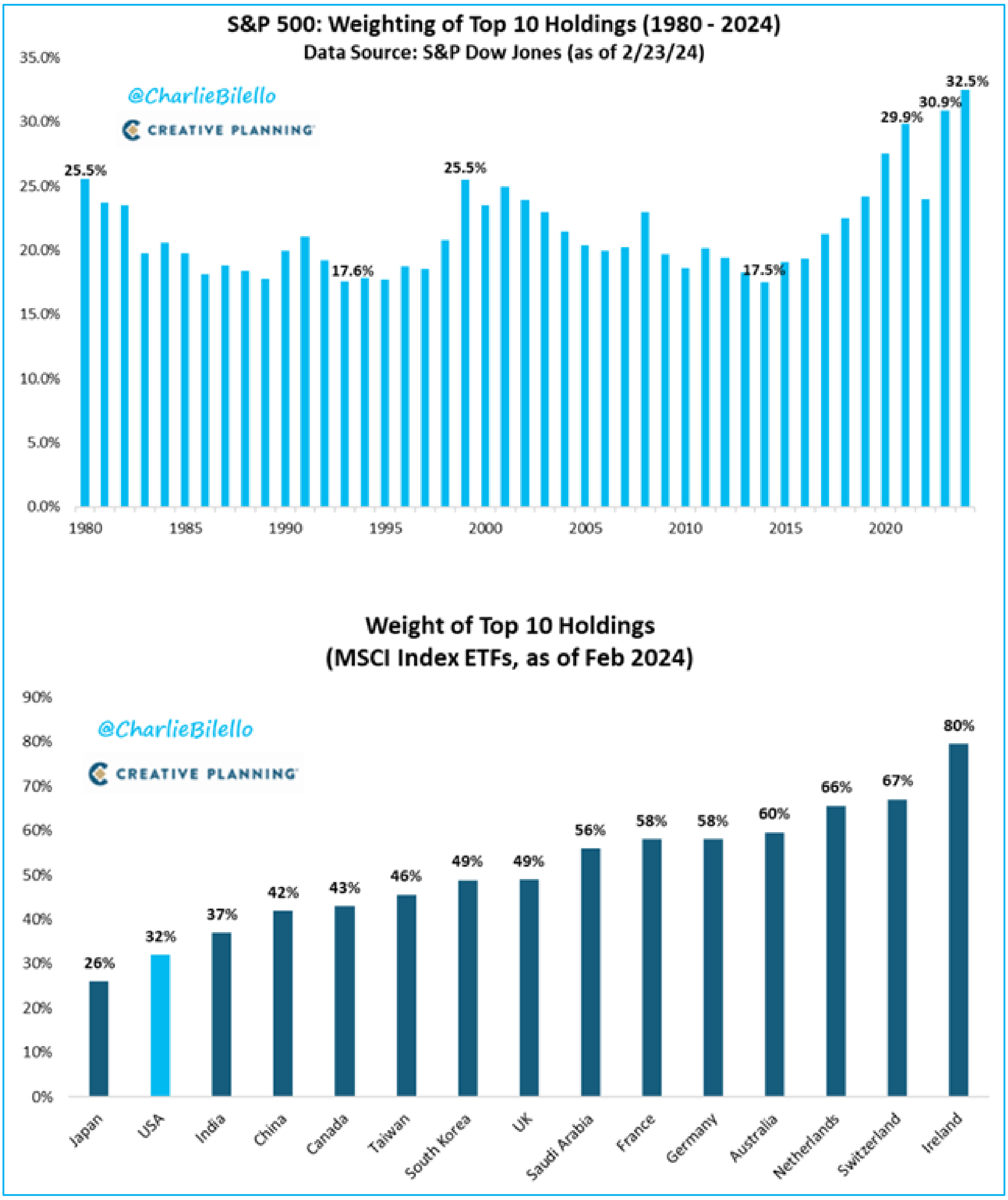
Next week the key release will be February CPI (Consumer Price Index) data in the US, which investors will watch closely to help shape their expectations for monetary policy and growth.

We'll also get an updated gauge on how US households are faring with retail sales figures due out. Last time around, sales fell 0.8% in February, a much bigger fall than expected, so investors will be looking to see if this trend continues.

Consumer sentiment is also set to be released. For the last three months this data point has ticked higher, which suggest that Americans have been feeling a bit better about the economy. It's an impart gauge – given that spending by consumers accounts for more than two-thirds of US economic activity.

Chart of the week

The US share market (the S&P 500 Index) is the most concentrated it's been since at least 1980. However, compared to some of the other major countries, it's far less concentrated. Among the 15 largest share markets globally, only Japan is less concentrated in the top 10 names than the US.



Here's what we're reading

US economy on firmer footing heading into first quarter - Reuters: Click here.

The Fear of Missing Out – Michael Batnick: Click here.