

# The Weekly Snapshot

13 May 2024

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

Global share markets were mostly higher last week, in what was a relatively quiet week – particularly in the US. For the week, the S&P 500 rose 1.9%, while the Dow Jones Industrial Average (Dow) recorded gains on each of the five trading days, to end the week up 2.2%.

It was a little busier in Europe with some central bank meetings, but the results were much the same with equities ending the week with gains. The UK's FTSE 100 rose for a third straight week, trading to a new all-time high, while the Euro Stoxx 50 was one of the better-performing share markets, rising 3.3%.

It wasn't such a good week in New Zealand, with the NZX 50 one of the few global share markets to end the week lower as downbeat sentiment continues to weigh on appetite for local shares. By the end of the week, the NZX 50 was down 1.5%, trading to a near nine-week low.

### What's happening in markets?

Central bank meetings in Europe were front and centre last week with the Bank of England (BoE) leaving its key interest rate unchanged at 5.25% but signalled that with inflation "moving in the right direction", a rate cut could come as soon as June. The decision, however, was not unanimous, with two of the nine members on the rate-setting committee voting for a 25 basis point cut.

In its economic outlook, the BoE was rather upbeat, suggesting the UK recession had ended, and it expected the economy had grown at 0.4% in the first quarter of the year. Then on Friday, the Office for National Statistics released the data, which showed that the economy had actually grown 0.6% over the period, outpacing the central bank's forecast.

Meanwhile, Sweden's Riksbank cut its key interest rate by 0.25% to 3.75%, in a widely expected move. The bank said that more rate cuts could be on the cards if the inflationary trajectory continues. *"If the outlook doesn't change, we can cut rates a further two times during the second half of the year"*, Sweden's Riksbank Governor Erik Thedeen said after the meeting.

It was a different story in Australia, with the Reserve Bank of Australia (RBA) leaving its key interest rate at 4.35%, a 12-year-high, and offering no signs of a forthcoming rate cut. In fact, Governor Michele Bullock said the board did discuss raising interest rates at the meeting – possibly in response to higher-than-expected inflation in the first quarter of the year. *"Right now we believe that rates are at the right level to achieve this, but there are risks and at this stage, the board is not ruling anything in or out"*, Bullock said.

In economic data, the number of Americans filing new claims for unemployment benefits rose 22,000 to 231,000. It was the highest level since August 2023, and may be a sign that the labour market is starting to cool, which would be a welcome sign for policymakers.

### What's on the calendar?

All eyes will be on US inflation data this Wednesday, which has remained stubbornly high, and has come in above consensus each month this year. It is expected annual inflation will come in at 3.4%, and any surprise to the topside will mount further pressure on policymakers, which continues to communicate that some rate cuts are likely this year. Elsewhere, further pricing data will come with the release of the US Producer Prices Index (PPI), which measures price changes that domestic producers receive for selling goods and services.

Also in the US this week, retail sales figures are out and Fed Chair Jerome Powell will speak at the Annual General Meeting, Foreign Bankers' Association. In the UK we have employment data this week, while elsewhere, euro area data includes inflation, GDP figures and the ZEW Economic Sentiment Index.

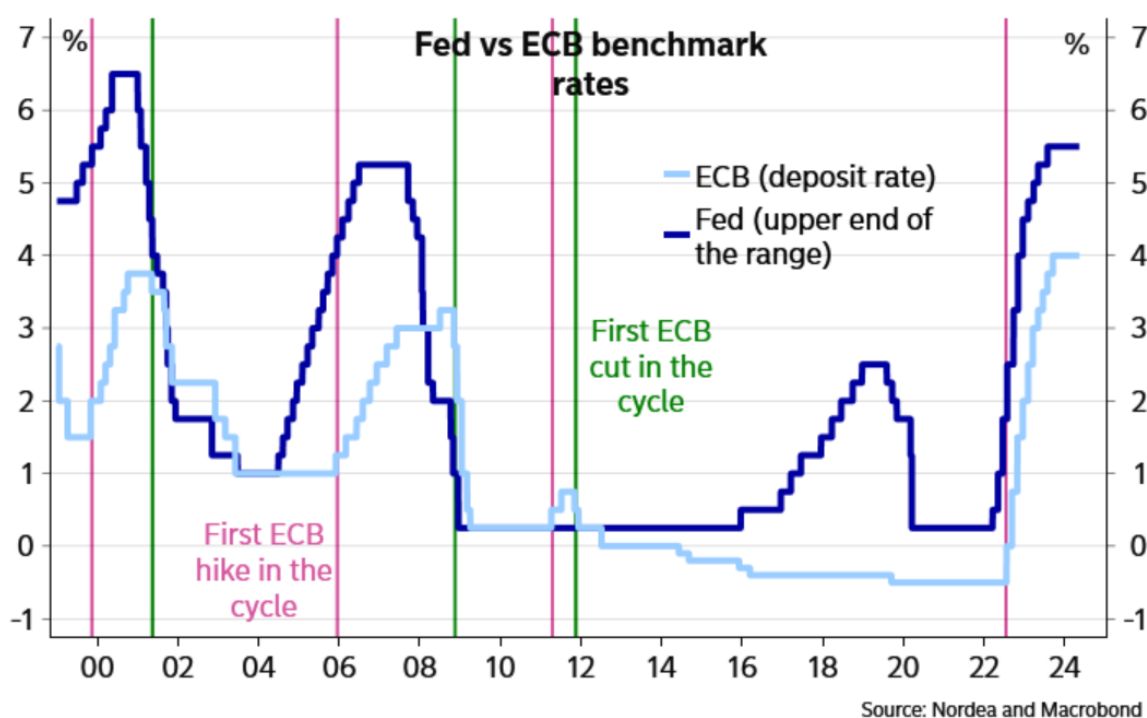
It's a little quieter down under with mainly tier two data in New Zealand (retail card spending and business inflation expectations), while in Australia, April's employment report is out Wednesday, where it is expected the unemployment rate to be at 3.9%.

Finally, in earnings, a couple of the large US bricks-and-mortar companies, Home Depot and Walmart, report this week. These tend to give an indication as to the health of US consumers, which is important given that consumer spending makes up about two-thirds of the US economy.

### Chart of the week

Historically, the ECB has lagged the Fed when it comes to monetary policy moves. However, it appears this time will be different with the European economy unable to keep up with what's been a red-hot US economy over the past 18 months. Europe has been bogged down by its energy crisis and the war in Ukraine, while in the US, consumer spending continues to grow the economy.

### The ECB has usually been lagging the Fed in its rate moves



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