

The Weekly Snapshot

17 July 2023

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

Global share markets moved higher last week with some indices in the US trading to their highest levels since early 2022, buoyed by inflation data, which showed prices in the US continue to slow. For the week, the S&P 500 rose 2.4%, while the NASDAQ 100 gained 3.5% to close at its highest level since January 2022. Most European share markets also recorded solid gains for the week.

Down under, the local NZX 50 underperformed, but a strong Friday session saw the index finish higher, up 0.3%, its third straight week of gains.

Meanwhile, the slowdown in US inflation saw bond markets perform well, with most government bond yields falling across the board.

What's happening in markets?

All eyes were on US inflation data last week, and it was good news across the board with annual CPI falling for the 12th straight month to 3% – the slowest pace since March 2021. On a monthly basis, prices rose 0.2%, lower than expected. Helping cool inflation, food prices rose less than expected, while prices of used cars and airline fares declined. Stripping out volatile food and energy prices, core CPI rose 4.8% on an annual basis, versus a consensus of 5%. It was the lowest core CPI reading since October 2021.

Interest rate markets still expect a 25 basis point hike by the Fed later this month, however, the probability of a second hike later in the year fell after the release of the data.

Meanwhile, Q2 earnings season got off to a good start with several large financials, including JPMorgan Chase, Wells Fargo and Citigroup all reporting revenue that topped expectations. JPMorgan was the standout, with the US giant reporting a 34% increase in revenue (US\$42.4 billion) driven largely by solid loan growth and a jump in net interest income.

Adding to the upbeat week was news that US consumer sentiment hit a near two-year high, according to the University of Michigan survey. The preliminary reading of consumer sentiment came in at 72.6 for July, the highest since September 2021, and up from 64.4 the month prior.

In New Zealand, the Reserve Bank of New Zealand (RBNZ) left interest rates unchanged at 5.5%, its first pause in nearly two years. The central bank said they are starting to see the cumulative effect of hikes ease inflation pressure and house prices are returning to more sustainable levels.

“The level of interest rates are constraining spending and inflation pressure as anticipated and required”, the RBNZ said in its statement.

What's on the calendar?

It's a busy week ahead with tier-one economic data across the globe. Beginning in New Zealand with inflation figures for Q2. It is expected that the annual Consumer Price Index (CPI) dropped to about 6%, from 6.7% in the first quarter of the year. With the RBNZ communicating that it is done with interest rate rises, a number at or below consensus would likely cement that path.

However, a higher-than-expected number would mean further interest rate hikes could be back on the table, while it would also have political implications. The General Election is about three months away and with the cost of living a dominant theme, it would heap further pressure on the Labour Party, which has struggled against the backdrop of rising prices.

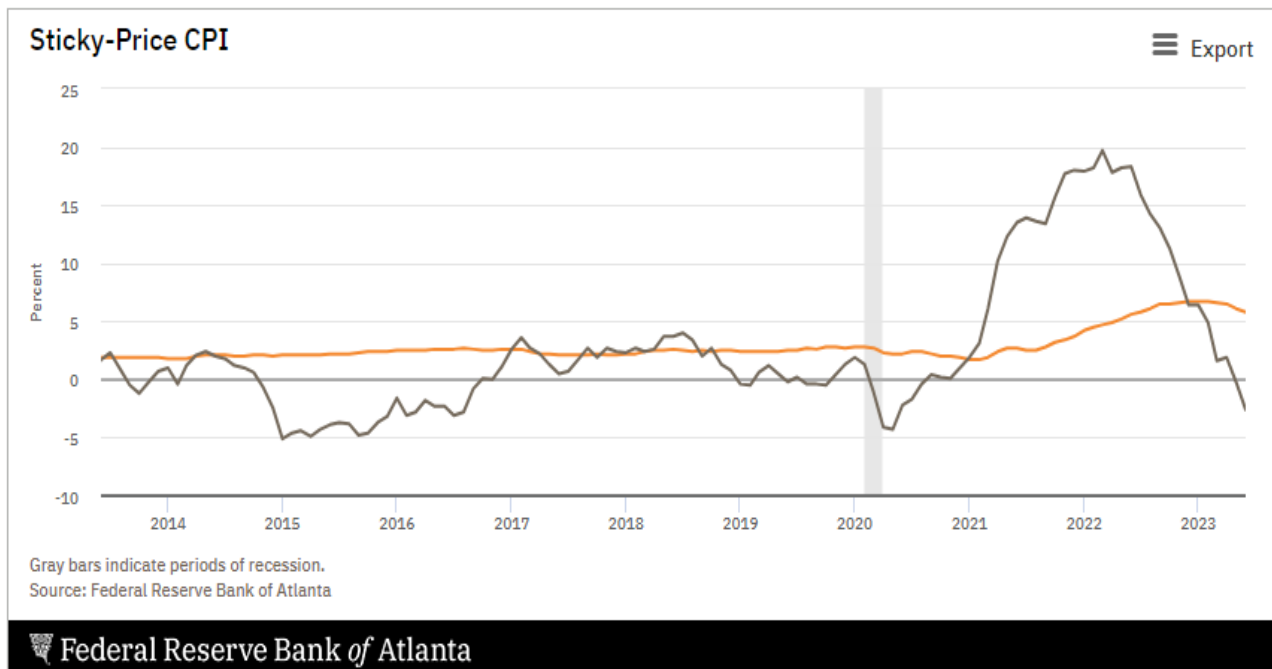
Other economic data of note this week include:

- China Q2 GDP
- US retail sales and existing home sales
- Australian employment figures and the RBA meeting
- UK inflation and retail sales

Finally, corporate earnings pick up with Bank of America, Morgan Stanley and Goldman Sachs highlighting the financials scheduled to report, and other large-cap names report include Tesla, Netflix, IBM and Johnson & Johnson.

Chart of the week

In more good news on the inflation front, the Atlanta Fed's sticky-price CPI index is on the decline, representing a weighted basket of items that generally change in price at a relatively slow pace. The 12-month annualised rate dropped to 5.8%, its lowest level in a year, while the 1-month annualised rate dropped below 3%.



Note: Orange line is sticky CPI

Here's what we're reading

When Will Interest Rates Really Start to Matter? [Click here.](#)

The latest letter from Howard Marks at Oaktree Capital – Taking the Temperature. You don't have to be right 100% of the time, you just have to be right at the right time. "Yeah, Dad, that's because you did it five times in 50 years." [Click here.](#)

The U.S. is a confused, unsettled nation. But green shoots are quietly sprouting – the 2010s look like the 1960s, and the 1970s was a much more settled place, especially socially and culturally. And also, it was a time of innovation. With the boom in technology, AI, biotech and more, things are looking up. [Click here.](#)

Used Vehicle Prices Fell 4.2% In June, Suffer Largest Drop Since Pandemic. [Click here.](#)

Disclaimer: This information is issued by ANZ Bank New Zealand Limited (ANZ). The information is current as at 17 July 2023, and is subject to change. This document is for information purposes only and is not to be construed as 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, completeness or suitability for your intended use. To the extent permitted by law, ANZ does not accept any responsibility or liability for any direct or indirect loss or damage 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.