The Weekly Snapshot

24 April 2023

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

Global equity markets, for the most part, were modestly lower last week, in what was a relatively quiet week of trading despite a plethora of economic data. In the US, the S&P 500 fell 0.1%, while the NASDAQ 100 ended down 0.6%. And in Europe, most share markets were modestly lower by the end of the week.

In New Zealand, some softer-than-expected inflation data didn't have too much effect on equities, with the NZX 50 finishing the week up less than 0.5%. Although the New Zealand dollar did take a hit, falling against most of its major trading partners, finishing the week down more than 1% versus the US dollar.

What's happening in markets

Inflation data underscored a highly-anticipated week in New Zealand with the Consumer Price Index (CPI) rising at an annual pace of 6.7%, which was below most forecasts. Although the headline figure will be of some relief to the Reserve Bank of New Zealand (RBNZ), some sectors deemed 'sticky', which are at a greater risk of becoming entrenched in the economy, remained stubbornly high. Of note was non-tradable inflation (domestically driven inflation) that rose to a new all-time high of 6.8% year-on-year.

Despite the softer-than-expected headline number, it did little to move interest rate markets that are still pricing in a ~80% chance of a 25 basis point hike by the RBNZ in May.

Meanwhile, inflation data out of the UK was more bleak with annual inflation rising 10.1%, driven largely by food prices, which soared 19.1%. Forecasts were for annual inflation to fall below 10%.

Economic data out of the US was also a little downbeat. The housing market started to show signs of slowing amid rising borrowing costs with housing starts falling 0.8% to 1.42 million on an annual basis. Meanwhile, the Fed's Beige Book, a report on current economic conditions, showed lending volumes across the country declined as credit conditions tightened. *"Lending volumes and loan demand generally declined across consumer and business loan types. Several Districts noted that banks tightened lending standards amid increased uncertainty and concerns about liquidity",* the report said.

Meanwhile, Chinese economic data surprised to the topside with GDP figures showing the economy shrugged off the zero-COVID headwinds, growing at an annual pace of 4.5%, well ahead of consensus. Consumption was a significant contributor, with retail sales rising 10.6% on an annual basis, also ahead of consensus. The better-than-expected data saw the Shanghai Composite rise to a nine-month high on Tuesday, but a weak Friday session for Asian share markets saw the index end the week in the red.

Finally, bank earnings were a mixed bag with Goldman Sachs slightly missing on revenue, while Morgan Stanley and Bank of America both topped expectations.

What's on the calendar

It's a bumper week on the earnings front with a slew of large-cap companies reporting quarterly results, including Amazon, Alphabet (parent company of Google), Microsoft and Meta (parent company of Facebook). After a strong start to the year for the tech/growth sector, earnings should provide further evidence of how the sector is coping with higher interest rates.

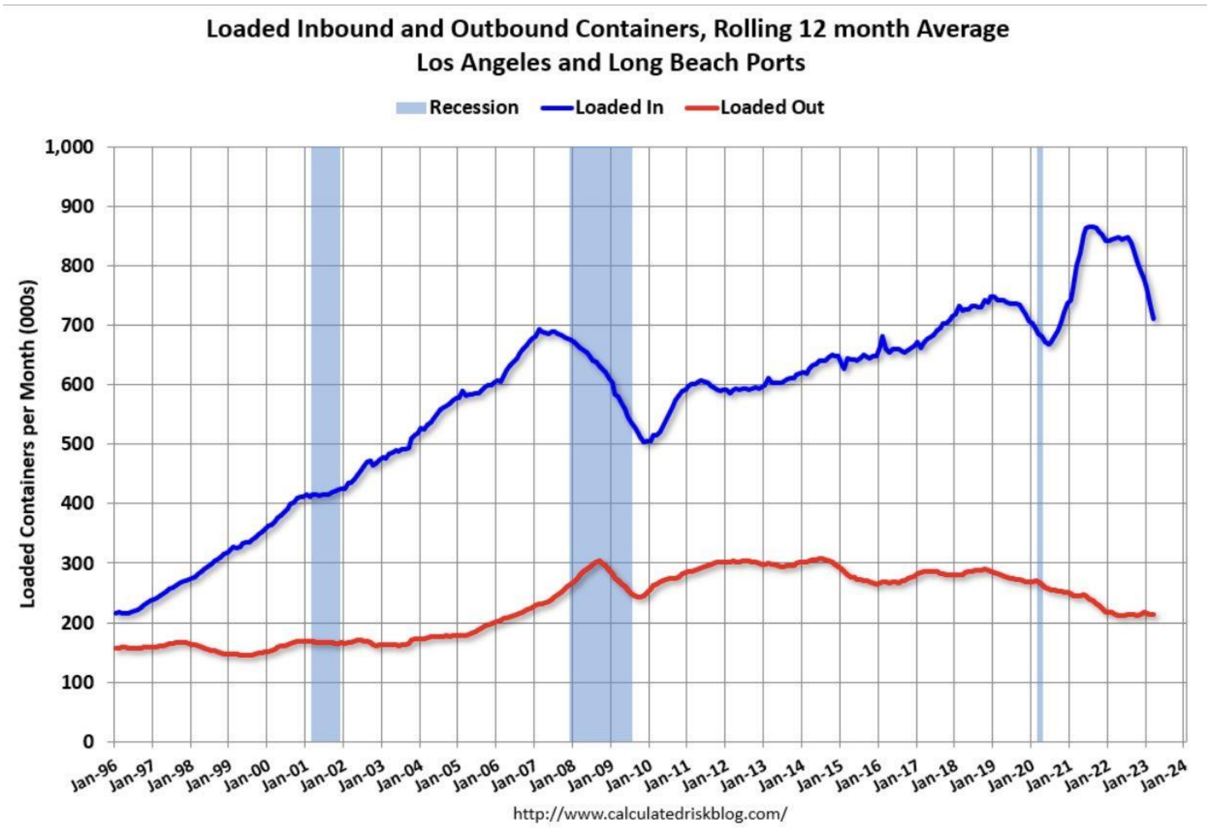
Staying in the US, it's a busy week on the economic data calendar, which includes updates on growth, housing, consumer confidence and inflation. Inflation data comes via the personal consumption expenditures (PCE) – the Fed's preferred measure of inflation.

Closer to home, Australian inflation data for Q1 is released, and after the Reserve Bank of Australia (RBA) paused its tightening cycle, it will be hoping a soft number can validate its decision to slow, or perhaps end its tightening cycle. And in New Zealand, consumer and business confidence updates will come later in the week with the ANZ Business Confidence and the ANZ Roy Morgan Consumer Confidence reports.

Finally, the Bank of Japan (BoJ) is expected to stick with its ultra-loose monetary policy when it meets on Friday under the guidance of the new governor, Kazuo Ueda. The policy, which includes yield curve control (YCC), and interest rate targets remains one of the more controversial policy stances as global inflation rates have spiked over the past 12 months or so. It must be noted that, while Japanese inflation is running at a multi-decade high, it is still well below its peers at around 4%.

Chart of the week

LA ports handle about 40% of the United States' inbound and outbound traffic. A year-on-year fall in inbound goods of this magnitude has, in the past, preceded a recession.



Here's what we're reading

Bonds are back: "Long Bonds Are No Longer for Fools" - https://www.morningstar.com/articles/1149670/long-bonds-are-no-longer-for-fools

Redfin housing update: US house prices see largest year-on-year drop since 2012 - https://www.redfin.com/news/housing-market-tracker-march-2023/

LA Port Inbound Traffic Down Sharply YoY in March - https://www.calculatedriskblog.com/2023/04/la-port-inbound-traffic-down-sharply.html

Disclaimer: This information is issued by ANZ Bank New Zealand Limited (ANZ). The information is current as at 24 April 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.