# The Weekly Snapshot

## 24 June 2024

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

US equity markets continued their good run with most indices recording their third straight week of gains and traded to fresh all-time highs. For the week, the S&P 500 rose 0.6%, while the tech-dominant Nasdaq 100 rose 0.2%. During the week, Nvidia briefly surpassed Microsoft as the most valuable public company in the world, but a 3.2% decline on Friday saw it drop back below Microsoft in market cap.

Meanwhile, coming off a down week, European share markets were mostly higher with both the Euro Stoxx 50 and the FTSE 100 rising by more than 1%, while in New Zealand, the NZX 50 continued its underperformance, falling 1.5%.

It was a quiet week for bonds, with many government bond yields finishing the week near where they began. The one outlier was Australia, which saw bonds weaken (yields rose) after a relatively hawkish central bank meeting. For the week, the yield on Australia's 10-year government bond rose more than 10 basis points.

**What's happening in markets?**

New Zealand's GDP figures were front and centre last week, which showed the economy grew 0.2% in the first quarter of 2024, and 0.3% over the 12-month period. On a per capita basis, the economy contracted 0.3% over the quarter and 2.4% over the year.

Given the property downturn, it was no surprise the construction sector was the hardest hit, declining 3.1% over the quarter, while the goods-producing sector fell 1.3%. On the plus side, primary industries grew 0.2% over the quarter.

The numbers were largely in line with forecasts, so market reaction to the release was muted.

Meanwhile, on Wednesday, Reserve Bank of New Zealand (RBNZ) chief economist, Paul Conway, pushed back at calls that the domestic economy was experiencing stagflation (high inflation and low growth), describing the economy as in a "slow-to-no-to-negative growth" environment. Conway added that tight monetary policy can only do so much to bring down the all-important non-tradeable inflation: "*Some non-tradables respond only slowly, if at all, to changes in monetary policy. For example, inflation in some administered goods prices will fall with a delay; for example, excise tax is indexed to CPI",* he said.

Across the Tasman, the Reserve Bank of Australia (RBA), on Tuesday, kept interest rates unchanged, striking a rather hawkish and uncertain tone – especially on inflation: "*While recent data have been mixed, they have reinforced the need to remain vigilant to upside risks to inflation*," the RBA Board said in a statement. In a follow-up press conference, RBA Governor Michele Bullock said, "*we need a lot to go our way if we are going to bring inflation back down to the 2-3% target range".*

Overseas, US retail sales rose 0.1% in May, and 2.3% over the past 12 months – both weaker than expected. Excluding automobile sales, retail sales fell 0.1%, while lower gas prices saw gas stations report a 2.2% monthly decline. The tepid growth saw the odds of interest rate cuts this year increase slightly.

Meanwhile, UK inflation fell to its 2% target rate for the first time in nearly three years, coming down from 11.1% in October 2022. Despite the fall in headline inflation, services inflation, which has remained sticky over the past couple of years, was 5.7%, down from 5.9%. The return to 2% was not enough to persuade the Bank of England (BoE) to cut interest rates on Thursday. The BoE left its policy rate unchanged at 5.25% with seven members of the Committee voting to hold, while two preferred a 25 basis point cut – this split mirrored the previous meeting.

**What's on the calendar?**

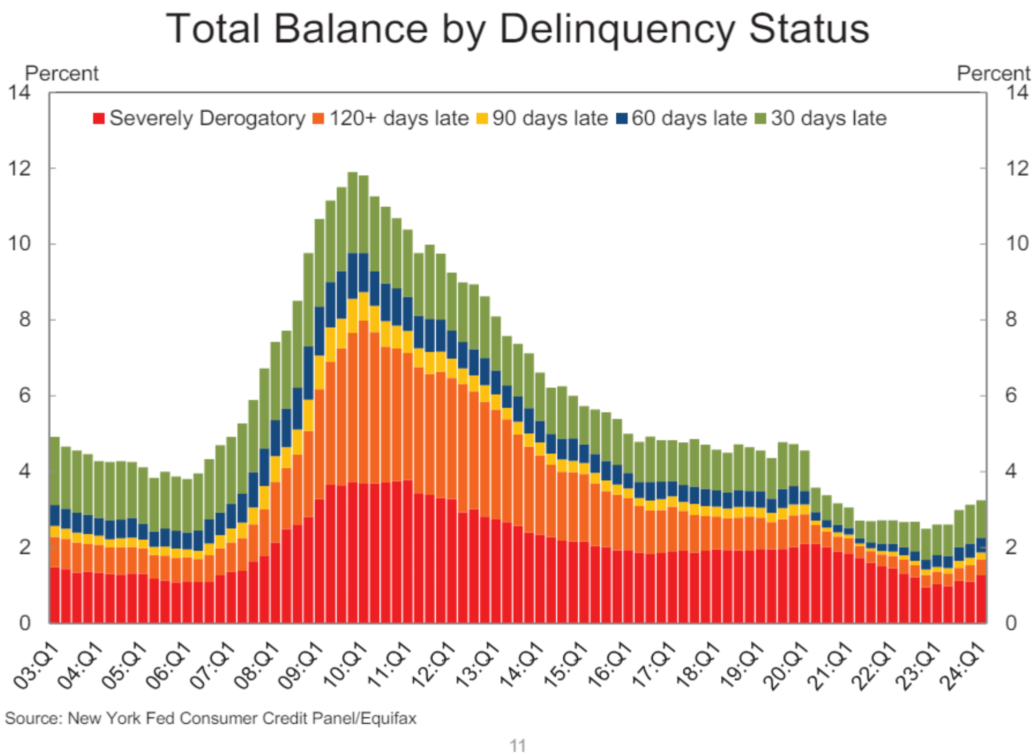
This week sees the release of US Q1 GDP, where it is expected to show the economy continues to grow at a solid pace, ahead of its peers and defying many forecasters. However, with a few tepid retail sales reports to begin the year, it is expected that the growth rate would have slowed from the 3.4% growth in the prior quarter (Q4 2023).

Staying in the US, the Fed's preferred measure of inflation, the core PCE Price Index, is released on Friday, where it is expected prices to have remained about flat over the month, which would equate to a 2.6% rise over the past 12 months.

Elsewhere, a few data points in Europe to watch include German unemployment, French inflation and UK Q1 GDP figures, while in Australia, the monthly CPI indicator will be closely watched, given the RBA's ongoing concern about inflationary pressures.

**Chart of the week**

According to the New York Fed's Household Debt and Credit Report, credit card delinquencies continue to rise, further evidence that higher interest rates are having more effect on the US consumer.




**Here's what we're reading**

Goldilocks' scenario for stocks and bonds this year. Click here.

6 charts that help explain why stocks are going up. Click here.

Chasing the Biggest Stocks. Click here.

RBNZ chief economist Paul Conway says there is no stagflation. Click here.