

# The Weekly Snapshot

5 September 2022

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

Global share markets fell on Friday to round off a third straight week of declines. This followed a solid August jobs report in the US, but ultimately, news of an indefinite shutdown of the Nord Stream 1 pipeline between Russia and Europe weighed negatively on sentiment to end the week.

The S&P 500 Index in the US finished the week 3.3% lower, as the index hit its lowest level since July. Meanwhile, the tech-heavy NASDAQ Index recorded its first six-day losing streak since 2019, as it finished the week down 4.2%.

Following the barrage of company results over the last few weeks, and despite the weak performance of overseas equity markets as they continued to digest Jerome Powell's comments from Jackson Hole in the prior week, the New Zealand share market held up better. The NZX 50 Index finished the week broadly unchanged, albeit with the positive contributions coming from just four key names; a2 Milk (following a solid result), Ebos, Contact Energy and Auckland Airport.

Bond markets also had a tough week, with the yield on the US 10-year government bond rising from 3.04% to a high of 3.26% (although it finished the week at 3.20%). Bond investors also continued to ponder Powell's comments in the previous week, when he suggested the US central bank would not stop raising interest rates until inflation was back close to its target level.

It was a similar story in New Zealand, with the yield on the 10-year government bond rising 19 basis points – and back to above the 4% level.

### What's happening in markets?

Europe was a key focus for investors last week. Eurozone inflation hit a new record in August, and is expected to rise further in the coming months. Consumer prices rose 9.1% during the year to end August, up from 8.9% in the previous month. Core inflation, which excludes the volatile food and energy components, rose 4.3%. Both the headline and core numbers were higher than expected.

August's rise in the headline inflation rate was driven by an acceleration of food, alcohol and tobacco prices, which rose to double-digit territory. Expectations are for eurozone inflation to increase further in the coming months, amid a renewed surge in natural gas prices. It comes as Russia, once again, cut-off gas supplies to Europe through the Nord Stream 1 pipeline – saying that a two-day shutdown was necessary to carry out maintenance work. Hours before it was set to reopen, Gazprom, the Russian state-owned company, said repairs now required it to "suspend further operations" indefinitely.

Against this backdrop, there has also been more hawkish commentary from European Central Bank (ECB) committee members calling for higher interest rates. Even one of the more dovish members argued for "a steady pace that is neither too slow nor too fast". The ECB is due to meet this coming week.

Meanwhile, in the US, all-important jobs data was in line with expectations. Nonfarm payrolls rose by 315,000 jobs in August, just below estimates, but well under the 526,000 jobs added in July. The unemployment rate rose to 3.7%, slightly higher than expectations, while wages also continued to rise.

Strong jobs numbers have been posing a challenge for the Federal Reserve as it tries to get inflation under control. While other parts of the economy have weakened (the housing market for example), the labour market is holding strong. Robust hiring, job openings outnumbering available workers and higher wages all have the potential to feedback into higher consumer price inflation.

### What's on the calendar

Central banks are going to be in focus this week. The European Central Bank is meeting on Thursday and, following its strong inflation report, it is expected to hike rates in the range of 0.5%-0.75%. Market pricing now sees cash rates in Europe reaching 2% in the first quarter of next year.

Also this week we have the Bank of Canada meeting, where it is expected to raise interest rates by another 0.75%, while the Reserve Bank of Australia is expected to raise its cash rate by another 0.50% on Tuesday.

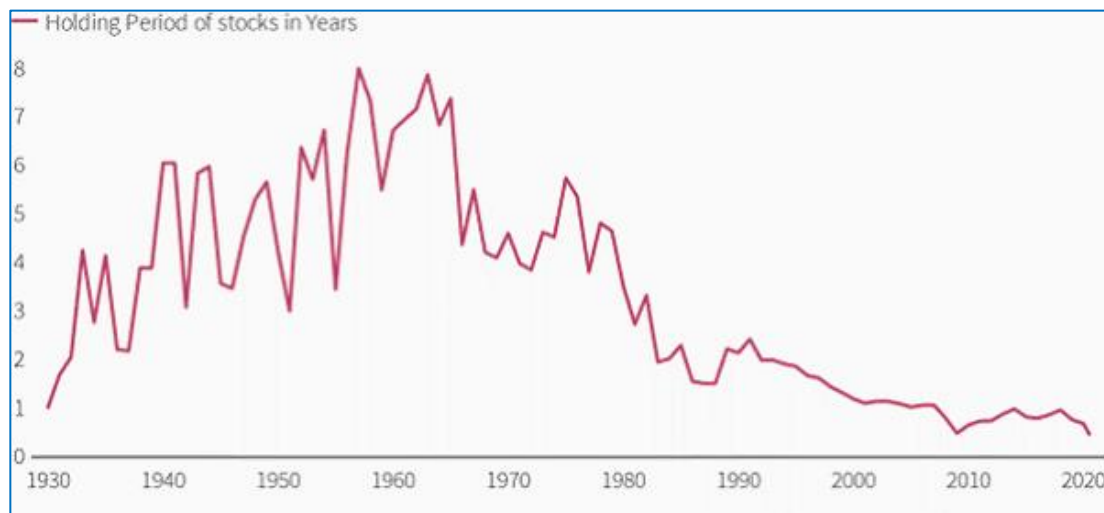
Meanwhile, in the UK, Boris Johnson's successor is expected to be announced on Monday, as the Conservative Party elect a new leader (and Prime Minister) on Monday.

### Chart of the week

Warren Buffet has been quoted as saying "If you aren't thinking about owning a stock for ten years, don't even think about owning it for ten minutes."

Turns out that, in general, investors don't agree with his view, with holding periods for stocks trending downward since the 1960s. However, here at ANZ Investments, we continue to believe that investors should take a long-term view with all of their investments.

Source: NYSE/Reuters



### Here's what we're reading

They are the two most mentioned indexes in stock market commentary, but have you ever wondered what's the difference between the Dow Jones and the S&P 500 Index?

<https://mywallst.com/blog/whats-the-difference-between-the-dow-jones-and-the-sp-500>

A year and a half into his presidency, and it looks like President Joe Biden is on pace to compile the best growth record since President Bill Clinton

<https://www.bloomberg.com/opinion/articles/2022-08-31/biden-s-economy-has-the-best-growth-record-since-clinton>

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