

The Weekly Snapshot

4 April

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

Most equity markets ended relatively unchanged last week as the first quarter of the year came to an end. For most indices, it was the worst quarterly performance since Q1 2020. Nevertheless, indices such as the S&P 500 and NASDAQ 100 finished nearly 10% off their lows made in February.

It was a similar story in New Zealand, with the NZX 50 ending the week mostly unchanged.

Bond markets continued to dominate the headlines, with yields surging higher on Monday, before ending the week lower. At one point, the US 10-year government bond yield hit a near three-year high above 2.5%, while in New Zealand, the 10-year government bond yield hit a five-year high around 3.4%.

What's happening in markets

The geopolitical landscape in Eastern Europe appeared to improve somewhat last week, with Russia saying it would "drastically reduce" its military operations in northern Ukraine and around Kyiv. Delegations met in Istanbul for the first face-to-face meetings in weeks, however, no official deal was struck.

Despite the talks, the US remained sceptical, saying that Russian forces may be repositioning their troops as opposed to scaling back. "There is what Russia says and there is what Russia does," said Secretary of State Antony Blinken on Tuesday, adding that Russia is still undergoing significant attacks across Ukraine.

Elsewhere, oil prices, which have become a bellwether for activity in Ukraine, ended the week around 10% lower after news the US was going to release crude oil reserves to alleviate concerns of shortages after the Russian invasion of Ukraine. Under the proposal, the US would release one million barrels per day for the next six months from its Strategic Petroleum Reserve – the emergency stockpile of petroleum.

In economic data, inflationary pressures continued to dominate the headlines, with the ANZ Business Confidence survey showing pricing intentions hit a net 81% and a net 96% of firms expect higher costs ahead.

Meanwhile, overseas, the US Core PCE Price Index, which is the Fed's preferred measure of inflation, rose to an annual rate of 5.4%, up from 5.2%. And in Europe, the Harmonised Index of Consumer Prices (HICP), which is the broad measure of prices across Europe, rose to 7.6%, a steep increase from 5.5% in February. The faster-than-expected pace reflects the surge in commodity prices in the wake of the Russia-Ukraine war.

Finally, on Friday, the US employment report showed the economy added 431,000 jobs in March, which was slightly below consensus. Nevertheless, the data continues a solid trend of job growth, which saw around 1.7 million jobs added in the first quarter. March's increase was led by the leisure and hospitality sector, reaffirming the continued reopening of the economy.

What's on the calendar

It's a relatively quiet week on the economic data calendar with the highlight being the release of the minutes from the 16 March Federal Reserve meeting. The minutes should show how policymakers view the economic outlook, as they balance a strong labour market, with inflationary concerns. Furthermore, any hawkish rhetoric could cement a 50 basis point hike in May (interest rate markets have this mostly priced in).

In Australia, the Reserve Bank will meet on Tuesday where it is expected to keep its key policy rate unchanged. The RBA continues to remain patient, with inflation and wage gains lagging other nations that are tightening monetary policy at a faster pace.

Finally, the release of the NZIER Business Confidence survey for Q1 will give further insight into sentiment among the business sector that is struggling with rising prices and a slow reopening.

Chart of the week

Consumer sentiment in Germany is looking rather bleak with income expectations and willingness to buy falling sharply.

German consumer survey: income expectations & willingness to buy



Source: Pictet Asset Management, CEIC, Refinitiv

Here's what we're reading

A first-hand take from someone in the freight business who believes economic activity will slow in the near future - <https://www.freightwaves.com/news/why-i-believe-a-freight-recession-is-imminent>

Why *this* inflation is hard to fix: America's inflation problem, explained to the extent it is possible - <https://www.vox.com/the-goods/22994731/inflation-rate-russia-gas-prices-jerome-powell>

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