

# The Weekly Snapshot

8 February

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

Volatility continued to dominate financial markets with another week of substantial intraday trading ranges. However, by the end of the week, most US indices were higher with the S&P 500 and NASDAQ 100 both finishing up more than 1.5%, and despite a tough start to the year, it was the second straight week of gains for the two indices.

Meanwhile, after four straight weekly declines, the NZX 50 gained more than 3.5%, which was one of its best weekly performances in more than a year.

It was also a volatile week in fixed interest markets, that ended with the US 10-year government bond yield above 1.9%, its highest level since early 2020 as investors prepared for a faster-than-expected tightening cycle by the Federal Reserve.

### What's happening in markets

Fixed interest markets continue to drive investor sentiment with yields moving higher after a better-than-expected US nonfarm payrolls report. The economy added 476,000 jobs in January, well ahead of consensus, and to top off the good news, the prior two months were revised higher by a combined total of around 700,000.

The strong report, coupled with ongoing inflationary concerns, saw bond yields across the world move higher and a 50 basis point hike by the Fed in March now a real possibility, according to interest rate markets.

The heightened volatility was on display Wednesday when shares in Facebook (parent company Meta) fell more than 25%, which wiped around US\$232 billion in value off the company – it was the largest single-day drop in value of any company in the history of the US stock market. The weakness came after the company reported weaker-than-expected revenue growth and its first quarterly decline in daily active users on record.

Meanwhile, it was almost the opposite for ecommerce giant Amazon, which saw its shares surge nearly 15% after a better-than-expected earnings report that included a bump in its cloud revenue data. The company also announced a 17% increase in the price of its Prime membership.

In New Zealand, economic data for the final quarter of 2021 showed the labour market continued to tighten, with the unemployment rate hitting a record low 3.2%, while wages rose at an annual rate of 3.8%.

### What's on the calendar

US inflation data will highlight a relatively busy week ahead in financial markets. It is expected the year-on-year CPI will continue to run above 7%, its highest level in about 40 years. With interest rate markets now pricing in a realistic chance of a 50 basis point hike by the Fed in March, any surprise to the upside could see a 50 basis point hike become the most likely scenario.

Also in the US, there is a slew of corporate earnings from a variety of sectors that will influence sentiment including, Walt Disney, Coca Cola, Pfizer, SoftBank and Twitter.

In the UK, GDP data for December will indicate how well the economy navigated the first wave of the Omicron COVID variant with most forecasters expecting the economy grew in December by around 1%. Any upside surprises will put pressure on the Bank of England to continue its tightening cycle with some arguing the central bank should have hiked more at its last meeting.

Finally, the ongoing saga on the Russia-Ukraine border will continue to garner attention with Russia tensions showing no signs of easing. Over the weekend, there were reports Russia was planning to stage a false attack by Ukrainian forces to justify invading Ukraine.

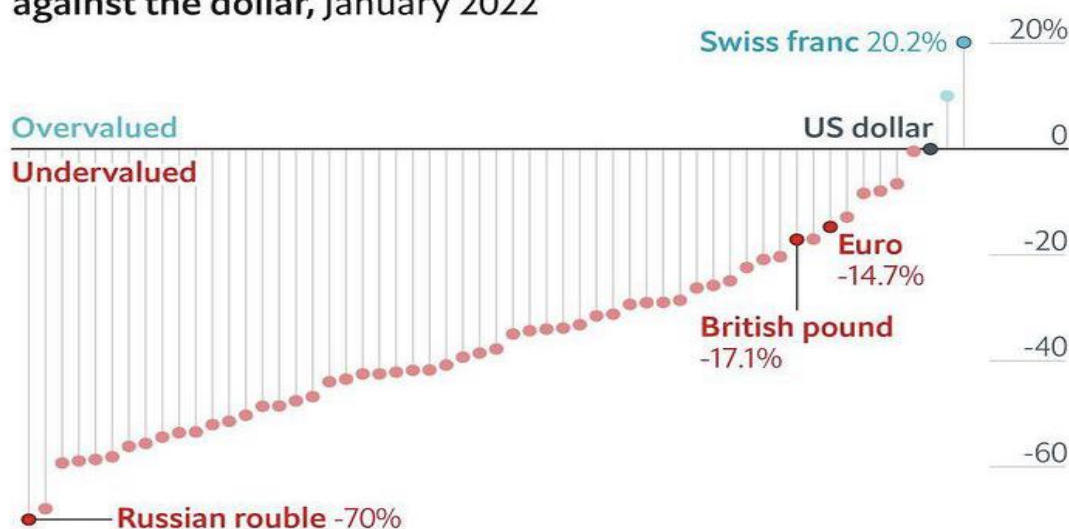
## Chart of the week

The Economist is out with its famous Big Mac index that values several countries' currencies compared to the US dollar using the cost of a Big Mac. As at January 2022, the Swiss franc was one of the few currencies deemed 'overvalued' versus the US dollar.

More data is [available here](#), but the New Zealand and Australian dollar are both undervalued by more than 20%.

## How our famous Big Mac index looks in 2022

Local currency under(-)/over(+) valuation against the dollar, January 2022



Sources: McDonald's; Refinitiv Datastream; IMF; Eurostat; LebaneseLira.org; Banque du Liban; *The Economist*

*The Economist*

## Here's what we're reading

The Business of Stocks – why do stocks perform well overnight (outside US trading hours) -

<https://ritholtz.com/2022/02/the-business-of-stocks/>

The 'abnormality' of the housing market could be set to continue -

<https://awealthofcommonsense.com/2022/02/why-it-could-take-years-until-we-see-a-normal-housing-market/>

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