# The Weekly Snapshot

## 12 July

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

US equities extended their streak of gains to three weeks with the major indices ending higher, albeit with small gains – the S&P 500, Dow Jones Industrial Average and NASDAQ 100 all ended the week up around 0.5%

In New Zealand, the NZX 50 ended its fifth straight week of gains to close slightly lower, and across the Tasman, the ASX 200 also ended the week slightly lower.

Meanwhile, bond yields took a sharp turn lower with government bond yields in most developed countries ending the week well lower.

**What's happening in markets**

Despite a shortened week in the US, plenty was going on with the main driver being bond yields, which continued to decline, despite ongoing concerns around inflation. On Thursday, the yield on the 10-year government bond yield dipped below 1.3%, trading to its lowest level since February, around 50 basis points from its post-COVID high.

The continuing slide in US bond yields came after some economic data was a little weaker than expected, including the ISM services purchasing managers' index, which fell to 60.1, below consensus. And in employment data, jobless claims ticked higher to 373,000, more than expected.

Elsewhere, minutes of the latest Federal Reserve meeting were slightly less hawkish than expected, with the Committee saying the economy had yet to meet the benchmark the Fed has said would warrant a shift in monetary policy.

> ***"Participants discussed the Federal Reserve's asset purchases and progress toward the Committee's goals since last December when the Committee adopted its guidance for asset purchases. The Committee's standard of "substantial further progress" was generally seen as not having yet been met, though participants expected progress to continue"*** – Fed minutes

Domestically, long-term bond yields also moved lowerdespite data showing a hike in the Official Cash Rate by the Reserve Bank of New Zealand may come much sooner than expected as the economy continues to run hot. The NZIER Quarterly Survey of Business Opinion showed a sharp rise in economic activity, but perhaps more importantly, the labour market was tightening at a rapid pace.

According to the report, 15% of firms increased their headcount in the June quarter, while 20% are looking to increase investment over the coming year. Moreover, in a media release, NZIER said the scarcity of skilled and unskilled labour is at "the most acute on record over the history of the survey".

**What's on the calendar**

It's setting up as a busy week on the calendar with a slew of tier one data and central bank meetings.

Beginning in New Zealand, Wednesday will see the Reserve Bank of New Zealand meet, where market participants will get to see if the central bank is on the same page with market pricing, which has brought forward the timing of the first rate hike to later this year. While economic data supports a rate hike in the near future, the lingering concerns around New Zealand's borders and its impact on the economic outlook may temper some of the expectations. Either way, it is setting up as one of the most important RBNZ meetings since the COVID-19 pandemic.

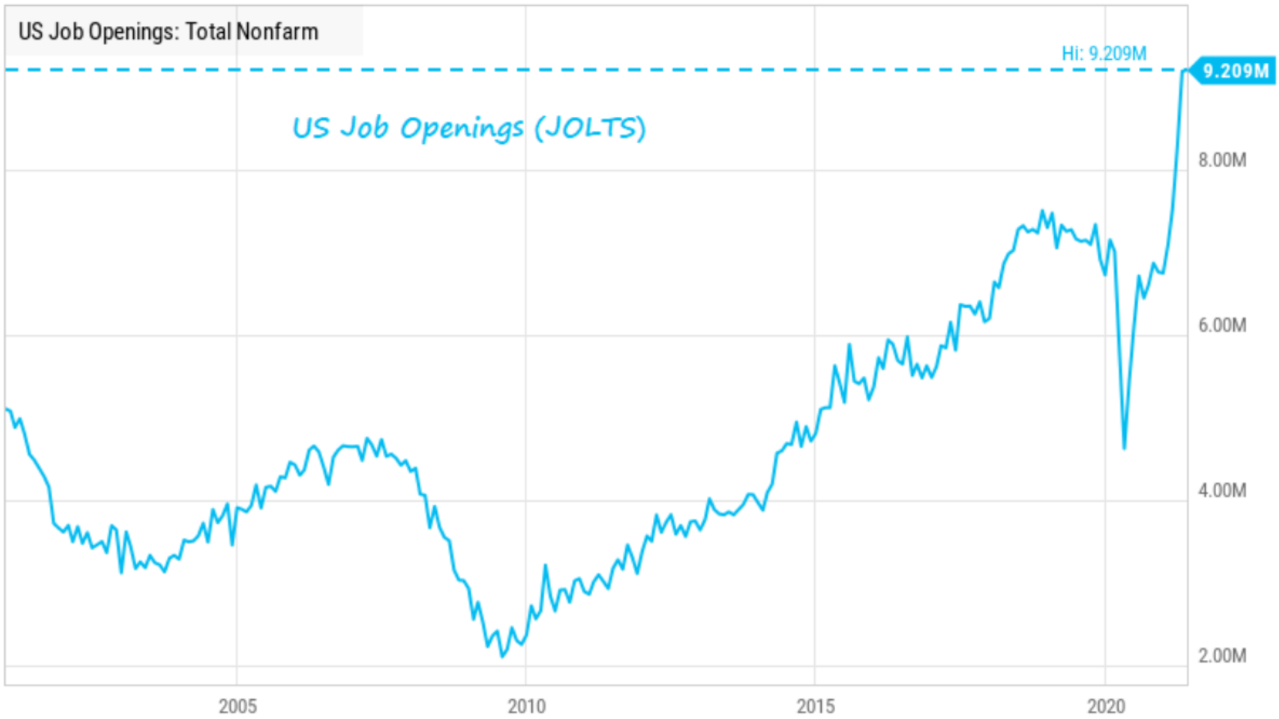
Then on Friday, we will see the release of second-quarter inflation, where it is expected a rise of around 1% for the quarter, which would see year-on-year inflation near 2.5%, which would match the fastest year-on-year rate in around a decade.

In other inflation data, Tuesday will see the release of June inflation data in the US, which is running at decade-high levels. With bond yields declining and well off post-COVID lows, a slower-than-expected reading could put further pressure on yields.

Finally, Q2 earnings season kicks off with some US banks set to report this coming week.

**Chart of the week**

There have never been more job openings in the US, despite the unemployment rate stagnating around 6%, well above pre-COVID levels.




**Here’s what we’re reading**

“Stocks are not pieces of art. They are not fiat money…. Eventually, everyone figured out that Galileo was right. Eventually, everyone will figure out that Cathie Wood isn’t. And it won’t take as long either.” - https://www.albertbridgecapital.com/post/a-memo-to-investors

Why not another read on inflation: “Everything feels more expensive because it is” - https://www.vox.com/the-goods/22549250/inflation-consumer-prices-lumber-used-cars-gas