

The Weekly Snapshot

5 July

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

US equity markets rose for a second straight week, with major indices ending Friday at all-time highs. In fact, the S&P 500 made a new all-time high for the seventh consecutive trading session – its longest stretch since the late 1990s. For the week, the S&P 500 and NASDAQ 100 both gained more than 1.5%.

New Zealand equities continued their good run, finishing the week up around 0.7%, its fifth-straight week of gains. And in Australia, the benchmark ASX 200 ended unchanged for the week.

What's happening in markets

On the economic data front, the week was highlighted by US employment figures, which showed the economy added 850,000 jobs in June, ahead of most forecasts. The data reverses a recent trend of worse-than-expected reports. In addition, job gains in May were revised higher.

After Friday's report, the US economy has recovered more than 15 million jobs from the pandemic losses, still short of the 22.3 million Americans who lost their jobs in March and April of 2020.

In other employment news, weekly jobless claims hit a new pandemic-era low of 364,000.

Nevertheless, the better-than-expected employment data appeared to cast doubt on any significant change in monetary policy in the near term, with bond yields finishing the day lower. The yield on the 10-year US government bond yield closed at 1.43%, down around 3 basis points and lower for the week.

In other positive economic news last week, the US Conference Board consumer confidence index rose to 127.3 – its highest level since just prior to the start of the COVID-19 pandemic. The index, which has a strong weighting to the employment sector, is a good sign the labour market is potentially playing catch-up to the broader economic recovery.

It was a relatively quiet week down under, with the ANZ Business Outlook survey headlining news. The latest survey continued to indicate rising inflation pressures – notably in the retail sector – further increasing the likelihood the central bank may have to raise the Official Cash Rate in early 2022 to stem inflation.

What's on the calendar

It's a shortened week in the US with fourth of July celebrations, which also brings a quiet week on the economic data calendar.

Wednesday's release of the latest Federal Reserve meeting minutes may provide some further information on the central bank's thinking around its bond-buying programme. This comes after the June meeting where the Committee updated its inflation forecast and the so-called 'dot-plot' of individual member expectations showed the first hike sometime in 2023.

However, on inflation, Fed Chair Jerome Powell continues to see the recent pop in prices as transitory, as opposed to permanent.

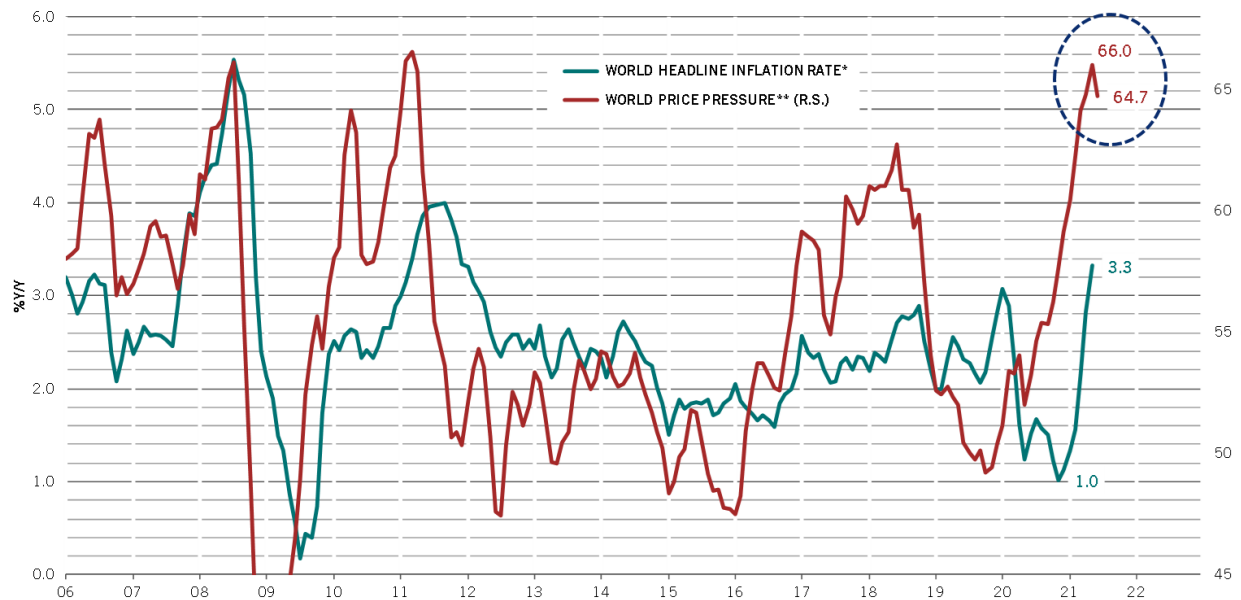
It's a quiet week in New Zealand, with no tier one data of note. But, across the Tasman, it's a little busier with Tuesday's Reserve Bank of Australia meeting the highlight. The central bank will address its current yield target purchases, which could see the central bank begin to shift towards a less accommodative policy stance.

Finally, the COVID-19 outbreak in Australia continues to simmer in the background, with states appearing, at this stage, to contain the outbreaks, but any outbreak or potential lengthening of lockdowns could put a small dent in the recovery.

Chart of the week

Could this be the first sign of a peak – potentially short-term – in supply-side constraints? An average of more than 30 manufacturing PMIs shows a slight pullback.

World inflation rate* & PMI price components**



*GDP-weighted average of 40 countries' inflation rates

**Average of 31 manufacturing PMIs components of prices paid & delivery times GDP weighted

Source: Pictet Asset Management, CEIC, Refinitiv

Here's what we're reading

As investors hunt for yield, or assets that are, to some degree at least, inflationary protected, the latest asset class garnering attention is the farming sector. Furthermore, the industry provides an avenue into impact investing, where investors are driven by sustainability-focused returns in an ever-changing investing environment - <https://www.worth.com/farmland-investing-impact-beyond-returns/>

Even if you're not a baseball fan, Bobby Bonilla Day has a touch of finance and investing to it, in what is the craziest sports contract ever signed - https://www.espn.com/mlb/story/_/id/29388441/bobby-bonilla-day-why-mets-pay-119-million-today-every-july-1

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