

The Weekly Snapshot

14 June

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

Global equity markets finished mostly higher last week, despite several economies reporting data that pointed to a pickup in prices – a scenario that can create headwinds for equities. In the US, the S&P 500 hit a new all-time high, gaining 0.4% over the week, while the NASDAQ 100 recorded its fourth-straight week of gains, ending up more than 1.5%.

New Zealand equities continued their good turnaround, trading to a 4-week high, ending the week up around 0.5%. Meanwhile, in Australia, the ASX 200 traded to a new all-time high and ended the week with a 0.2% gain.

Despite the inflationary concerns, most government bond yields ended the week lower.

What's happening in markets

It was a big week for inflation-related data that continued to show pricing pressures offshore and closer to home are on the rise.

Headlining the week was Thursday's US CPI data, which showed prices rose 0.6% in May and 5% over the past 12 months – a 13-year high. Rising used-car prices accounted for a staggering one-third of the overall price increase in May, while gasoline prices were another significant contributor to the headline number.

In other inflationary-related news out of the US, Tuesday's National Federation of Independent Business (NFIB) Optimism Index fell 0.2 points, the first decline in four months, as worries about rising prices and labour shortages weighed on business owners. The report showed 40% of respondents were raising selling prices, the highest number in around 40 years, while 48% of respondents said they had job openings, a record high.

"If small business owners could hire more workers to take care of customers, sales would be higher and getting closer to pre-COVID levels. In addition, inflation on Main Street is rampant and small business owners are uncertain about future business conditions." - NFIB Chief Economist Bill Dunkelberg said in a statement.

Despite the inflationary pressures, US government bond yields fell more than 10 basis points last week – possibly a sign that the market had priced in the buoyant inflation figures.

Down under, pricing pressures were also evident in the latest preliminary ANZ Business Outlook Survey. The survey showed 86% of respondents expect higher prices, up 5 points from the prior month. Additionally, 63% expect to raise prices going forward.

In central bank news, the European Central Bank said it would continue its pace of bond purchases, easing fears, at least for now, of a spike in borrowing costs that could dent the economic recovery. Nevertheless, the central bank did up its inflation outlook.

What's on the calendar

It's a relatively busy week offshore with the Federal Reserve Meeting on Thursday the centre piece. The market will be looking for signs of tapering amid decade-high inflation numbers – albeit off relatively low levels. However, the Fed's dual mandate, which includes employment, is likely to see it remain accommodative given back-to-back underwhelming employment reports.

Staying in the US, retail sales, industrial production headline a busy week of US economic data, and in Europe, Eurozone inflation and wage growth data will be closely watched.

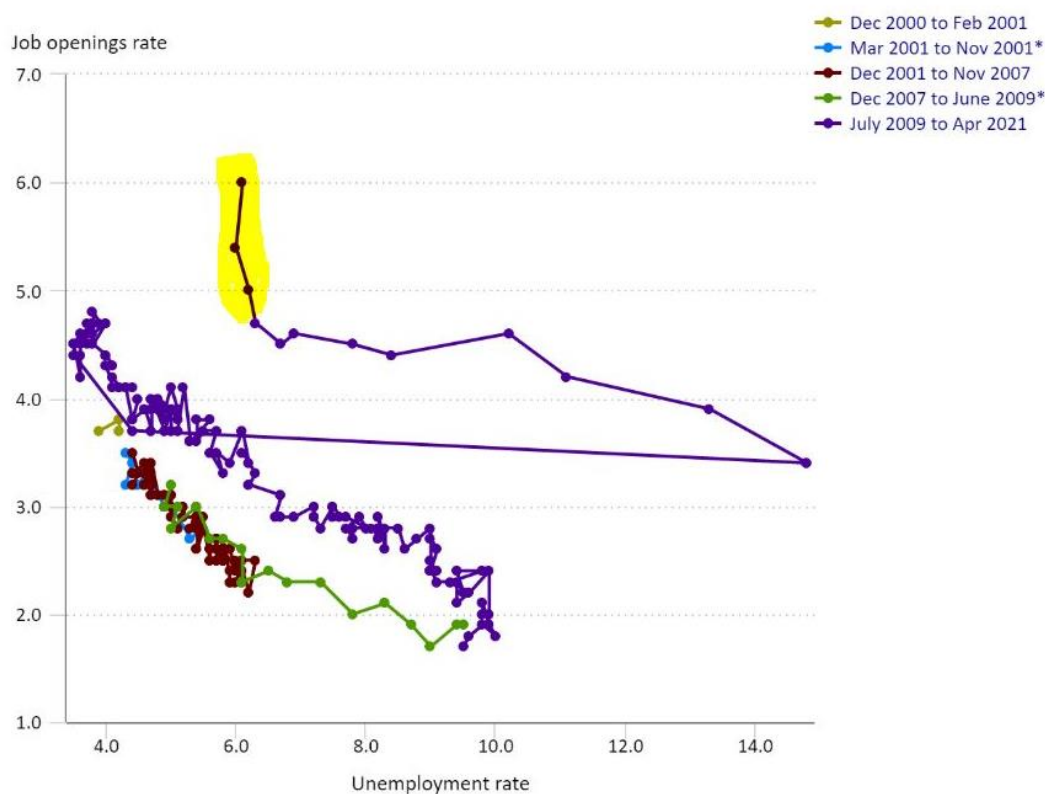
In New Zealand, Thursday's Q1 GDP number is likely to confirm the country did not enter a recession after some strong data over the quarter. Most forecasts expect the economy grew by 0.5% during the quarter, taking year-on-year inflation to around 1%. After the Reserve Bank of New Zealand turned relatively hawkish at its latest meeting, it would take a big miss to the downside for the central bank to dial back its tone.

Chart of the week

One indicator that doesn't get too much attention is the Beveridge Curve, which plots unemployment and job openings. In theory, the two should move in lockstep – as job openings go up, the unemployment rate falls because the unemployed fill the openings.

Well, like many things during this recovery, there has been a disconnect between the two.

The Beveridge Curve (job openings rate vs. unemployment rate), seasonally adjusted



Here's what we're reading

Is making money from day-trading here to stay? "Something new is happening, and maybe, just maybe, this time really is different." - <https://blairbellevue.com/seismic-shift/>

With global investable assets reaching a record \$250 trillion, other investing avenues are becoming more popular: "More wealth directed toward investment funds, private equity, private debt and real estate, among others" - <https://www.institutionalinvestor.com/article/b1s6dsvw696kqd/Global-Investable-Assets-Reach-Record-250-Trillion>

The Forbes list of best Fintech companies of 2021 shows a significant number in the blockchain/crypto-related space - <https://www.forbes.com/fintech/2021/#5290b81531a6>

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