

The Weekly Snapshot

8 June

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

Equities finished the week strongly to post solid gains across the board. In the US, a strong showing on Friday saw the S&P 500 and NASDAQ 100 finish the week up around 0.6%. European markets continued their strong run with the Euro Stoxx 50 trading to a 13-year high.

Down under, New Zealand equities bounced back after a tough month with the NZX 50 rising more than 2%, while the ASX 200 gained more than 1%, trading to an all-time high.

What's happening in markets

Despite a shortened week in the US, it was a busy one on the economic data calendar. The highlight came Friday with the US employment report, which showed the economy added 559,000 jobs in May, while the unemployment rate fell to 5.8%. Despite the robust report, the headline number was below most forecasts which were expecting nearly 700,000 jobs. On a positive note, April's report was revised upwards to 278,000, but still short of consensus.

Looking closely at the numbers, the 'reopening' trade appears to be on track with nearly 300,000 jobs created in the leisure and hospitality sector. Education also saw the benefits of the economic reopen, adding 144,000 jobs.

The report saw equities move higher on Friday, with the S&P 500 gaining 0.9% and the NASDAQ 100 rising 1.8% - both went from weekly losses to gains. The Friday rally - despite the underwhelming data - came as investors bet that slower-than-expected job growth would keep the Federal Reserve from raising rates in the near term - a scenario that tends to benefit equity prices.

Despite the weaker-than-expected jobs report the Fed's Beige Book, which is a measure of business activity, showed the easing of restrictions and progress on vaccination rates had boosted economic growth. However, the survey did confirm supply chain bottlenecks and rising wages were being passed onto consumers, likely pushing up inflation. "Looking forward, contacts anticipate facing cost increases and charging higher prices in coming months", the report said.

Meanwhile, over the weekend, the Group of Seven (G7) agreed to back a global minimum corporate tax rate to deter multinational companies from avoiding taxes by routing profits to low-rate countries. The ministers also endorsed a proposal to tax some of the world's biggest companies - notably US tech giants - in countries where they have substantial sales, but no headquarters.

US Treasury Secretary Janet Yellen said the agreement "would end the race-to-the-bottom in corporate taxation, and ensure fairness for the middle class and working people in the US and around the world."

The endorsement comes ahead of talks with over 100 countries on the matter being held in Paris and the Group of 20 (G20) summit in Venice in July.

What's on the calendar

It's a shortened week down under with a relatively quiet week on the economic data calendar with Wednesday's preliminary ANZ Business Confidence Report the highlight.

Across the Tasman, it's also a relatively quiet week with business and consumer confidence data from NAB and Westpac out Tuesday and Wednesday.

Offshore, the inflation outlook will become more clear when on Thursday, US CPI data for May is released. After a faster-than-expected pickup in April, but a weaker-than-expected jobs report, investors will be watching closely for more evidence of pricing pressures and what it could mean for monetary policy.

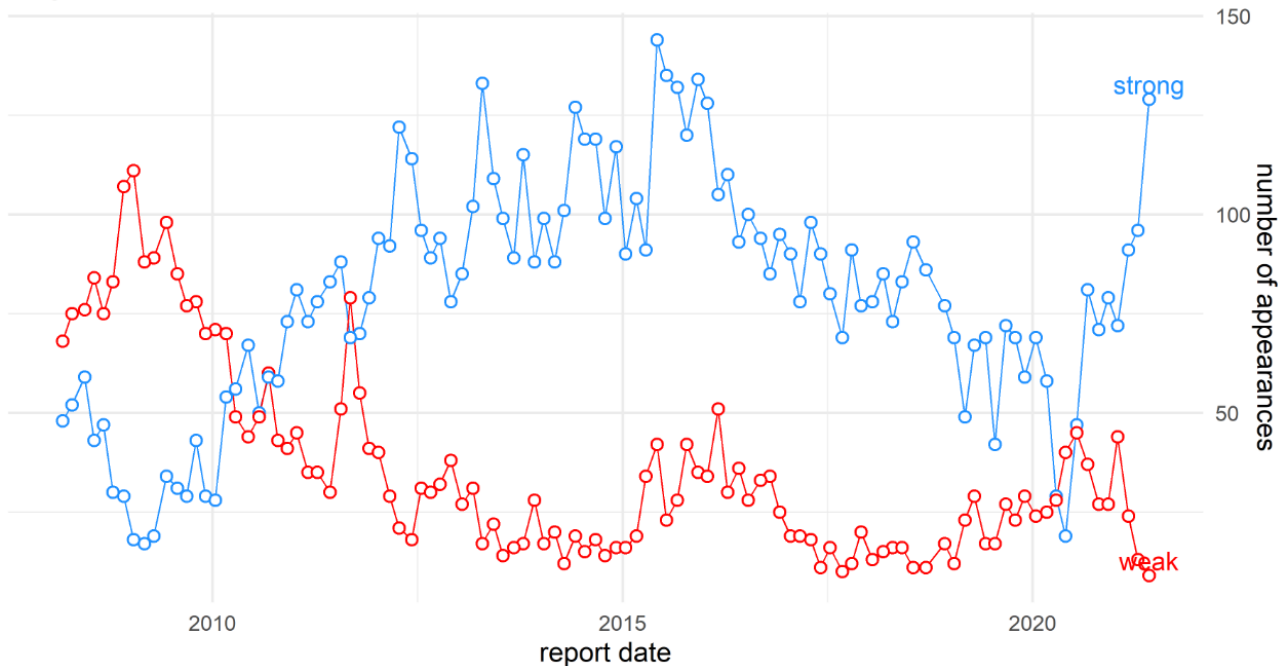
Staying in the US, Friday's preliminary reading of Michigan Consumer Sentiment and Inflation Expectations will also provide signposts on inflation as well as business confidence that could begin to wane amid higher prices and a potential inability to pass them onto consumers.

Chart of the week

Below is a chart of the number of times the words “**strong**” and “**weak**” appear in the Fed’s Beige Book – a survey of activity across 12 regional banks. The Beige Book is formally referred to as the Summary of Commentary on Current Economic Conditions.

Number of times term appears in Beige Book

Beige Book Mar 2008-Jun 2021



Here's what we're reading

The changing dynamics of the stock market: "Remember when stocks traded on fundamentals? Or at least they traded based on people's perceptions of the fundamentals. What do they trade on today? It was always a popularity contest." - <https://fortune.com/2021/06/02/changing-stock-market-meme-stocks-day-trading-reddit-crypto-investing-robinhood-btc-tsla-gme-eth-amc-nfts/?7j3q0c>

Explainer: What is a global minimum tax and what will it mean? -

<https://www.reuters.com/business/finance/what-is-global-minimum-tax-what-will-it-mean-2021-06-05/>

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