

The Weekly Snapshot

10 May

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

It was an up-and-down week for equity markets, with growth stocks facing headwinds amid rising optimism of a sharp economic rebound, putting cyclical-type stocks in favour. The disjoint saw the NASDAQ 100 end the week down, while the S&P 500 gained around 1%, hitting a new all-time high.

In New Zealand, the NZX 50 ended around flat for the week, while in Australia, the ASX 200 made a multi-month high, ending the week up around 1%.

After a volatile start to the year, government bond yields have spent the past few weeks consolidating and trading in relatively tight ranges.

What's happening in markets

It was all about economic data last week, and specifically employment figures in the US. On Thursday, jobless claims – the number of Americans filing for unemployment benefits – fell below 500,000 for the first time since the pandemic, another sign the labour market is clawing its way back towards pre-pandemic levels.

However, the upbeat employment situation was tempered a bit when on Friday, the nonfarm payrolls report for April showed the US economy added 266,000 jobs, with the unemployment rate rising to 6.1%, both numbers were well below market expectations.

Despite this, equities rose on Friday, with the jobs report seemingly reinforcing the view that central banks will remain lower for longer on the interest rate front, a scenario that tends to support equity prices.

Staying in the US, Treasury Secretary Janet Yellen made headlines when she hinted rate hikes could be on the horizon: "Interest rates will have to rise somewhat to make sure that our economy doesn't overheat, even though the additional spending is relatively small relative to the size of the economy," she said. However, Yellen appeared to wind back these remarks, reiterating that any pricing pressures would be transitory, citing supply chain shortages. Additionally, the Treasury Secretary stressed the importance of the independence of the Fed, which she used to chair.

Closer to home, there was some strong employment data in New Zealand, with the unemployment rate falling to 4.7% in the first quarter of 2021, while wages rose 0.4% quarter-on-quarter. It was the third consecutive quarterly decline in the unemployment rate.

Meanwhile, the preliminary ANZ Business Confidence survey confirmed inflation expectations with a net 80% of firms surveyed expecting higher prices. The baseline index also showed business confidence rose 9 points to +7.

Finally, the global COVID-19 situation continues to worsen with multiple countries in South East Asia experiencing a surge in cases and deaths. India remains the worst-hit country with daily cases topping 400,000.

What's on the calendar

After a downbeat April jobs report last week, the focus shifts to inflation with US CPI numbers for April released on Wednesday where it is expected prices have ticked up around 0.2%. Given the decline in April and May of 2020, a small rise will see year-on-year inflation pop to around 3.5%.

In other US economic data, Friday's retail sales figures will be closely eyed after a strong rise in March. Given around two-thirds of the US economy comes from consumer spending, retail sales have been a good barometer in assessing the rebound during the recovery.

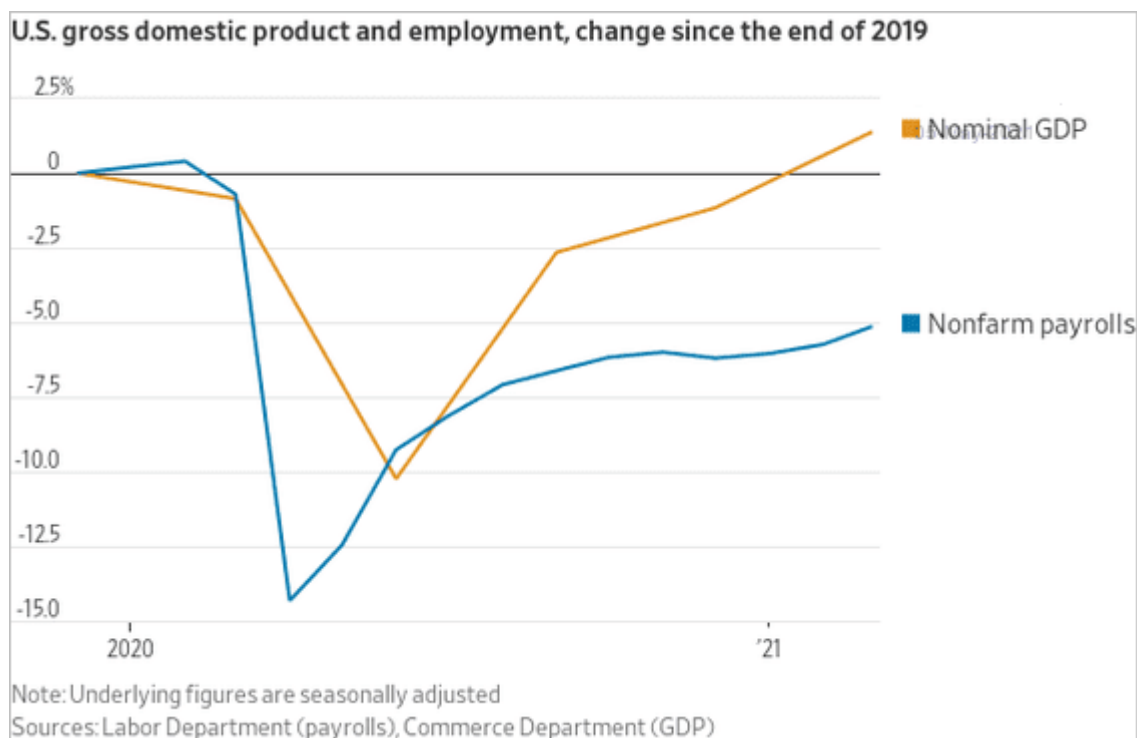
It's a quiet week in New Zealand with no tier one economic data to speak of, while across the Tasman, NAB Business Confidence and March retail sales are due Monday.

Finally, in China, the monthly slew of economic data is out with inflation, retail sales, industrial production and employment figures all on the calendar this week.

Chart of the week

Despite a swift rebound in the US economy, the Federal Reserve continues to cite the labour market as the one laggard in the pandemic-rebound – and one factor why its policy stance remains heavily accommodative. This chart may help explain the Fed's thinking.

Note: this chart does not include Friday's disappointing employment figures.



Here's what we're reading

President Joe Biden's progressive economic and fiscal policy has drawn comparisons to that of FDR's in the post-depression era. And after what most consider a better-than-expected first 100 days, will Biden face headwinds in his second 100 days, much like FDR did in the 1930s? -

<https://slate.com/business/2021/05/first-100-days-biden-fdr-new-deal-social-security.html>

Hiring has become a struggle in the economic recovery as people look to other industries for work. Here, a Florida McDonald's is paying people to show up for an interview -

<https://www.businessinsider.com.au/mcdonalds-pays-50-for-job-interviews-highlighting-hiring-struggles-2021-4?r=US&IR=T>

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