

The Weekly Snapshot

2 May

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

It was a volatile week for global equity markets as a slate of earnings reports and some surprising economic data saw large intraday ranges in many global indices.

By the end of the week, most share markets were lower, and for some in the US, it was their fourth straight week of losses.

Down under, the NZX 50 had a strong close to the week, clawing back early losses to end down less than 0.5%.

What's happening in markets

It was a busy week on the earnings calendar with mixed results. On the positive front, some traditional value stocks such as McDonalds and Coca-Cola topped expectations, proving they weathered the inflation concerns in Q1. Another strong performer was Mastercard, which also beat expectations on a strong rebound in travel spending, with the company saying cross-border travel spending rose above 2019 levels for the first time since the pandemic.

However, it wasn't such a good week for growth-orientated stocks with Apple, Amazon and Alphabet (parent company of Google) all delivering rather downbeat earnings reports.

Amazon's shares declined as much as 10% after the company said its quarterly revenue growth rate was the slowest since the early 2000s Dotcom bubble, and said it could slow even further when it issued revenue guidance of between 3% and 7%. Adding to the weaker-than-expected report was news the company lost US\$7.6 billion on its holding of electric vehicle company Rivian, whose shares fell more than 50% over the first quarter of 2022.

Meanwhile, Alphabet's shares declined after the company said its ad revenue from YouTube fell well short of expectations with a pickup in competition from social media video company TikTok.

Finally, Apple shares came under pressure after the company said supply chain pressures would be "substantially larger" in the current quarter, as COVID-19 lockdowns in China hinder production. The news overshadowed record profit and sales figures for the quarter.

In economic data, the US economy unexpectedly contracted in the first quarter, raising fears the economy could fall into a recession as inflationary pressures and geopolitical uncertainty remain. Factors weighing on growth were slowing inventory purchases and a widening trade deficit – the difference between incoming and outgoing products.

Closer to home, the ANZ Business Confidence survey showed sentiment was still waning with inflation pressures stubbornly high and a steep decline in residential construction intentions, perhaps driven by higher interest rates and declining house prices.

What's on the calendar

It's one of the biggest weeks on the calendar with a host of central bank meetings, highlighted by Wednesday's conclusion of the Federal Reserve meeting. The Fed is expected to raise the fed funds rate by 50 basis points as it attempts to tame inflation. The Fed will also announce its balance sheet run-off plan that is expected to begin in either May or June.

Across the Tasman, a jump in inflation has raised the likelihood that the Reserve Bank of Australia will raise its policy rate on Tuesday. And in the UK, the Bank of England is tipped to raise interest rates for the fourth successive time as inflation sits at a 30-year high of 7%.

Finally, it's also a big week on the economic data calendar with employment reports from the US, Europe, Canada and New Zealand due. Elsewhere, US ISM data, Australian retail sales and Chinese CPI figures will also be closely watched.

Chart of the week

There are a few indicators that inflation could be near a peak—one of them is shipping costs, with the container cost of some major routes down more than 25% from their peak last year.



Here's what we're reading

Three reasons inflation could be peaking - <https://lplresearch.com/2022/04/20/three-reasons-inflation-could-be-near-a-peak/>

Eight Charts that Explain the Market - <https://theirrelevantinvestor.com/2022/04/23/eight-charts-that-explain-the-market/>

Central banks appear to (some would say finally) be taking inflation seriously, but are policymakers? - <https://fullstackeconomics.com/we-still-arent-doing-enough-to-fight-inflation/>

At the time, the stimulus checks handed out in the US was as bipartisan as things get these days. Now, looking back, were they a mistake? - <https://fivethirtyeight.com/features/were-the-stimulus-checks-a-mistake/>

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