

The Weekly Snapshot

31 May

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

US and European equities posted solid gains last week, with several indices on track to close out May higher. In Europe, the Euro Stoxx 50 traded to its highest level since the 2008 financial crisis and is on track to record its fourth consecutive winning months.

In the US, the S&P 500 and Dow Jones Industrial Average both gained around 1% on the week, while the NASDAQ 100 rose more than 2%.

Down under, rising bond yields and weakness from the index's biggest company weighed on the NZX 50, which finished the week down more than 2%, its third losing week in four.

What's happening in markets

It was a busy week in New Zealand, beginning on Monday when retail sales data showed a solid bounce in consumer spending in the first quarter of 2021, with spending up 2.5% from the prior quarter and 6.8% over the year. There were strong gains in electrical and electronic goods, while hardware and building supplies also saw a decent pickup.

Then the highlight of the week came on Wednesday when the Reserve Bank of New Zealand eased off its heavily accommodative policy, suggesting the Official Cash Rate could begin to rise in the second half of 2022.

Then on Thursday, RBNZ Governor Adrian Orr reiterated the central bank's upbeat outlook on the economy when he told a parliamentary select committee that policy conditions could begin to normalise towards a "neutral position" sometime next year.

"In our projections, conditional to the economic outlook continuing to unfold as anticipated, about this time next year if not further on we see ourselves in a positive position of being able to start to normalise monetary conditions towards somewhat neutral position," – RBNZ Governor Adrian Orr

The RBNZ is one of the first developed economies to signal a move away from accommodative policy introduced during the COVID-19 pandemic.

Staying in New Zealand, Fisher & Paykel Healthcare reported an 82% increase in net profit after tax for the full year ending 31 March 2021. However, the lack of forward guidance given, saw shares in the company come under pressure, ending the week down around 10%.

Finally, in the US, the closely watched core PCE price index rose 0.7% in April and 3.1% year-on-year, faster-than-expected. The data confirmed pricing pressures are building, which will have the Federal Reserve on watch as the transitory vs. long-term inflation debate continues.

What's on the calendar

It's a shortened week in the US this coming week, with US equity markets closed on Monday for Memorial Day – the unofficial start to summer.

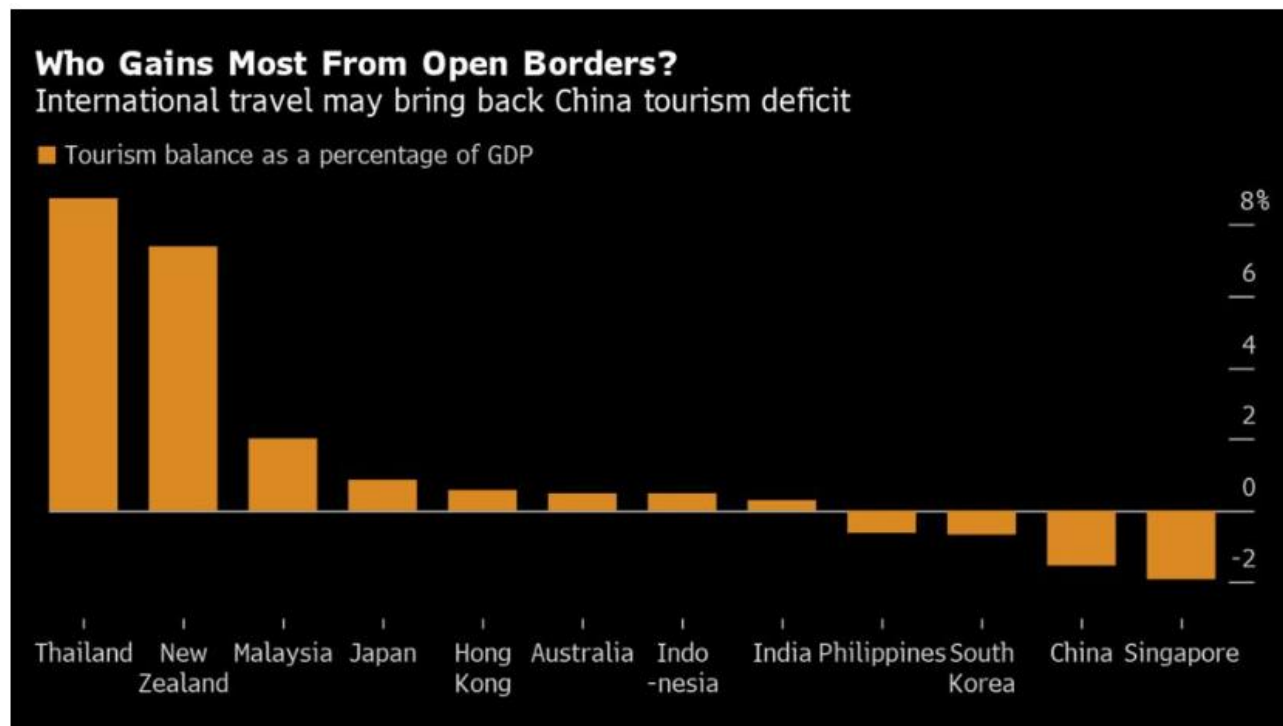
Despite the four-day week, there is some tier-one data on the calendar, with the May employment report due Friday front and centre. After a disappointing April report, investors will be watching closely as the labour market appears to be the one pillar of the economy that has lagged in the strong economic rebound. Forecasts are for the economy to have added more than 500,000 jobs, with the unemployment rate expected to be around 6%.

Also on Friday, Fed Chair Jay Powell will speak at the Green Swan conference addressing central banks and climate change.

It's a quiet week ahead in New Zealand, while across the Tasman, the Reserve Bank of Australia will meet on Tuesday and first-quarter GDP figures are out on Wednesday.

Chart of the week

Despite the relatively upbeat outlook for the New Zealand economy, which was reinforced by the Reserve Bank of New Zealand last week, the importance of the vaccination rollout and reopening borders is best shown by the economy's reliance on tourism.



Here's what we're reading

ARK's Cathie Wood: "Innovation Is Inherently Controversial" - <https://www.etftrends.com/disruptive-technology-channel/cathie-wood-innovation-is-inherently-controversial/>

A quick look into what some people are looking forward to in a post-pandemic world - <https://ritholtz.com/2021/05/what-are-you-looking-forward-to/>

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