# The Weekly Snapshot

## 13 September

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

Equity markets, for the most part, drifted lower this week, but did so from close to record highs. In the US, the S&P 500 Index was down 1.7%. This was due to a combination of profit-taking following their strong run since mid-August and some weaker-than-expected economic data.

New Zealand equities largely took their direction from overseas market. The NZX 50 Index also fell by 1.7%, as investors were seen to take profits following a strong earnings season. In particular, companies that have performed particularly well over recent weeks came under the most selling pressure, including the likes of Ryman Healthcare, Summerset Group, Serko and cancer diagnostics company Pacific Edge.

Meanwhile, bond yields edged marginally higher, with the yield on the US 10-year bond 1 basis point higher at 1.34%. The yield on the New Zealand 10-year bond finished the week 2 basis points higher at 1.87%. There was significant new issuance of bonds last week, both by global governments and corporate entities, and overall demand for these was strong.

**What's happening in markets**

Disappointing US employment data (released on Friday of the previous week) had equity markets on the back foot going into the week. A slightly negative tone continued following the release of another closely-watched report – the US Federal Reserve's Beige Book – and on news that Joe Biden's administration was considering an investigation into Chinese state subsidies.

The Beige Book collects anecdotes from businesses around the country. It showed that US economic growth slowed over the summer, which was largely attributable to a pullback in dining out, travel and tourism across most US states. It said that this reflected safety concerns due to the rise in the Delta variant. Whilst the report said that overall the economy remained in the midst of a post-pandemic rush of rising prices, it flagged mounting supply chain problems, labour shortages and stilted hiring.

Elsewhere, central bank meetings in Australia and Europe were a key focus for markets, as investors worried about the prospect of key central banks reducing monetary stimulus by tapering bond purchases.

In the end the news was marginally positive. The Reserve Bank of Australia (RBA) kept its official cash rate at an historic low and extended its bond buying program. Although bond purchases have been pulled back from $5bn per week to $4bn per week, the RBA has extended its program until at least February. It said that the purchases (a form of quantitative easing) are providing substantial and ongoing support to the Australian economy, and the extension of its program reflected the delay in the recovery and the increased uncertainty around the current Delta outbreak.

In Europe, the European Central Bank also kept monetary policy unchanged, but announced a decision to slow down the pace of asset purchases under its pandemic emergency purchase programme. Its decision comes at a time when inflation has picked up significantly on the back of strong economic growth.

Staying with central banks, the local market continues to expect the Reserve Bank of New Zealand to go ahead with a rate hike at its next meeting on 6 October. The market has priced in the likelihood of a 25 basis point increase in the Official Cash Rate, despite parts of the country remaining in Level 4 lockdown.

**What's on the calendar**

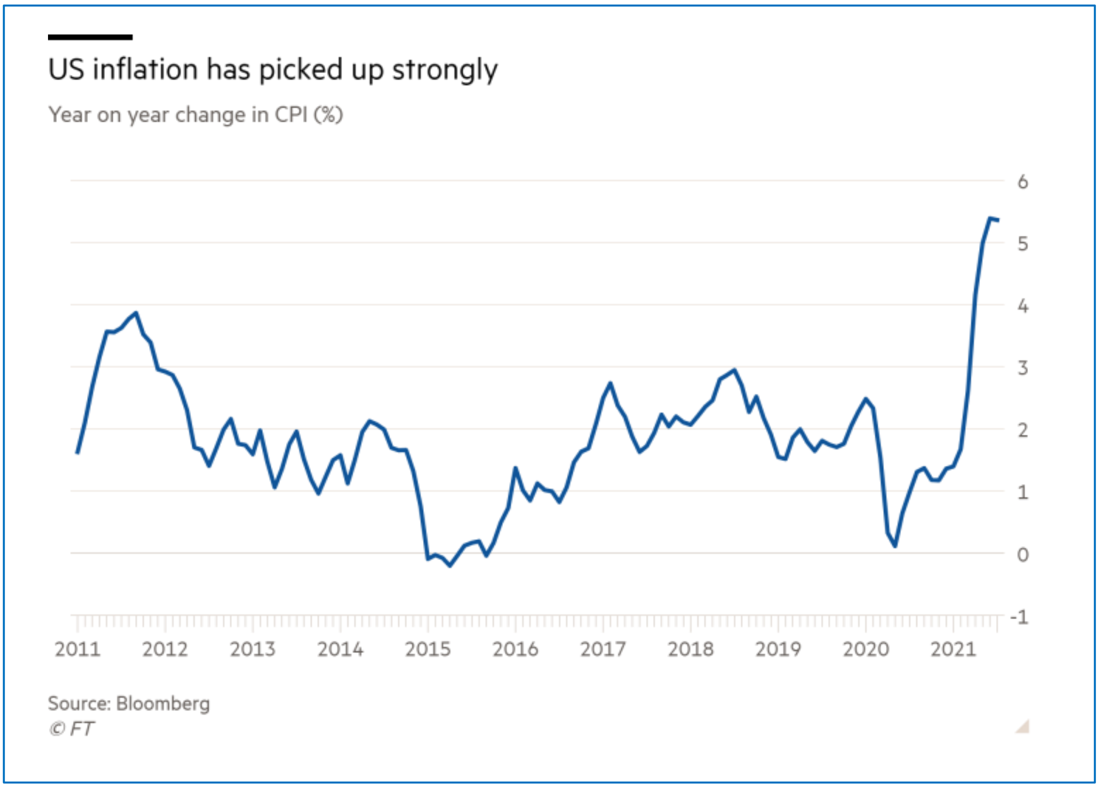
In New Zealand, the focus will be on the post-Cabinet COVID-19 Alert Level update on Monday. With the rest of the country having already moved down to Level 2, the key question is whether Auckland can drop levels anytime soon. It comes as the number of daily cases has risen slightly over the last few days and as concerns remain around unlinked cases.

Investors are closely watching for signs of inflation these days, so the US Consumer Price Index (CPI) data is the one to watch this week. The reading will come just a week before the next Federal Reserve meeting (on 21/22 September). If it's higher than expected, the worry is that the Fed may consider a tapering announcement sooner (currently the market expects this announcement in November).

US retail sales is also due out later in the week, and will give a better steer on how the US consumer is faring.

## Chart of the week

As mentioned above, the latest US Consumer Price Index data is released on Tuesday, and will give policymakers and investors fresh insight into how persistent US inflation could become. Consumer prices have jumped up this year, with the pace of annual gains close to a 13-year high. In particular, a focus will be on whether inflationary pressures are broadening – and not just restricted to those sectors most sensitive to pandemic-related disruptions, which to date have been the ones driving inflation higher.




## Here's what we're reading

The US Beige Book reported strong demand for US workers, and hiring that was made more difficult by increased turnover of staff, early retirements, childcare needs and challenges in negotiating job offers. In the US state of Atlanta, job openings were so plentiful that some restaurants were experiencing "ghosting coasting" where employees take a job for a few days and then quit with no notice and move on to the next restaurant, probably for better pay or work conditions.

In a slightly different take, check out: *The biggest truth most leaders misunderstand about 'the great resignation'*, which discusses why 11.5 million US workers quit their jobs in April, May and June this year: https://www.inc.com/jessica-stillman/great-resignation-work-meaning-esther-perel.html