

The Weekly Snapshot

2 November

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

Equity markets had a volatile week with indices in the US, Europe and Asia all ending lower amid rising COVID-19 cases and uncertainty ahead of the US election. The week saw some significant intraday volatility, which saw the VIX Index – a measure of market volatility – rise to its highest level in more than four months. By the end of the week, the S&P 500 and NASDAQ 100 were down around 5%.

In New Zealand, the NZX 50 ended its five-week win streak, ending down around 2%.

What's happening in markets

The pickup in volatility came as COVID-19 cases continued to rise, with daily global cases topping 500,000 for the first time. Cases in the US continued to rise across Midwest rural states with the increase in hospitalisations posing concerns for healthcare capacity.

Meanwhile, in Europe, France and Germany imposed some strict lockdown and stay at home measure to curb the surge in cases. The measures look set to dampen the economic recovery.

Staying in Europe, the European Central Bank left interest rates unchanged, but hinted further monetary policy help may be coming in December, given the ongoing COVID-19 concerns.

"The Governing Council will carefully assess the incoming information, including the dynamics of the pandemic, prospects for a rollout of vaccines and developments in the exchange rate," – ECB policy statement.

In addition, the central bank said it would be making new economic projections in December after making a "thorough reassessment" of the economic environment.

Elsewhere, third-quarter earnings continued to roll out, with Thursday a bumper day of earnings, which included the following:

- **Alphabet** – the parent company of Google – knocked it out of the park, reporting US\$46.17 billion in revenue, well above consensus
- **Apple** reported a 20% decline in iPhone sales, leading to a fall in its share price after the release
- **Amazon** continues to benefit from the COVID economy, reporting revenue of around US\$96 billion.
- Both **Facebook** and **Twitter** reported declines or slowing user growth over the quarter

What's on the calendar

This week all eyes will be on Tuesday's US election, where President Donald Trump is seeking a second term. Polling shows he's trailing in some key swing states, in particular, Pennsylvania, Arizona and Wisconsin (for anyone interested, and if you haven't seen it, attached is a preview of the election).

Also in the US, the Federal Reserve will meet on Thursday, where it is expected to leave rates unchanged. Given the meeting takes place in the days after the election, we could see Powell attempt to dampen any potential volatility or market concerns, should any arise.

In economic data, the usually closely-watched US employment report for October is due Friday, but again, given the election and FOMC meeting, this may not garner as much attention as usual. Nevertheless, it is expected to show the unemployment rate has ticked lower and a further increase in jobs as the economy claws its way out of the second quarter.

Unemployment data is also released in New Zealand with the third-quarter report. Details should indicate as to how many businesses could keep people on the payroll via the wage subsidy through the lockdowns during the quarter.

Finally, the Reserve Bank of Australia is expected to cut interest rates and announce an increase in its quantitative easing programme – likely to include longer duration bonds (5 to 10 years).

Chart of the week

With stock markets somewhat near record highs and the global economy in, or coming out of, a recession, the correlation between the market and the economy has never been this disconnected.



Here's what we're reading

Washington's outlier: "As Fed chair during the pandemic, Jerome Powell has done something almost unimaginable in Washington: a good job." - <https://nymag.com/intelligencer/article/jerome-powell-federal-reserve-profile.html>

With bond yields at record-lows, stocks markets near record highs and expensive on valuations, one nascent asset class is growing in popularity – artwork - <https://www.riaintel.com/article/b1ny4m8sfpvgzt/galleries-are-shuttering-but-the-digital-art-market-is-hot>

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