

The Weekly Snapshot

5 October

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

Global equity markets finished higher last week, but a Friday sell-off saw some gains for the week trimmed. In particular, the NASDAQ 100, which finished 2.2% lower on Friday, but still rose around 2% over the week. Meanwhile, the S&P 500 and the Dow Jones Industrial Average both gained around 1.5%.

Australasian equities were mixed with the NZX 50 finishing up around 0.5%, while the ASX 200 fell around 2%.

What's happening in markets

Despite the ongoing pandemic, elections nearing both home and abroad, and a week of tier one economic data, the news that President Donald Trump and a number of his close associates had contracted COVID-19 dominated headlines.

The implications – outside the President's health – seem to be the following:

- Will the President be able to campaign before the election?
- What are the plans for debates going forward? – It appears the VP debate will go ahead.
- What will happen with the Supreme Court nomination process?
- Is there any chance the election could be delayed? – This is highly unlikely.

The situation remains fluid, but as of late-Saturday, it appeared the President would likely stay in hospital for at least a few days for, at a minimum, precautionary measures. Then on Sunday, it was reported he could be discharged as soon as Monday.

In other presidency news, the first presidential debate took place on Tuesday, which has been described as a low point for the country. The debate quickly turned into a yelling match with both Trump and former vice president Joe Biden talking over each other.

If anything was to come of the debate from an electoral perspective, it was that post-debate polling showed Biden had the better (all relative) performance, and given Trump is trailing by around 7.5 points in national polls, the President may have missed an opportunity to close the gap.

In economic data, Friday's non-farm payrolls showed job growth slowed a bit with the US economy adding 661,000 jobs, slightly fewer than expected. Additionally, the unemployment rate fell to 7.9%.

Meanwhile, in China, economic data affirmed the country is recovering well from the coronavirus downturn. The Purchasing Manager's Index (PMI) for the month of September came in at 51.5. The index is a broad measure of the manufacturing industry and a recording above 50 indicates expansion.

What's on this week

This week, all eyes will be on President Trump's health and the implications for the election. Given Friday's move, the implications seem to be the less-certain the situation becomes, the greater the volatility.

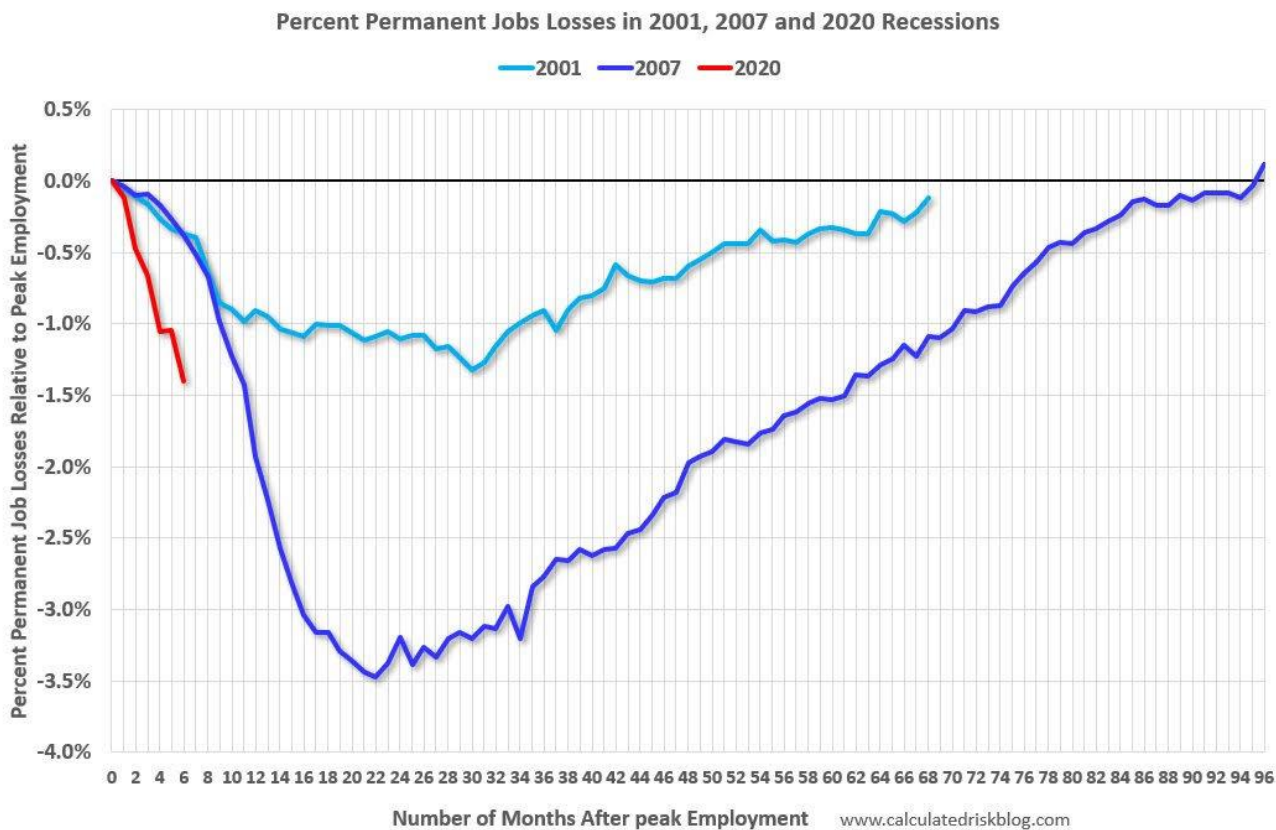
Elsewhere in the US, minutes from the latest Federal Reserve meeting are released, which shouldn't offer up too many surprises with the central bank reaffirming interest rates will remain low for a prolonged period of time.

In other economic data, some numbers/events we will be watching are:

- US Markit and non-manufacturing PMI numbers for September
- Reserve Bank of Australia meeting
- NAB Australian business confidence
- NZIER business confidence for the third quarter

Chart of the week

Despite the ongoing positive payroll numbers, the number of permanent layoffs – as seen below – continues to rise at a faster pace than the Great Recession. The definition of a “permanent job loss” is someone who is unemployed and doesn’t expect to return to the workforce.



Here’s what we’re reading

It remains true – there is no such thing as a free lunch: “Once you move away from the risk-free rate, the only way to obtain a higher return is to take on more risk” -

<https://thefinancialbodyguard.com/theres-still-no-such-thing-as-a-free-lunch/>

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