

The Weekly Snapshot

28 September 2020

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

International markets continued to weaken last week with the U.S. S&P 500 falling for the fourth straight week. The index fell 0.6% last week although it is still up 3.5% year to date. The technology laden Nasdaq index did however manage a small weekly gain. European markets were sharply lower on concerns that increases in COVID-19 cases will lead to weaker economic recovery in the region.

The New Zealand and Australian markets bucked the global trend and were both higher for the week. The Australian share market closed up 1.7% for the week led by strength in the banking sector, a key component of the ASX 200. The NZX 50 was up 1.4% last week.

What's happening in markets

The week was dominated by Central Bank announcements. In New Zealand, the Reserve Bank of NZ (RBNZ) reaffirmed its forward guidance that it intends to keep the Official Cash Rate on hold at 0.25% until March 2021. However, the RBNZ did indicate that additional measures to stimulate the economy in the form of directly lending to New Zealand banks may be introduced before the end of the year. Deployment of this lending programme could provide additional stimulus to the economy.

In the United States, Federal Reserve Chairman Jerome Powell said that the U.S. economy would likely need more support and "that there's a long way to go to achieve an economic rebound". He also noted that additional fiscal support may be required. Similarly, the Reserve Bank of Australia affirmed their cash rate at 0.25% and noted that it will not increase the cash rate until progress is made towards full employment.

The passing of US Supreme Court Justice Ruth Bader Ginsburg last week triggered a rush by the Republican majority in the Senate to name a successor before the U.S. election on November 3rd. On Sunday morning N.Z. time, President Donald Trump announced that he would nominate Amy Coney Barrett to fill the vacancy and he urged the Senate to confirm the nomination before the election. At 48, Mrs Barrett would be the youngest justice on the court and could potentially lock in a 6 – 3 conservative majority. The upcoming nomination hearings will dominate lawmakers attention leading up the U.S. election and makes the passing of a bipartisan stimulus bill increasingly unlikely.

Electric truck start-up Nikola announced Monday that executive chairman and founder Trevor Milton was leaving the company with immediate effect. The company faces federal inquiries into a short-seller's allegations of inaccurate or misleading statements. The set-back comes after General Motors made a \$2 billion investment in the company earlier this month.

In COVID-19 news, infection rates in some major European economies started to rise sharply again and there are fears that further restrictions on activity will impact the economic recovery. U.K. Prime Minister Boris Johnson announced new lockdown restrictions, including closing bars at 10pm. In the United States, the total number of deaths from the virus passed 200,000 and it was reported that Missouri Governor Mike Parson tested positive for COVID-19. There was some good news with U.S pharmaceutical giant Johnson & Johnson becoming the fourth pharmaceutical company to announce commencement of Phase III trials for their proposed vaccine.

What's on the calendar

The main focus of the coming week is the first U.S. Presidential debate which will take place on 29th September. Moderator Chris Wallace has chosen the topics which will include personal records, Supreme Court, COVID, economy and election integrity.

Upcoming data releases include the US employment report which will help provide insight as to whether the U.S. recovery is stalling. Market commentators will also be watching out for the final reading of U.S. Q2 GDP.

Closer to home, we have Australian retail sales data which is another good barometer of the progress of economic recovery.

Chart of the week

Interest rates in the United States are at their lowest levels since the founding of the Republic.



Source: BofA Global Investment Strategy

Here's what we're reading

<https://techcrunch.com/2020/09/20/gangster-capitalism-and-the-american-theft-of-chinese-innovation/>

Sobering article about the rise of the Chinese tech industry and the corresponding fall in American leadership. TikTok is only the beginning. (Note may require opening via the Google Chrome browser)

<https://slate.com/business/2020/09/harley-davidson-motorcycles-trump-manufacturing.html>

Interesting story of the fracturing of the relationship between President Trump and the iconic American motorcycle maker Harley-Davidson.

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