The Weekly Snapshot

7 September

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

US equity markets saw their first weekly losses since July after a late-week sell-off saw the NASDAQ 100 end the week more than 3% lower and the S&P 500 off around 2%. Both indices had made record-highs on Wednesday before the sharp turnaround.

In New Zealand, equities also struggled with the NZX 50 ending down more than 2%, while in Australia, the ASX 200 continued its recent slide, also ending down more than 2% - its lowest level in a month.

What's happening in markets

Thursday's sharp sell-off had no notable catalyst, but sector performance suggested investors were rotating out of high-flying tech stocks and into previously underperforming sectors such as energy and financials, with some of the big losers being Apple Inc., Facebook Inc. and Tesla.

On the economic data front, the US employment figures on Friday showed the economy added or rehired 1.4 million jobs, a little better than expected. However, the 1.4 million included a significant number of temporary Census workers. Earlier in the week, the ADP Employment report showed private-sector companies added or regained 428,000 jobs in August, which was below most forecasts.

Down under, the Australian GDP report for the second quarter confirmed the country slipped into its first recession since 1991, with the economy declining at 7% (6.3% year-on-year) to go with the 0.3% decline in the first quarter of 2020. The 7% decline was the largest quarterly GDP loss since record keeping began more than 50 years ago.

Elsewhere, the Jackson Hole meeting came and went with the only notable surprise being Federal Reserve Chair Jerome Powell's statement that the central bank would target inflation that "averages" 2%, seemingly comfortable for periods where it overshoots the mark. While Powell acknowledged that a sharp rise in the price of necessities could put a burden on some, he said persistent low inflation would drag interest rates even lower, giving the central bank less scope to cut rates further, if needed.

> ***"This dynamic is a problem because expected inflation feeds directly into the general level of interest rates. Well-anchored inflation expectations are critical for giving the Fed the latitude to support employment when necessary without destabilising inflation."*** - Powell

What's on the calendar

Speaking of inflation, this week will see the release of US CPI for August, which will give an indication of how inflationary the significant fiscal stimulus, notably the unemployment benefits, has been to the economy. Most forecasts expect monthly inflation to rise by around 0.5%.

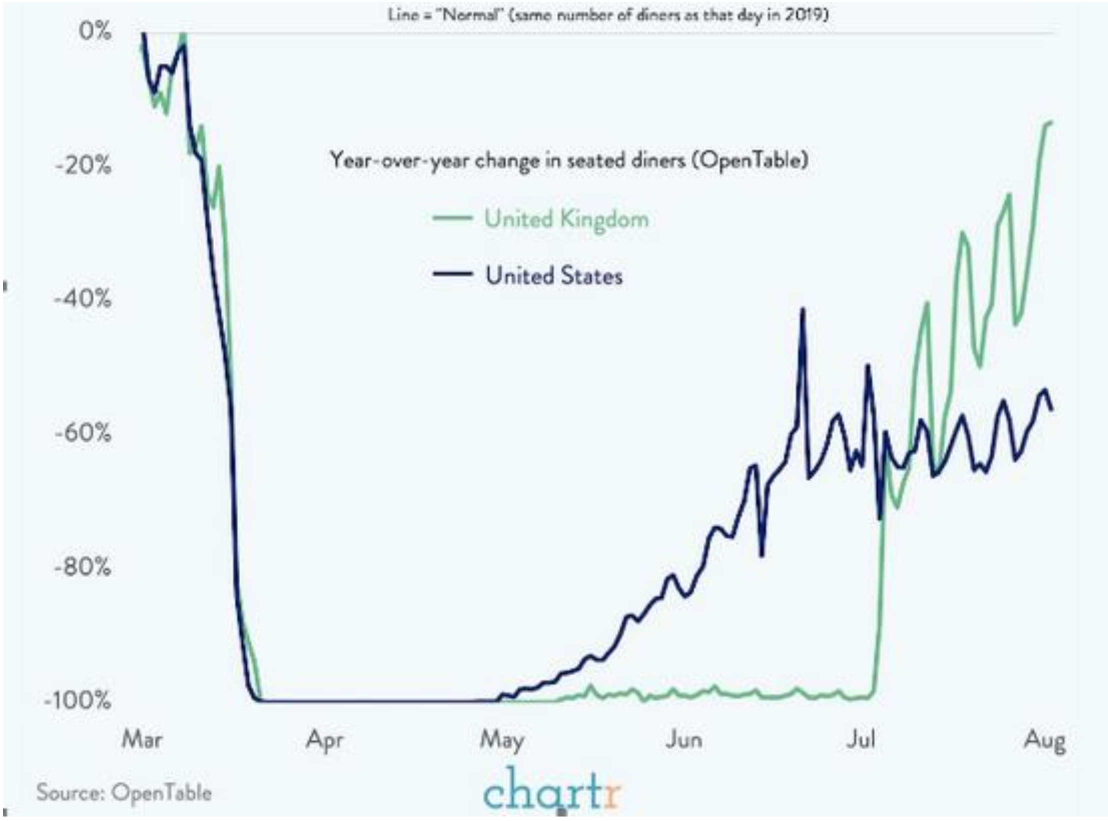
And in China, August CPI will be closely eyed as the economy appears to be one of the first to bounce back since the coronavirus pandemic.

In Europe, the focus will be on the European Central Bank meeting where it is expected the central bank will keep the deposit rate at -0.5% and for the Pandemic Emergency Purchase Programme to remain at €1.35 trillion. One area to watch is any comments on the strength of the euro. While the ECB has never had a target for the shared currency, the recent strength (trading about €1.20 versus the US dollar) could see policymakers address this.

In other economic data, business and consumer confidence in Australia will be closely watched after news the economy experienced its worst quarterly decline since records began.

Chart of the week

The UK Government's "Eat Out To Help Out" scheme, which gave diners up to 50% off their bill to a maximum of £10 each, proved to be a success with data from OpenTable showing a sharp rise in restaurant bookings. The UK Treasury said a total of £336m had been claimed for the week of 23 August, with nearly four in 10 Britons taking advantage of the scheme.



Here's what we're reading

2020 is unlike anything we've ever experienced. Here's a write-up on some things we have seen this year, which include a pandemic like 1918, an economy of 1929 and a stock market of 1987 - https://theirrelevantinvestor.com/2020/09/01/all-wrapped-in-one/