

The Weekly Snapshot

24 August

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

It was a record-setting week for some major equity indices with the S&P 500 hitting a new all-time high near 3400, topping its mid-February high. Meanwhile, the NASDAQ 100 kept moving higher, recording its fourth-consecutive winning week, making yet another new all-time high.

In New Zealand, the NZX 50 regained some of its recent losses, finishing the week up around 2%.

What's happening in markets

Last week's highlight was the release of the minutes from the latest Federal Reserve meeting, which showed the committee sees a great deal of uncertainty ahead. In particular, members see a challenging year ahead for the economy as the coronavirus continues to dampen economic activity.

"The ongoing public health crisis would weigh heavily on economic activity, employment, and inflation in the near term and posed considerable risks to the economic outlook over the medium term," the Federal Reserve.

The minutes also showed Fed officials were in consensus that further fiscal stimulus was required from Congress, which went into recess last week without a deal.

Outside of the minutes, there was a continued focus on the coronavirus outbreak, especially down under.

In New Zealand, the number of active COVID-19 cases rose above 100 with the majority linked to the Auckland cluster. Meanwhile, across the Tasman, the number of daily COVID-19 cases appears to be slowing, with Victoria on Friday, recording its lowest number of daily cases since mid-July. However, other states are still taking strong precautions with some saying their borders will remain closed until at least December.

In political news, Joe Biden officially became the Democratic nominee for the November election, while Senator Kamala Harris accepted her vice-presidential nomination, becoming the first woman of colour to run on a major party ticket. At the virtual convention, the Democrats pitched their party on unity, social justice and climate change, while attacking President Donald Trump for his handling of the coronavirus.

Elsewhere in the US, some moderate Democrats have begun putting pressure on Speaker Nancy Pelosi to restart talks this week as the House is called back into session to vote on a US Postal Service bill. The group of around 25 fiscally conservative Democrats has urged Pelosi to engage with Republicans because "bipartisan solutions" are required to deliver the support to the economy amid the health crisis.

What's on the calendar

This week, all eyes will be on the annual Jackson Hole summit where Fed officials will convene with foreign central bankers and economists to discuss the economic outlook. The meeting has in the past been used to present new ideas on monetary policy, most notably QE2 in 2010 and QE3 in 2012. Participants are likely to focus on the economic fallout of the coronavirus and how far central banks are willing to go to support the economy and the different tools they could deploy.

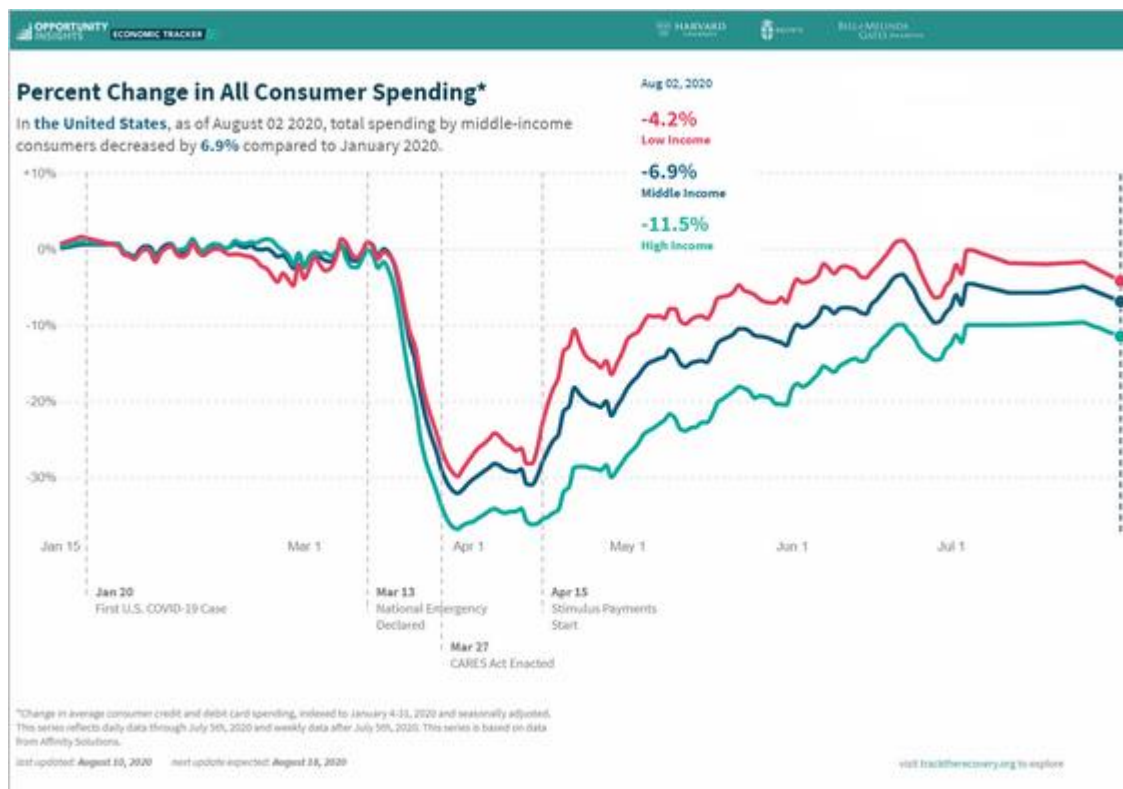
Elsewhere, the Republican convention begins Monday, where President Donald Trump is expected to pitch to voters his ability to guide the US economy out of the deep recession, while raising scepticism on the Democratic ticket, arguing they are too far left for the country.

In economic news, the following data points will be closely watched this coming week:

- New Zealand Q2 retail sales
- The second reading of US Q2 GDP
- US consumer sentiment

Chart of the week

High-frequency data shows US consumer spending bounced sharply off the lows but is starting to flatten out. Furthermore, there are concerns around overall consumption, given the sharpest rebound has been in the low-income earners.



Here's what we're reading

Despite the S&P 500 reaching a new all-time high, just 6% of the companies in the index are making 52-week highs, highlight the dominance of large-cap stocks during the post-COVID rally - <https://theirrelevantinvestor.com/2020/08/20/the-other-94/>

A tech reckoning: The US provides the software that runs on hardware manufactured in China. What happens if this relationship breaks down - <https://www.axios.com/the-great-tech-decoupling-is-here-a98b2d78-c239-4267-b25b-159a21034ff9.html>

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