

The Weekly Snapshot

11 May

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

Global equity markets continued their resurgence last week, with indices in the US recording gains of between 2% and 6%, while down under the NZX 50 rose 2.3%. Tech stocks continued to outperform with the Nasdaq Composite trading into positive territory for the year.

After a volatile few months, bond yields have settled into relatively (by recent comparison) tight ranges, with the US 10-year government bond yield spending the past few weeks either side of 0.65%.

What's happening in markets

Last week the focus was on employment data in the US that, to no one's surprise, painted a pretty dire outlook for the US economy. Over the week, the following data was released:

- ADP private payrolls data showed 20.2 million private-sector jobs were lost in April
- Weekly jobless claims saw a further 3.2 million Americans file for unemployment benefits
- Nonfarm payrolls showed 20.5 million jobs were lost in April
- The unemployment rate rose to 14.7% (for context, two months ago it was at a 50-year low)

However, this failed to weigh on stock markets with equities in the US now more than 30% higher than their mid-March lows. The rally has been led by the large-cap stocks with Amazon, Apple and Microsoft all at or near record-highs. Each one of these companies has a market cap greater than US\$1 trillion.

The unemployment report for New Zealand was released too, but given it's a quarterly report, it didn't encapsulate much of the coronavirus effect, with the unemployment ticking up to 4.2%, better than most had expected.

In the UK, the Bank of England left interest rates unchanged, however, it warned that the UK economy was set to contract by about 14% in 2020, which would be the worst since 1706.

The 'risk-on' tone has seen the New Zealand dollar post solid gains against the US dollar. For the week, the NZD rose 1.3%, trading towards 0.6150 and in-sight of a two-month high.

What's on the calendar

It's a relatively quiet week on the economic data calendar in the US, with inflation and retail sales data the focus. However, there are some key data points and events elsewhere.

In China, it's a busy week with inflation, industrial production, retail sales and unemployment data all scheduled for release. Retail sales are expected to show a further year-on-year decline and the unemployment rate is set to come in around 6%.

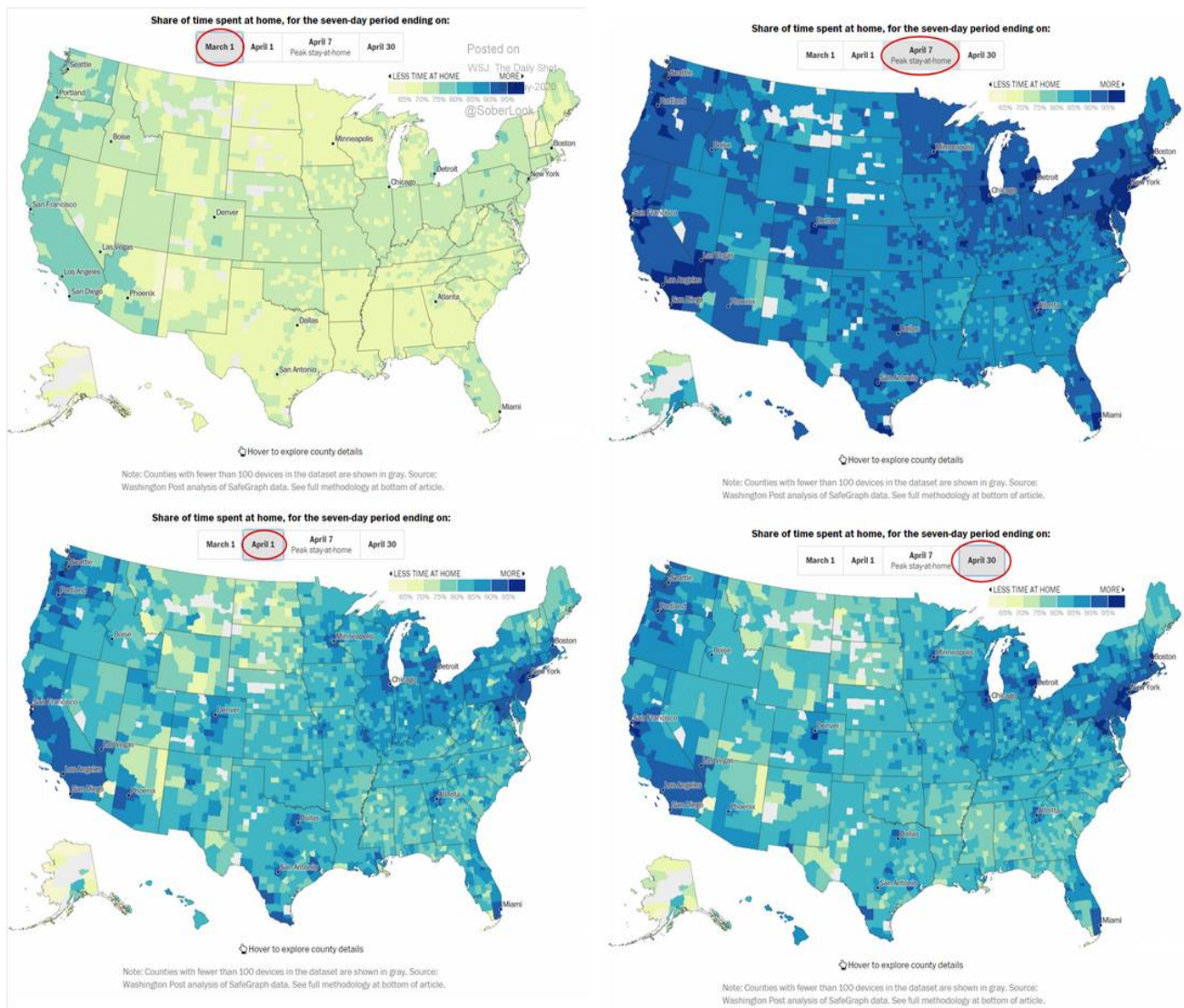
In Australia, the first big test for the economy since the coronavirus outbreak will be Thursday's jobs report. After a relatively robust report for March, it is expected that a significant number of jobs were lost in April.

Down under, the Reserve Bank of New Zealand meets on Wednesday where it is expected to leave the Official Cash Rate at 0.25%. However, all eyes will be on a potential increase in its quantitative easing program.

And on Thursday, New Zealand Finance Minister Grant Robertson will deliver his budget for the year. However, instead of detailing a roadmap for the year, it will focus on the short-term response to the coronavirus. One key point will be the wage subsidy, which is due to expire at the end of the month.

Chart of the week

Data tracking 'time spent at home' in the US shows the week ending 30 April, people began slowly venturing out, spending less time at home than at the peak, which was the week ending 7 April.



Here's what we're reading

The controversial approach by Sweden in combating the coronavirus has brought a number of thought pieces and analysis. Here's another - <https://edition.cnn.com/2020/04/28/europe/sweden-coronavirus-lockdown-strategy-intl/index.html>

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