

The Weekly Snapshot

4 May

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

Global equity markets finished Friday lower, erasing gains made earlier in the week to finish at or around closing levels. For the week, the three major US indices fell less than 0.5%, while in Europe, the FTSE finished up around 0.2%

It was much the same down under with the NZX 50 and the ASX 200 both finishing the week up less than 0.3%.

What's happening in markets

It was a busy week on the economic data calendar with growth data in the US and Europe showing economies contracted in the first quarter of the year.

In the US, the first reading of Q1 GDP showed the economy shrank by 4.8%, the steepest decline since Q4 2008. There was a significant decline in consumer spending, which fell 7.6% as Americans cut spending on items such as cars, travel and clothing. Additionally, healthcare spending also fell as many put off or had elective surgeries cancelled as hospitals became overrun with coronavirus patients.

Meanwhile, in Europe, eurozone GDP fell 3.8%, the worst reading since records began in the mid-1990s. The fall wiped out three years of economic growth.

Along with the growth data, both the Federal Reserve and European Central Bank met, leaving policy rates unchanged. However, Fed Chair Jay Powell and ECB President Christine Lagarde both warned of further economic pain:

"The ongoing public health crisis will weigh heavily on economic activity, employment and inflation in the near term, and poses considerable risks to the economic outlook over the medium term," – Powell

"Euro area facing a recession of unprecedented magnitude and speed in peacetime," – Lagarde

Elsewhere, in New Zealand, the ANZ Business Outlook survey fell three points in April to -67%, with particularly bad readings in the retail and construction sector.

Across the Tasman, inflation in Australia rose to 2.2% in the first quarter, the highest reading since 2014.

What's on the calendar

This week will see the closely-monitored US nonfarm payrolls for the month of April. As jobless claims continue to rise, the numbers won't be pretty with expectations for the net loss in jobs to be in the millions with the unemployment rate somewhere around 15%.

Earlier in the week, the ISM nonmanufacturing and Markit services PMI data is scheduled for release.

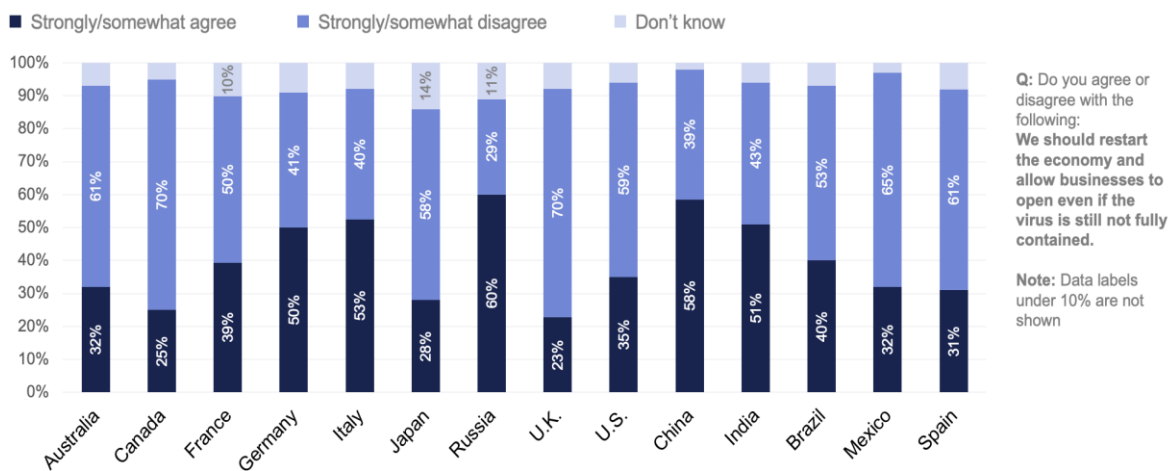
In New Zealand, the employment report for the first quarter is out on Wednesday. However, it would have just caught the back end of the coronavirus downturn so numbers shouldn't be too dire. Given this, the reading won't garner as much attention as it usually would.

In central bank meetings, the Reserve Bank of Australia and Bank of England will meet on Tuesday and Thursday respectively, with both tipped to leave rates unchanged. The BoE may consider adding to its quantitative easing program.

Chart of the week

With a lot of debate about when to reopen economies, an Ipsos poll shows the majority of people are not in favour of reopening the economy before the virus is contained. The one outlier is Russia, with 60% saying the economy should reopen before the virus is contained.

SHOULD THE ECONOMY AND BUSINESSES OPEN EVEN IF THE VIRUS IS NOT FULLY CONTAINED?



28,029 adults polled in 14 countries from April 16-19, 2020



Here's what we're reading

Something a little off-the-radar will be Tuesday's ruling by the German Constitutional Court on whether the ECB's bond purchases constitute so-called "monetary financing" which is prohibited under European Union law. You can read a little more about it here - <https://e-markets.nordea.com/#!/article/57173/ecb-watch-breaking-the-law>

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