

The Weekly Snapshot

20 January

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

It was Groundhog Day (week) for US and New Zealand equity markets with both reaching new all-time highs last week, continuing their impressive start to the year. In the US, the Dow posted its fifth weekly gain over the last six, while the Nasdaq has recorded its sixth consecutive weekly gain.

In New Zealand, the NZX50 rose more than 2% last week to an all-time high around 11,800.

What's happening in markets

The good run for equities came on the back of trade optimism and some robust data.

On Wednesday, the US and China signed the deal to ease tensions. China has pledged to buy US\$200 billion of goods and strengthen various intellectual property rules. In exchange, the US has agreed to reduce some of the new tariffs it has imposed on some Chinese products. Furthermore, markets were buoyed after Congress passed a revised trade deal between the US, Mexico and Canada.

Bolstering sentiment was an upbeat US inflation reading, a better-than-expected Philadelphia Fed Manufacturing Index and solid consumer sentiment data.

Meanwhile, in New Zealand, there was a slight improvement in business confidence with the NZIER quarterly survey results topping expectations.

However, it wasn't all good news. On Friday, China reported an annual growth rate of 6.1%, the slowest in nearly 30 years.

What's on the calendar

It's a relatively busy week for markets, despite US markets being closed on Monday in observance of Martin Luther King Jr Day.

We will see two central bank meetings with the People's Bank of China and the European Central Bank's set to meet. The PBOC is likely to ease monetary policy as the world's second-largest economy continues to slow. For the ECB, the focus will be on central bank strategy under new president, Christine Lagarde.

The Bank of Canada and Norway's central bank are also set to meet.

Elsewhere, world leaders, business executives and academics are in Davos, Switzerland for the annual World Economic Forum. Hot topics will be climate change policy, with teenage activist Greta Thunberg in attendance, trade conflict and political partisanship. And, after missing last year's event due to a government shutdown, President Donald Trump is expected to attend in the midst of his impeachment inquiry.

Speaking of which, President Trump will face arguably the biggest episode of his presidency, when the US Senate opens an impeachment trial against him, just the third since the founding of the republic.

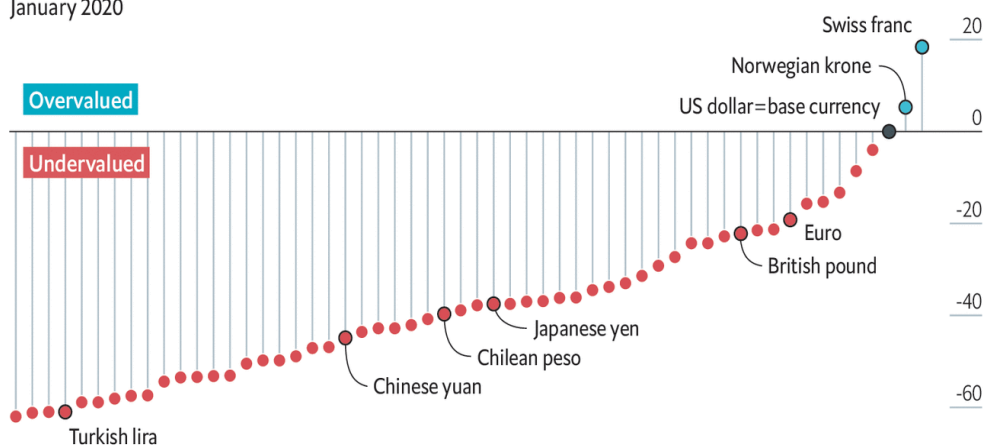
In economic data, New Zealand's fourth-quarter inflation numbers will be on the radar with the RBNZ set to meet next month. While, in Australia, December's jobs report is out Wednesday. Market consensus for the Australian jobs report is that the economy added around 15,000 jobs with the unemployment rate remaining steady at 5.2%.

Chart of the week

The Economist is out with its latest Big Mac Index, a measure of a currencies value versus the US dollar using the price of a Big Mac in each country. As The Economist points out, most currencies are undervalued versus the US dollar, with a notable being the Chinese yuan.

The Big Mac index

Local currency under-/over-valuation against the \$, %
January 2020



Sources: McDonald's; Datastream from Refinitiv; Eurostat; *The Economist*

The Economist

Source: *The Economist*

Here's what we are reading

President Trump adds Kenneth Starr to his defence team. If that name rings a bell, he was the prosecutor whose work led to Bill Clinton's impeachment - <https://time.com/5767233/alan-dershowitz-kenneth-starr-to-join-trump-impeachment-defense-team/>

I have started reading this book that may be of interest to some. It's about the rise and fall of Uber and what erratic spending and toxic corporate governance and culture can do to a company. Super Pumped: The Battle for Uber - <https://www.goodreads.com/book/show/44573628-super-pumped>

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