

# The Weekly Snapshot

29 March

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

A strong Friday rally in international stocks saw some indices climb out of negative territory to close the week higher. In the US, the S&P 500 and Dow Jones Industrial Average ended the week up around 1.5%, while European stocks also posted solid gains despite some concerns around the worsening COVID-19 situation.

Down under, New Zealand stocks continued to underperform, with the NZX 50 falling more than 1%. The benchmark index is nearly 10% off its all-time high made in early January of this year.

### What's happening in markets

Last week, bond markets, which had been the driver of sentiment recently, took a breather with government bond yields in most countries ending slightly lower on the week. The pull-back in yields was driven in part by continued accommodative and cautious rhetoric from senior economic officials.

Treasury Secretary Janet Yellen spoke at a hearing of the House Financial Services Committee where she reiterated her concerns over the employment sector, saying "a huge problem of joblessness" remains. And Fed Chair Jay Powell reiterated the central bank will "provide the economy the support that it needs for as long as it takes."

However, the big news of the week came from down under when the New Zealand government announced measures to curb the rapid rise in house prices. Among other things, the government said that interest payments on investment properties would no longer be tax-deductible.

The reaction suggested the news was net-negative for financial markets and the domestic economy with a potential hit to GDP. Bond yields fell sharply, with the 10-year government bond yield falling as much as 25 basis points to near 1.5% - its lowest level in around six weeks. And the New Zealand dollar fell sharply, trading back below 70 cents versus the US dollar, eventually ending the week down around 2.3% - its lowest level in around four months.

In economic data, one of the more anticipated numbers was the personal-consumption expenditures, or PCE, which is the Fed's preferred measure of inflation. Data showed PCE rose 0.2% in February, slightly below consensus. Elsewhere, consumer spending fell 1%, also below consensus. However, given February was a harsh winter with record snow levels in some parts of the US, the data was taken with a grain of salt.

In Europe, despite some robust economic data, concerns are mounting that the economic recovery is hitting a wall with a surge in COVID-19 cases leading to partial lockdowns across the continent. The EU health commissioner, Stella Kyriakides said last week that 19 countries in EU are seeing a rise in COVID-19 cases, 15 are reporting an increase in hospitalisations and eight are seeing an increase in fatalities.

### What's on the calendar

This week, the focus will come on Friday with the US employment report for March. The employment sector, which for so long was a key pillar to the US economy, continues to struggle with unemployment rates still elevated – although trending in the right direction. Earlier in the month Treasury Secretary Yellen said the 'real' unemployment rate is more than 9% when advocating for the US\$1.9 trillion stimulus package.

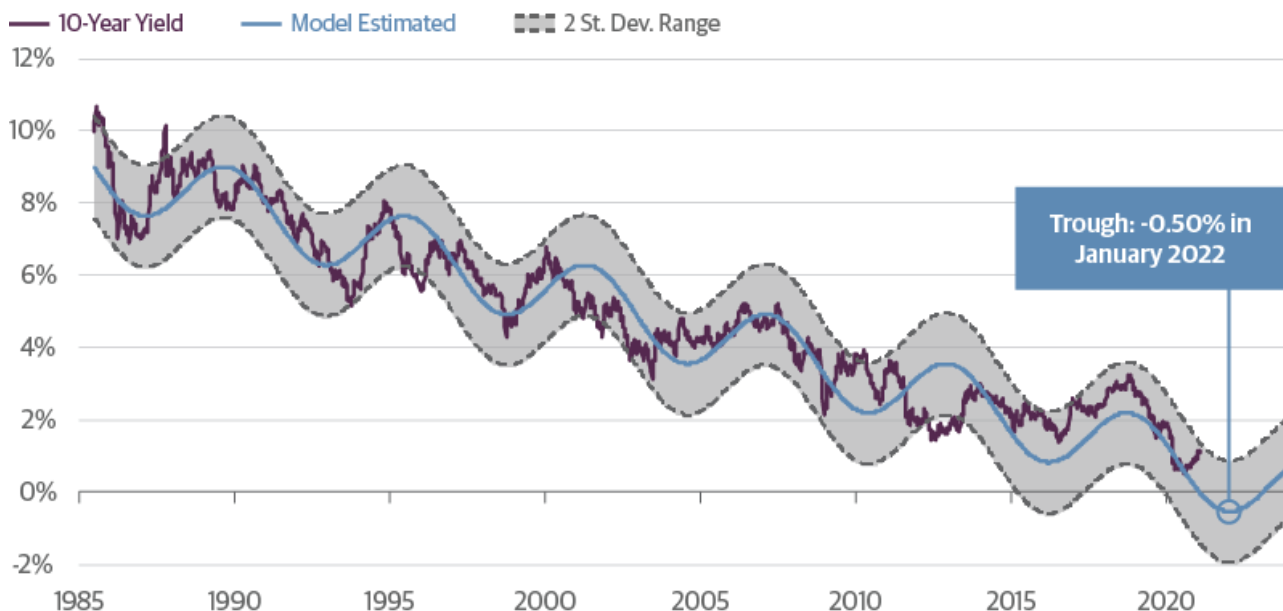
Investors will also be watching President Joe Biden's infrastructure plan, which he will unveil in Pittsburgh on Wednesday. The plan is expected to cost in excess of US\$3 trillion, with tax hikes likely needed to pay for it.

In New Zealand, Wednesday's final reading of March's ANZ Business Confidence report is the only economic data point of note.

Also in New Zealand, given the moves in the currency and bond markets last week, there will be interest to see if these trends continue.

## Chart of the week

The sine regression of the 10-year treasury yield has been a relatively good predictor since the 1980s. Given this trend, a two standard deviation range of 1.0% and a low of -2.0% puts the mid-point at -0.5% sometime in 2022.



## Here's what we're reading

10 ways office work will never be the same: How COVID has impacted the office environment, and is it a permanent change - <https://www.vox.com/recode/22331447/10-ways-office-work-pandemic-future-remote-work>

Short note on tech bubble vs. rotation - <https://ritholtz.com/2021/03/tech-bubble-or-rotation/>

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