The Weekly Snapshot

19 April

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

Another week and more all-time highs for US equity markets as the economic outlook continued to improve thanks to some upbeat economic data and easing of bond yields. In the US, the S&P 500 and Dow Jones Industrial Average all traded to record highs, rising around 1.3% for the week.

New Zealand equities followed international markets higher, but slightly underperformed, rising around 0.6%, while across the Tasman, the ASX 200 recorded its fourth-straight weekly win, gaining around 1%.

What's happening in markets

The strong showing in equity markets came amid a flurry of better-than-expected economic data pointing to a healthy rebound in the US economy. The strong data points included:

- Inflation for March rose 1.6% and 2.6% on a year-on-year basis, ahead of consensus.
- March retail sales rose 9.8%, boosted by a sharp increase in motor vehicle sales, retail spending and restaurants and bars. The rise was attributed to, in part at least, the fiscal stimulus checks that were distributed in the US$1.9 trillion relief package.
- Weekly jobless claims fell by 193,000 to 576,000 for the week ending 10 April, the lowest level since the beginning of the pandemic.
- Manufacturing indexes from the Philadelphia Fed and NY Empire State – gauges of manufacturing sentiment across the country – both topped expectations. The Philly Fed number was the highest reading in almost 50 years.

The COVID-19 vaccination rollout was dealt a blow last week when a number of countries suspended the Johnson & Johnson vaccine, citing blood clot complications. The suspension is a significant blow given it was a single-dose shot, making its rollout faster and logistics easier, especially for developing nations.

In New Zealand, the Reserve Bank of New Zealand left the Official Cash Rate and monetary policy unchanged on Wednesday. It was very much 'as you were' from the central bank, which reiterated that the recovery from the pandemic is far from over.

> ***"The Committee agreed to maintain its current stimulatory monetary settings until it is confident that consumer price inflation will be sustained at the 2 percent per annum target midpoint, and that employment is at or above its maximum sustainable level. Meeting these requirements will necessitate considerable time and patience."-*** RBNZ statement

Finally, in earnings, US banks JPMorgan, Goldman Sachs and Morgan Stanley all reported better-than-expected numbers. Of note, JPMorgan reported a near 400% increase in quarterly profit, helped in part by the release of US$5 billion it had set aside for coronavirus losses, which have not materialised.

What's on the calendar

The week ahead is a relatively quiet one on the economic data calendar, with attention mainly on corporate earnings.

In watching earnings, the focus continues to be whether or not inflation pressures are squeezing margins and weighing on profitability. Some companies of note that report this week are Netflix, IBM, Johnson & Johnson and Coca-Cola.

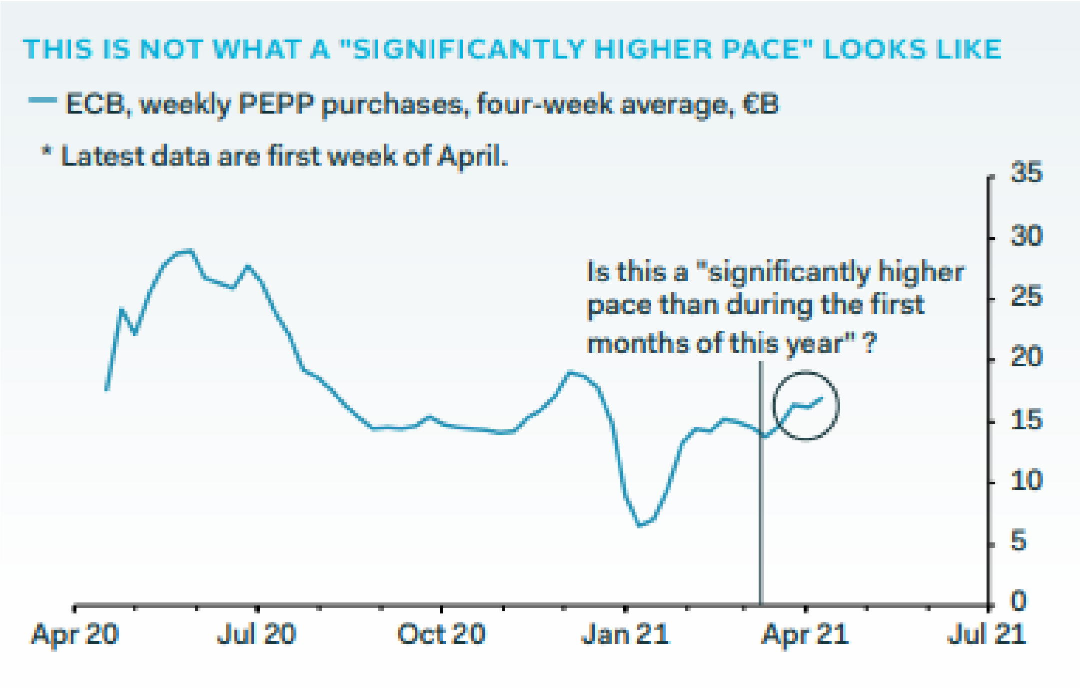
Elsewhere, the European Central Bank meets on Thursday where it is expected to leave interest rates and its bond-buying programme unchanged. Outside of policy measures, we will be watching how ECB President Christine Lagarde balances the relatively upbeat data in Europe with the resurgence of COVID-19 across several countries. Furthermore, she is bound to field questions on the pace of the bond-buying programme (see chart below).

The notable economic data this week comes out of New Zealand where inflation for the first quarter is released. It is expected that quarterly CPI rose by around 0.7%, with the year-on-year figures around 1.3% - which will be of little concern to the central bank.

Chart of the week

The European Central Bank said at its last meeting it would increase the pace of its bond purchases to support the slowing economy. The ECB said: "The Governing Council expects purchases under the PEPP over the next quarter to be conducted at a significantly higher pace than during the first months of this year."

However, it appears the increase in bond purchases has not been as significant as many had expected.



Here's what we're reading

The changing labour market - https://ritholtz.com/2021/04/shifting-balance-of-power/

Some good visuals on how the pandemic altered our spending - https://www.vox.com/recode/22379584/spending-foot-traffic-earnest-research-data-pandemic-recovery