The Weekly Snapshot

28 January

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

International equity markets finished the week lower as fears of the economic impact the coronavirus grew. In the US, the S&P 500 fell 1% over the week, while other major indices also lost around 1%. The economic uncertainty saw demand for safe-have assets – namely bonds and gold rise.

The selloff has continued into Monday's session with stocks in the US trading lower. As at 9 a.m. New Zealand time, indices in the US are down more than 1%, while the US 10-year government bond yield is trading at 1.61%, down nearly 20 basis points from last week's high.

What's happening in markets

The spread of the coronavirus has increased concerns around global growth with disruption to travel and trade potentially undermining economic growth. People in more than 10 countries have been diagnosed with the virus, which originated in Wuhan, China. Worldwide, there have been nearly 3,000 cases confirmed and more than 80 deaths, mostly in China.

Coronavirus aside, it was a relatively upbeat week for economic data with strong Chinese activity data pointing to a stabilisation of the economic slowdown and better-than-expected Eurozone ZEW survey (sentiment survey).

Downunder, there was some positive economic news too with Australian employment numbers beating expectations and New Zealand CPI data rising at a faster rate than most had expected, but still falling short of the 2% mark.

What's on the calendar

The final week of January is a busy one on the economic calendar with central bank meetings, earnings and politics atop the list.

On Wednesday, the Federal Reserve will hold its first meeting of the year and is expected to leave interest rates unchanged. Furthermore, the Fed isn't expected to deviate from its 'on hold' bias.

The Bank of England will also meet where a rate cut is possible given the slowdown in growth towards the end of 2019. However, the weakness in growth has been somewhat offset by a bounce in confidence after The Conservatives won the 12 December election. Also note, the UK will officially leave the EU on 31 January.

It's a busy week for corporate earnings with nearly 150 companies in the S&P 500 reporting with the two tech giants, Apple and Microsoft, headlining the list. Elsewhere, Amazon, Facebook and Tesla are other notables slated to release.

In politics, the impeachment trial of President Donald Trump will continue with the president's legal team continuing their defence. The trial took a turn over the weekend when it was reported that in a soon-to-be-released-book, former US National Security Adviser John Bolton, confirms President Trump withheld military aid until Kyiv helped with an investigation against former Vice President Joe Biden.

In Australia, fourth-quarter inflation will be closely watched especially given there is an RBA meeting next week, where a rate-cut is not off the table.

Chart of the week

The changing landscape of US companies and probability a good illustration of globalisation as tech companies now dominate the top-end of the largest companies in the world.



Here's what we are reading

The BBC looks at the potential economic impact of the coronavirus - https://www.bbc.com/news/business-51239745

In the partisan world, the World Economic Forum argues cities are becoming more important to the future than nations - https://www.weforum.org/agenda/2020/01/cities-mayors-not-nation-states-challenges-climate/

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