The Weekly Snapshot

9 March

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

International equity markets had one of their more volatile weeks with some indices recording daily gains and losses of more than 3% in four of the five trading days. In the US, all three major indices eked out gains for the week, but remain around 10% off their all-time highs made in late February. Down under, the NZX 50 finished the week higher, while the ASX 200 ended the week in the red.

The pickup in volatility saw government bonds rally, pushing yields lower. The US 10-year government bond ended the week below 0.8%, while in New Zealand, the 10-year equivalent fell below 1%.

What's happening in markets

Once again, investors were focused on the still-spreading coronavirus, which has now infected more than 100,000 people and killed around 3,500. Cases have now been confirmed in more than 80 countries.

On Tuesday, in a response to the growing economic impact of the coronavirus, the Federal Reserve cut interest rates by 50 basis points, the first emergency cut since 2008.

> ***"The virus and the measures that are being taken to contain it will surely weigh on economic activity for some time, both here and abroad. We don't think we have all the answers. But we do believe that our action will provide a meaningful boost to the economy."*** – Fed Chair Jerome Powell

Elsewhere, the Reserve Bank of Australia cut rates 25 basis points and the Bank of Canada cut 50 basis points.

The surge in volatility saw the VIX Index – a broad measure of equity volatility – trade sharply higher. Adding to volatility was the 10% fall in oil on Friday after OPEC production talks fell through with Russia unable to agree on production cuts.

In some upbeat economic news, the US employment sector continues to shine, adding 273,000 jobs in February, with the unemployment rate falling to 3.5%, matching its lowest level in 50 years.

In politics, Joe Biden cemented himself as the front-runner in the Democratic race with resounding wins on Super Tuesday. The former vice president won 10 of the 14 states up for grabs, and according to latest polling, he has a ~85% chance of winning the nomination.

Earlier in the week, moderate Democratic hopefuls Pete Buttigieg and Amy Klobuchar suspended their campaigns and endorsed Biden, a sign the Democratic Party believes a moderate candidate has the best shot at beating President Donald Trump come November.

What's on the calendar

It's unlikely anything in the news will surpass the coronavirus as people continue to assess the economic impact the virus will have on the global economy.

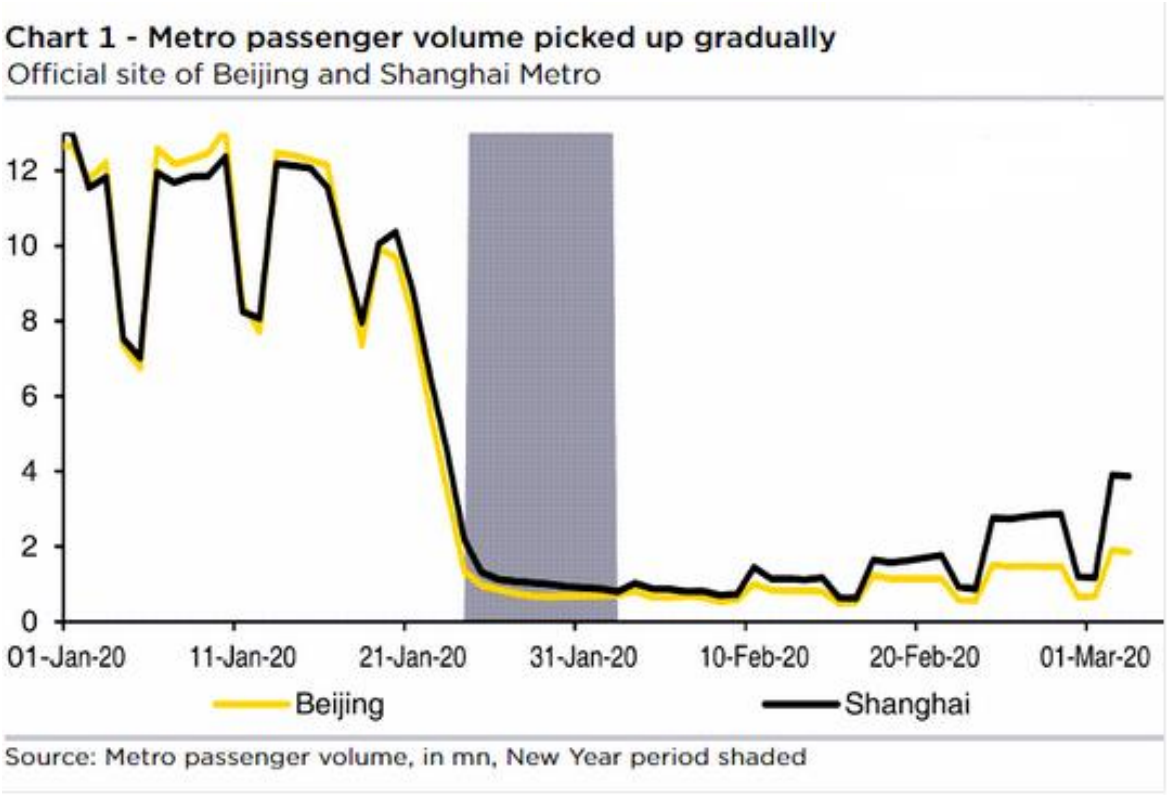
On Thursday, the European Central Bank will likely lower interest rates, following other central banks reacting to the economic impact of the coronavirus. Furthermore, the central bank is expected to address liquidity issues focusing on SMEs, which could face cashflow issues should supply chain issues persist.

One tool the central bank could use is its targeted longer-term refinancing operations (TLTRO) program, which provides long-term funding to banks at attractive rates. The ECB would persuade the banks to pass these loans onto SMEs to alleviate financial pressure.

In economic news, the NAB February Business Confidence is out on Tuesday, which may provide some insight into how companies are doing amid the coronavirus. And on the consumer side, in New Zealand, the Westpac Consumer Confidence is out on Friday.

Chart of the week

There are some signs in China that the movement of people is picking with the number of commuters in Beijing and Shanghai increasing over the past week.



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