The Weekly Snapshot

28 April

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

After two winning weeks, US equity markets finished marginally lower last week as economic data continued to come in below expectations and an unprecedented move in the oil markets weighed on sentiment.

For the week, the S&P 500 and Dow Jones Industrial Average both fell around 1.5%. Meanwhile, the NZX 50 underperformed, falling more than 3%.

What's happening in markets

Coronavirus-related economic data last week continued to paint a fairly bleak outlook for the global economy with a further 4.4 million people filing for unemployment benefits in the US, taking the total to more than 26 million, putting the unemployment rate somewhere between 15% and 20%. However, one positive is that Thursday's numbers were the fourth-consecutive weekly decline.

Elsewhere, durable goods orders slumped 14.4% in March led by a decline in purchases of so-called big-ticket items like vehicles.

In response to the continuing economic fallout, Congress passed a US$484 billion stimulus package that includes a second round of funding for small businesses.

However, an unprecedented move in oil markets dominated headlines with the price of May WTI prices trading into negative territory; at one point trading to below -$30.

The move came amid a fear that it would be difficult to find a place to store the physical oil as rising supply has eaten into storage capacity and holders were willing to pay people to take the oil off their hands. WTI, or West Texas Intermediate, oil contracts are settled in physical barrels, while Brent crude is cash-settled which is why the prices did not see as sharp a decline as WTI.

What's on the calendar

This week a number of European countries will slowly begin to lift heavy restrictions and map out plans to restart the economy as coronavirus cases continue to fall, albeit from extreme levels. Leaders in France and Spain – two of the worst hit countries – will outline plans to ease lockdowns on Tuesday, while in Germany, some shops will slowly begin to open up.

In the US, the reopening has become more of a partisan issue with some states, the majority Republican, hastening the return to normality with Georgia already reopening restaurants, hair salons, bowling alleys and other small businesses. Elsewhere, there were protests in states including Texas, Wisconsin and Michigan, pressuring governors to lift restrictions.

Down under, New Zealand moved to alert level 3 on Tuesday where it will stay for at least two weeks.

Economic data this week will continue to indicate the extent of the fallout from the shock with most eyes on US and eurozone first-quarter GDP numbers. Both economies are expected to have contracted, but much worse is likely in the second quarter.

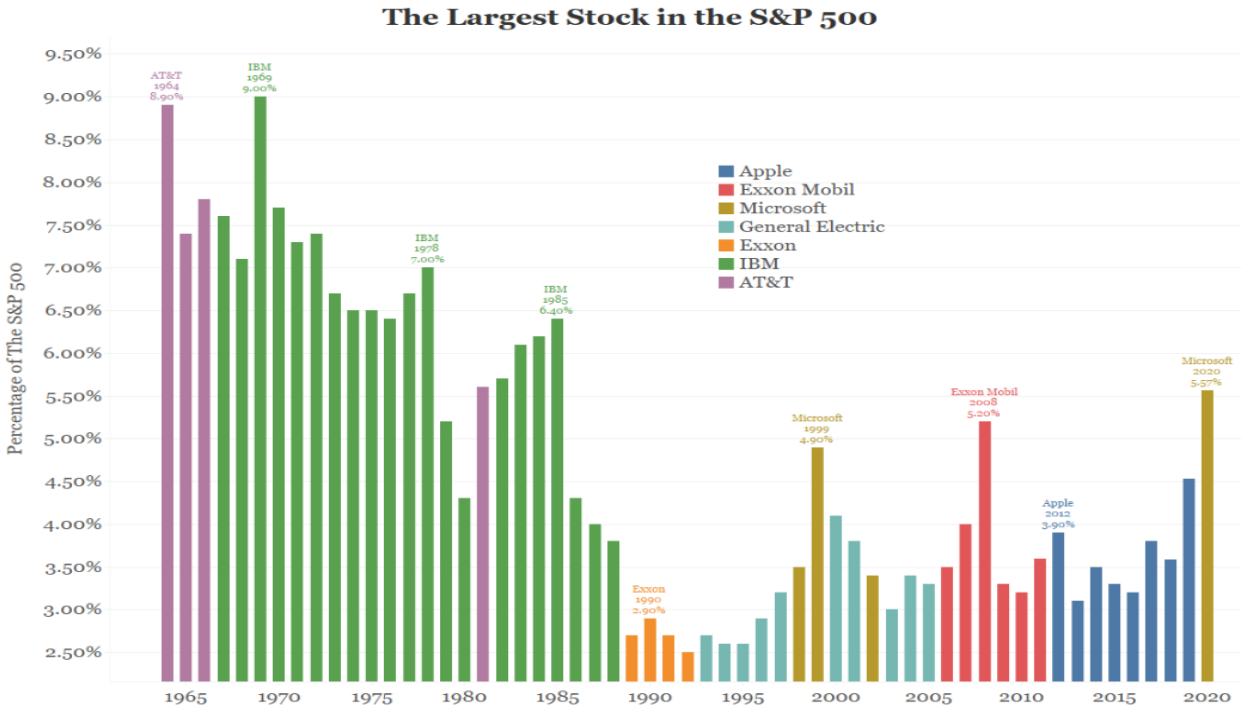
Other economic data to keep an eye out for includes:

- US jobless claims for the week ending 25 April is expected to show a further ~3 million people have filed for unemployment benefits.
- The Fed meets this coming week where it is likely to leave rates unchanged. Additionally, it will not release economic projections given uncertainties related to the coronavirus.
- The European Central Bank will meet on Thursday where it may consider increasing its bond-buying program.
- Chinese manufacturing surveys for April.
- ANZ Business Confidence is expected to fall further into negative territory.

Finally, tech companies, Apple, Alphabet, Facebook and Microsoft are set to report earnings, while e-commerce giant Amazon will also report.

Chart of the week

Here's a chart of the largest company in the S&P 500 each year since the 1960s. Outside of the period post dot-com bubble and GFC, it's dominated by tech.



Here's what we're reading

A good explainer on the move in oil last week - https://www.marketwatch.com/story/why-the-oil-market-just-crashed-below-0-a-barrel-4-things-investors-need-to-know-2020-04-20

Countries in Asia are using technology to fight the coronavirus - https://www.vox.com/recode/2020/4/18/21224178/covid-19-tech-tracking-phones-china-singapore-taiwan-korea-google-apple-contact-tracing-digital

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