

The month ahead – February 2021

Equity markets have had a good start to 2021, with several stock indices in the US, Europe and Australasia posting solid gains in the first few weeks. In the US, tech companies continue to outperform, with the NASDAQ 100 one of the best-performing indices, while in Europe, the Euro Stoxx 50 is lagging as the pandemic concerns weigh on sentiment. Down under, the NZX 50 and ASX 200 have also had good starts to the year.

Now, with the inauguration of President Joe Biden over, attention in the US will turn to legislation. Additionally, February will see the continuation of earnings season and some tier-one economic data. Putting this together, here's ANZ's Month Ahead.

CAN DEMOCRATS GET A STIMULUS PACKAGE ACROSS THE LINE?

The early 2021 equity market rally came in part after President Joe Biden laid out a US\$1.9 trillion COVID-19 relief package which includes funding for COVID testing and the vaccine rollout, further unemployment benefits and protection for those facing eviction.

While the bill is expected to face stiff competition from Republicans and centrist Democrats, Biden will call on his time working with Senators to give the economy a much-needed boost. Should Biden and the Democrats broker a deal at or near the \$1.9 trillion mark, we would expect a decent bout of investor optimism.

EARNINGS SEASON ROLLS ON

February sees the continuation of fourth-quarter earnings with a number of tier-one companies set to report. With the economy showing signs of slowing, retailers – both online and brick and mortar – should provide a gauge as to the health of the economy (about two-thirds of the US economy is consumer spending).

One bellwether for consumer spending will be Amazon. The e-commerce giant is expected to continue its strong tailwind from the COVID-led online orders. The surge in online purchases saw shares in the company comfortably outperform the S&P 500 in 2020. However, any signs of slowing may indicate that the economic rebound is stalling.

Elsewhere, brick and mortar giants Home Depot, Target and Lowe's will also be good indicators for the economic recovery.

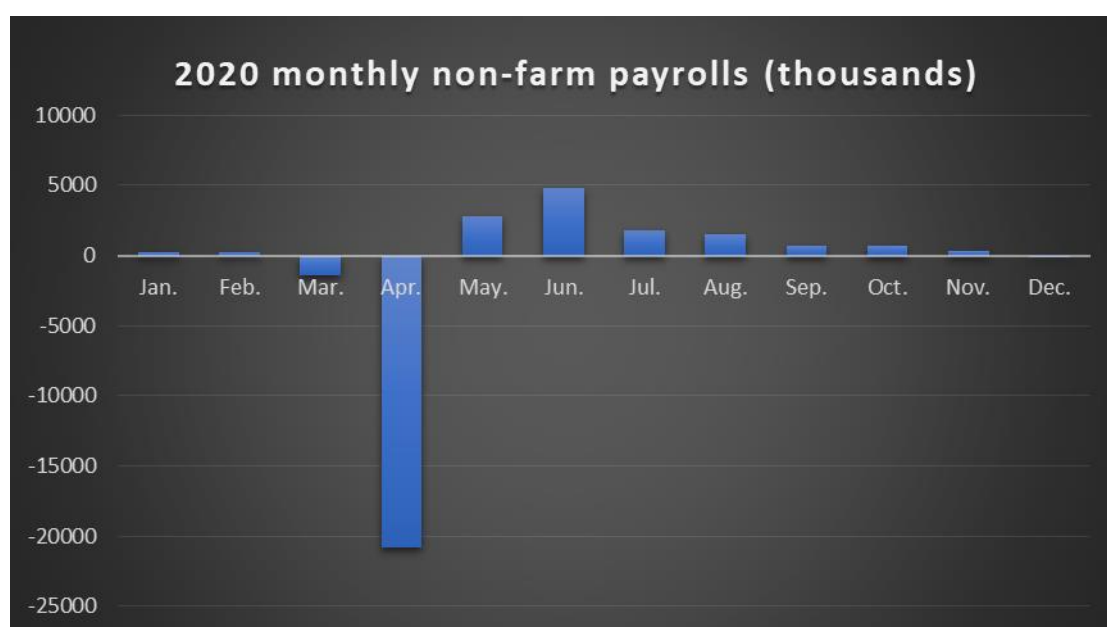
EMPLOYMENT DATA – HOME AND ABROAD – TO GIVE A BETTER SENSE OF ECONOMIC SITUATION

Early February will see the release of employment data in New Zealand and the US, which will give further indications as to the state of both economies.

In New Zealand, fourth-quarter employment figures are expected to show the unemployment rate has held around 5.5% – a sign the economy is holding up well despite the border restrictions. Still, we expect to see decent capacity in the labour market.

Meanwhile, in the US, the unemployment report for January will be closely watched as the recovery in the jobs sector appears to be faltering. After seven consecutive monthly gains, December saw the US economy lose more than 100,000 jobs as the second wave of COVID-19 accelerated.

These numbers will be of particular interest, with any disappointment likely to amplify the need for fiscal stimulus.



**Source: US Bureau of Labor Statistics*

WE REMAIN OVERWEIGHT EQUITIES; POSITIVE ON THE MEDIUM-TERM OUTLOOK

We continue to hold an overweight to international equities, Australian equities and real assets. These positions reflect our belief that the vaccine rollout and accommodative fiscal and monetary policy will see the global economy slowly re-open. In saying this, the vaccine rollout is a significant logistical challenge, so we will be closely watching data such as doses administered and levels required to reach herd immunity.

Disclaimer: This information is issued by ANZ Bank New Zealand Limited (ANZ). The information is current as at 29 January 2021 and is subject to change. The information is general in nature and does not take into account your personal objectives, needs and financial circumstances. You should consider the appropriateness of the information, having regard to your personal objectives, needs and financial circumstances. This information is not to be construed as personal advice, and should not be relied upon as a substitute for professional advice. Although all the information in this document is obtained in good faith from sources believed to be reliable, no representation of warranty, express or implied is made as to its accuracy or completeness. To the extent permitted by law, ANZ does not accept any responsibility or liability arising from your use of this information. Past performance is not indicative of future performance. The actual performance any given investor realises will depend on many things, is not guaranteed and may be negative as well as positive.