

The Weekly Snapshot

25 March 2024

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

Coming off a negative week, US equities resumed their march higher, with most indices making further record highs, as optimism that the US Federal Reserve (the Fed) would be cutting interest rates later this year grew. For the week, the S&P 500 gained 2.3%, while the NASDAQ 100 rose 3%. It was more of the same in Europe, with the Euro Stoxx 50 rising for its ninth straight week, while France's CAC 40 also rose to a record high.

In New Zealand, the NZX 50 rebounded last week to close 1.8% higher, while across the Tasman, Australis's ASX 200 ended up 1.3%, helped in part by the ongoing rise in oil prices, which briefly reached their highest level since October 2023.

Bonds were mostly higher across the board with one of the best-performing markets being in New Zealand, which saw yields decline after some weaker-than-expected economic data. When bond yields fall, their prices rise.

What's happening in markets?

All eyes were on Wednesday's Fed meeting, and most importantly the interest rate committee's updated economic projections. After a period of robust economic data and sticky inflation figures, there were concerns the Committee may dial back on the three interest rate cuts (by the end of the year) it had previously pencilled in. However, this was not the case, with the Fed's "dot plot" showing that the Committee still expects three interest rate cuts by the end of 2024.

"We believe that our policy rate is likely at its peak for this type of cycle, and that if the economy evolves broadly as expected, it will likely be appropriate to begin dialling back policy restraint at some point this year", Fed Chair Jerome Powell said at his post meeting press conference.

Additionally, accompanying economic projections showed the Committee made a significant increase in its growth projection – it now sees the economy growing at 2.1% in 2024, up from the 1.4% estimate it made in December last year. Elsewhere, its unemployment forecast declined ever so slightly and its inflation projection, as measured by core personal consumption expenditures (PCE), rose to 2.6%.

In other central bank news, the Swiss National Bank (SNB) surprised markets when on Thursday, it cut its key policy rate by 25 basis points to 1.50%, making it the first major central bank to dial back on tighter monetary conditions brought on over the past few years.

Elsewhere, the Bank of Japan (BoJ) became the last central bank to exit its negative interest rate policy when it lifted its target rate range to 0-0.1%. It was the central bank's first interest rate hike in 17 years. The move came in part after unions negotiated annual wages rises – some were the largest in more than 30 years. Finally, rounding off a busy week for monetary policy, central banks in Australia, the UK, and Norway left interest rates unchanged.

In economic data, the New Zealand economy entered a technical recession in the final quarter of 2023, with the economy contracting 0.1% over the quarter, leading to a 0.6% increase in the 12 months ending 31 December 2023. On a per capital basis, the economy contracted 0.7% over the quarter. Goods-producing industries was the weakest component, highlighted by a 1.8% decline in wholesale trade, a 0.9% decline in retail trade and accommodation and a 0.7% decline in transport, postal and warehousing.

Meanwhile, global inflation rates appeared to be slowing with annual inflation in the UK falling to 3.4%, its lowest level in more than two years, and in Canada annual inflation fell to 2.8%, well below consensus expectations. Canada's significant decline raised the chance of an interest rate cut in June to about 75%, up from 50% prior to the data release.

Finally, the unemployment rate in Australia surprisingly fell to 3.7% in February, down from 4.1% the prior month on the back of a whopping 116,000 new jobs added to the economy in February. The stronger-than-expected report was somewhat surprising given the slowing economy, which grew just 0.2% in the final quarter of 2023.

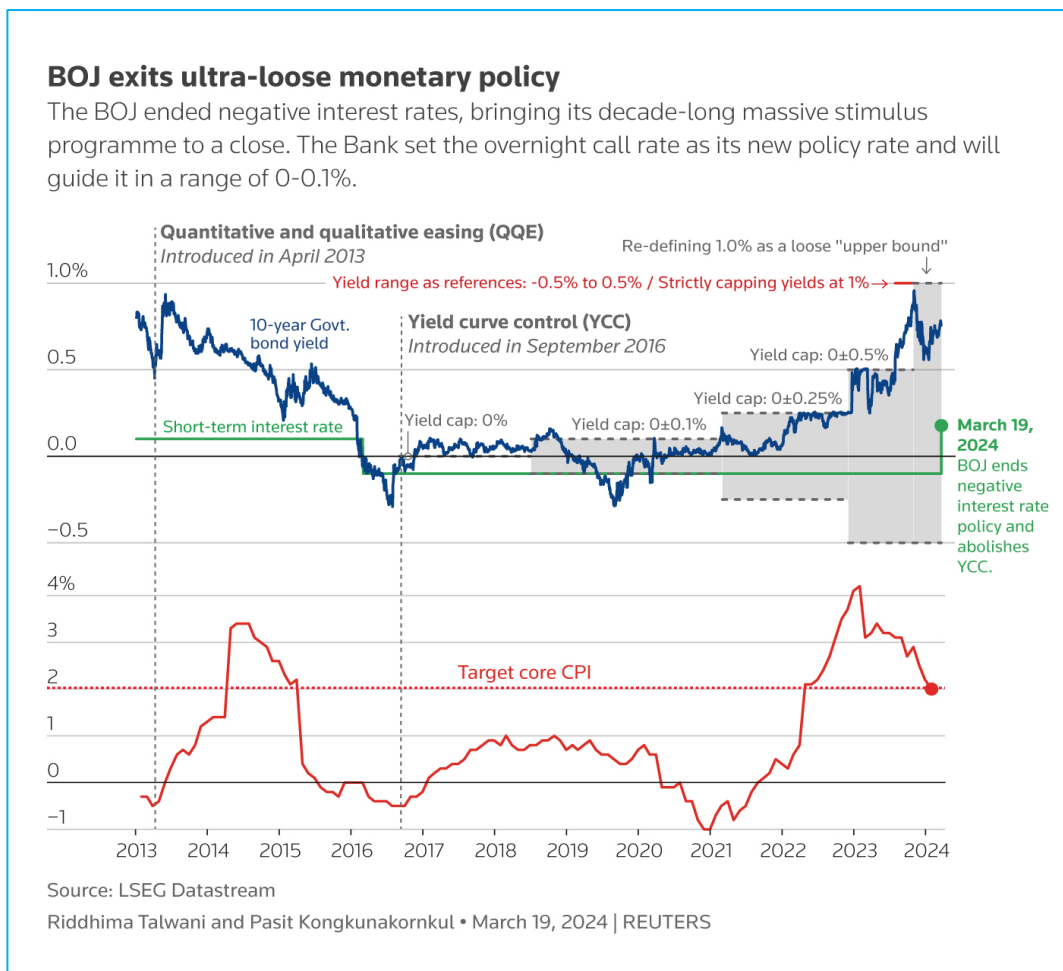
What's on the calendar?

Coming off a very busy week, things quieten down this week with many markets closed on Friday for the Good Friday holiday.

In economic data, the US personal consumption expenditure (PCE) price index, which is the Fed's preferred measure of inflation, is released on Thursday, while the final reading of US fourth quarter GDP is expected to confirm that its economy grew at a solid pace. Elsewhere, consumer confidence surveys in the US, Europe, New Zealand and Australia are released, while Australia also reports February inflation and retail sales data.

Chart of the week

It's been a long period of ultraloose monetary policy in Japan as the country has struggled with periods of below-target inflation and some periods of deflation.



Here's what we're reading

Japan union group announces biggest wage hikes in 33 years. [Click here.](#)

So Much Money Everywhere. [Click here.](#)

New Zealand: Staff Concluding Statement of the 2024 (IMF). [Click here.](#)

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