

## Sharemarkets end April on a soft note

**Sharemarkets ended April** by paring back on the month's rally, with the major markets around the world down 0.5%-1% on Friday. In contrast, the NZ market was up 0.6% on Friday. All up, the major US indices, and the MSCI index of world shares are circa 1% shy of their respective peaks, while the NZ market is just under 7% of its January high. Apple (-1.5%) shares came under pressure after the European Union said the company's App Store was breaching its competition rules. Chevron dropped 3.6% after its first quarter profit fell 29%. Twitter shares plunged 15.2% after it offered a tepid revenue forecast for the June quarter. Amazon.com ended down 0.1%, despite posting a record profit.

**European sharemarkets** were mixed on Friday. The pan-European STOXX 600 index fell by 0.3% but ended April 1.8% higher. The German Dax index lost 0.1%, but the UK FTSE index rose by 0.1% on Friday.

**In US economic data**, personal income rose by 21.1% in March (survey: +20.3%) with spending up 4.2% (survey: +4.1%). The core PCE deflator lifted 0.4% in March to be up 1.8% over the year (survey: +1.8%). The Employment Cost Index jumped 0.9% in the March quarter - the most in 14 years (survey: +0.7%). The University of Michigan consumer sentiment index rose from 84.9 to a 13-month high of 88.3 in April.

**US longer-term Treasury yields edged lower on Friday.** US 10-year yields fell by 1 point to near 1.63%, but over the week rose by 6 points. **The NZ 10-year yield** ended the week trading around 1.65%, up 5 points over the week.

**The Eurozone economy contracted** for a second consecutive quarter in Q1. The advance reading showed real GDP declined by 0.6% over Q1, slightly less than consensus (0.8%) and a bit more than the ECB projected (0.4%). Leading indicators point to a robust recovery over Q2. **Eurozone headline CPI inflation** accelerated at an annual pace of 1.6% in April (the most in two years) driven by higher energy prices. Core CPI inflation slowed to 0.8%/yr in April, suggesting the ECB is a long way from reducing policy support.

**New Zealand's ANZ consumer confidence index** showed consumer sentiment surged back to pre-pandemic levels in April to lie only a fraction below the historical average. Households have revised up how they feel both the economy and they themselves have fared and have revised up how well both will perform in the future. House price expectations remain elevated and little changed from the previous month despite the change in government policies that target property investors. We expect household spending to start 2021 cautiously, but to improve over the course of the year.

**China's PMIs fell** more than expected in April, implying economic grow momentum is slowing. The non-manufacturing PMI fell 1.4pts to 54.9 (consensus: 56.1) and the manufacturing PMI dipped 0.8pts to 51.1 (consensus: 51.8).

**FX comment:** Major currencies were weaker against the US dollar in European and US trade on Friday, and the NZD starts the week trading just below 0.7200 against the greenback. The big events for NZD direction will likely be the local employment data on Wednesday and Friday night's US employment release.

**Day ahead:** NZ CoreLogic house prices are due today. Manufacturing PMIs are due in Europe and the US tonight. **Week ahead local:** In NZ, employment data are due on Wednesday. We are expecting the unemployment rate to edge down to 4.8% over the March quarter (from 4.9% in Q4) on the back of flat employment growth. Building consents for March are due on Thursday and RBNZ expectations data including inflation expectations are due on Friday. We expect that inflation expectations will continue to edge up because of the pressure of increasing capacity constraints, as well as the uptick in cost and price expectations in various business surveys. **Week ahead offshore:** The Reserve Bank of Australia will be in focus this week with the Board meeting on Tuesday, a speech from the Deputy Governor on Thursday and the Statement on Monetary Policy released on Friday. We don't expect any changes to monetary policy on Tuesday. The Bank of England will also meet this week (Thursday). It is widely expected the Bank will leave monetary policy settings on hold and continue to suggest additional stimulus is unlikely. US Non-farm Payrolls (employment) data are due Friday. We forecast 925,000 jobs were added in April, dropping the unemployment rate to 5.8%. **Author:** [chris.tennent-brown@asb.co.nz](mailto:chris.tennent-brown@asb.co.nz)

Currencies			Commodities			Equities					
NZD/USD	0.7174	0.2%	NZD/SEK	6.065	0.1%	NZX WMP	4120.0	-0.2%	Dow	33875	-0.5%
NZD/AUD	0.9300	0.1%	NZD/DKK	4.434	0.1%	Gold \$/o	1769.1	-0.2%	S&P 500	4181	-0.7%
NZD/EUR	0.5962	0.2%	NZD/THB	22.3	0.1%	WTI Oil \$/b	63.6	-2.2%	NASDAQ	13963	-0.9%
NZD/JPY	78.36	0.3%	AUD/USD	0.7714	0.1%	<b>Money Market (%)</b>			FTSE	6970	0.1%
NZD/GBP	0.5194	0.3%	EUR/USD	1.203	0.1%	90 Day BB	0.36	0.01	CAC-40	6269	-0.5%
NZD/CAD	0.8816	0.3%	USD/JPY	109.2	-0.1%	OCR	0.25	0.00	DAX	15136	-0.1%
NZD/CHF	0.6550	0.2%	<b>10 Yr Bond Yields (%)</b>			<b>ASB Swap Rates (%)</b>			H.Seng	28725	-2.0%
NZD/HKD	5.562	0.1%	NZ	1.65	0.04	1yr	0.36	0.00	Nikkei	28813	-0.8%
NZD/SGD	0.9529	0.0%	US	1.63	-0.01	2yr	0.47	0.00	ASX200	7026	-0.8%
NZD/CNH	4.643	0.1%	Aust	1.75	0.03	5yr	1.07	0.01	NZX50	12731	0.1%

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