

## Weekly Investment Update – Week ending 3 September 2021

### New Zealand

- Mainfreight released a trading update to the market last week with trading across all regions ahead of the prior year. The company is benefitting from congestion in the global supply chain, in particular, the Air & Ocean division. Within New Zealand, domestic transport is down 30% during lockdown however, the reduction is less than expected and the move into Alert Level 3 for most of the country will bring increased activity. Total revenue was up 43% for the 22 weeks of trading in FY22 on the prior period, while profit before tax was up 83%.
- Business sentiment fell in August, according to the ANZ Business Outlook survey. The Own Activity index fell from 26.3 to 19.2, the lowest in five months. Cost expectations and pricing intentions were still very high, but they eased slightly from July levels. The next survey results are due on September 13, which will be a preliminary release. Last year the Reserve Bank estimated that in Level 4, construction sector output was 19% of normal, but in Level 3 that rises to 85%. Manufacturing and retail are two other big winners of this move, with output levels improving to 85% (from 48%) and 70% (from 39%) respectively.

### Asia Pacific

- Australian GDP rose 0.7% quarter-on-quarter in 2Q2021, above expectations to be 9.6% higher over the year. The upside surprise reflected a larger-than-expected boost to growth from farm stocks and dwelling investment. Growth was regionally broad-based as well as across consumption, investment and public demand, resulting in a robust expansion in domestic demand. Net exports dragged on growth in the quarter, but the current account surplus remained very large alongside broad-based strength on the income side of the accounts.
- Last week, Chinese government officials unveiled tough new limits on the amount of time young Chinese people can spend playing online games. The restrictions come amid a crackdown on pop culture icons and follows moves to sharply limit after-school tutoring. From now on, Chinese regulators said, they would effectively ban minors—those under 18 years old—from playing online videogames from Monday to Thursday and restrict them to one hour of gaming on the other three nights of the week plus public holidays.

### United States

- Aluminium prices are reaching 10-year highs, as buyers far from storage centres in Asia compete to line up shipments for use in beverage cans, airplanes and construction. Aluminium forwards on the London Metal Exchange have climbed by a third this year to about \$2,650 a tonne. Prices are around 80% higher than at their low point in May 2020, when the pandemic hammered sales to the aerospace and transportation industries. Higher prices are giving support to producers that struggled with market gluts even before the onset of

COVID-19. Shares of Pittsburgh-based Alcoa Corp. have gained more than 90% in 2021, outstripping the S&P 500's 20% advance. Norway's Norsk Hydro has risen over 50%. There is enough aluminium to go around globally, the trouble is that much of the metal is sitting in Asia, and buyers in the US and Europe have struggled to get their hands on it. Ports such as Los Angeles are jammed with a crush of orders from companies hustling to restock inventories and prepare for the holiday shopping spree. Containers used to move industrial metals are in short supply, and traders are feeding rocketing freight costs through to customers.

Market Performance for the period 27 Aug 2021 - 03 Sep 2021								
Index	Stocks			Bond Yield (%)	Bonds			
	Last	Change	% change		Last	Change	% change	
NZX50	13,289	229.1	1.8%	NZ OCR	0.25	0.00	0%	
ASX200	7,523	34.6	0.5%	NZ 2Y Govt	1.26	0.09	8%	
S&P500	4,535	26.1	0.6%	NZ 5Y Govt	1.48	0.11	8%	
NASDAQ	15,364	234.0	1.5%	NZ 5Y Swap	1.74	0.11	7%	
Nikkei 225	29,128	1487.0	5.4%	AU 10Y Govt	1.95	0.13	7%	
Hang Seng	25,902	494.1	1.9%	AU 10Y Govt	1.22	0.03	3%	
FTSE 100	7,138	-9.7	-0.1%	US 10Y Govt	1.32	0.02	1%	
MSCI World (local)	7,174	55.8	0.8%	DE 10Y Govt	-0.36	0.06	-15%	
MSCI World (NZD)	14,923	-139.9	-0.9%	GB 10Y Govt	0.72	0.14	24%	
Currencies			Commodities					
	Last	Change	% change		Last	Change	% change	
NZD:USD	0.72	0.015	2.1%	Oil - WTI	69.3	0.55	1%	
NZD:AUD	0.96	0.000	0.0%	Oil - Brent	72.6	-0.09	0%	
NZD:GBP	0.52	0.007	1.4%	Gold	1,828	10.16	1%	
AUD:USD	0.75	0.015	2.0%	Copper	432.6	0.70	0%	
EUR:USD	1.19	0.008	0.7%	Aluminium	2,717	75.50	3%	
GBP:USD	1.39	0.011	0.8%	Iron Ore	143	-12.69	-8%	
USD:JPY	109.71	-0.130	-0.1%	Whole Milk Futures	3,675	75.00	2%	
Bitcoin:USD	50,505	2288	4.7%	VIX (Volatility) Index	16	0.0	0%	