

Market Update to 30 April 2021

May 2021



What happened

Global share markets reached new record highs during the month of April. Optimism was fuelled by the release of strong economic data and robust company earnings. Many countries in the developed world also began to reopen and relax COVID-19 restrictions.

Investors followed the release of first quarter earnings in April closely, with pleasing results from the banking sector, both in New Zealand and offshore. Some big tech names also released revenue growth numbers that outpaced analyst expectations.


Monetary policy in most large economies remained unchanged, and as a result, the change in bond yields in developed countries was muted and mixed. The US 10-year treasury yield declined by over 0.1%, even as US GDP data showed the economy surging back in the first quarter, growing at a rate of 6.4% for the year to the end of March. US inflation also showed a rise of 2.6%, the fastest year-on-year increase since 2018. The US Federal Reserve acknowledged that the economy

was accelerating and inflation was picking up but held interest rates near zero.

Closer to home, the Reserve banks of New Zealand and Reserve Bank of Australia both kept interest rates unchanged. In both countries the central banks also mentioned that they were watching the local housing market closely in their policy statements.

During April, Joe Biden pledged the US would halve carbon emissions by 2030, more than doubling the country's prior commitment under the 2015 Paris climate agreement. Several other major developed countries followed suit on this pledge. Later, Biden also proposed to roughly double the US capital gains tax on wealthy Americans.

Oil prices rose over the month, with an outlook for higher global demand offsetting concerns resulting from the economic shock in India. The country is a large oil import nation that has recently been hit hard by a devastating wave of COVID-19.



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Asset class performance to 30 April 2021

	NZ Fixed Income	Global Fixed Income	NZ Shares	Australian Shares	Global Shares	Global Property
Month	0.7%	0.3%	1.4%	3.5%	3.8%	5.7%
3 months	-1.9%	-1.7%	-3.0%	7.5%	10.1%	14.5%
One year	-2.5%	0.1%	20.9%	30.8%	42.7%	30.7%
<i>One year vs. history</i>	<i>Poor</i>	<i>Normal</i>	<i>Good</i>	<i>Great</i>	<i>Great</i>	<i>Great</i>

Source: Refinitiv Datastream, Makao Investments

Looking back

New Zealand shares continued to lag the performance of offshore share markets for the month, with negative performance over the last 3 months. Large losses in a few large stocks drove this disappointing result. In contrast, global property has had notable gains over the last 3 months, as investors start to feel more certain about the continued reopening of economies and relaxed restrictions.

Performance from offshore share markets remains great over the rolling year to the end of April, sitting in the top 5% of outcomes over the last 20 years. However, performance from NZ Fixed Income has been negative and poor relative to history, as yields have started to rise back up after the sharp reductions in March 2020.

New Zealand Dollar to 30 April 2021

	NZD/USD	NZD/EUR	NZD/JPY	NZD/GBP	NZD/AUD
Month	3.7%	0.3%	2.0%	2.2%	1.5%
3 months	1.1%	1.0%	5.3%	-0.7%	-0.3%
One year	18.3%	6.1%	20.7%	5.6%	-0.4%

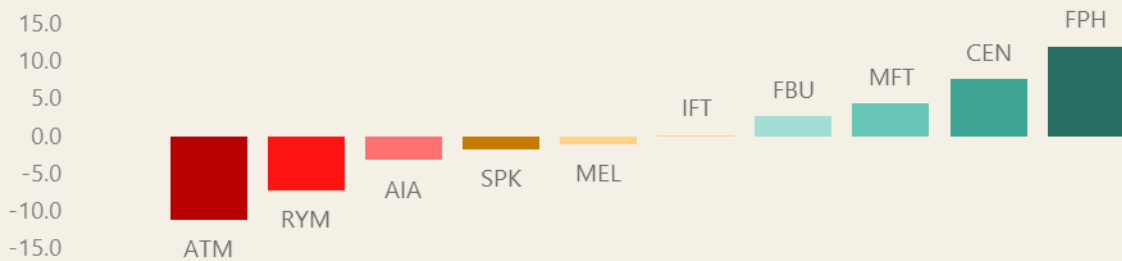
Source: Refinitiv Datastream, Makao Investments

The New Zealand dollar appreciated over the month, recovering from the pull back in March. Over the last year, the New Zealand dollar has risen relative to most other currencies. Investors have reallocated to riskier currencies such as the New Zealand dollar again, and “safe-haven” currencies such as the Japanese yen and US dollar have declined in value.



New Zealand shares

April 2021 performance, in %



A2 Milk (ATM) continued to grind lower over the month as some large institutional holders revised down their percentage holding in the stock. Retirement village operator Ryman Healthcare (RYM) also lost some ground in April, as investors continued to digest the government's property measures announced in the prior month.

Fisher & Paykel Healthcare (FPH) closed the month near previous all-time highs, recovering from a pull back in the first quarter of 2020. Contact Energy (CEN) also climbed higher on the back of an acquisition of Western Energy Services, a geothermal well service company based in Taupō.



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