

# Market Update to 31 May 2021

June 2021



# What happened

COVID-19 vaccinations continued to be rolled out globally at a pace of over 30 million per day, and nearly 2 billion doses were administered by the end of May.

During the month the Labour government in New Zealand released their budget for 2021, which included increased social welfare benefits. This was seen as a marginal positive for the economy by many local economists due to the higher propensity to spend of beneficiaries. The announcement had a muted impact on the New Zealand share market, however.

Bond yields continued to rise in New Zealand, even as the Reserve Bank of New Zealand left the official cash rate (OCR) unchanged at 0.25% during the month. In other parts of the world yields declined slightly, namely in the US, amidst the release of mixed economic data, including an unexpected rise in the unemployment rate.

US inflation was higher than expected, which triggered a spike in rates and decline in the share market on the day of the release. However, these shocks reverted by the end of the month. Nevertheless, large technology stocks that performed well in 2020 continued their recent underperformance.

Later in the month, the release of the minutes from the US Federal Reserve (Fed) meeting in April revealed that tapering of asset purchases may be up for discussion at future meetings if the economy continued to make rapid progress. This was the first public hint that the Fed is considering tighter monetary policy since the market sell-off and lockdowns related to the COVID-19 pandemic.

Commodities rose over the month on the back of higher expected demand. In contrast, speculative digital assets such as bitcoin declined significantly.

# Asset class performance to 31 May 2021

	NZ Fixed Income	Global Fixed Income	NZ Shares	Australian Shares	Global Shares	Global Property
<b>Month</b>	-0.6%	0.2%	-3.2%	2.3%	1.1%	1.4%
<b>3 months</b>	0.7%	0.1%	0.8%	8.5%	8.7%	11.7%
<b>One year</b>	-3.5%	0.0%	13.2%	28.2%	38.4%	32.3%
<i>One year vs. history</i>	<i>Poor</i>	<i>Poor</i>	<i>Normal</i>	<i>Great</i>	<i>Great</i>	<i>Great</i>

Source: Refinitiv Datastream, Makao Investments

## Looking back

Global share markets generally had modest gains over the month of May 2021. New Zealand was an exception, however, and continued to underperform due to disappointing returns from a couple of large companies.

For the calendar year to date, the New Zealand share market has underperformed against almost all other regional markets around the world by 10% or more.

To the end of May, offshore share markets delivered some of the best annual outcomes over the last 20 years. In contrast, performance from New Zealand and Global Fixed Income has been poor compared to history, as yields unexpectedly rose over this period.

# New Zealand Dollar to 31 May 2021

	NZD/USD	NZD/EUR	NZD/JPY	NZD/GBP	NZD/AUD
<b>Month</b>	0.1%	-0.6%	0.9%	-1.7%	0.7%
<b>3 months</b>	-1.3%	-1.7%	1.9%	-2.8%	0.3%
<b>One year</b>	16.9%	6.2%	19.4%	1.5%	0.5%

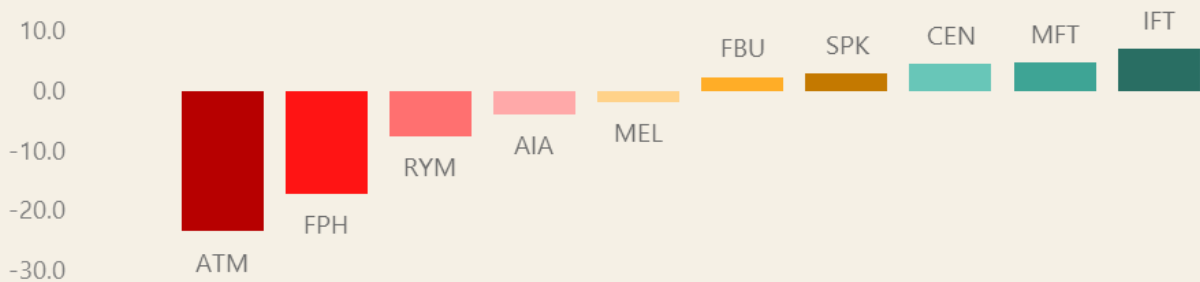
Source: Refinitiv Datastream, Makao Investments

The New Zealand dollar had a mixed month and quarter relative to other developed market currencies. After experiencing declines from the market sell-off in March 2020, the performance of the New Zealand dollar has been generally positive, however.



## New Zealand shares

May 2021 performance, in %



The sell-off of A2 Milk (ATM) intensified during the month after a further downward revision of forecast sales and the resignation of the Chief Executive Officer for Asia Pacific. Fisher & Paykel Healthcare (FPH) released a record profit in their 2021 annual report, however, although a forecast for 2022 was not disclosed, there was talk of reduced global respiratory hospitalisations because of the vaccines, which investors saw as a negative for the stock.

Infratil (IFT) and Mainfreight (MFT) shares rose over the month, supported by the release of their annual results to the end of March 2021.





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