

# Market Update to 30 November 2021

December 2021



# What happened

The global share market started the month with steady gains but pulled back on the news of a new Covid-19 variant, closing lower for the month of November.

Investors began the month watching the 26th Conference of the Parties (COP 26), where country leaders met in Glasgow to discuss ongoing climate commitments. While the commitments from countries were mixed, the conference set new rules for the international carbon market, which will be supervised by the United Nations.

In the U.S., President Biden's reappointment of Jerome Powell as Federal Reserve chair provided investors with confidence in stable monetary policy. However, this was not enough to alleviate inflation fears, as CPI data continued to exceed expectations.

Positive market sentiment on economic reopening began to wane with news of reimposed Covid-19 restrictions in Austria and the Netherlands in response to a fifth wave of Covid-19 in Europe. New restrictions were increasingly met with public dissatisfaction and protests broke out across Europe against lockdown measures and vaccine mandates.

Public frustrations also arose in Turkey, as President Erdogan continued with his controversial policy of interest rate cuts. The Turkish Lira has lost 40% of its value against the USD over this year, and inflation has shot above 20% in the country.

In contrast to other developed countries New Zealand continued to raise rates, with the Reserve Bank of New Zealand hiking the Official Cash Rate by another 25 basis points to 0.75%. The rate hike was in line with investors' expectations but was overshadowed by the first detection of the Covid-19 Omicron variant in South Africa.

Global share markets and bond yields plummeted as concerns around further mutations, vaccine efficacy and reimplementing of restrictions sparked investors' fears of a delayed recovery. The price of oil dropped by 13% on a single day, exacerbated by the United States' plan to release 50 million barrels of oil from the strategic reserves to moderate high prices.



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# Asset class performance to 30 November 2021

	NZ Fixed Income	Global Fixed Income	NZ Shares	Australian Shares	Global Shares	Global Property
<b>Month</b>	0.8%	0.8%	-2.9%	-0.5%	-1.6%	-1.3%
<b>3 months</b>	-3.2%	-0.4%	-3.8%	-2.5%	-0.4%	-1.2%
<b>One year</b>	-6.8%	-0.6%	-0.4%	15.5%	21.6%	25.9%
<i>One year vs. history</i>	<i>Bad</i>	<i>Poor</i>	<i>Poor</i>	<i>Normal</i>	<i>Good</i>	<i>Good</i>

Source: Refinitiv Datastream, Makao Investments

## Looking back

While global shares and property lost ground over the month, the one year return remains good relative to history. The New Zealand market underperformed its global peers, resulting in a negative return over the last year.

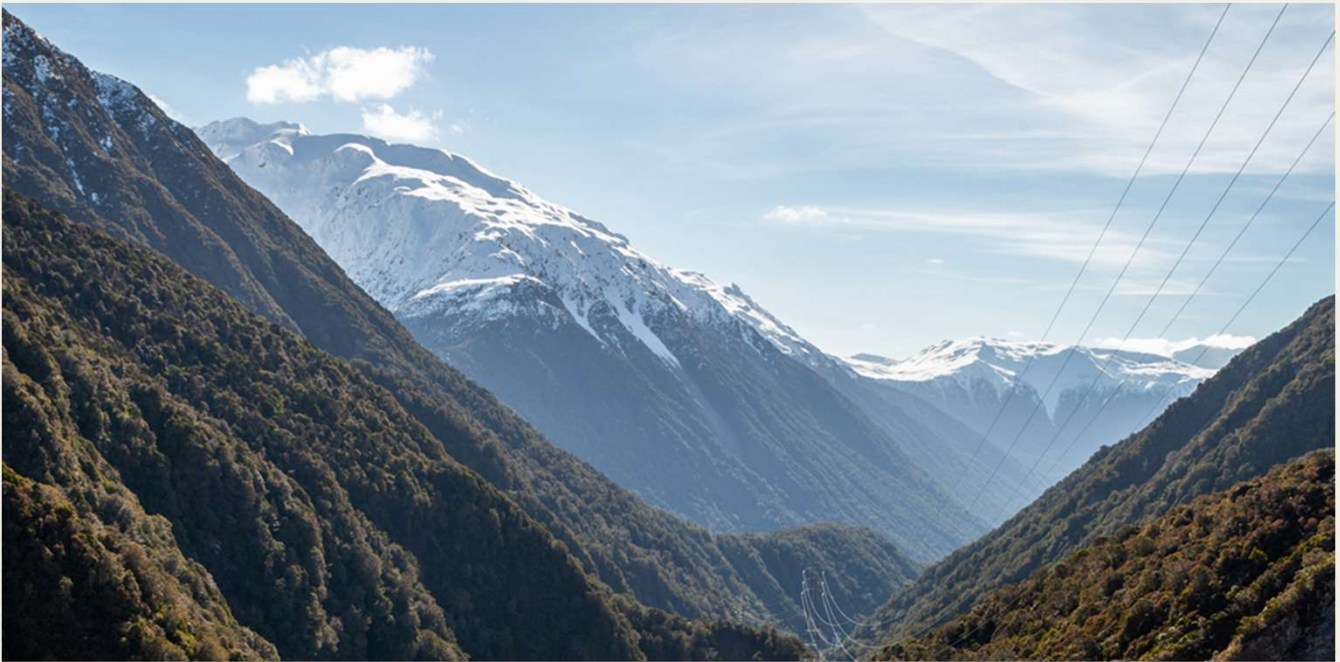
Although the Reserve Bank raised the OCR during the month, both global and New Zealand bond yields decreased as investors reacted to the Omicron variant. This produced positive returns for fixed income for the month, but over one year both New Zealand and global fixed income returns are negative.

# New Zealand Dollar to 30 November 2021

	NZD/USD	NZD/EUR	NZD/JPY	NZD/GBP	NZD/AUD
<b>Month</b>	-5.1%	-1.8%	-4.9%	-1.7%	0.1%
<b>3 months</b>	-3.0%	1.4%	0.5%	0.3%	-0.9%
<b>One year</b>	-3.2%	2.6%	6.0%	-3.1%	0.3%

Source: Refinitiv Datastream, Makao Investments

During the month the selloff in global markets extended to the New Zealand and Australian dollar, as investors flocked to safe-haven currencies such as the Japanese yen and U.S. dollar. Over the last year, however, the returns on the New Zealand dollar have been more mixed, with the New Zealand dollar increasing against some currencies and decreasing against others.



## New Zealand shares

November 2021 performance, in %



Lower than expected half-year earnings for Ryman Healthcare (RYM) saw the stock plummet mid-month. Combined with the heightened uncertainty surrounding Covid-19, the stock remained at low levels for the remainder of November. During the month, Ryman's board announced the appointment of Greg Campbell as Dr David Kerr's successor as Chair.

A2 Milk (ATM) sold off sharply late November as Omicron fears reached the New Zealand market. News of a second class-action lawsuit alleging insider trading against the company also put downward pressure on the stock.

In contrast to the wider market, Fisher & Paykel Healthcare (FPH) rallied at month end, closing with a positive return for November. The gains came on the back of strong half-year earnings, further magnified by the potential growth opportunity the Omicron variant may present to the business.



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