

# New Zealand Equity Monthly January 2024

New Zealand market well placed to shrug off volatility of past year

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## New Zealand market had volatile 2023 amid strong year for equities globally

Global equities rose in 2023 in response to solid corporate earnings, better-than-expected economic growth in some countries, and perhaps most importantly, the apparent end of the interest rate hiking cycle. The US market also benefitted from strong gains by the “Magnificent Seven” high-performing stocks, such as Apple and Microsoft. As a result, the S&P 500 Index climbed approximately 24% in 2023 and the NASDAQ Composite Index fared even better, ending the year up by about 43%. The Japanese market was a standout performer outside the US, with the Nikkei 225 Index finishing the year around 28% higher. These and other markets buoyed global equities and drove the MSCI World Index up by approximately 21% in 2023. Equities in New Zealand saw more subdued gains, however, with the S&P/NZX 50 Index of the country’s largest companies by market capitalisation eking out a return of approximately 3.5% for the year after experiencing a volatile 2023. The market’s modest performance reflected New Zealand’s relatively weak economic growth during the period. For example, according to the latest official figures released in December 2023, New Zealand’s GDP fell by 0.3% in the September 2023 quarter compared with the preceding quarter. Even so, New Zealand was a particularly significant beneficiary of the strong period equity markets experienced in November and December. The S&P/NZX 50 Index gained approximately 10% in those two months after hitting a low point at the end of October.

## Equity markets including New Zealand’s have started 2024 positively

Stocks continued to move higher globally in January 2024, including New Zealand’s market, which climbed by almost 1%. International markets such as the US ended the month up about 1.5%, while Japanese equities gained approximately 8%. On the negative side, the Chinese market continued to struggle in January with an approximately 6% fall after dropping about 11% in 2023. From a broader perspective, stronger global economic growth this year could raise the prospect of corporate earnings outperforming expectations. We view 2024 with optimism—markets could begin to be driven by company earnings rather than by inflation outcomes and interest rate expectations as they have in the past year. At the same time, we expect to see some volatility in the first half of the year as markets search for more clues about the timing of interest rate changes by central banks.

## Overseas general elections among factors to impact stocks in year ahead

A number of national elections set to occur this year have the potential to impact global markets. Around half of the world’s population will be voting this year, with elections scheduled or likely to occur in the UK, several European countries and India. Given its importance, the US presidential election on 5 November could be particularly impactful for equities. Closer to home, the New Zealand market is set to experience the latest earnings reporting season for companies with fiscal periods ending in December, including a number of large-cap names.

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