

What's going on in the world?

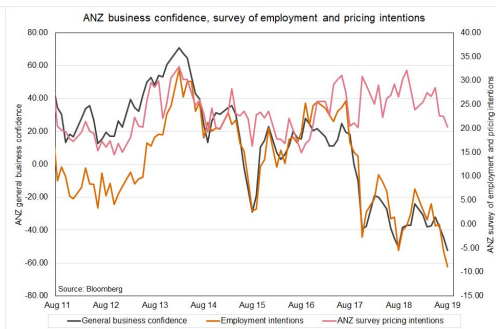
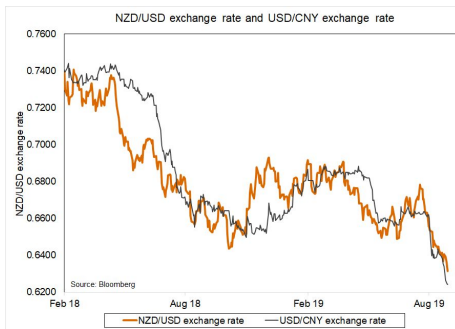
Weekly market wrap up by PwC Treasury Advisory

30 August 2019

- The US-China trade 'stalemate' feels like a distant memory after the trade war ramp up late last week. As Trump increased tariffs on the remaining USD300bn of Chinese imports earlier this month, China retaliated by adding a tariff of 10% on USD75bn of US imports. That didn't sit too well with Trump who quickly raised tariffs on all Chinese imports by another 5% (from 25% to 30% on USD250bn of goods and from 10% to 15% on USD300bn). Trump doubled down on this by tweeting "American companies are hereby ordered to immediately start looking for an alternative to China" (the fact that he has no direct authority to do this is just a minor detail). The Chinese Yuan took a hit, weakening to 7.15, a level not seen since 2008, pulling the NZD down with it. The NZD/USD is trading at an almost four-year low of 0.6314 (another weak business confidence reading not helping, see right). Latest reports give off the impression that China wants to play nice(r) and prevent further escalation. Get your tickets and gear up for yet another loop-de-loop on the trade war roller-coaster.
- The annual economic symposium for central bankers took place in Jackson Hole, Wyoming over the weekend, bringing together central bankers, policymakers, economists, and academics from across the globe. One could certainly say that it is an 'interesting' time for the global economy, so there was no shortage of topics to debate. One thing many central bankers agreed on was that lower interest rates do not remove global political uncertainty. While RBNZ Governor Orr reiterated that he believes that even at these low levels of interest rates, "monetary policy remains as effective as ever", he recognised that monetary policy has its limitations and needs to be partnered with broader fiscal and structural economic policy. RBA Governor Lowe sung from a similar (although slightly less cheerless) song sheet, commenting in the closing session that central bankers have limited ability to cushion the global economy from the headwinds of mounting political uncertainty.
- So to sum up our key themes of the week this far... trade tensions have intensified and central banker's hands are somewhat tied, trying to stabilise an economy with the last remaining (rusty and bent?) nails left in the monetary policy toolbox. The ANZ Business Outlook Survey released this week adds another piece to the slowing global economy puzzle. Following July's survey titled 'Grim', August's survey, 'Nothing good to say about it' summarises the results nicely. Headline business confidence fell 8 points, with a net 52% of respondents expecting business conditions to deteriorate in the next 12 months (its lowest reading in over a decade). Diving further into the detail, every sub-index recorded declined from the previous month. Employment intentions fell 3 points to a net 9% of respondents intending to reduce employment. Firms are also struggling to pass on costs, and business margins are feeling the pressure. Pricing intentions fell 3 points to a net 20% of firms expecting to raise prices, while reported cost pressures lifted 2 points to a net 49%. We will just leave it there because, as we have all been taught, if you don't have anything good to say, just don't say anything at all.
- Move over Donald Trump, it's UK Prime Minister Boris Johnson's turn to dominate headlines. Johnson has made the bold move to suspend Britain's parliament from mid-September until the formal event known as the Queen's Speech on October 14 (yes... very close to the October 31 Brexit divorce date). On one hand the suspension limits the time opponents have to derail a disorderly Brexit, but also increases the chance that Johnson could face a vote of no-confidence, and possibly an election. Immediately following the announcement the GBP fell over 1% against the USD, as bets for a no-deal Brexit increased. Johnson argued that the move was designed to allow his government to press on with its domestic agenda. All we know is three years after the UK voted with a 52% majority to leave the EU, the terms of the divorce remain extremely hazy. Have a great weekend!

Charts of the week

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Link of the week: ['Sign up for PwC's introductory corporate treasury management course'](#)

'Big movers' over the past week		
	Current	Change over the past week
WTI crude oil	US\$56.61 / bbl	+4.81%
UK: FTSE	21,398	+4.51%
US: S&P 500	2,925	+2.72%
NZD/USD	0.6314	-1.42%
NZ 10y swap	1.20%	-5.64%

Source: Bloomberg

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