

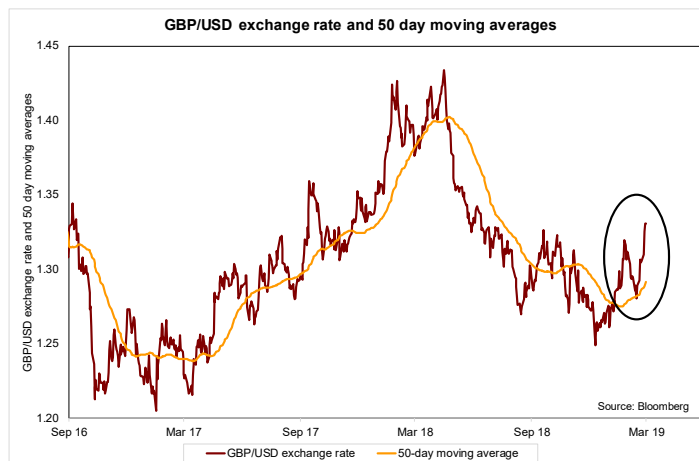
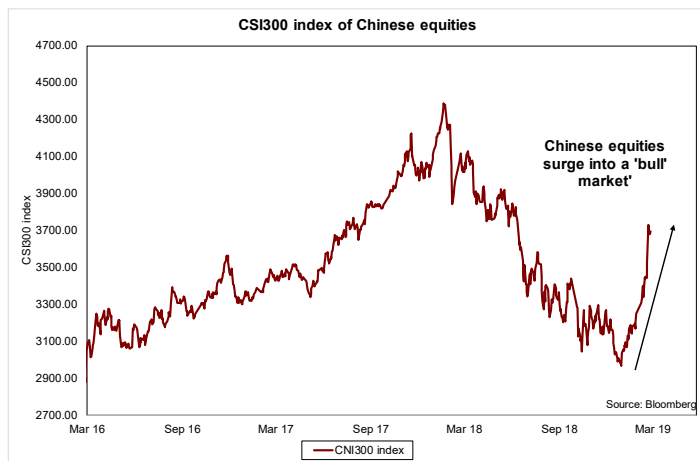
What's going on in the world?

Weekly market wrap up from PwC Treasury Advisory

- Making impressive gains again this week has been the GBP, reaching eight month highs of 1.3350 against the USD. Brexit uncertainties got the better of the GBP over much of 2018, however, recent updates from the UK have made a 'no-deal Brexit' outcome look less likely (or at least slightly further away). UK Prime Minister Theresa May said she would bring back her Brexit deal for a second 'meaningful vote' by March 12. If Parliament has not passed a deal by then, PM May will offer Parliament the option to leave the EU with no deal. Lastly, in the (very possible) case that this is rejected too, MP's will be able to vote on an extension of the Article 50 negotiation period to 30 June. However, the remaining 27 EU member states will also have to approve on extending the negotiation period. Then leaves the big question, what changes can PM May make to her Brexit deal in a three month extension period that her EU counterparts will agree on, and will get past Parliament? Based off the past few months of negotiations, this will be no mean feat.
- US economic growth is beginning to hit some speed bumps. Growth in Q4 2018 slowed to 2.6%qoq from 3.4%qoq in Q3, a touch stronger than market consensus of 2.4%qoq. Still a respectable pace of growth, just not quite the sugar high from earlier in the year. As a whole, annual growth was 2.9%, falling agonisingly short of President Trump's 3.0% target. Also not going quite as well as Trump had hoped for was the US-North Korea summit, where talks with Kim Jong-un came to an abrupt halt after the leaders butted heads on details around lifting sanctions and denuclearisation in North Korea. With talks breaking down, we will have to wait and see if lower level talks continue.
- Chinese equities surged earlier this week on the back of Trump's announcement that he would delay the 1 March deadline for higher tariffs on Chinese imports. The CSI300 index of Chinese equities moved into a bull market rising over 6% on the day. It seems that financial markets share at least some of Trump's optimism around reaching an agreement with China stating, "we are getting very very close." More encouraging news has emerged that China has supposedly pledged to significantly reduce subsidies to SOEs, reduce plans to dominate in emerging technologies and disclose when China's central bank buys and sells foreign currency. Trump's decision has delayed tariffs on \$267 billion worth of Chinese products. In the case these are imposed, virtually all Chinese imports into the US will be subject to import tariffs (\$250 billion of tariffs have already been imposed).
- Financial markets received New Zealand retail sales data for Q4 2018, which indicated that Santa had been very kind over the Christmas break. Overall retail sales volumes rose by a seasonally adjusted 1.7%qoq (3.5%yoy) during the fourth quarter. Increases in volumes within the pharmaceuticals and food services sectors were the largest contributors to the strong performance (so maybe Santa wasn't buying Dad just the traditional set of socks and underwear). Credit card spending (released this week) was also very strong, suggesting that domestic retail conditions remained robust through into the New Year. Accordingly, business and consumer conditions should be looking a little brighter in 2019. Have a great weekend!

Charts of the week

Authors: Rajeev Verma, Nathan Green and Georgia Bowers



Equity market movements over the past week		
	Current	Change over the past week
China: Shanghai Composite index	2,941	+4.88%
UK: FTSE	20,659	+1.96%
NZ: NZX 50	9,325	+0.17%
Australia: ASX 200	6,169	+0.03%
US: Dow Jones Index	25,916	-0.44%

Source: Bloomberg

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