

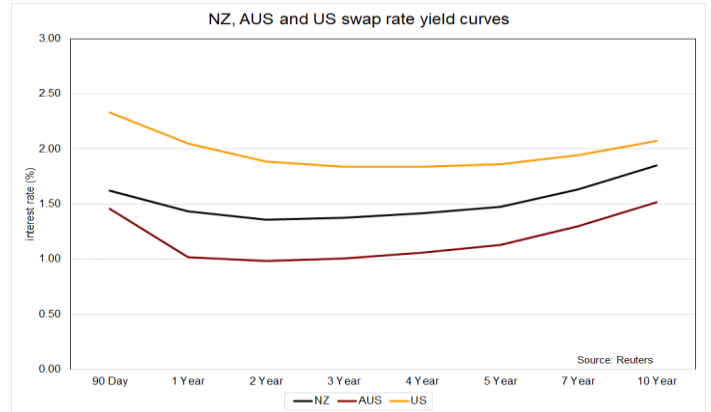
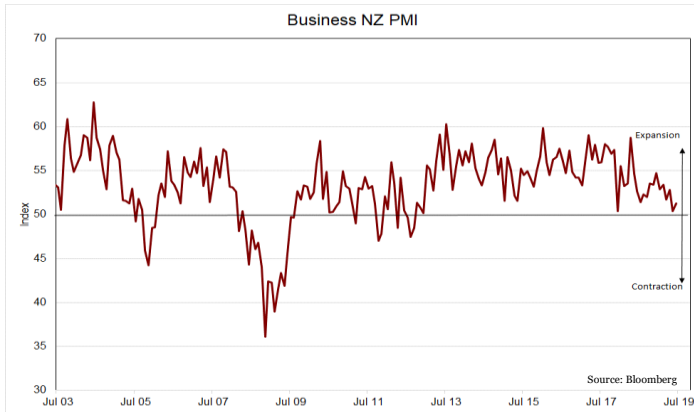
What's going on in the world?

Weekly market wrap up from PwC Treasury Advisory

- Both Australian business and consumer confidence dropped at their latest readings (as did the Australian cricket team...out of the World Cup), despite assistance from the Reserve Bank of Australia ("RBA") cutting interest rates (to a record low 1.00%) and the Government passing tax cuts through Parliament. Consumer confidence hit a two-year low in July (96.5 from 100.7) and is a troubling sign on the back of what should have been a supportive environment (rate cuts, tax cuts, stabilisation in the Sydney and Melbourne property markets and improvement in the US-China trade dispute). The key driver continues to be growing concerns about the outlook for the Australian economy which continues to deteriorate. The latest business and consumer confidence data suggests that more monetary policy stimulus may be required to see any material improvement in the economy.
- Jerome Powell, Chairman of the US Federal Reserve ("Fed"), delivered his testimony to Congress this week, which was surprisingly negative. Powell highlighted ongoing weak business sentiment, a global slowdown in manufacturing, and persistently low inflation as key risks to the US economy. Further, Powell explicitly stated that the stronger than expected June jobs report did not change the Fed's outlook, essentially confirming the Fed will cut the Federal Funds Rate in July. US equities soared following Powell's testimony (just like the Kiwi cricket team in its semi-final clash against India), setting new record highs. However, the USD responded less positively, falling against most major currencies.
- The Business NZ Performance of Manufacturing Index (PMI) data release for June was a bit of a mixed bag, as was the news that Beauden Barrett will join the Auckland Blues in next year's Super Rugby season (we have a few sad Hurricanes fans here). The PMI increased from a multi-year low of 50.4 in May to 51.3 (a figure above 50 indicates expansion and vice-versa). The key sub-indices which provided the boost were production levels, new orders and finished stocks – all of which are important for underlying economic activity. However, holding back any further improvement in the headline PMI was a weak employment sub-index, which fell to its lowest level since August 2016. The mixed PMI data (still near contractionary levels) further supports our view that the Reserve Bank of New Zealand will cut the Official Cash Rate again in August to stimulate the economy.
- In what is one small step for spaceflight company Virgin Galactic and one giant leap for the future of space travel, Richard Branson's Virgin Galactic is exploring uncharted territory by becoming the first spaceflight company to go public. The reason for doing so is to raise capital to keep the thrusters firing until Virgin Galactic is able to bring in revenue from commercial flights. A merger with Social Capital Hedosophia (SCH) will see Virgin Galactic listed on the New York Stock Exchange later this year. The deal is expected to provide USD800m of funding towards Branson's goal of providing suborbital spaceflights to space tourists. Listing Virgin Galactic on The New York Stock Exchange is a huge risk for Branson as it is yet to be seen whether the share price will really take-off. And with that final pun, have a great weekend and go the Blackcaps!

Charts of the week

Authors: Keegan Robbins, Rachel Buckley, Nathan Green, Rajeev Verma



| 'Biggest movers' over the past week | | |
|-------------------------------------|--------------|---------------------------|
| | Current | Change over the past week |
| Iron Ore | 118USD/mt | +3.39% |
| WTI crude oil | 60.20USD/bbl | +4.96% |
| Shanghai Comp | 2917 | -3.10% |
| Nikkei 225 | 21,606 | -0.64% |
| USD Index | 97 | -0.29% |

Source: Bloomberg

Link of the week: 'PwC Global Entertainment & Media Outlook'

Get in touch with our Treasury Advisory team if you'd like to know more:

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