What's going on in the world?
Weekly market wrap up by PwC Treasury Advisory

NZ Finance Minister Grant Robertson has announced details of the fiscal stimulus he alluded to last week. The Government will spend an additional $12 billion on large scale infrastructure projects including new road, rail, school and healthcare developments (expected to strengthen the NZ economy and grow GDP by at least $10 billion over the next 10 years). This has provided some welcome relief to the RBNZ and tag teams nicely with the RBNZ's overall intention to stimulate growth in New Zealand's productive sector. However, it remains too early to rule out the need for another OCR cut in 2020, as the expected fiscal stimulus may not occur until 2021.
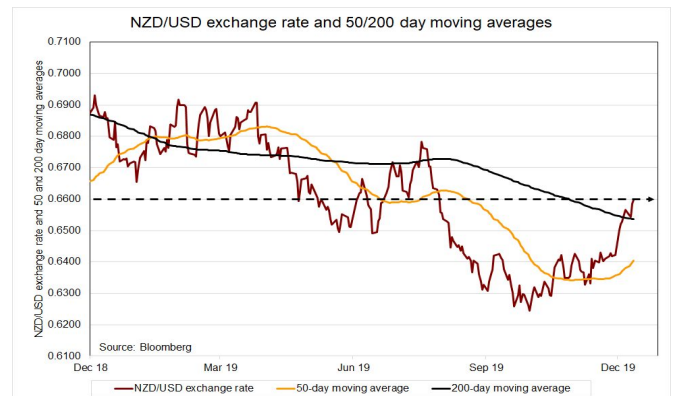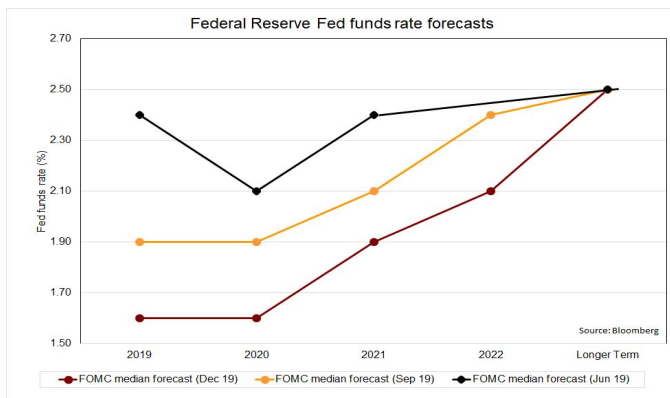
The US Federal Reserve (Fed) largely stuck to the script this week, holding the Fed Funds Rate at a range of 1.50% to 1.75%. Fed Chair Powell emphasised the suitability of prevailing interest rates given recent mixed US economic data. The labour market has shown strong employment growth, while wage growth has slowed and productivity has been lacklustre. Accompanying projections were however perceived as more dovish with a shift in the Fed dot plot showing only four members (9 previously) expecting the Fed Funds Rate to increase in 2020. The USD temporarily weakened following the release of the statement, which saw the NZD/USD exchange rate spike above 0.6600 for the first time since July.

Tuesday was a big day for both the United States and Trump administration as the USMCA (U.S, Mexico Canada agreement), endearingly nicknamed the 'new NAFTA' (keeping in mind NAFTA was Trump's idea of "the worst trade deal ever") finally reached agreement. The House Democrats also announced their decision to begin drafting two articles of impeachment against Trump. The House of Representatives plan to vote next week to seal the USMCA deal. However, Trump's impeachment proceedings are likely to nudge the official signing into the new year. Trump called USMCA "the greatest trade deal ever", but whether it truly supersedes the old NAFTA remains up in the air with concerns that restrictive automotive policies may ultimately hurt the US economy.

Results of UK election votes are filtering through as we go to press, in what will be one of the country's most contentious general elections. Many have taken to Twitter to post about the unusually long lines outside polling stations, creating the question whether the #YouthQuake could tighten Boris Johnson's lead. However, it's looking less likely the UK will face a similar situation to the Hong Kong local elections, where voter turnout reached record levels due to the contentious political issues at the time, costing the pro-Beijing camp the majority of their seats. As things stand, it appears that Johnson is on track to win a parliamentary majority (likely to be GBP positive). Have a great weekend!

Charts of the week

Authors: Steph Blackwell, Edwar Zhang, Theo Taylor and Keegan Robbins

Federal Reserve Fed funds rate forecasts — Source: Bloomberg

NZD/USD exchange rate and 50/200 day moving averages — Source: Bloomberg

Link of the week: *'2019: New Zealand's bumper indirect taxes year'*

'Big movers' over the past week		
	Current	Chg over week
Iron Ore (USD/mt)	$92.04	+3.93%
GBP/USD	1.3468	+2.50%
NZ 10 year swap rate	1.70%	+2.41%
USD Index	97.28	+0.43%
Aluminium LME (USD/t)	1,751	-1.18%

Source: Bloomberg

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

Stuart Henderson
Partner
stuart.r.henderson@pwc.com
021 343 423

Chris Hedley
Executive Director
chris.m.hedley@pwc.com
021 479 860

Tom Lawson
Associate Director
tom.f.lawson@pwc.com
027 421 0733

Brett Johanson
Partner
brett.a.johanson@pwc.com
021 771 574

Alex Wondergem
Director
alex.j.wondergem@pwc.com
021 041 2127

Jason Bligh
Associate Director
Jason.p.bligh@pwc.com
021 386 863

www.pwc.co.nz/treasury-advisory

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