15 March 2019

What's going on in the world?

Weekly market wrap up from PwC Treasury Advisory

- It has been another volatile week for the GBP. With just 14 days to go until the 29 March Brexit divorce date, UK Prime Minister Theresa May has had her second taste of rejection after her Brexit deal '2.0' was turned down in Parliament. The government's deal was defeated by a landslide 391 votes to 242. After the government's Brexit deal was shot down, Parliament then had a second 'meaningful vote', where MPs voted on whether the UK should leave the EU under a no deal scenario. Unsurprisingly, MPs ruled out a no-deal Brexit, although by just 43 votes. Another day another vote, and today the UK Parliament voted to extend the Brexit deadline date (also as expected). PM May will now have to go back to the drawing board in an attempt to conjure up a deal that will be passed by Parliament (third time lucky?).

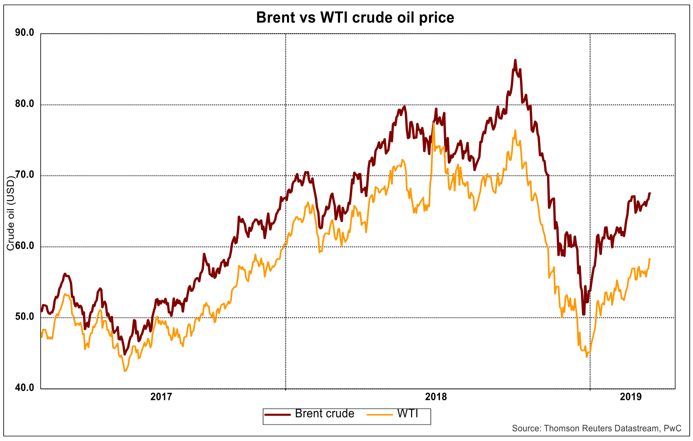
- Keep an eye on how much your car is costing you to fill up at the pump as oil prices climbed to fresh highs for 2019 this week. West Texas Intermediate (WTI) crude oil prices are up 4.5% after the Energy Information Administration (EIA) confirmed that US crude and fuel stockpiles fell by ~3.9 million barrels. Increasing US crude oil production has been holding back gains in oil prices in recent months, so it is no surprise to see a jump in prices off the back of a US stockpile decrease. The climb in oil prices can also be attributed to falling production in Venezuela and Iran (who are being stifled by US sanctions). Furthermore, Organisation of the Petroleum Exporting Countries (OPEC) member Saudi Arabia plans to continue cutting production to support oil prices.

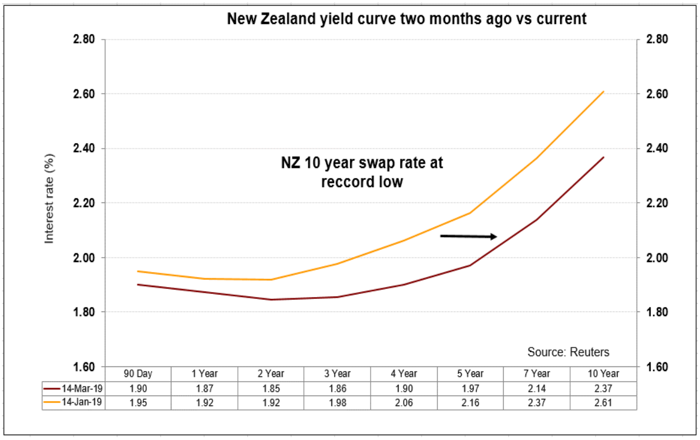
- US equities were largely in the green this week. The S&P 500 Index climbed to a four month high driven primarily by US data releases, which continue to print relatively strong despite the declining global growth outlook. US construction spending experienced its largest increase since April 2018. Furthermore, US durable goods orders also printed strong, even though previous reports indicated a slowdown in business investment. On a side note, Boeing shares had a seven day losing streak (following the tragic Ethiopian Airlines accident), after Trump said that US regulators will ground the 737 Max 8 and 9 aircraft (as did many other countries). This caused the Dow Jones Industrial Average to lag behind other major indexes.

- At a time of the year where Warriors fans are generally buoyed with confidence (start of the season), Australia experienced its biggest slide in consumer confidence since 2017. The fall in confidence sent Australian interest rates tumbling as financial markets are now pricing in almost two interest rate cuts by mid-2020. New Zealand interest rates appear to have caught wind, and followed Aussie rates lower. The New Zealand 10 year swap rate fell to a record low of 2.34%, which saw the NZ yield curve flatten further (refer chart). Eyes will be on next Thursday's NZ GDP release which will be an important piece to the RBNZ monetary policy puzzle. Enjoy your weekend.

Charts of the week

Author: Rajeev Verma





Link of the week: 'PwC Introductory corporate treasury management course'

Equity market movements over the past week		
	Current	Change over the past week
US: S&P 500	2,808	+2.38%
US: Dow Jones Index	25,710	+1.02%
UK: FTSE	20,877	+1.92%
NZ: NZX 50	9,428	-0.12%
Australia: ASX 200	6,180	-0.39%

Source: Bloomberg

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

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

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

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

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

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

Tom North 021 154 4423
Senior Analyst
tom.o.north@pwc.com

pwc.co.nz/treasury-and-debt-advisory

Test your fx sensitivity with fxsnap