

What's going on in the world?

Weekly market wrap up by PwC Treasury Advisory

15 November 2019

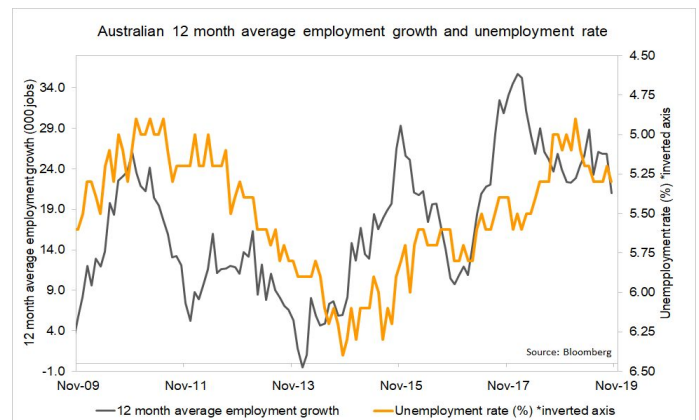
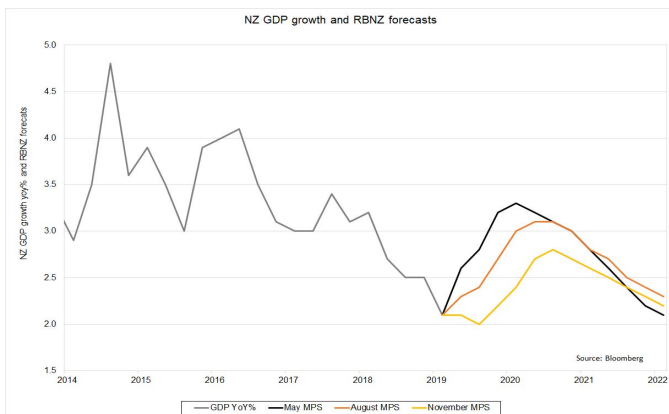
Once again, the RBNZ did not stick to the script at this week's Monetary Policy Statement and OCR announcement. The RBNZ surprised markets, leaving the OCR unchanged at 1.0% which saw the NZD spike above 0.6400, the 2-year swap rate up 15bps to 1.20% and the 10-year up 9bps to 1.61%. While markets were expecting an 80% chance of a cut by the RBNZ, the bank noted that economic developments since the August Statement did not warrant a change to the already stimulatory monetary setting but would, "add further monetary stimulus if needed." The RBNZ did however revise GDP forecasts another notch lower (refer to the chart below).

The outlook for the Australian economy has been looking brighter in recent weeks, supported by comments from RBA Governor Lowe that, "easing of monetary policy since June is supporting employment and income growth." Interestingly, Australian consumers appear to feel greater comfort from a stable rather than *even* lower interest rate setting. Australian consumer confidence lifted by 4.6% in November after a significant slump post-RBA cuts earlier this year. However, employment falling by 19k jobs in October and the unemployment rate ticking up to 5.3% (RBA targeting 4.5%) this week creates questions around the health of the consumer sector and ultimately whether the RBA will need to cut the OCR again this cycle.

When you thought Google already had a finger in every pie, the tech giant is now looking at delving into the highly competitive world of banking. Google is looking to offer checking accounts from early 2020 through a programme known as 'Cache', a partnership with Citigroup and Stanford University's credit union. This will give Google a mass of new data about consumers spending habits and income. However, greater scrutiny from regulators is likely to occur and potentially additional regulation to follow, as concerns have been raised around technology companies getting entangled in banking. Facebook is also pushing into the financial services industry, working to launch a cryptocurrency known as Libra, while Apple has already made its move with its mobile wallet and credit card.

US-China trade talks have reportedly hit another hiccup this week over the specifics around Chinese purchases of US agricultural products. Concern over slowing Chinese growth has not been helped by soft data released this week. Chinese industrial output, retail sales and fixed asset investment for October all missed expectations, accentuating the need for the 'phase-one' trade deal with the US. The government and central bank have refrained from dumping stimulus into the economy, making only gradual adjustments to boost growth without a significant expansion in debt, but is more needed to maintain growth targets above 6.0%? Have a great weekend.

Charts of the week



Authors: Matt Stewart and Georgia Bowers

'Big movers' over the past week		
	Current	Change over the past week
NZ 2 year swap	1.14%	+7.18%
Iron Ore (USD/mt)	82.52	+2.69%
NZD Trade Weighted Index	71.03	+1.00%
AUD/USD	0.6786	-1.12%
Shanghai Composite Index	2,910	-1.83%

Source: Bloomberg

Link of the week: ['PwC NZ Macroeconomic Outlook'](#)

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