

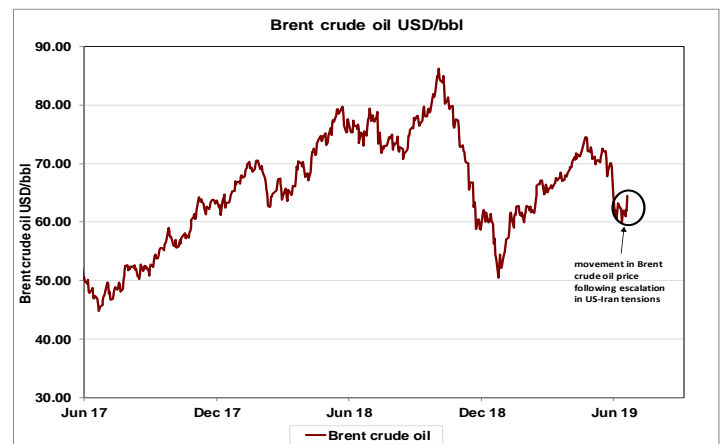
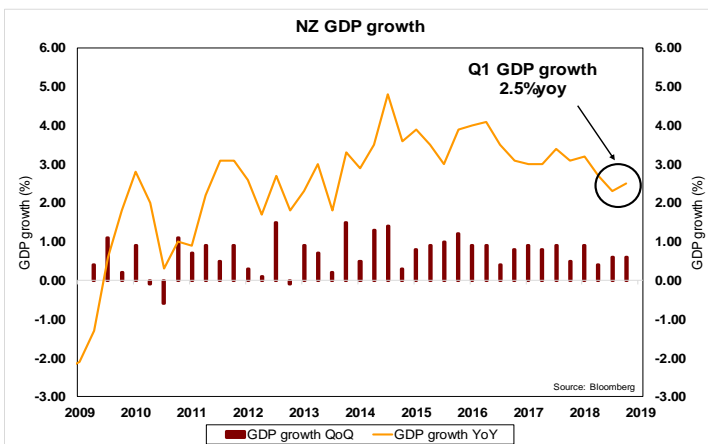
What's going on in the world?

Weekly market wrap up from PwC Treasury Advisory

- The Reserve Bank of New Zealand (RBNZ) at the batting crease, having just played an official cash rate 'cut' shot in May, was surprised by a 'faster pace' of gross domestic product (GDP) growth in Q1. GDP growth increased by 0.6%qoq (2.5%yoy) in Q1, beating the RBNZ's expectations (0.4%qoq). This was driven by a sizeable increase in construction activity and investment in residential and non-residential buildings. However, services sector growth slowed to its slowest rate since 2012 and visitor arrivals declined, reducing spending on accommodation. The winter weather (not to be confused with an English summer) has also put a dampener on Agriculture activity. Ongoing geopolitical tensions continue to deteriorate the global growth outlook which will likely weigh down on future NZ GDP growth. This being the case, we can expect the RBNZ to remain patient and wait for key New Zealand economic indicators to 'drop short' before cutting (the OCR) again.
- US President Trump kicked off his re-election campaign this week with the slogan "Keep America great". Unfortunately, it's hard to describe the US-Iran situation as 'great' this week as geopolitical tensions escalated. The US has increased its military presence in the Strait of Hormuz after tanker ship bombings (allegedly by Iran). The situation has escalated after the US removed sanction waivers on Iran after Iran breached its Joint Comprehensive Plan of Action (JCPOA) agreement by increasing its low-enriched uranium production. With the US sanctions restricting Iran's oil supply, the Brent crude oil price has increased to a one month high of USD64.50/bbl. Notwithstanding, uncertainty for the global growth outlook and subsequently the ongoing demand for oil (oil price negative) has capped the increase in oil prices.
- Facebook has unveiled plans to launch a cryptocurrency called Libra in 2020. Having generated \$55.8 billion revenue in 2018, largely by monetising its shared social network, the push into blockchain is another step in Zuckerberg's recently laid out plan to expand the social media behemoth's e-commerce offerings. Facebook's subsidiary, Calibra, will introduce a digital wallet for Libra that will be available in Messenger, WhatsApp, and as a standalone application. Libra is intended to be built on the pillars of scalability (leveraging its existing billion+ user base), security, and stability (backed by a reserve basket of currencies, designed to give it intrinsic value). If successful, Facebook could net \$1 billion from the 100 companies it hopes to include in the project. Shares rose 4.2% on announcement. As Facebook regroups following being caught in the crosshairs of a privacy scandal, the uptake of its cryptocurrency offering will depend on the extent to which it can engender the ultimate social currency, trust.
- The US Federal Reserve Open Market Committee ("FOMC") moved toward an explicit easing bias at this week's meeting. Chairman Powell intimated "the case for somewhat more accommodative policy [had] strengthened", whilst the accompanying economic projects contained between one and two interest rate cuts (although these were scheduled in 2020). Financial markets were overwhelmingly expecting a 'dovish' FOMC statement, however appear to have been surprised by the extent of the 'dovish' tone, with US interest rates moving sharply lower following the release. It's a bit like a Blues fan expecting them to blow a late lead at Eden Park, but still being bitterly disappointed when they concede two late tries. Enjoy your weekend!

Charts of the week

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Global equity movements over the past week		
	Current	Change over the past week
China: Shanghai Comp	2,987	+3.65%
NZ: NZX 50	10,314	+0.77%
Australia: ASX 200	6,687	+2.04%
UK: FTSE	21,361	+3.63%
Germany: DAX	12,355	+2.14%
US: S&P 500	2,954	+2.33%

Source: Bloomberg

Link of the week: 'Preparing for tomorrow's workforce today'

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