

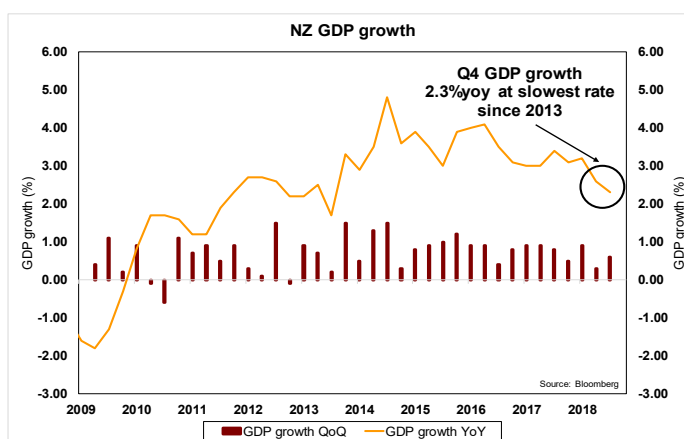
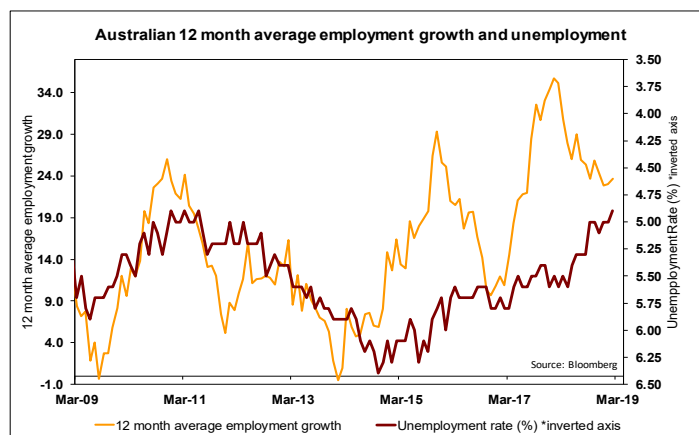
What's going on in the world?

Weekly market wrap up from PwC Treasury Advisory

- The Australian employment report attracted more attention than usual this week. This was after the Reserve Bank of Australia (RBA) mentioned at their recent Monetary Policy meeting that the trend in employment growth will be a focus when determining the direction and timing of interest rate movements. At a first glance things were looking good for the Australian economy, with headlines that 'The unemployment rate in February falls to an eight-year low of 4.9%, below expectations of 5.0%.' The AUD bounced slightly (50 points) following the data release. However, scratching just below the surface the data exposes some potential issues with the Australian labour market. Employment growth parred back from recent impressive numbers (up 4.6k vs 39.1k last month), while people employed full time actually fell by 7.3k. For the Aussie dollar's sake it would be hoped that this is a one-off softer reading and will not change the RBA's opinion on how robust the Australian labour force is.
- Overnight the chance of a no-deal Brexit began to look slightly more likely again which saw the GBP plunge. UK Prime Minister Theresa May has pitched pushing out the decision date to a group of EU leaders, who are very sceptical that an extension will get May's Brexit agreement across the line. The Bank of England's (BoE) direction of monetary policy is hugely dependent on the (very uncertain) Brexit outcome. So once again the Central Bank have chosen to 'watch and wait' in terms of interest rate movements this week. Inflation at 1.9%yoy (just below the BoE's target of 2.0%) and recent slowing economic growth reduces the pressure for the BoE to hike interest rates in the near term. Despite this, data out this week gave the impression that there is little slack left in the labour market. People employed increased to 222k from 167k the previous month, and the unemployment rate unexpectedly fell to a cycle low of 3.9%.
- The all important NZ Q4 GDP data release came and went without any significant market reaction. Economic growth bounced back slightly in the last quarter of 2018, coming in at 0.6%qoq (in line with market expectations). Growth in the services sector, household spending and investment spending were all positive contributors to the growth figure. However on a year-on-year basis Q4 GDP growth of 2.3%yoy was the lowest level since 2013. This also disappointed when comparing it to the RBNZ's 2.7%yoy consensus.
- The US Federal Reserve maintained the Federal Funds target rate between 2.25% and 2.50% at Thursday morning's meeting, presenting a considerably more 'dovish' monetary policy outlook. The Federal Reserve revised its growth outlook lower, indicating that moderating household spending and investment had started to weigh on economic growth. The revised growth outlook translated into a lower 'dot plot', with the Federal Reserve indicating that no further interest rate hikes were expected during 2019. Consistent with this the Federal Reserve also announced it would take the balance sheet normalisation process off "autopilot" in September, highlighting the need for additional flexibility. Have a great weekend.

Charts of the week

Author: Rajeev Verma, Nathan Green and Georgia Bowers



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

Unemployment rates across the globe	
	Current
United States	3.8%
United Kingdom	3.9%
New Zealand	4.3%
Australia	4.9%
Euro Area	7.8%

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 | Brett Johanson
Partner
brett.a.johanson@pwc.com | 021 771 574 |
| Chris Hedley
Executive Director
chris.m.hedley@pwc.com | 021 479 860 | Alex Wondergem
Director
alex.j.wondergem@pwc.com | 021 041 2127 |
| Tom Lawson
Associate Director
tom.f.lawson@pwc.com | 027 421 0733 | Tom North
Senior Analyst
tom.o.north@pwc.com | 021 154 4423 |

pwc.co.nz/treasury-and-debt-advisory [Test your fx sensitivity with fxsnap](#)

