

# What's going on in the world?

## Weekly market wrap up by PwC Treasury Advisory

25 October 2019

After eight years as ECB President, Mario Draghi's last monetary policy meeting ended with a warning that the Eurozone economy faces "protracted weakness" going into 2020. The Central Bank kept forward guidance unchanged, suggesting that its main interest rates will remain at current negative levels or lower for some time to stimulate sluggish growth. Euro-area PMI data (good forward indicator of growth) for October came in softer than expected, reaffirming concerns that Germany is close to tipping into a recession. The ECB reiterated that the second round of €20b per month of QE will start on November 1. Incoming President (ex IMF head) Christine Lagarde will face the challenge of a divided Governing Council, with a third not in favour of reinstating QE.

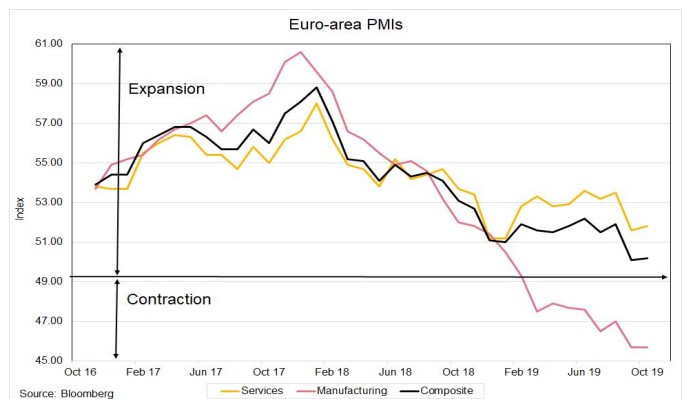
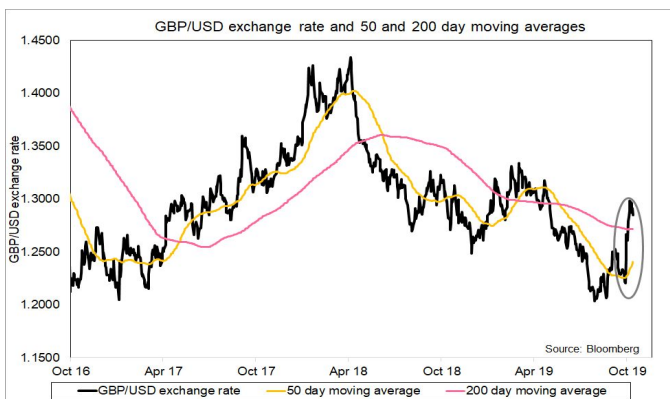
As the English cricket team landed in Auckland, back home UK PM Boris Johnson was unable to land his Brexit deal. Perhaps a stray Ben Stokes bat may have helped getting the deal over the line. This week brought more Brexit drama as MP's voted 329 to 299 in support of Johnson's negotiated deal with the EU. However, a second vote saw legislators voting 322 to 308 against the government's bid to rush the legislation through parliament by the October 31 Brexit deadline. That forced Johnson to reluctantly request an extension and has since called for a 12 December General Election which will be put to a vote by Parliament on Monday.

Earlier this week Rio Tinto, owners of the Tiwai Point aluminium smelter in Southland announced that they were carrying out a strategic review of the site with the possibility of closure. Chief Executive Alf Barrios stated, "Under current market conditions and with high energy costs, we expect the short to medium term outlook for the aluminium industry to be challenging and this asset to continue to be unprofitable." Aluminium prices are currently sitting at US\$1711/MT, down from a peak of just over US\$2500MT in April last year and back at 2017 levels. The industry is currently facing significant headwinds with historically low prices and an oversupplied global market.

Chile's President Sebastian Pinera declared a state of emergency on Saturday among a nationwide movement against high living costs and inequality, resulting in the worst street violence in decades. Coupled with the economy already facing slowing inflation and sluggish growth, the Central Bank of Chile accordingly cut interest rates by 0.25% this week, taking the benchmark interest rate to 1.75%, its lowest level since 2010. Chile is the world's largest producer of copper, and as prices are highly susceptible to the global growth outlook, Chile's economy has struggled amidst the US-China trade war and slowing global growth. With protests interrupting supply however, prices have spiked slightly in recent weeks. Have a great weekend!

### Charts of the week

Authors: Matt Stewart, Rajeev Verma and Georgia Bowers



Link of the week: ['PwC Global FinTech Report 2019'](#)

'Big movers' over the past week		
	Current	Change over the past week
WTI Crude Oil (USD/bbl)	56.02	+4.17%
Germany: DAX	12,872	+1.89%
Copper LME (USD/t)	5,860	+1.29%
GBP/USD	1.2848	-1.05%
NZX 50	10,832	-2.13%

Source: Bloomberg

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