

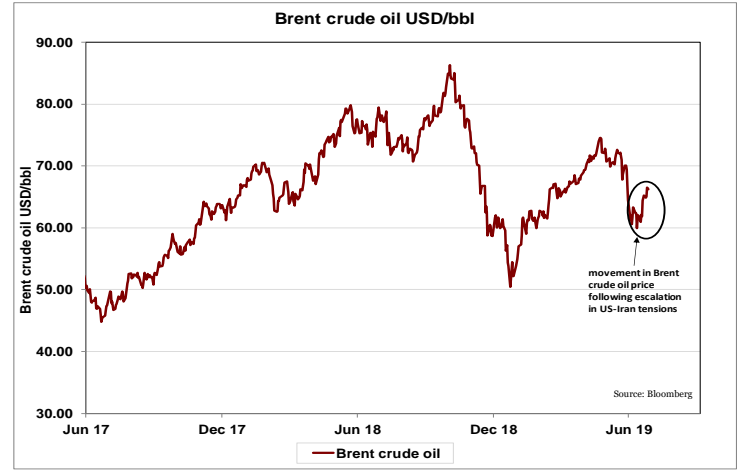
# What's going on in the world?

## Weekly market wrap up from PwC Treasury Advisory

- There is much excitement for Marvel fans as 'Spider-man: Far from home' hits cinemas next week. Unfortunately, the same excitement does not resonate around the United Kingdom's (UK) divorce with the European Union (EU)– still far from a Brexit deal. The UK has already had a 'Brextenstion' from the 29 March deadline to 31 October in a bid to conjure up a deal. Boris Johnson and Jeremy Hunt are the two remaining contenders to replace Theresa May for the Prime Minister role. On one hand, Johnson believes the UK should leave the EU with a "deal or no-deal" on 31 October. Hunt on the other hand, reminiscent of Trump, believes it is a "fake deadline" and backs himself to renegotiate a new deal with the EU. The problem is the EU has repeatedly stated that it will not renegotiate the deal that was agreed with May in Brussels. Japan has also chimed in, stating that a 'no-deal' scenario would result in a withdrawal of investment from Japanese companies based in the UK. Expect the GBP to remain under pressure as Brexit uncertainty lingers.
- The Reserve Bank of New Zealand ("RBNZ") maintained the Official Cash Rate ("OCR") at 1.50% on Wednesday, which came as no surprise to financial markets. However, the RBNZ indicated that global conditions had deteriorated, which could result in weaker than anticipated domestic growth and softer inflation. The RBNZ also acknowledged that increased government spending was a positive for the NZ economy, but the impact on growth could be delayed given ongoing capacity constraints in the construction sector. Accordingly, the RBNZ agreed "more support from monetary policy was likely to be necessary", suggesting that further interest rate cuts are on the cards over coming months.
- Global financial markets have entered into a bit of a holding pattern ahead of this weekend's much anticipated G20 summit. Taking centre stage will be the crucial meeting between Presidents Trump and Xi on matters regarding trade. The US-Iranian conflict is likely to share the limelight as well (note the US being the common factor here). It all seems a bit like Déjà vu, with Presidents Trump and Xi coming back to the negotiating table (once again) to try settle their differences. It's hard to be optimistic about a great outcome to the meeting given their recent track history. The best we can hope for is some form of a prolonged stalemate, where a compromise is agreed on to postpone tariff increases. The outcome of this meeting is particularly important for central banks, businesses and investors alike in terms of the forward outlook for global growth. Fingers crossed it's a good one.
- Slack Technologies has become the latest in loss-making tech companies to offer shares to the public, and lived up to its new ticker 'WORK' in its first day of trading, increasing at least 40% from a reference price of US\$26. Slack operates as a 'SaaS' or Software as a Service business, with businesses paying a subscription for use of business place chat rooms. Interestingly, Slack opted for a direct listing approach, following in the footsteps of Spotify in 2018. This involves the listing of stock without underwriting and means no new capital is issued. Very trendy. The public has shown a mixed response to tech IPOs in 2019, causing volatility in the New York Stock Exchange (NYSE) Technology Index (see chart below), with Zoom Video and Pinterest met with much greater enthusiasm than ride-sharing companies Uber and Lyft. Have a great weekend!

### Charts of the week

Authors: Patrick Williams, Nathan Green, Rajeev Verma



| Foreign currency movements over the past week |         |                           |
|---|---------|---------------------------|
|   | Current | Change over the past week |
| NZD/USD                                       | 0.6706  | +1.78%                    |
| NZD/AUD                                       | 0.9562  | +0.48%                    |
| NZD/EUR                                       | 0.5893  | +1.66%                    |
| NZD/GBP                                       | 0.5288  | +2.25%                    |
| NZD/JPY                                       | 72.23   | +2.14%                    |

Source: Bloomberg

**Link of the week: 'PwC Facts on Tax Spring Series 2019'**

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

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