

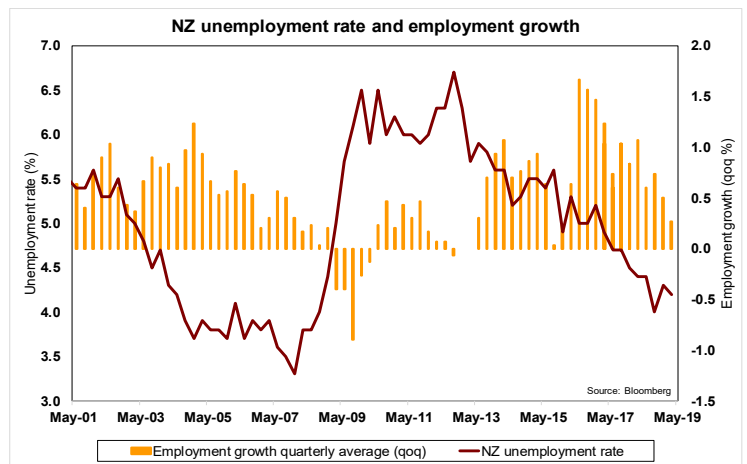
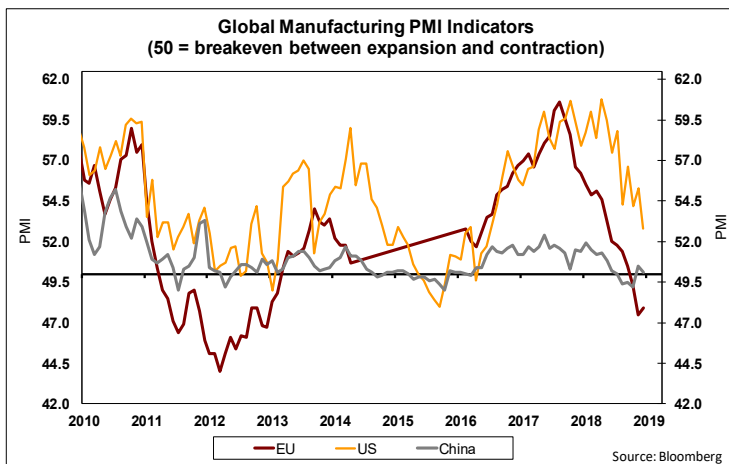
What's going on in the world?

Weekly market wrap up from PwC Treasury Advisory

- Fears that 'the sky is falling' over the Eurozone economy have eased slightly this week thanks to better than expected economic growth figures. GDP growth increased by 0.4%qoq (0.3%qoq expected), the fastest pace since the second quarter of 2018. This is surprising considering the endless number of headwinds faced by the Eurozone such as a trade war with the US, slower growth in China and political shambles in the UK as the country continues to navigate through a very messy divorce with the EU. The EUR temporarily bounced higher against the USD following the positive growth reading. However, as France remains in turmoil over the government's economic policies and Turkey (a key trading partner for the Eurozone) appears on the verge of a credit bubble burst, businesses remain worried about the outlook of the economy.
- New Zealand Q1 employment data released this week was a bit of a mixed bag. Whilst the unemployment rate fell to 4.2% growth in the number of people employed was on the softer side. Weaker employment growth of -0.2%qoq can be explained by a decrease in the labour force participation rate. The NZD took a dive lower to ~0.6615 post the data release. In the scheme of things the NZ labour market remains relatively tight. Businesses continue to struggle to find skilled and unskilled labour. However, with a significant pickup in wage growth yet to be seen, ongoing weaker employment figures will create questions for the NZ inflation outlook. All eyes will now be on the Reserve Bank of New Zealand's MPS (RBNZ) meeting next Wednesday.
- Key global manufacturing indicators appear to be in free fall (refer chart). In May both the US Manufacturing ISM and Chinese Caixin Manufacturing surveys fell sharply. Improvements in March sparked some optimism that the downtrend evident over the past year was drawing to a close. However, April's soft readings have reduced some of this positivity. Specific comments from respondents suggest that ongoing trade disputes (particularly between the US and China, and the US and Mexico) remain a primary concern for manufacturers. Trump and Kudlow have repeatedly talked up the high likelihood of an agreement with China but so far have not delivered.
- Who will win, the US Federal Reserve ("Fed") or President Trump? The Fed is committed to maintaining its "patient" monetary policy outlook at this month's Open Market Committee meeting, indicating current economic data did not warrant a 'dovish' tilt. In doing so, the Committee Members (and in particular Chairman Powell) risked further criticism from Trump, who has continued to publicly condemn the Fed's stance. In a staunch defence of constitutional freedoms, Powell declared the Fed would remain politically independent from the White House (Trump), making decisions solely based upon available economic data. According to Powell the economic data remained solid despite some softer readings over recent months, which in the Fed's opinion were only transitory. Have a great weekend!

Charts of the week

Author: Rajeev Verma, Nathan Green and Georgia Bowers



Link of the week: 'April 2019 edition of Startup Investment magazine'

Unemployment rates around the globe	
	Current
United States	3.8%
United Kingdom	3.9%
New Zealand	4.2%
Australia	5.0%
Eurozone	7.7%

Source: Bloomberg

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