

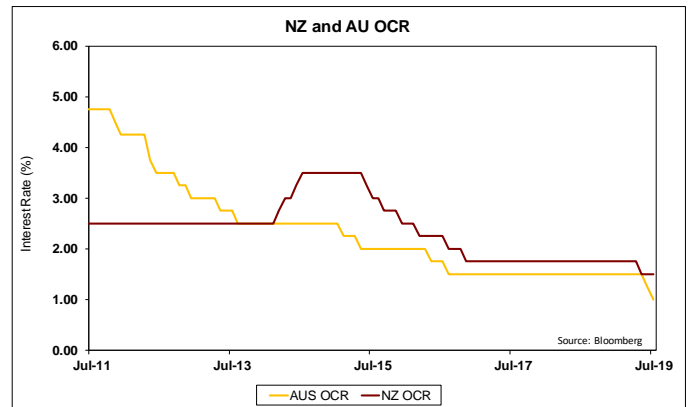
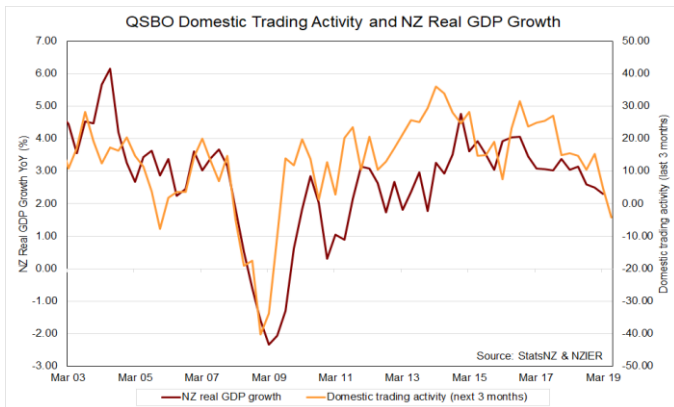
What's going on in the world?

Weekly market wrap up from PwC Treasury Advisory

- It was a week full of 'historic' moments, beginning with big football news that Bayern Munich had signed Wellington Phoenix midfielder Sarpreet Singh for a record breaking transfer fee (biggest ever for the Phoenix!). On a more sombre note, the Reserve Bank of Australia (RBA) cut the official cash rate (OCR) to a historic low of 1% as was widely expected. This was the first back to back cut by the RBA since 2012. The RBA Governor Lowe cited low household spending and wage growth as key determinants in the RBA's decision to cut interest rates. A higher unemployment rate was another key factor, increasing to 5.2% in May. Given the RBA's recent indication that it hopes to achieve an unemployment rate of 4.5%, an OCR cut was justified to help jump start the economy. The RBA has not ruled out further interest rate cuts if required. Post the announcement the NZD/AUD cross rate increased slightly to 0.9550.
- The Q2 NZIER's Quarterly Survey of Business Opinion (QSBO) published this week, indicating businesses were about as confident as Warriors fans are about their team making the playoffs this year. The business confidence measure declined significantly in Q2 as firms continued to witness a decline in their profitability. The 'own activity' measure showed that business conditions had worsened from the previous quarter with the index falling from 4.8 in Q1 to -4.2 in Q2. Not ideal. The Q2 QSBO survey reconfirmed that the New Zealand economy is 'running out of steam', indicating further monetary policy support from the Reserve Bank of New Zealand is required to boost the economy. An OCR cut in August is now pretty well priced in, with potential for further rate cuts to follow.
- After being locked in a room for longer than a Lord of the Rings 'extended edition' movie marathon (10 hours), the Organisation of the Petroleum Exporting Countries (OPEC) decided to extend its oil production cuts into 2020. The decision to extend the production cut was based off both supply and demand concerns which would be detrimental to oil prices (though good for us at the fuel pump). OPEC raised concerns about the demand for oil as global growth conditions continue to worsen. On the supply side, they noted an increase in the US shale oil stock levels as another downside risk to oil prices. OPEC also announced that the 'OPEC+' alliance with other non-member countries (including Russia who are the world's third largest oil producer) will be formalised, pending approval from individual governments. The alliance will look to achieve price stability, likely to face tough competition from the US who are looking to decrease oil prices.
- There's nothing like a good beer story to get you pumped for the weekend. The Asia Pacific unit of Anheuser-Busch InBev (owner of ~500 beer brands including Budweiser, Stella Artois, Corona and Beck's) aims to raise as much as US\$9.8 billion in what could be the largest initial public offering (IPO) so far this year and the biggest-ever listing of a food or drink company. The unit, Budweiser Brewing Co. APAC Ltd, is set to debut on the Hong Kong stock exchange on 19th July, with a value of approximately US\$64 billion. The listing will help the parent AB InBev reduce its debt burden of over US\$100 billion resulting from its 2016 merger with SABMiller, and allow for further acquisitions in the region. The IPO comes at a time when both AB InBev and its largest rival, Heineken, have been pushing deeper into the high growth China market. Hope you have a great weekend!

Charts of the week

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'Biggest movers' over the past week		
	Current	Change over the past week
Iron Ore	117USD/mt	+3.89%
S&P 500	2995	+1.84%
FTSE	22,120	+4.20%
Nikkei 225	21,715	+2.06%
NZ 10 year swap	1.72%	-6.39%

Source: Bloomberg

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

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