

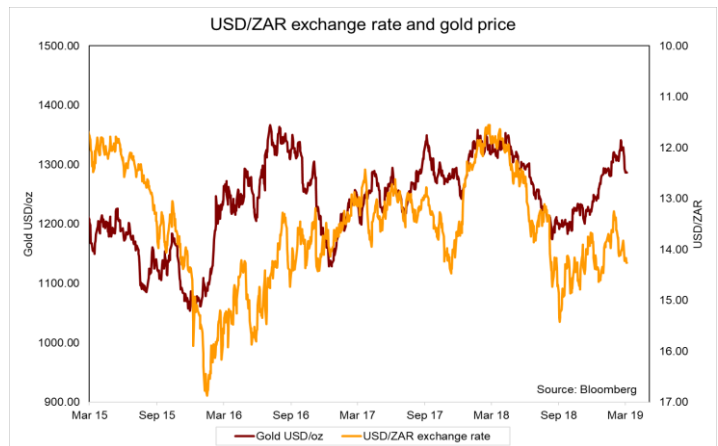
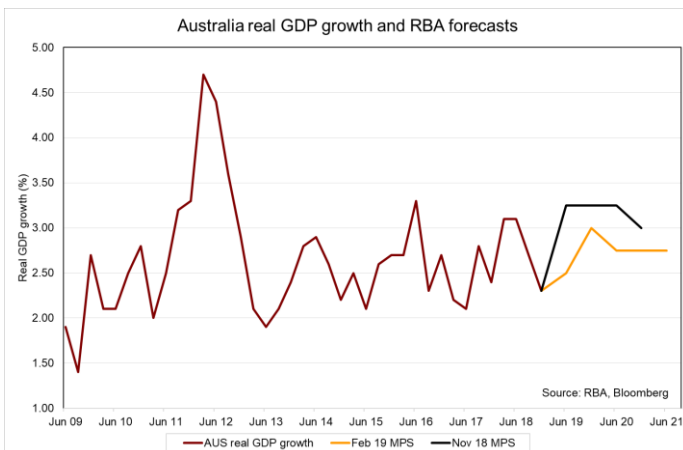
What's going on in the world?

Weekly market wrap up from PwC Treasury Advisory

- The Organisation for Economic Co-operation and Development (OECD) sent a warning that 'winter is coming' for the global economy. The OECD shaved global growth forecasts for 2019 from 3.5% to 3.3% in their interim economic outlook projections this week. Growth forecasts were down across most countries. However, the European (specifically Italy and Germany) and Chinese slowdown, were identified as the key sinkers for the global growth outlook. Despite being revised lower, the United States are still expected to grow at a healthy level of 2.6% over 2019. The OECD outlook called on central banks to remain supportive, but stressed that monetary policy on its own would not be enough to lift medium-term growth prospects. They also acknowledged weak trade developments could increase the risk of a sharper downturn in global economic growth.
- The European Central Bank ("ECB") slashed key economic forecasts like it was a one day Black Friday sale at their monetary policy meeting this week. ECB President Draghi argued that geopolitical risks, the rising threat of protectionism and emerging market risks had dented economic sentiment and were weighing on the European economy. The ECB's most pronounced forecast revisions were to growth and inflation, which were lowered to 1.1% and 1.2% respectively (previously 1.7% and 1.6%). To address these concerns, the ECB pledged a third round of 'targeted longer term refinancing operations' ("TLTRO"), which is the provision of cheap loans to banks to try and stimulate credit growth within Europe.
- The EUR subsequently dived following the ECB revising growth forecasts lower, which provided a boost to the USD. This was no help to already struggling gold prices which are denominated in USD (making gold relatively more expensive). The precious metal which is typically a safe-haven asset has pulled back in recent weeks, among a more positive market risk sentiment. This has been due to stronger trade talk optimism between China and the US, relief that a no-deal Brexit may be less likely and U.S. economic growth cooling, but not completely collapsing. Given that gold (along with other metals and minerals), still make up a significant portion of South Africa's exports, the South African Rand (ZAR) has consequently suffered, falling 3.5% against the USD this week (refer chart).
- The AUD just can't seem to catch a break. Australian GDP growth for Q4 2018 released this week missed the RBA's mark of 2.8%yoy, coming in at only 2.3%yoy. Falling housing prices in Sydney and Melbourne are beginning to take their toll on growth, seen through weak housing construction and household consumption figures. Aussie's watching the value of their property's drop seem to be staying away from the shops, as Australian retail sales released this week showed close to no growth in January (increasing only 0.1%mom). On top of the housing slump, persistently low wage growth continues to discourage consumers to dig into their pockets. Accordingly, the Reserve Bank of Australia reiterated at their meeting this week that the labour market was a key variable to watch as to whether interest rates are going to go up or down. Have a great weekend!

Charts of the week

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Link of the week: 'Creating value beyond the deal'

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Currency movements over the past week

	Current	Change over the past week
USD Index	97.66	+1.18%
EUR/USD	1.1187	-1.57%
AUD/USD	0.7012	-0.95%
NZD/USD	0.6751	-0.72%
USD/JPY	111.64	-0.22%

Source: Bloomberg

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