

# What's going on in the world?

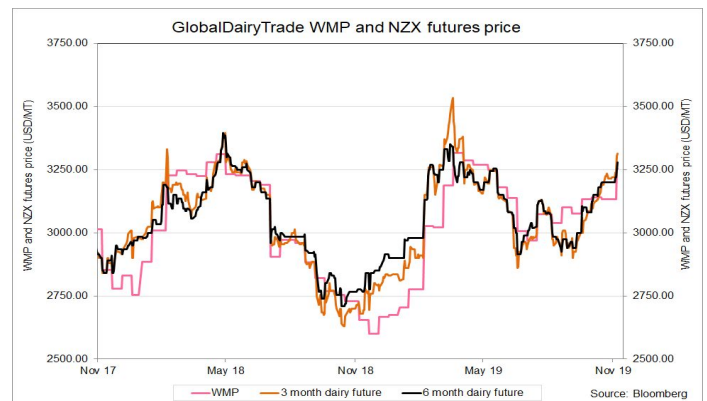
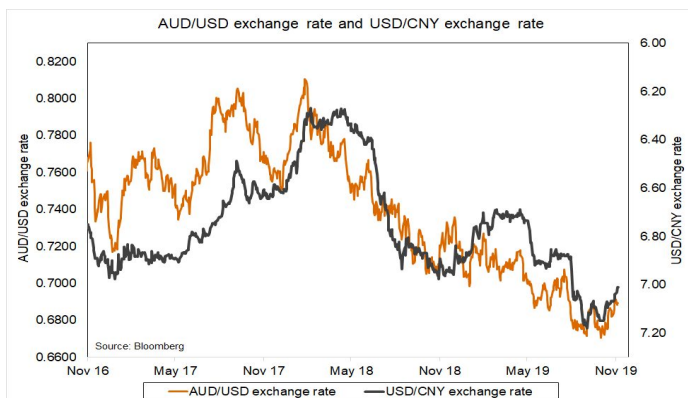
## Weekly market wrap up by PwC Treasury Advisory

8 November 2019

- Markets were quick to react to news over the past 24 hours that phase one of the US-China trade deal would include tariff rollbacks. Comments have been made from both sides that additional tariffs implemented by the US and China would be removed simultaneously, in phases and by the same proportion. In response US 10 year Treasury yields reached a three month high of 1.97%, the S&P 500 extended to a fresh new high and the CNY (and by relation the AUD) has outperformed. Interestingly, the reaction in the typically trade-driven NZD has been muted. The question remains, will President Trump continue to consider negative impacts of the trade war on US consumers and further cooperate with China in the lead up to his re-election campaign?
- Germany, the economy that was once Europe's economic growth engine is sputtering among global structural shifts such as growing trade protectionism and digital disruption of traditional industries. Germany's top economic advisers have cut GDP growth forecasts for this year from 0.8% to 0.5% and for 2020 from 1.7% to 0.9%. While the German economy has averaged 2% annual growth over the past five years, it is now on the brink of recession after shrinking to 0.1% in Q2. Many economists expect another contraction in Q3 GDP released next week.
- Oil giant- Saudi Aramco, has announced plans to go public (listing between 2% and 5% on the local stock market, the Tadawul) over the coming weeks. The Aramco IPO is set to be the largest stock market listing in history and is part of Saudi Arabia's Crown Prince Mohammed bin Salman's plans to diversify the economy beyond oil and attract investment. The Crown Prince has long insisted the state oil company is worth \$2 trillion, although he's prepared to scale back his expectations to between a mere \$1.6 trillion and \$1.8 trillion. Chinese state-owned entities are in talks about investing a combined \$5 - \$10 billion in Aramco, which would solidify China's ties with Saudi Arabia as well as provide China a way to profit from rising oil prices.
- The Global Dairy Trade (GDT) auction this week showed the economy's star performer exceeding market expectations as the GDT price index increased by 3.7%. Delving into the makeup of the index, whole milk powder (WMP) prices were up 3.6%, while skim milk powder surged by 6.7%. Offer volumes remain seasonally high, therefore it appears global demand for dairy commodities remains robust. Pressure on prices is also likely a function of tighter supply in key producing regions (Australia, US and Europe). NZ production is also beginning to show signs of softening. This is expected to remain the case well into 2020. Have a great weekend!

### Charts of the week

Authors: John Hepburn and Georgia Bowers



Link of the week: ['PwC Worldwide Tax Summaries online tool'](#)

'Big movers' over the past week		
	Current	Change over the past week
US 10y Treasury Yield	1.92%	+12.31%
Whole Milk Powder (USD/mt)	3,254	+3.87%
Dow Jones Index	27,675	+1.20%
EUR/USD	1.1052	-1.02%
Gold (USD/oz)	1,468	-3.04%

Source: Bloomberg

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

**Stuart Henderson**  
Partner  
stuart.r.henderson@pwc.com  
021 343 423

**Brett Johanson**  
Partner  
brett.a.johanson@pwc.com  
021 771 574

**Chris Hedley**  
Executive Director  
chris.m.hedley@pwc.com  
021 479 860

**Alex Wondergem**  
Director  
alex.j.wondergem@pwc.com  
021 041 2127

**Tom Lawson**  
Associate Director  
tom.f.lawson@pwc.com  
027 421 0733

**Jason Bligh**  
Associate Director  
Jason.p.bligh@pwc.com  
021 386 863

[www.pwc.co.nz/treasury-advisory](http://www.pwc.co.nz/treasury-advisory)

[Test your fx sensitivity with fxsnap](#)

