

What's going on in the world?

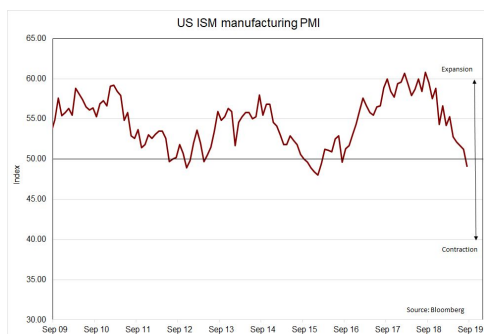
Weekly market wrap up by PwC Treasury Advisory

6 September 2019

- UK Prime Minister, Boris Johnson, suffered two humbling defeats this week in the house of commons, as MPs backed legislation to stop Britain leaving the EU without a deal and then blocked the Prime Minister's attempt to call an election to regain the initiative on Brexit. First, Tory rebel MPs joined forces with opposition parties to approve a Brexit delay bill, aimed at blocking a no-deal exit at the end of October, by 327 votes to 299. The Prime Minister then immediately tabled a measure to hold a general election on October 15, but failed to garner the 434 votes required (two-thirds of MPs) to secure an election. Opposition leaders, including Labour leader Mr Corbyn, said they would not agree to an early election until the legislation to stop a no-deal exit on October 31 was in place. The pound fell over 2% early in the week, but has since gained almost 3% as fears over a no-deal Brexit diminished.
- The Global Dairy Trade (GDT) Price Index decreased by 0.4% at this weeks auction. This was the seventh decline in the past eight auctions, about as consistent as the Warriors current form in the NRL. Despite the fall (which was expected), the silver-lining was that the result was better than the market anticipated. Prices fell across most of the products traded, with both Whole Milk Powder (WMP) and Cheddar prices down by 0.8%. Butter 'anchored' down with prices unchanged from the last auction. However, it was Skim Milk Powder (SMP) prices which limited the damage to the overall price index, increasing by 0.7%. Overall, the GDT auction has shown that NZ dairy export commodity prices have so far held up 'relatively' well despite the headwinds faced by a global economic slowdown.
- Although not quite as thrilling as the finish to the second T20 international between the Black Caps and Sri Lanka, but the US ISM manufacturing survey certainly provided a shock. The manufacturing purchasing managers index (PMI) fell to 49.1, well below market expectations of 51.2, indicating a contraction in the manufacturing sector. The survey showed that new orders has fallen to its lowest level since the Global Financial Crisis (GFC). It's clear the ongoing trade dispute with China is taking its toll on the US manufacturing sector, with many of the tariffs implemented by Trump indirectly impacting US manufacturers. With more underwhelming data starting to seep through, the chance of further US Federal Reserve (Fed) cuts is increasing. The renewed fears of a recession in the US economy knocked the USD Index off its multi-year high, down 0.5% post the US ISM manufacturing survey release.
- It was a memorable week for NZ equities with the NZX 50 Index increasing to an all time high, breaking through 11,000 points for the first time. Despite there being no shortage of negative investor risk sentiment (stemming from US-China trade tensions and weaker data out of the US economy), the NZX 50's relatively higher yields in comparison to other fixed rate assets (such as term deposits) have attracted investors. A weaker NZD, which is trading near a four year low, has also helped give NZ equities a boost. In particular, exporters such as Pushpay Holdings and Vista Group International who led the NZX 50 Index higher, increasing considerably after their recent dips. The NZX 50 Index is currently trading at 11,202, up 3.25% from last week. Have a great weekend!

Charts of the week

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Link of the week: ['August 2019 Treasury Broadsheet Newsletter by PwC Treasury Advisory'](#)

'Big movers' over the past week		
	Current	Change over the past week
NZX 50	11,202	+3.25%
UK: FTSE	21,955	+2.96%
US: S&P 500	2,976	+1.69%
US: 10y Treasury Bonds	1.56%	+4.18%
USD Index	98.4	-0.51%

Source: Bloomberg

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