

US-Turkey standoff sends equities lower

بنك الإمارات
للإستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- Turkey's standoff with the US sends equities lower.** Global equities edged lower last week, weighed down by contagion fears of a worsening currency crisis in Turkey that can potentially precipitate into a liquidity and debt crisis. As the US and Turkey grapple over various issues, Trump approved the doubling of tariffs on Turkish steel and aluminium, exacerbating the TRY sell-off. Meanwhile, with 90% of the S&P500 constituents having reported for Q2, blended EPS growth is running at 25.5% YoY while blended revenue growth is nearly 10.1%. For the week, the S&P500 closed lower by 0.2%.
- ECB expresses concerns on Turkish crisis.** The ECB has grown concerned about the exposure of some Eurozone banks to Turkey, and is looking closely at the risk of Turkish borrowers defaulting on their foreign currency loans as a result of the TRY's 70% plunge YTD. Meanwhile, Italy's FTSE MIB ended the week lower by 2.3% amid a risk-off sentiment over concerns that the new populist government could break EU budget caps in a bid to fulfil its populist campaign promises. The EuroStoxx50 lost 1.6% while the EUR lost 1.3% against the USD last week.
- No-deal Brexit fears rise.** The GBP sold off on UK trade minister Fox's comments that there is a 60/40 chance of a "no-deal" Brexit, blaming stubbornness on the part of EU negotiators. The GBP lost 1.9% and fell to its lowest level in a year to 1.2758 against the USD, as investors ramped up bets on the UK leaving the EU without an agreement. The FTSE100 ended the week flat.
- Japan's economy rebounds in Q2.** After shrinking in Q1 for the first time in two years, the Japanese economy expanded by a faster-than-expected annualised pace of 1.9% in Q2, helped by private consumption. While external demand was sluggish and weighed on growth amid rising global trade tensions, consumer spending underpinned growth in Q2. For the week, the Nikkei225 lost 1.0% as the safe-haven JPY strengthened 0.4% against the USD on US-Turkey tensions.
- Emerging Market (EM) currencies drop.** EM currencies sold off last week amid fears Turkey's currency woes could have a contagion effect on the broader EM universe. Meanwhile, the CNY slid for the ninth-straight week as the ongoing tit-for-tat trade fight with the US takes a toll on the economy, which is already facing some challenges amid targeted deleveraging to curb excessive debt levels. The J.P. Morgan EM Currency Index lost 4.0% last week.

LOOKING FORWARD

- Chinese retail sales and Industrial Production (IP) will be released on **Tuesday** while Eurozone GDP will be published on the same day. US retail sales and IP data will be announced on **Wednesday** while UK retail sales will be released on **Thursday**. Eurozone CPI will be published on **Friday**.



MAIN CROSS RATES

€ 1 ————— \$ 1.1413

£ 1 ————— \$ 1.2758

\$ 1 ————— ¥ 110.83

	Yield % (12/08)	Yield % (05/08)
Abu Dhabi 2021	3.23	3.25
KSA 2021	3.54	3.56
Dubai 2023	3.67	3.71
Qatar 2023	3.49	3.52
US 10Y	2.87	2.95
German 10Y	0.32	0.41

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,140	-0.7%	1.7%
MSCI BRIC	312	-0.4%	-7.1%
MSCI EM	1,062	-1.0%	-8.3%
USA - S&P 500	2,833	-0.2%	6.0%
UK- FTSE 100	7,667	0.1%	-0.3%
France - CAC40	5,415	-1.2%	1.9%
Germany - DAX	12,424	-1.5%	-3.8%
Japan - Nikkei 225	22,298	-1.0%	-2.1%
Dubai	2,920	-1.8%	-13.4%
Abu Dhabi	4,872	1.3%	10.8%
Saudi	8,176	-0.9%	13.1%
Oman	4,431	2.4%	-12.2%
Kuwait	4,963	0.3%	2.8%
Egypt	15,924	0.7%	6.0%
Qatar	9,887	-0.9%	16.0%
Commodities			
Gold (\$/oz)	1,211	-0.4%	-7.1%
Silver (\$/oz)	15	-0.7%	-9.6%
Platinum (\$/oz)	828	-0.4%	-10.8%
Oil - Brent (\$/bbl)	73	-0.5%	8.9%

**FOR MORE INFORMATION,
PLEASE CONTACT:**

Emirates Investment Bank pjsc
PO Box 5503, Dubai
Dubai Festival City, UAE



+971 4 231 7777



+971 4 231 7788



www.eibank.com

ASSET MANAGEMENT TEAM:**Nadi Bargouti, CFA**

Managing Director – Head of Asset Management
nadi.bargouti@eibank.com

Yaser Al-Nimr

Director – Asset Management
yaser.alnimr@eibank.com

Fabien Paturaud, CFA

Associate Director – Asset Management
fabien.paturaud@eibank.com

Hamad Al Majidi

Senior Associate – Asset Management
hamad.almajidi@eibank.com

Joyson D'Souza, CFA

Associate – Asset Management
joyson.dsouza@eibank.com

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