

Fed stays on course despite Trump pressure

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للإستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- **Fed signals a rate hike is coming next month.** Despite pressures from Trump to slow down or stop rate hikes, the last Fed meeting minutes implied that there will be a rate hike next month if the economy performs in line with expectation, and that the risks are not material enough yet to change course on the current gradual rate hike path. The Dollar Index lost 1.0% for the week while the 10-year US Treasury yield fell by 5bps to 2.81%. Global equities edged higher with the S&P500 closing last week at a record high on renewed strength in Q2 corporate earnings.
- **Eurozone composite PMI ticks higher in August.** The Eurozone composite PMI rose marginally to 54.4 in August from 54.3 in July, slightly below the forecast of 54.5. Despite concerns over trade and fears that Italy's populist government could increase spending and miss fiscal targets, the small increase in the composite PMI suggests that the Eurozone economy is holding up well in Q3. The EUR rose 1.6% against the USD while the EuroStoxx50 gained 1.6% last week.
- **US-China trade talks end with no breakthrough.** After two days of talks with no agreement, hopes for a resolution in the US-China trade dispute fizzled out as both countries began imposing previously announced tariffs. The US went ahead with tariffs on an additional USD16 bn in Chinese goods, raising the total to USD50 bn. China immediately hit back with similar tariffs on US goods. Meanwhile and under pressure from the escalating trade dispute with the US and slowing Chinese growth, the CNY fell for the eleventh-straight week, and is down 8.3% since the end of March.
- **Rating agencies de-rate Turkey.** Both S&P and Moody's cut Turkey's sovereign credit rating last week on concerns about the country's economic stability. S&P slashed Turkey's sovereign credit rating to 'B+' from 'BB-' citing extreme volatility of the TRY may lead to a balance of payments crisis. Moody's followed suit, downgrading the government's long-term issuer ratings to Ba3 from Ba2 on the persistent weakening of Turkey's public institutions. The TRY has lost 58% against the USD so far this year, prompting fears of a sell-off in emerging markets.
- **Oil gains on Iran supply worries.** Following weeks of declines, Brent gained 5.6% last week on the prospect of lower oil supply from Iran. The US is trying to halt Iranian oil exports in an effort to force the country to negotiate a new nuclear agreement. While the prospect of US sanctions on Iran is positive for oil prices, the US-China trade dispute threatens to undermine global growth and is adversely affecting commodity prices.

LOOKING FORWARD

- US GDP data will be published on **Wednesday** while Japan reports its unemployment and Industrial Production (IP) data on **Thursday**. Eurozone unemployment rate and CPI data will be released on **Friday**.



MAIN CROSS RATES

€ 1 ————— \$ 1.1622

£ 1 ————— \$ 1.2846

\$ 1 ————— ¥ 111.24

	Yield % (26/08)	Yield % (19/08)
Abu Dhabi 2021	3.13	3.18
KSA 2021	3.43	3.46
Dubai 2023	3.68	3.67
Qatar 2023	3.46	3.49
US 10Y	2.81	2.86
German 10Y	0.35	0.31

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,162	1.1%	2.8%
MSCI BRIC	304	1.8%	-9.5%
MSCI EM	1,050	2.7%	-9.3%
USA - S&P 500	2,875	0.9%	7.5%
UK- FTSE 100	7,577	0.3%	-1.4%
France - CAC40	5,433	1.6%	2.3%
Germany - DAX	12,395	1.5%	-4.0%
Japan - Nikkei 225	22,602	1.5%	-0.7%
Dubai	2,816	0.4%	-16.4%
Abu Dhabi	4,885	-0.4%	11.1%
Saudi	7,867	0.0%	8.8%
Oman	4,390	0.0%	-13.0%
Kuwait	4,894	0.0%	1.4%
Egypt	15,273	-0.1%	1.7%
Qatar	9,448	0.0%	10.8%
Commodities			
Gold (\$/oz)	1,205	1.8%	-7.5%
Silver (\$/oz)	15	0.1%	-12.5%
Platinum (\$/oz)	791	0.3%	-14.8%
Oil - Brent (\$/bbl)	76	5.6%	13.4%

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