

## Fed disappoints the President

بنك الإمارات  
للإستثمار

EMIRATES INVESTMENT BANK

### LOOKING BACK

- **Fed raises rates for a fourth time this year.** A multitude of factors resulted in the biggest weekly loss for the S&P500 this year including a fourth Fed rate hike, questions over the Fed's independence, and a looming government shutdown. Some concerns are emerging on whether the Fed is raising rates too fast and whether the global economy can withstand two more rate hikes next year. There were also some concerns on whether Trump can legally fire Fed Chairman Powell and what type of repercussions that would have on the Fed's independence. The S&P500 lost 7.1% last week while the 10-year US Treasury yield declined 10bps on a flight-to-safety trade.
- **Italy to avoid EU budget fines.** After weeks of standoff, Italy reached a budget agreement with the EU that would allow its government to avoid disciplinary measures by the EU. Under the agreement, Italy's 2019 budget deficit would fall to just over 2.0% of GDP, down from the 2.4% targeted initially. The Italian 10-year government bond yield fell to 2.8%, the lowest level since October and a 100bps down from its multi-year high of 3.8%. Meanwhile, the pan-European STOXX600 hit a two-year low amid widespread risk-off selling while the EUR edged higher by 0.6% against the USD.
- **BoJ keeps policy unchanged.** The BoJ kept its yield-curve control program and asset purchases unchanged, amid a deteriorating external environment. Slowing Chinese growth, a US-China trade war and disruptions due to natural disasters have weighed on Japan's growth prospects at a time when falling oil prices put further pressure on already very subdued inflationary pressures. For the week, the Nikkei225 tracked the global equity sell-off and lost 5.7% while the safe-haven JPY appreciated 1.9% against the USD.
- **China announces plans to stimulate falling demand.** Amid a persistent slowdown in the domestic economy and downward pressure on financial markets despite targeted stimulus measures, Chinese authorities signalled that more monetary and fiscal support will be rolled out in 2019. The Chinese economy slowed again in November as retail sales and industrial production weakened further, as consumer confidence declined due to uncertainty over the trade war. The authorities will have to delicately infuse stimulus while sustaining efforts to contain debt levels.
- **Oil falls on oversupply fears and demand outlook.** Concerns that production cuts from the latest OPEC accord are not likely to be deep enough to contain surplus supply at a time when global oil demand is expected to deteriorate, continued to weigh on oil prices as Brent lost 10.7% last week alone, its biggest weekly loss in nearly three years.

### LOOKING FORWARD

- US new home sales data will be announced on **Thursday**. Japan's CPI, unemployment and retail sales will be published on **Friday** while US pending home sales data will be released on the same day.



### MAIN CROSS RATES

€ 1 ————— \$ 1.1372

£ 1 ————— \$ 1.2645

\$ 1 ————— ¥ 111.22

	Yield % (23/12)	Yield % (16/12)
Abu Dhabi 2021	3.11	3.13
KSA 2021	3.63	3.61
Dubai 2023	3.83	3.86
Qatar 2023	3.38	3.41
US 10Y	2.79	2.89
German 10Y	0.25	0.25

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	1,835	-5.5%	-12.8%
MSCI BRIC	281	-2.9%	-16.4%
MSCI EM	957	-1.5%	-17.4%
USA - S&P 500	2,417	-7.1%	-9.6%
UK- FTSE 100	6,721	-1.8%	-12.6%
France - CAC40	4,694	-3.3%	-11.6%
Germany - DAX	10,634	-2.1%	-17.7%
Japan - Nikkei 225	20,166	-5.7%	-11.4%
Dubai	2,510	-3.4%	-25.5%
Abu Dhabi	4,856	-0.1%	10.4%
Saudi	7,753	-2.0%	7.2%
Oman	4,337	-2.5%	-14.1%
Kuwait	4,710	-0.1%	-2.4%
Egypt	13,138	1.1%	-12.5%
Qatar	10,413	-0.4%	22.1%
<b>Commodities</b>			
Gold (\$/oz)	1,257	1.4%	-3.5%
Silver (\$/oz)	15	0.5%	-13.5%
Platinum (\$/oz)	787	0.0%	-15.2%
Oil - Brent (\$/bbl)	54	-10.7%	-19.5%

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**EMIRATES INVESTMENT BANK**

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