

## Global equities edge higher amid elevated volatility

بنك الإمارات  
للاستثمار

EMIRATES INVESTMENT BANK

### LOOKING BACK

- **Equities gain amid high volatility.** Amid heightened volatility, last week started with a major sell-off in equities. The S&P500 lost 2.7% on Monday alone amid lingering concerns over the Fed's independence and prospects for the partial government shutdown extending into next year. However, equities rallied after the Christmas holiday on positive reports about US consumer spending in the holiday season and further progress on US-China trade talks. Global equities recovered lost ground in the holiday-shortened week with the S&P ending higher by 2.9%.
- **Italian Parliament passes revised budget.** Under pressure from the EU, the Italian Parliament approved the government's revised 2019 budget, averting sanctions and fines. As per the deal struck with the EU, Italy's government lowered its planned budget deficit from 2.4% of GDP to 2.04%, delaying and diluting some of the populist election promises. Investor demand for Italian government debt reached its highest levels in a year with the 10-year government bond yield hitting a three-and-a-half month low of 2.73%.
- **Risks to the Japanese economy rise in November.** Japanese retail sales rose 1.4% in the year through November, undershooting a 2.1% gain expected and slowing sharply from the 3.5% increase seen in October. Industrial output also fell 1.1% in November from the previous month, signaling the increasing impact of global risks on demand for Japanese goods. Meanwhile and despite more than five years of the BoJ's ultra-accommodative stance, inflation continues to disappoint, underscoring the challenge the Central Bank faces. For the year, the Nikkei225 lost 12.1% while the safe-haven JPY appreciated 2.2%.
- **China's industrial profits decline for the first time in 3 years.** In yet another sign of economic weakness, China's industrial profits suffered their first drop in 3 years, piling further pressure on the economy. Industrial profits fell 1.8% in November from a year ago, reversing a gain in October and underscoring the impact of US tariffs and slowing domestic demand. For the week, the Shanghai Composite declined 0.9%, bringing its 2018 loss to roughly 25%. The CNY is down by 5.7% against the USD this year.
- **Oil poised for worst quarter since 2014.** Oil suffered heavy losses and is on track for its worst quarterly loss since 2014 amid global growth concerns, oversupply and doubts over the effectiveness of OPEC-Russia's production-cut agreement. The recent precipitous drop prompted OPEC and its allies to pledge a deeper production cut, if deemed necessary. For the week, Brent recovered somewhat after Monday's severe fall to end last week lower by 3.0%.

### LOOKING FORWARD

- The Chinese composite PMI will be announced on **Monday** while the US and the UK release their manufacturing PMI data on **Wednesday**. US unemployment and Eurozone CPI data will be released on **Friday** while Japanese manufacturing PMI will be announced on the same day.



### MAIN CROSS RATES

€ 1 ————— \$ 1.1444

£ 1 ————— \$ 1.2699

\$ 1 ————— ¥ 110.27

	Yield % (30/12)	Yield % (23/12)
Abu Dhabi 2021	3.09	3.11
KSA 2021	3.62	3.63
Dubai 2023	3.87	3.83
Qatar 2023	3.33	3.38
US 10Y	2.72	2.79
German 10Y	0.24	0.25

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	1,871	2.0%	-11.1%
MSCI BRIC	282	0.6%	-15.8%
MSCI EM	963	0.6%	-16.9%
USA - S&P 500	2,486	2.9%	-7.0%
UK- FTSE 100	6,734	0.2%	-12.4%
France - CAC40	4,679	-0.3%	-11.9%
Germany - DAX	10,559	-0.7%	-18.3%
Japan - Nikkei 225	20,015	-0.8%	-12.1%
Dubai	2,469	-1.6%	-26.7%
Abu Dhabi	4,831	-0.5%	9.8%
Saudi	7,749	-0.1%	7.2%
Oman	4,344	0.2%	-13.9%
Kuwait	4,715	0.1%	-2.3%
Egypt	12,984	-1.2%	-13.5%
Qatar	10,288	-1.2%	20.7%
<b>Commodities</b>			
Gold (\$/oz)	1,278	1.7%	-1.9%
Silver (\$/oz)	15	5.0%	-9.2%
Platinum (\$/oz)	790	0.4%	-14.8%
Oil - Brent (\$/bbl)	52	-3.0%	-21.9%

**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](http://www.eibank.com)

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

Managing Director – Head of Asset Management  
[nadi.bargouti@eibank.com](mailto:nadi.bargouti@eibank.com)

**Yaser Al-Nimr**

Director – Asset Management  
[yaser.alnimr@eibank.com](mailto:yaser.alnimr@eibank.com)

**Hamad Al Majidi**

Senior Associate – Asset Management  
[hamad.almajidi@eibank.com](mailto:hamad.almajidi@eibank.com)

**Joyson D'Souza, CFA**

Associate – Asset Management  
[joyson.dsouza@eibank.com](mailto:joyson.dsouza@eibank.com)

**EMIRATES INVESTMENT BANK**

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