

Risk-off sentiment prevails on virus spread fears

بنك الإمارات
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EMIRATES INVESTMENT BANK

LOOKING BACK

- **Risk-off sentiment prevails on virus spread fears.** Even as it praised China's efforts to contain the spread of the virus, the World Health Organization (WHO) declared the coronavirus outbreak a global public health emergency. Several major countries advised their citizens to avoid traveling to China while facilitating the exit of those who are already there. Overall, business closures in China and supply chain disruptions would clearly weigh on China's Q1 GDP and impede already sluggish global growth.
- **Fed keeps policy unchanged.** Last week, the Fed decided to keep its benchmark interest rate unchanged at 1.75%. While the overall monetary policy stance remained broadly unchanged and data-dependent, the Fed officials did note that the pace of household spending has dropped to a more moderate pace recently. Powell said that the Fed will continue repurchase operations through April and said it was too early to assess the economic impact of the coronavirus. Concerns surrounding the spread of the outbreak have pushed the US 10-year Treasury yield lower by 30bps in the last two weeks to 1.51%.
- **Q4 shows strong earnings for major US tech names.** Q4 earnings season has somewhat been overshadowed by the volatile news flow surrounding the coronavirus. With about 45% of the S&P500 companies having reported so far, blended EPS growth is running at 0.3% year-over-year while revenues are seen rising 1.3% so far. Some of the largest US companies have positively surprised on the earnings front. While Apple's EPS got a boost from strong iPhone sales, Microsoft continued to post solid growth in its cloud business. Amazon gained 8.0% on the week after beating EPS expectations on the back of solid growth in its Prime membership program.
- **Brexit legally implemented.** The EU ratified the UK's Brexit bill, setting the stage for eleven months of intense parleys to determine whether the two sides can avoid a disorderly separation. While PM Johnson managed to deliver on his promise to get the UK out of the EU, he must now negotiate a comprehensive trade deal with the Bloc by year-end. Overall, the uncertainty for businesses is expected to continue as the possibility of a no-deal Brexit still remains and the outcome depends on how negotiations play out through the rest of the year.
- **Oil continues to fall on demand concerns.** With travel bans and China extending the Lunar New Year holiday, oil demand is set to take a hit and is getting incrementally reflected in prices. Estimates of the epidemic's impact on oil demand vary widely and are adding to some worries among oil investors. Brent has lost 10.3% in the last two weeks and is down 15.2% in four straight weeks of declines.

LOOKING FORWARD

- Global manufacturing PMIs will be released on **Monday** while US factory orders will be announced on **Tuesday**. Global service sector PMIs will be released on **Wednesday** while Eurozone retail sales and the US's trade balance will be published on the same day. China reports its trade balance while the US releases its employment report on **Friday**.



MAIN CROSS RATES

€ 1 ————— \$ 1.1093

£ 1 ————— \$ 1.3206

\$ 1 ————— ¥ 108.35

	Yield % (02/02)	Yield % (26/01)
Abu Dhabi 2027	2.21	2.35
KSA 2029	2.58	2.73
Dubai 2029	3.04	3.10
Qatar 2029	2.37	2.51
US 10Y	1.51	1.68
German 10Y	-0.43	-0.34

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,342	-2.2%	-0.7%
MSCI BRIC	325	-4.7%	-4.4%
MSCI EM	1,062	-5.1%	-4.7%
USA - S&P 500	3,226	-2.1%	-0.2%
UK- FTSE 100	7,286	-4.0%	-3.4%
France - CAC40	5,806	-3.6%	-2.9%
Germany - DAX	12,982	-4.4%	-2.0%
Japan - Nikkei 225	23,205	-2.6%	-1.9%
Dubai	2,790	-1.7%	0.9%
Abu Dhabi	5,156	-1.7%	1.6%
Saudi	8,247	-1.7%	-1.7%
Oman	4,079	0.2%	2.5%
Kuwait	4,922	0.3%	0.2%
Egypt	13,919	1.4%	-0.3%
Qatar	10,442	-1.7%	0.2%
Commodities			
Gold (\$/oz)	1,589	1.1%	4.7%
Silver (\$/oz)	18	-0.3%	1.1%
Platinum (\$/oz)	961	-4.5%	-0.6%
Oil - Brent (\$/bbl)	58	-4.2%	-11.9%

**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

Joyson D'Souza, CFA

Associate – Asset Management
joyson.dsouza@eibank.com

Ravindra Deshpande

Associate – Asset Management
ravindra.deshpande@eibank.com

EMIRATES INVESTMENT BANK

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