

US-China trade negotiations continue

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EMIRATES INVESTMENT BANK

LOOKING BACK

- **US-China trade negotiations continue.** Hopes that the US and China would reach some sort of an agreement before the March 1 deadline faded last week on reports that Trump and Xi are unlikely to meet later this month. However, the willingness for both sides to strike a deal is still high as negotiations continue this week. Weak economic data from Europe also weighed on risk sentiment as global equities traded sideways with the S&P500 ending flat on the week.
- **Rates edging lower on deteriorating macroeconomics.** The US 10-year Treasury yield extended its downtrend and fell 5bps to 2.63% last week on concerns that there would be no deal between the US and China before the March 1 deadline. Fears of a slowdown in global growth resurfaced last week after downward revisions to forecasts by both the EU and the BoE.
- **EU slashes its 2019 growth forecast.** In its quarterly report, the EU downgraded its 2019 forecast for Eurozone growth to 1.3%, down from its most recent forecast of 1.9%, citing weakening global trade, the slowdown in China, and uncertainty stemming from Brexit. Domestic issues like political instability in Italy, violent protests in France and stricter fuel emission norms hurting German auto exports have worsened the EU's economic growth outlook. For the week, the EUR lost 1.2% against the USD while the EuroStoxx50 edged lower by 1.1%.
- **Moody's upgrades Russia to Investment Grade (IG) status.** Last week, Moody's joined S&P and Fitch in upgrading Russia's rating to IG status to Baa3 from Ba1, citing the Russian economy's strength amid US sanction risks. The rating agency recognized that Russia is now in a better position to navigate downside risks as oil prices have recovered and the nation returns to fragile growth. The move is likely to result in increased investment flows in the country, although US sanctions remain an overhang.
- **IMF's latest tranche of bailout funds boosts Egyptian equities.** The EGX30 Index rose 4.4% last week after Egypt received another USD2 bn tranche out of the IMF's three-year, USD12 bn loan program that the country agreed to in 2016. While the IMF's Chief Lagarde praised the Egyptian government's enactment of policies, the agency warned the country of a more difficult external environment going ahead and told it to push ahead with efforts to curb inflation, reduce debt and allow for a more flexible exchange rate.

LOOKING FORWARD

- The Eurozone reports its Industrial Production (IP) on **Wednesday** while US CPI data will be published on the same day. Japan and the Eurozone report their GDP figures on **Thursday** while US retail sales and IP data will be announced on **Friday**.



MAIN CROSS RATES

€ 1 ————— \$ 1.1323

£ 1 ————— \$ 1.2944

\$ 1 ————— ¥ 109.73

	Yield % (10/02)	Yield % (03/02)
Abu Dhabi 2021	2.87	2.90
KSA 2021	3.44	3.38
Dubai 2023	3.66	3.59
Qatar 2023	3.15	3.20
US 10Y	2.63	2.68
German 10Y	0.09	0.17

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,021	-0.4%	7.3%
MSCI BRIC	309	-1.1%	9.0%
MSCI EM	1,036	-1.3%	7.3%
USA - S&P 500	2,708	0.0%	8.0%
UK- FTSE 100	7,071	0.7%	5.1%
France - CAC40	4,962	-1.1%	4.9%
Germany - DAX	10,907	-2.4%	3.3%
Japan - Nikkei 225	20,333	-2.2%	1.6%
Dubai	2,543	-1.0%	0.5%
Abu Dhabi	5,112	1.3%	4.0%
Saudi	8,613	0.6%	10.0%
Oman	4,152	-0.3%	-4.0%
Kuwait	4,763	-0.7%	0.5%
Egypt	14,754	4.4%	13.2%
Qatar	10,505	-2.0%	2.0%
Commodities			
Gold (\$/oz)	1,317	-0.1%	2.7%
Silver (\$/oz)	16	-0.5%	2.1%
Platinum (\$/oz)	801	-2.8%	0.7%
Oil - Brent (\$/bbl)	62	-1.0%	15.4%

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EMIRATES INVESTMENT BANK

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