

Coronavirus worries investors

بنك الإمارات
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EMIRATES INVESTMENT BANK

LOOKING BACK

- Coronavirus worries investors.** Risk appetite took a blow last week on concerns that the coronavirus may disrupt world trade and tourism and meaningfully slow an already sluggish global economy. Although many governments are taking the potential spread of infection seriously, global equities reacted negatively and closed lower on the week with the S&P500 losing 1.0%. Investors sidestepped Q4 earnings-related news flow and the broad risk-off sentiment helped Treasuries with the US 10-year Treasury yield losing 14bps to end at 1.68%.
- Germany's manufacturing PMI starts 2020 on a positive note.** Hopes rose that the German economy may have seen its worst as the manufacturing PMI rose to 45.2 in January from 43.7 in December. While manufacturing is still in contractionary territory, the pace of contraction was less severe than expected, helping the composite PMI rise to a 5-month high of 51.2 in January. ECB President Lagarde pointed to the ease in global trade tensions for the improving outlook and said downside risks to the bloc are now less pronounced.
- BoJ stays the course.** Amid an improving trade outlook after the US-China phase one trade deal and the recent fiscal stimulus announcement by the Japanese government, the BoJ kept its monetary policy unchanged. However, Governor Kuroda walked a cautious line on the economy and downplayed speculation that he was looking to normalize monetary policy anytime soon as inflation continued to undershoot expectations by a wide margin. The BoJ lowered all its inflation forecasts for the near to medium term.
- Chinese equities spooked by virus concerns.** The Shanghai Composite lost 3.2% last week as the novel coronavirus, found to have originated in the Chinese city of Wuhan, spread further with more than 2,000 cases reported in over 15 countries. The outbreak dominated sentiment through the week with the tourism, airline and gaming sectors bearing the brunt of investor concerns. While it is still early days, comparisons with the SARS outbreak in 2003 weighed heavily on risk appetite globally last week.
- Putin lays the groundwork to extend his rule beyond 2024.** As part of the constitutional overhaul, Russia's Putin proposed giving the State Council a broad new authority to set the direction of foreign, domestic and economic policy. At the moment, Putin heads the State Council and the changes are widely seen as an effort to lay the groundwork for him to extend his rule beyond the end of his current term in 2024. The proposal will be subject to a national vote once and if it is passed by the Russian Parliament.

LOOKING FORWARD

- US new home sales data will be released on **Monday** while the Fed meets on **Wednesday**. Eurozone unemployment and US Q4 GDP will be announced on **Thursday** while the BoE meets to set rates on the same day. On **Friday**, the Eurozone reports its GDP and CPI while Japan publishes its retail sales and unemployment figures.



MAIN CROSS RATES

€ 1 ————— \$ 1.1025

£ 1 ————— \$ 1.3073

\$ 1 ————— ¥ 109.28

	Yield % (26/01)	Yield % (19/01)
Abu Dhabi 2027	2.35	2.38
KSA 2029	2.73	2.77
Dubai 2029	3.10	3.15
Qatar 2029	2.51	2.56
US 10Y	1.68	1.82
German 10Y	-0.34	-0.22

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,395	-0.8%	1.6%
MSCI BRIC	341	-3.5%	0.3%
MSCI EM	1,119	-2.4%	0.4%
USA - S&P 500	3,295	-1.0%	2.0%
UK- FTSE 100	7,586	-1.2%	0.6%
France - CAC40	6,024	-1.3%	0.8%
Germany - DAX	13,577	0.4%	2.5%
Japan - Nikkei 225	23,827	-0.9%	0.7%
Dubai	2,838	0.3%	2.6%
Abu Dhabi	5,245	1.3%	3.3%
Saudi	8,386	-0.9%	0.0%
Oman	4,070	0.2%	2.2%
Kuwait	4,908	0.4%	-0.1%
Egypt	13,728	-0.7%	-1.7%
Qatar	10,624	-0.7%	1.9%
Commodities			
Gold (\$/oz)	1,572	0.9%	3.6%
Silver (\$/oz)	18	0.3%	1.4%
Platinum (\$/oz)	1,006	-1.6%	4.1%
Oil - Brent (\$/bbl)	61	-6.4%	-8.0%

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EMIRATES INVESTMENT BANK

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