

## Trump hikes tariffs on Chinese imports

بنك الإمارات  
للإستثمار

EMIRATES INVESTMENT BANK

### LOOKING BACK

- **Trump hikes tariffs on Chinese imports.** Accusing China of last minute backpedalling on promises it made earlier, Trump followed through on his tariff threat by increasing levies from 10% to 25% on USD200 bn of goods imported from China. While China vowed to retaliate, conciliatory messages from both sides that negotiations will go on de-escalated tensions by end of last week. On the week, global equities suffered with the S&P500 dropping 2.2%.
- **Geopolitical risks come to the fore.** Last week saw a host of lingering geopolitical concerns come to the fore. While Iran threatened to end some of its commitments to limit the country's nuclear program if the other signatories to the 2015 accord don't facilitate its oil sales, North Korea fired multiple short-range missiles increasing tensions in the South China Sea. Meanwhile and under pressure from Erdogan, Turkey's Supreme Election Council nullified the recent Istanbul mayoral election and ordered a re-run. The global risk-off sentiment shaved off 6bps from the US 10-year Treasury yield.
- **Eurozone manufacturing PMI remains near 6-year low.** Despite a slight uptick for the first time in nine months, the Eurozone manufacturing PMI remained stuck in contractionary territory and near its 6-year low. The weakness was again led by a marked drop in export orders amid widespread concerns over weak global demand and Brexit-related uncertainty. Meanwhile, the services PMI continues to hold up and partially offset the downtrend in manufacturing. The EUR edged higher by 0.3% against the USD while the EuroStoxx50 tracked the global sell-off to end lower by 4.0%.
- **Chinese equities slump on trade-related uncertainty.** A renewed uncertainty surrounding the trade war with the US weighed heavily on investor sentiment in China leading to a sell-off in one of the best performing stock markets this year. Meanwhile, credit growth in China slowed in April compared to the previous month raising expectations that the PBoC may further ease monetary policy, especially as trade tensions with the US grow. The Shanghai Composite dropped 4.5% on the week.
- **Turkish assets fall on Istanbul re-election decision.** Political uncertainty heightened further after Turkey's top election watchdog accepted Erdogan's appeal to re-conduct Istanbul's mayoral vote which was won by an opposition candidate. Meanwhile and in a desperate attempt to stem the TRY's slide, the Central Bank announced several policy adjustments including the temporary suspension of its one-week repo auctions. The TRY has lost 13.1% against the USD so far this year.

### LOOKING FORWARD

- The UK reports its unemployment figures and Eurozone Industrial Production (IP) will be released on **Tuesday**. US CPI and Eurozone GDP data will be published on **Wednesday** while the Eurozone announces its CPI on **Friday**.



### MAIN CROSS RATES

€ 1 ————— \$ 1.1233

£ 1 ————— \$ 1.2998

\$ 1 ————— ¥ 109.95

|                | Yield %<br>(12/05) | Yield %<br>(05/05) |
|----------------|--------------------|--------------------|
| Abu Dhabi 2021 | 2.54               | 2.53               |
| KSA 2021       | 2.83               | 2.87               |
| Dubai 2023     | 3.57               | 3.52               |
| Qatar 2023     | 2.82               | 2.88               |
| US 10Y         | 2.47               | 2.53               |
| German 10Y     | -0.05              | 0.03               |

| Equities             | Last Price | Weekly Chg | YTD Chg |
|----------------------|------------|------------|---------|
| MSCI World           | 2,126      | -2.4%      | 12.9%   |
| MSCI BRIC            | 313        | -5.2%      | 10.1%   |
| MSCI EM              | 1,033      | -4.6%      | 7.0%    |
| USA - S&P 500        | 2,881      | -2.2%      | 14.9%   |
| UK- FTSE 100         | 7,203      | -2.4%      | 7.1%    |
| France - CAC40       | 5,327      | -4.0%      | 12.6%   |
| Germany - DAX        | 12,060     | -2.8%      | 14.2%   |
| Japan - Nikkei 225   | 21,345     | -4.1%      | 6.6%    |
| Dubai                | 2,673      | -3.1%      | 5.6%    |
| Abu Dhabi            | 5,053      | -3.6%      | 2.8%    |
| Saudi                | 8,857      | -5.1%      | 13.2%   |
| Oman                 | 3,863      | -2.6%      | -10.6%  |
| Kuwait               | 4,831      | -0.7%      | 2.0%    |
| Egypt                | 14,060     | -5.5%      | 7.9%    |
| Qatar                | 10,027     | -4.3%      | -2.6%   |
| Commodities          |            |            |         |
| Gold (\$/oz)         | 1,286      | 0.5%       | 0.3%    |
| Silver (\$/oz)       | 15         | -1.0%      | -4.6%   |
| Platinum (\$/oz)     | 866        | -0.7%      | 8.8%    |
| Oil - Brent (\$/bbl) | 71         | -0.2%      | 31.3%   |

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## EMIRATES INVESTMENT BANK

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