

Hopes rise for a phase one trade deal

بنك الإمارات
للاستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- **Hopes rise for a phase one trade deal.** Emerging signs that the global economy may be bottoming out in addition to optimism over a potential mini trade deal between the US and China helped sustain the ongoing risk-on trade, aiding risk assets at the cost of safe-havens. The rotation trade helped equities in general with the S&P500 hitting a fresh all-time high while the US 10-year Treasury yield rose 23bps on the week to 1.94%.
- **Economic data signals global economy bottoming out.** After a robust US employment report the previous week, several economic data points signalled that global economic slowdown pressures may have started to recede. Last week saw a strong rebound in the US ISM non-manufacturing gauge for October, some stabilization in the Eurozone's manufacturing PMI alongside a sharp rebound in the bloc's services PMI. Meanwhile, Germany's factory orders rose for the first time in three months and Euro-area retail sales also grew more than expected.
- **Bank of England (BoE) changes tone.** While two officials voted for a 25bps cut, the BoE decided to make no change to monetary policy at its meeting last week. The committee as a whole warned if the global slowdown worsens or the Brexit impasse continues post elections in December, then monetary policy may need to turn decisively dovish. The GBP ended the week weaker by 1.3% against the USD.
- **Japan to launch fiscal stimulus.** Amid sluggish global growth, the impact of the recent consumption tax hike and expectations of a further slowdown in domestic activity post the 2020 Tokyo Olympics, PM Abe vowed to implement a "comprehensive" stimulus plan that capitalizes on the ultra-low interest rate environment to fund increased public investment. While the scale of the stimulus is not yet known, the plan intends to boost the economy well beyond the Olympics and all the way into 2021.
- **CNY closes above the psychological 7/USD mark.** Ahead of an expected MSCI announcement to increase the weight of China's CNY-denominated shares from 2.6% to 4.1% in its widely used MSCI EM Index, the CNY breached the psychological 7/USD mark. The CNY had tested the 7.2 levels at the end of August when trade war-related uncertainty was at its peak. The potential mini trade deal with the US also includes a Chinese pledge to undertake currency reforms and let market forces determine the CNY level.

LOOKING FORWARD

- Japan reports its trade balance on **Monday** while US CPI is released and Fed Chair Powell testifies on **Wednesday**. China publishes its retail sales and IP on **Thursday** while Eurozone Q3 GDP will be announced on the same day. The US releases its retail sales and IP data on **Friday**.



MAIN CROSS RATES

€ 1	→	\$ 1.1018
£ 1	→	\$ 1.2774
\$ 1	→	¥ 109.26

	Yield % (10/11)	Yield % (03/11)
Abu Dhabi 2027	2.50	2.43
KSA 2029	3.01	2.88
Dubai 2029	3.25	3.16
Qatar 2029	2.73	2.60
US 10Y	1.94	1.71
German 10Y	-0.26	-0.38

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,269	0.7%	20.4%
MSCI BRIC	322	1.2%	13.5%
MSCI EM	1,065	1.5%	10.3%
USA - S&P 500	3,093	0.9%	23.4%
UK- FTSE 100	7,359	0.8%	9.4%
France - CAC40	5,890	2.2%	24.5%
Germany - DAX	13,229	2.1%	25.3%
Japan - Nikkei 225	23,392	2.4%	16.9%
Dubai	2,699	-1.8%	6.7%
Abu Dhabi	5,131	0.5%	4.4%
Saudi	7,798	0.7%	-0.4%
Oman	4,041	1.0%	-6.5%
Kuwait	4,754	-0.1%	0.3%
Egypt	14,796	1.6%	13.5%
Qatar	10,275	0.8%	-0.2%
Commodities			
Gold (\$/oz)	1,459	-3.7%	13.8%
Silver (\$/oz)	17	-7.3%	8.5%
Platinum (\$/oz)	887	-6.6%	11.5%
Oil - Brent (\$/bbl)	63	1.3%	16.2%

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