

FOMC minutes signal a restrictive Fed

بنك الإمارات
للاستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- FOMC minutes signal a hawkish tone.** The minutes of last month's FOMC meeting showed that the Fed intends to continue hiking rates gradually for the foreseeable future. The minutes also showed that Fed officials debated the prospect of raising rates past the neutral zone and into "restrictive" territory in an effort to slow the economy and reduce the risk of rising inflation. For the week, the 10-year US treasury yield edged higher by 3bps to 3.19% while the S&P500 was volatile but ended the week flat.
- EU reprimands Italy over budget deficit.** The 10-year Italian government yield rose to a 4-year high of 3.7% last week after Italy's populist coalition government was reprimanded by the EU's budget office. Italy was warned that its proposed 2019 budget does not conform to the rules and that the EU may not accept the budget in its current form. Meanwhile, Moody's cut Italy's sovereign debt rating to one notch above junk status (from two) while keeping the outlook stable, citing concerns over the government's budget deficit. For the week, the EuroStoxx50 gained 0.5% while the EUR edged lower by 0.4% against the USD.
- Japan's export data points to a slowdown.** Japan's exports fell 1.2% in September year-over-year (YoY), the first YoY decline since November 2016. Natural disasters disrupted economic activity and reduced shipments to the US and China, which is expected to adversely affect the Q3 GDP growth numbers. Meanwhile, the BoJ noted concerns expressed by Japanese companies that the US-China trade war may also lead to an inflow of competing Chinese products into Japan, eroding profits of local producers. The safe-haven JPY is flat against the USD despite general USD strength while the Nikkei225 is down 1.0% year-to-date.
- China's growth slows in Q3.** China's Q3 GDP growth slowed to a 6.5% annual pace, compared with a 6.7% rate in Q2. Trade war concerns and a government-induced slowdown to tackle excessive debt levels have weighed on the Shanghai Composite, which has lost 22.5% so far this year, while the CNY has depreciated over 10% since April. Amid investor pessimism, the latest retail sales figures surprised on the upside suggesting growth may soon get a boost as a slew of stimulus measures start to filter through the economy.
- Oil remains under pressure.** After rallying to USD86/bbl two weeks ago on concerns that Saudi and Russia may not be able to fully replenish lost supply from the upcoming US sanctions on Iran, Brent has corrected 7.5% from its highs on demand concerns amid slowing global growth and higher oil prices. Brent ended last week lower by 0.8%.

LOOKING FORWARD

- Global flash PMIs will be released on **Wednesday** while the ECB will hold a press conference on **Thursday**. Japan CPI and US Q3 GDP data will be published on **Friday**.



MAIN CROSS RATES

€ 1 ————— \$ 1.1514

£ 1 ————— \$ 1.3076

\$ 1 ————— ¥ 112.55

	Yield % (21/10)	Yield % (14/10)
Abu Dhabi 2021	3.38	3.31
KSA 2021	3.97	3.73
Dubai 2023	3.96	3.87
Qatar 2023	3.54	3.52
US 10Y	3.19	3.16
German 10Y	0.46	0.50

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,062	-0.1%	-2.0%
MSCI BRIC	281	-1.0%	-16.4%
MSCI EM	971	-0.9%	-16.1%
USA - S&P 500	2,768	0.0%	3.5%
UK- FTSE 100	7,050	0.8%	-8.3%
France - CAC40	5,085	-0.2%	-4.3%
Germany - DAX	11,554	0.3%	-10.6%
Japan - Nikkei 225	22,532	-0.7%	-1.0%
Dubai	2,758	0.1%	-18.2%
Abu Dhabi	4,989	0.4%	13.4%
Saudi	7,648	1.6%	5.8%
Oman	4,444	-1.0%	-11.9%
Kuwait	4,698	-0.4%	-2.7%
Egypt	13,644	2.7%	-9.1%
Qatar	10,193	3.4%	19.6%
Commodities			
Gold (\$/oz)	1,226	0.8%	-5.9%
Silver (\$/oz)	15	0.3%	-13.7%
Platinum (\$/oz)	831	-0.9%	-10.5%
Oil - Brent (\$/bbl)	80	-0.8%	19.3%

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