

## Global equities sell off on weaker guidance

بنك الإمارات  
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EMIRATES INVESTMENT BANK

### LOOKING BACK

- Global equities sell off on weaker growth prospects.** Global equities declined last week as several companies reported healthy earnings growth so far in Q3 but tempered investor expectations by lowering guidance. The US 10-year Treasury yield slid to 3.08%, its lowest level in more than three weeks while the S&P500 entered correction territory, down more than 10% from its recent peak marked by higher volatility. Overall, with 48% of the S&P500 constituents having reported Q3 results so far, earnings are growing at a healthy 23.7% YoY pace while revenue growth is running at 8.75%, below Q2's 9.3% rate.
- EU rejects Italy's budget proposal.** EU officials rejected Italy's draft budget, calling the proposed 2.4% budget deficit as a percentage of GDP too risky, given its huge debt pile of around 130% of GDP. Italy has three weeks to revert with a fresh proposal. Meanwhile, the Eurozone October PMIs declined sharply to their lowest level in more than two years, adding to worries that domestic political tensions and EM slowdown fears have hit the bloc's growth. For the week, the EuroStoxx50 lost 2.4% while the EUR edged lower by 1.0% against the USD.
- Japan's CPI still well below BoJ's target.** Japan's core CPI (ex. food) rose 1% YoY in September, well short of the BoJ's 2% target, highlighting the BoJ's difficulty in achieving its inflation goal. Despite the undershooting inflation data, Governor Kuroda said he was more upbeat on inflation than three months ago, citing rising energy costs. The BoJ will meet on October 30–31 for its quarterly review. For the week, the Nikkei225 tracked the global equity sell-off and lost 6.0% while the safe-haven JPY gained 0.6% against the USD.
- USD/CNY exchange rate at a 10-year low.** The Shanghai Composite Index bucked the global equity sell-off, adding 1.9% last week after sinking to its lowest level in four years the week earlier. Slowing growth prospects and the trade impasse with the US have taken a toll on Chinese assets with the USD/CNY exchange rate now within touching distance of the psychological 7 mark, stoking fears of some capital outflows. Meanwhile, despite recent data pointing to slowing macroeconomics, disposable income growth continues to remain robust and should provide a cushion.
- Oil continues to fall.** Oil prices continued their downward trend with Brent now down over 10% from its 4-year high reached at the start of October, as Saudi reiterated its commitment to meet any shortfall arising due to the upcoming US sanctions on Iran. Slowing global growth concerns and the recent global equity sell-off have also weighed on prices. For the week, Brent edged lower by 2.7%.

### LOOKING FORWARD

- Japan reports its retail sales data on **Monday** while US core PCE data will be published on the same day. On **Tuesday**, Eurozone Q3 GDP will be released. Chinese manufacturing PMI will be announced and the BoJ meets to review its monetary policy on **Wednesday**. The BoE meets on **Thursday** while the US jobs data will be published on **Friday**.



### MAIN CROSS RATES

€ 1 ————— \$ 1.1403

£ 1 ————— \$ 1.2828

\$ 1 ————— ¥ 111.91

	Yield % (28/10)	Yield % (21/10)
Abu Dhabi 2021	3.33	3.38
KSA 2021	3.85	3.97
Dubai 2023	3.96	3.96
Qatar 2023	3.50	3.54
US 10Y	3.08	3.19
German 10Y	0.35	0.46

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	1,982	-3.9%	-5.8%
MSCI BRIC	276	-1.8%	-17.9%
MSCI EM	940	-3.3%	-18.9%
USA - S&P 500	2,659	-3.9%	-0.6%
UK- FTSE 100	6,940	-1.6%	-9.7%
France - CAC40	4,967	-2.3%	-6.5%
Germany - DAX	11,201	-3.1%	-13.3%
Japan - Nikkei 225	21,185	-6.0%	-6.9%
Dubai	2,736	-0.8%	-18.8%
Abu Dhabi	4,882	-2.1%	11.0%
Saudi	7,836	2.5%	8.4%
Oman	4,453	0.2%	-11.8%
Kuwait	4,697	0.0%	-2.7%
Egypt	13,024	-4.5%	-13.3%
Qatar	10,153	-0.4%	19.1%
<b>Commodities</b>			
Gold (\$/oz)	1,234	0.6%	-5.3%
Silver (\$/oz)	15	0.5%	-13.2%
Platinum (\$/oz)	833	0.2%	-10.3%
Oil – Brent (\$/bbl)	78	-2.7%	16.1%

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## EMIRATES INVESTMENT BANK

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