

Hopes for an interim trade deal boost sentiment

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EMIRATES INVESTMENT BANK

LOOKING BACK

- **Hopes for an interim trade deal boost sentiment.** De-escalatory moves from both sides led to speculation that the US and China could reach some sort of an interim trade deal, leaving aside hard-to-resolve structural issues for a later date. Overall, the appearance of diminishing geopolitical fears, crowded positioning, and a strong US core inflation print sent US Treasury yields sharply higher last week. The US 10-year Treasury yield increased by 34bps to 1.90% while the S&P500 edged higher by 1.0%.
- **ECB restarts QE.** Despite criticism around an immediate need for stimulus, the ECB cut interest rates further into negative territory and restarted open-ended bond purchases at a pace of EUR20 bn a month. The outgoing ECB chief Draghi stated that while the probability of a Euro-area recession is small, it has gone up, and the ECB has enough headroom to maintain asset purchases for some time at this pace. The EUR, having weakened on the news, reversed course and ended last week 0.4% higher against the USD.
- **GBP gains on receding worries of a no-deal Brexit.** Last week, the UK Parliament passed a law forcing the government to seek a Brexit extension from the EU and avoid a no-deal Brexit on October 31. Meanwhile, the UK's economy grew faster than expected in July, easing fears of a recession and helping the GBP rise to a near two-month high against the USD. While PM Johnson is scheduled to meet EU negotiators on October 16, he is set to defy the new law designed to stop him from forcing the UK out of the EU without a deal. He is braced for a fight in the courts. The FTSE100 gained 1.2% on the week.
- **Emerging Markets (EM) rally on easing trade tensions.** EM currencies, as represented by the MSCI EM Currency Index, rallied for a second straight week while EM equities, as represented by the MSCI EM Index, gained 1.9% amid signs of a thaw in the US-China trade war. Investors are pricing in more Fed easing next week after the ECB cut rates and resumed bond purchases, bidding EM risk assets higher.
- **Turkish equities rally on aggressive rate cut.** The BIST-100 gained 4.1% last week after the Turkish Central bank cut the benchmark repo rate by an aggressive 325bps to 16.5%. The Central Bank cited its move as being largely "consistent with the projected disinflation path." Inflation has fallen to about 15% in August from its multi-year high of over 25% in Q4 last year.

LOOKING FORWARD

- China announces its retail sales and Industrial Production (IP) data on **Monday** while US IP will be released on **Tuesday**. The Fed meets on **Wednesday** while the UK's CPI will be announced on the same day. The BoE and the BoJ review their monetary policies on **Thursday**.



MAIN CROSS RATES

€ 1 ————— \$ 1.1073

£ 1 ————— \$ 1.2501

\$ 1 ————— ¥ 108.09

	Yield % (15/09)	Yield % (08/09)
Abu Dhabi 2027	2.21	1.98
KSA 2029	2.81	2.59
Dubai 2029	3.09	2.94
Qatar 2029	2.58	2.33
US 10Y	1.90	1.56
German 10Y	-0.45	-0.64

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,206	1.2%	17.1%
MSCI BRIC	313	2.0%	10.1%
MSCI EM	1,027	1.9%	6.3%
USA - S&P 500	3,007	1.0%	20.0%
UK- FTSE 100	7,367	1.2%	9.5%
France - CAC40	5,655	0.9%	19.5%
Germany - DAX	12,469	2.3%	18.1%
Japan - Nikkei 225	21,988	3.7%	9.9%
Dubai	2,888	-0.1%	14.2%
Abu Dhabi	5,096	-0.4%	3.7%
Saudi	7,832	-2.8%	0.1%
Oman	4,020	0.6%	-7.0%
Kuwait	4,762	-0.7%	0.5%
Egypt	15,110	1.2%	15.9%
Qatar	10,462	2.0%	1.6%
Commodities			
Gold (\$/oz)	1,489	-1.2%	16.1%
Silver (\$/oz)	17	-4.0%	12.6%
Platinum (\$/oz)	949	-0.3%	19.2%
Oil - Brent (\$/bbl)	60	-2.1%	11.9%

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