

US-China trade progress interrupted yet again

بنك الإمارات
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EMIRATES INVESTMENT BANK

LOOKING BACK

- US-China trade progress interrupted yet again.** After weeks of optimism surrounding renewed talks on trade, Chinese officials cancelled a planned visit to US farming states on Friday. The cancellation followed Trump's statement that he wasn't interested in "a partial deal" with China. The news marks yet another whipsaw as far as the US-China trade conflict is concerned. Meanwhile, heightened tensions surrounding drone attacks on Saudi oil facilities kept investor sentiment pessimistic, pushing the 10-year US treasury yield lower by 18bps to 1.72%.
- Bank of England (BoE) sounds dovish.** The BoE kept its benchmark interest rate unchanged while signalling that persistent Brexit uncertainty will keep rates lower for longer. The Bank also warned of the consequences that a no-deal Brexit could have on the economy and argued that the forward trajectory of rates is Brexit-dependent. The GBP whipsawed last week on improved hopes for a Brexit deal and the BoE's dovish guidance.
- BoJ holds monetary policy for now.** Following rate cuts by the Fed and the ECB, the BoJ reluctantly stood pat on policy while hinting at some easing action in October. The BoJ wants to see the impact of the sales tax hike that comes into effect from October 1 before deciding on its policy going forward. Meanwhile, the JPY's safe-haven demand, falling exports and inflation at a 2-year low have all put pressure on the BoJ to ease monetary policy further.
- China slowdown continues.** In a strong indication that China's economy is still not out of the woods, growth in industrial output and in retail sales both missed expectations in August. Fixed-asset investment too slowed to a below-par 5.5% year-to-date. While authorities have undertaken several easing measures over the past few months to support the economy, the dampening impact on sentiment and a steep decline in exports due to the ongoing trade war continues to hurt the economy.
- Oil faces supply disruption.** Oil prices were highly volatile last week as markets calibrated incoming data following drone attacks on Saudi's oil facilities, affecting almost half the Kingdom's production capacity. Assurances from Saudi officials that the country would be able to restore lost production by late October and the US allowing the draw down of its strategic reserves to keep oil well supplied helped calm investor fears. On the week, Brent ended with a gain of 6.7%.

LOOKING FORWARD

- Global flash PMIs will be released on **Monday** while US Q2 GDP and trade balance figures will be announced on **Thursday**. Japan will publish its CPI on **Friday** while US durable goods orders will be released on the same day.



MAIN CROSS RATES

€ 1	\$ 1.1017
£ 1	\$ 1.2478
\$ 1	¥ 107.56

	Yield % (22/09)	Yield % (15/09)
Abu Dhabi 2027	2.26	2.21
KSA 2029	2.83	2.81
Dubai 2029	3.13	3.09
Qatar 2029	2.56	2.58
US 10Y	1.72	1.90
German 10Y	-0.52	-0.45

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,198	-0.4%	16.6%
MSCI BRIC	309	-1.2%	8.8%
MSCI EM	1,021	-0.5%	5.7%
USA - S&P 500	2,992	-0.5%	19.4%
UK- FTSE 100	7,345	-0.3%	9.2%
France - CAC40	5,691	0.6%	20.3%
Germany - DAX	12,468	0.0%	18.1%
Japan - Nikkei 225	22,079	0.4%	10.3%
Dubai	2,820	-2.4%	11.5%
Abu Dhabi	5,125	0.6%	4.3%
Saudi	7,927	1.2%	1.3%
Oman	3,992	-0.7%	-7.7%
Kuwait	4,667	-2.0%	-1.5%
Egypt	14,742	-2.4%	13.1%
Qatar	10,512	0.5%	2.1%
Commodities			
Gold (\$/oz)	1,517	1.9%	18.3%
Silver (\$/oz)	18	3.1%	16.1%
Platinum (\$/oz)	946	-0.2%	18.9%
Oil - Brent (\$/bbl)	64	6.7%	19.5%

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