

## Trade talks drive sentiment

بنك الإمارات  
للإستثمار

EMIRATES INVESTMENT BANK

### LOOKING BACK

- Trade talks drive sentiment.** Last week, the US reached a bilateral deal with Mexico to amend the NAFTA. While talks with Canada ended without an agreement, hopes that both sides agreed to continue negotiations helped drive risk sentiment. Meanwhile, despite Trump's threats to withdraw from the WTO and levy tariffs on additional USD200 bn worth of Chinese goods, global equities rose last week with the S&P500 gaining 0.9% on overall easing trade tensions and a strong US Q2 corporate earnings growth. The Dollar Index ended the week flat while the 10-year US Treasury yield rose 5bps to 2.86%.
- Positive tone emerges on Brexit.** After months of deadlock, last week witnessed a modest, positive shift in the ongoing Brexit negotiations between the EU and the UK. While UK's PM May has been preparing the markets for the possibility of a no-deal Brexit scenario, EU Brexit chief negotiator Barnier's comment that the EU is willing to offer the UK an unprecedentedly close relationship after its exit lifted hopes of a deal setting off a rally in the GBP. The GBP appreciated 1.0% against the EUR last week while the FTSE100 edged lower by 1.9%.
- China August PMIs beat estimates.** Despite pressure from Trump on trade and a government induced slowdown of the domestic economy to tackle excessive debt levels, China's August PMIs showed the economy is holding up well. The August manufacturing PMI rose to 51.3 from 51.2 in July while the composite PMI came in at 53.8 versus 53.6 in July. Meanwhile, the PBoC sent out a conciliatory tone on the fall in the CNY, signalling that it does not intend to use the USDCNY exchange rate as a weapon in the ongoing trade conflict with the US. The CNY has lost 5.0% against the USD so far this year.
- Indian economy posts strong growth in Q2.** India's economy grew at an impressive annualized rate of 8.2% in Q2 on the back of strong domestic demand and a favourable base coming off disruptions caused by demonetization and the Goods & Services Tax (GST). However despite the strong numbers, growth is expected to cool off going forward as the RBI remains focussed on taming inflation caused by the recent sharp depreciation in the INR. The INR has lost 11.2% against the USD year-to-date.
- Emerging Market (EM) currencies continue to fall.** Amid trade tensions and a rise in global risk aversion led by domestic and political challenges, EM currencies have continued to slide with the JP Morgan EM Currency Index losing 12.2% so far this year. Last week, the ARS lost 20% against the USD after the Argentine government asked the IMF to speed up its disbursement of the USD50 bn bailout while the TRY fell 9% against the USD after Moody's downgraded 20 Turkish financial institutions.

### LOOKING FORWARD

- Global manufacturing PMIs will be released on **Monday** while Eurozone retail sales data will be published on **Wednesday**. US non-manufacturing PMI data will be released on **Thursday** while Eurozone Q2 GDP and US employment report will be published on **Friday**.



### MAIN CROSS RATES

€ 1 ————— \$ 1.1602

£ 1 ————— \$ 1.2960

\$ 1 ————— ¥ 111.03

	Yield % (02/09)	Yield % (26/08)
Abu Dhabi 2021	3.18	3.13
KSA 2021	3.42	3.43
Dubai 2023	3.67	3.68
Qatar 2023	3.49	3.46
US 10Y	2.86	2.81
German 10Y	0.33	0.35

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,176	0.6%	3.4%
MSCI BRIC	305	0.3%	-9.2%
MSCI EM	1,056	0.5%	-8.8%
USA - S&P 500	2,902	0.9%	8.5%
UK- FTSE 100	7,432	-1.9%	-3.3%
France - CAC40	5,407	-0.5%	1.8%
Germany - DAX	12,364	-0.2%	-4.3%
Japan - Nikkei 225	22,865	1.2%	0.4%
Dubai	2,840	0.9%	-15.7%
Abu Dhabi	4,987	2.1%	13.4%
Saudi	7,948	1.0%	9.9%
Oman	4,419	0.7%	-12.4%
Kuwait	4,897	0.1%	1.4%
Egypt	16,009	4.8%	6.6%
Qatar	9,886	4.6%	16.0%
Commodities			
Gold (\$/oz)	1,204	-0.1%	-7.6%
Silver (\$/oz)	15	-1.9%	-14.2%
Platinum (\$/oz)	788	-0.4%	-15.1%
Oil - Brent (\$/bbl)	77	2.1%	15.8%

## FOR MORE INFORMATION, PLEASE CONTACT:



Emirates Investment Bank pjsc  
PO Box 5503, Dubai  
Dubai Festival City, UAE



+971 4 231 7777



+971 4 231 7788



[www.eibank.com](http://www.eibank.com)

## ASSET MANAGEMENT TEAM:

### **Nadi Bargouti, CFA**

Managing Director – Head of Asset Management  
[nadi.bargouti@eibank.com](mailto:nadi.bargouti@eibank.com)

### **Yaser Al-Nimr**

Director – Asset Management  
[yaser.alnimr@eibank.com](mailto:yaser.alnimr@eibank.com)

### **Hamad Al Majidi**

Senior Associate – Asset Management  
[hamad.almajidi@eibank.com](mailto:hamad.almajidi@eibank.com)

### **Joyson D'Souza, CFA**

Associate – Asset Management  
[joyson.dsouza@eibank.com](mailto:joyson.dsouza@eibank.com)

## EMIRATES INVESTMENT BANK

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