

US jobs market remains robust

بنك الإمارات
للإستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- US jobs market remains robust.** US employers added 201k jobs in August, 10k more than forecast while the unemployment rate remained unchanged at 3.9%. Meanwhile, wage growth, which had been a major laggard of the ongoing economic recovery, increased 0.4% month-on-month (2.9% year-on-year), its fastest pace since May 2009. Despite uncertainty surrounding US trade policy, yields reacted positively to the jobs data with the US 10-year Treasury yield rising 8bps to end last week at 2.94%. The monetary policy sensitive 2-year Treasury yield ended last week at 2.70%, its highest level in a decade.
- Trump holds off on China tariffs.** Last week, equities remained under pressure as investors braced themselves for the implementation of US tariffs on another USD200 bn in Chinese goods. However, sentiment eased after the White House's chief economic advisor Kudlow stated that the Trump administration would first evaluate US corporate sentiment before taking any action on the new Chinese tariffs. For the week, global equities slipped with the S&P500 losing 1.0%.
- Italy calms nerves on upcoming budget.** After months of adopting a confrontational approach with the EU on budget limits, top Italian officials stated that the populist government's 2019 budget will raise deficits by less than feared. Italian government bonds rose on the news as the 10-year Italian government bond yield fell 23bps to end at 3.0%. The FTSE MIB gained 0.9% last week, even as the EuroStoxx50 fell 2.9%, while the EUR ended with a 0.4% weekly loss against the USD.
- Brexit mood gets a leg up.** As the deadline for a deal on Brexit nears, both sides have taken a more accommodative approach. After the previous week's positive shift in tone, optimism that the UK and the EU would reach an amicable separation deal rose further after Germany's Merkel said that Brexit is regrettable and the EU must negotiate to achieve "very, very" close relations with the UK. The GBP remained steady during the week while the FTSE100 lost 2.0%.
- Emerging Market (EM) contagion spreads.** After Turkey and Argentina, South Africa and Indonesia faced selling pressure from investors last week. While South Africa fell into a technical recession after its Q2 GDP contracted by 0.6%, Indonesia was forced to take actions to protect the IDR, which has lost 9.2% year-to-date and is at a two-decade low. Higher interest rates in the US accompanied by the rising USD are putting pressure on EM economies saddled with disproportionate dollar debt and a high current account deficit.

LOOKING FORWARD

- The UK and Japan report their Q2 GDP while China publishes its CPI on **Monday**. UK CPI will be announced on **Tuesday** while Eurozone Industrial Production (IP) will be released on **Wednesday**. The BoE and the ECB review their respective monetary policies on **Thursday** while US retail sales and IP data will be published on **Friday**.



MAIN CROSS RATES

€ 1 ————— \$ 1.1553

£ 1 ————— \$ 1.2920

\$ 1 ————— ¥ 110.99

	Yield % (09/09)	Yield % (02/09)
Abu Dhabi 2021	3.13	3.18
KSA 2021	3.48	3.42
Dubai 2023	3.63	3.67
Qatar 2023	3.46	3.49
US 10Y	2.94	2.86
German 10Y	0.39	0.33

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,138	-1.7%	1.6%
MSCI BRIC	295	-3.2%	-12.1%
MSCI EM	1,023	-3.1%	-11.7%
USA - S&P 500	2,872	-1.0%	7.4%
UK - FTSE 100	7,278	-2.1%	-5.3%
France - CAC40	5,252	-2.9%	-1.1%
Germany - DAX	11,960	-3.3%	-7.4%
Japan - Nikkei 225	22,307	-2.4%	-2.0%
Dubai	2,827	-0.5%	-16.1%
Abu Dhabi	4,918	-1.4%	11.8%
Saudi	7,688	-3.3%	6.3%
Oman	4,433	0.3%	-12.2%
Kuwait	4,866	-0.6%	0.8%
Egypt	15,803	-1.3%	5.2%
Qatar	9,827	-0.6%	15.3%
Commodities			
Gold (\$/oz)	1,197	-0.4%	-8.1%
Silver (\$/oz)	14	-2.5%	-16.3%
Platinum (\$/oz)	782	-0.7%	-15.7%
Oil - Brent (\$/bbl)	77	-0.8%	14.9%

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