

Equities rally despite trade war escalation

بنك الإمارات
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EMIRATES INVESTMENT BANK

LOOKING BACK

- **Equities rally despite trade war escalation.** Despite Trump imposing tariffs on another USD200bn of Chinese imports and China responding in kind, the trade war escalation was shrugged off by markets amid solid US economic data and China's plans to stimulate its domestic consumption. Any further direction to global risk sentiment would depend on how negotiations play out between the two sides. Global equities rallied with the S&P500 gaining 0.8% for the week. The Dollar Index cooled off on enhanced risk appetite with the 10-year US Treasury yield rising 6bps to 3.06%.
- **Trade frictions weigh on European manufacturing.** Euro-area expansion edged lower in September as the economy feels the heat from the global trade war that continues to ratchet up. The flash manufacturing PMI for September came in at a 2-year low of 53.3 on destocking by manufacturers amid ongoing European trade negotiations with the US. Brexit uncertainty and Italian budget fears also weighed on overall sentiment. For the week, the EuroStoxx50 tracked the prevailing risk-on sentiment and was up 2.6% while the EUR edged higher by 1.1% against the USD.
- **Brexit talks fail yet again.** In a blow to the UK's Brexit deal plans, PM May ended last week's summit without any progress, as EU leaders bluntly rejected her proposal in its current form. With November being the new deadline for a deal, May promised fresh plans to break the stalemate while warning that the UK should prepare for a no-deal Brexit scenario. After climbing to a 10-week high, the GBP gave back gains, ending flat against the USD on the week.
- **Bank of Japan (BoJ) tweaks bond purchase programme.** Last week, BoJ Governor Kuroda maintained its ultra-loose monetary policy, stating that there would be no change until inflation reaches the Bank's 2% target. Meanwhile, in light of diminishing returns from zero-bound interest rates, the BoJ trimmed its purchases of long-maturity bonds and is willing to tolerate wider fluctuations and flexibility in bond operations. The JPY shrugged off the BoJ's marginal tapering move, dropping to a 2-month low of 112.59 against the USD, while the Nikkei225 rallied 3.4% last week.
- **Trump pushes OPEC to increase output.** Amid rising prices due to supply disruptions from Iran and Venezuela, Trump prodded OPEC to increase output and lower high oil prices just ahead of OPEC's meeting on Sunday. While Saudi and Russia see a USD75/bbl level as sustainable, the cartel is also wary of a potential slowdown from large importer countries like China and India due to macro headwinds facing them. For the week, Brent closed higher by 0.7% at USD78.8/bbl.

LOOKING FORWARD

- US FOMC meets to set monetary policy on **Tuesday** while US Q2 GDP will be released on **Thursday**. UK Q2 GDP, EU CPI and US core PCE data will be published on **Friday**.



MAIN CROSS RATES

€ 1 ————— \$ 1.1749

£ 1 ————— \$ 1.3072

\$ 1 ————— ¥ 112.59

	Yield % (23/09)	Yield % (16/09)
Abu Dhabi 2021	3.21	3.13
KSA 2021	3.55	3.52
Dubai 2023	3.70	3.67
Qatar 2023	3.51	3.47
US 10Y	3.06	3.00
German 10Y	0.46	0.45

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,200	1.5%	4.6%
MSCI BRIC	303	2.8%	-9.7%
MSCI EM	1,051	2.2%	-9.2%
USA - S&P 500	2,930	0.8%	9.6%
UK- FTSE 100	7,490	2.5%	-2.6%
France - CAC40	5,494	2.6%	3.4%
Germany - DAX	12,431	2.5%	-3.8%
Japan - Nikkei 225	23,870	3.4%	4.9%
Dubai	2,764	-1.6%	-18.0%
Abu Dhabi	4,883	-1.0%	11.0%
Saudi	7,768	2.3%	7.4%
Oman	4,495	-1.4%	-10.9%
Kuwait	4,757	-0.1%	-1.5%
Egypt	14,083	-8.0%	-6.2%
Qatar	9,766	-2.6%	14.5%
Commodities			
Gold (\$/oz)	1,200	0.4%	-7.9%
Silver (\$/oz)	14	1.7%	-15.6%
Platinum (\$/oz)	828	4.0%	-10.8%
Oil - Brent (\$/bbl)	79	0.9%	17.8%

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