

Trade tensions escalate further

بنك الإمارات
للاستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- **Trade tensions escalate further.** On Friday, China followed through on its earlier decision, announcing new tariffs on USD75 bn of US imports, including a levy of 25% on US autos. In response, Trump fired back by raising existing tariffs on USD250 bn in goods imported from China and also on another USD300 bn in products that are set to be taxed starting September 1. The sharp escalation unnerved global equities with the S&P500 losing 2.6% on Friday alone, ending the week lower by 1.4%.
- **Trump continues to attack the Fed.** Powell's attempts to guide markets to a reasonable assessment of the still robust US economy at Jackson Hole were again derailed as Trump resumed his Twitter tirade against the Fed Chair. He accused Powell of doing little to support the US economy at a time when Central banks around the world are categorically loosening their monetary policies. Markets continue to price in at least two more rate cuts for the rest of the year while the Fed believes the economy is close to its employment and inflation targets.
- **Investors continue to pin hopes on further stimulus.** While Fed Chair Powell pledged to "act as appropriate" at the symposium in Jackson Hole, investors continue to pin hopes on further monetary and fiscal stimulus. The ECB is expected to resume some sort of QE in September while Germany could turn to deficit spending to revive its struggling economy. Expectations of additional stimulus provide some support to sentiment amid a gloomy political outlook.
- **Populist Italian government falters.** After months of leading a fragile populist coalition, Italian PM Conte resigned, accusing coalition partner Salvini of destabilizing the government. The decision again plunges the country into a political crisis with both parties scrambling to form a coalition government. Meanwhile, the prospect that Conte's Five Star Movement could forge an alliance with the more market-friendly Democratic Party pushed Italian 10-year government bond yields to a three-year low of 1.3%.
- **EM currencies come under pressure.** Despite their currencies facing downward pressures from a strong USD and the prospect of a simmering global currency war, EM Central Banks are prioritizing growth through looser monetary policies. Central Banks of Egypt, Turkey, Indonesia and New Zealand have recently cut their respective benchmark rates while those of Thailand and Malaysia have cut their 2019 growth forecasts. The MSCI EM Currency Index has lost 2.8% since July 31 when Trump reignited the trade war with fresh tariff threats on China.

LOOKING FORWARD

- The US reports its durable goods orders on **Monday** and releases its GDP data on **Thursday**. Japan announces its IP and retail sales on **Friday** while the Eurozone reports its unemployment figures and CPI on the same day.



MAIN CROSS RATES

€ 1 ————— \$ 1.1144

£ 1 ————— \$ 1.2266

\$ 1 ————— ¥ 105.39

	Yield % (25/08)	Yield % (18/08)
Abu Dhabi 2027	2.10	2.15
KSA 2029	2.66	2.70
Dubai 2029	3.11	3.17
Qatar 2029	2.39	2.46
US 10Y	1.54	1.55
German 10Y	-0.68	-0.69

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,095	-0.7%	11.2%
MSCI BRIC	296	0.0%	4.2%
MSCI EM	974	0.3%	0.8%
USA - S&P 500	2,847	-1.4%	13.6%
UK- FTSE 100	7,095	-0.3%	5.5%
France - CAC40	5,327	0.5%	12.6%
Germany - DAX	11,612	0.4%	10.0%
Japan - Nikkei 225	20,711	1.4%	3.5%
Dubai	2,769	-1.0%	9.5%
Abu Dhabi	5,039	-0.3%	2.5%
Saudi	8,446	-1.2%	7.9%
Oman	3,988	3.3%	-7.8%
Kuwait	4,800	-1.6%	1.3%
Egypt	14,333	0.3%	10.0%
Qatar	9,919	3.1%	-3.7%
Commodities			
Gold (\$/oz)	1,527	0.9%	19.1%
Silver (\$/oz)	17	1.8%	12.5%
Platinum (\$/oz)	858	1.0%	7.8%
Oil - Brent (\$/bbl)	59	1.2%	10.3%

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

ASSET MANAGEMENT TEAM:

Nadi Bargouti, CFA

Managing Director – Head of Asset Management
nadi.bargouti@eibank.com

Yaser Al-Nimr

Director – Asset Management
yaser.alnimr@eibank.com

Joyson D'Souza, CFA

Associate – Asset Management
joyson.dsouza@eibank.com

Ravindra Deshpande

Associate – Asset Management
ravindra.deshpande@eibank.com

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