

Fed turns dovish

بنك الإمارات
للاستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- Fed reverses course.** Amid fears of a slowdown in global growth and still subdued US inflationary pressures, Powell reiterated the Fed's willingness to be patient while also indicating the Bank's ability to maintain a much larger balance sheet than it had earlier envisaged. Meanwhile, January US jobs data posted strong gains despite the partial government shutdown with average hourly earnings growing 3.2% year-on-year. The 10-year US Treasury yield fell 8bps to 2.68% on a dovish Fed while the S&P500 gained 1.6% on the week.
- Eurozone economy grows at its weakest pace in four years.** A combination of negative events including Italy's standoff with the EU, protests in France and trade tensions affecting the bloc's exports, resulted in the Eurozone economy growing at 1.8% in 2018, its slowest pace in four years. Meanwhile, Italy officially fell into a recession after its Q4 GDP contracted by 0.2%, following a 0.1% drop in Q3, as political uncertainty weighed on aggregate demand. The EUR ended with a gain of 0.4% against the USD while the EuroStoxx50 edged higher by 0.3% on the week.
- PM May seeks renegotiation on Brexit.** After losing the Parliamentary vote on her draft Brexit deal with the EU, PM May managed to win support of the Lower House to renegotiate key contentious issues. The GBP lost ground last week after EU officials said they would not be open to negotiations completed in November. For the week, the GBP fell 0.9% against the USD while the FTSE100 gained 3.1%.
- Japan's retail sales provide relief amid general weakness.** Japanese retail sales rose by a better-than-expected 1.3% year-over-year in December, following a 1.4% gain in November and alleviating some concerns about the outlook for Japanese private consumption. Meanwhile, initial estimates showed Industrial Production (IP) also fell by a lower than expected 0.1% in December compared to a drop of 1.0% in November. The slightly positive data provides relief that domestic demand is holding up well amid continued weakness in the external trade environment.
- Vale announces production cuts post dam disaster.** After weeks of gains, Brazil's Ibovespa paused last week after index heavyweight and the world's largest iron ore miner, Vale, plunged following last week's collapse of a dam at one of its mining complexes. The tragedy resulted in several casualties forcing the company to announce production cuts by about 10% as it decommissions all similar dams in the interest of safety. In response, Vale's shares lost 17.6% in BRL terms last week while the Ibovespa ended almost flat.

LOOKING FORWARD

- The US reports its trade deficit on **Monday** while service sector PMIs for the US and the Eurozone will be announced on **Tuesday**. The BoE meets to set rates on **Thursday** while the UK releases its Q4 GDP data on Friday.



MAIN CROSS RATES

€ 1 ————— \$ 1.1456

£ 1 ————— \$ 1.3079

\$ 1 ————— ¥ 109.50

	Yield % (03/02)	Yield % (27/01)
Abu Dhabi 2021	2.90	2.98
KSA 2021	3.38	3.45
Dubai 2023	3.59	3.66
Qatar 2023	3.20	3.22
US 10Y	2.68	2.76
German 10Y	0.17	0.19

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,030	1.4%	7.7%
MSCI BRIC	313	2.4%	10.2%
MSCI EM	1,050	1.7%	8.8%
USA - S&P 500	2,707	1.6%	8.0%
UK- FTSE 100	7,020	3.1%	4.3%
France - CAC40	5,019	1.9%	6.1%
Germany - DAX	11,181	-0.9%	5.9%
Japan - Nikkei 225	20,788	0.1%	3.9%
Dubai	2,568	2.1%	1.5%
Abu Dhabi	5,045	0.5%	2.6%
Saudi	8,560	1.5%	9.4%
Oman	4,166	-0.3%	-3.6%
Kuwait	4,798	0.3%	1.3%
Egypt	14,127	4.6%	8.4%
Qatar	10,720	0.1%	4.1%
Commodities			
Gold (\$/oz)	1,318	1.0%	2.8%
Silver (\$/oz)	16	0.9%	2.7%
Platinum (\$/oz)	824	0.7%	3.6%
Oil - Brent (\$/bbl)	63	1.8%	16.6%

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