

US-China trade progress drives positive sentiment

بنك الإمارات
للإستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- Global equities rally further.** Global equities continued their uptrend and built on their strong start to 2019 amid falling volatility as news flow surrounding the ongoing US-China trade talks remained the main driver of sentiment. Although sentiment took a dent on reports that the US may pursue a criminal investigation against Huawei, fresh news that China offered to eliminate its trade surplus with the US completely by 2024 helped global equities. For the week, the S&P500 recorded its fourth consecutive weekly gain, edging higher by 2.9%. Yields rose on improved risk appetite with the 10-year US Treasury yield gaining 8bps to 2.78%.
- PM May to unveil revised Brexit plan to Parliament.** After suffering a heavy defeat in the UK Parliament on her Brexit agreement with the EU and managing to prove her majority in a confidence vote thereafter, PM May must now put forward a "Plan B" by Monday. The Parliament aims to vote on her revised plan by January 29. Brexit uncertainty continues but the GBP edged higher by 0.2% against the USD last week on reports that the Brexit deadline could be delayed.
- Japanese inflation slows again.** Japanese December headline inflation fell to 0.3% year-over-year, compared to 0.8% in November, its lowest level since October 2017. The data highlights the difficulty of reaching the BoJ's 2% goal and its dependence on oil prices. Meanwhile, core CPI (ex. food & energy) held steady at 0.3% year-over-year. The BoJ is scheduled to review its monetary policy on January 22–23. For the week, the Nikkei225 gained 1.5% on positive global cues while the JPY slipped 1.2% against the USD.
- Turkish equities rally as Central Bank holds rates.** Turkey's BIST100 Index rallied 7.4% last week on improved sentiment in emerging markets, aided by the Turkish Central Bank's decision to hold its key interest rate at 24.0%. With the most recent inflation reading at 20% versus a 25% peak in October last year, the TRY held steady as policymakers assured markets that "if needed, further monetary tightening will be delivered." The TRY gained 2.5% against the USD on the week.
- Brazilian equities scale record highs.** Improved risk-appetite globally on progressing US-China trade talks and positive news flow from the newly elected government lifted Brazilian equities to a record high last week. The Ibovespa gained another 2.6% last week on reports that Brazil's market-friendly Economy Minister Guedes is expected to present a pension reform proposal to President Bolsonaro soon. A decline in the political risk premium, a steady BRL and subdued inflationary pressures have all helped improve the sentiment towards Brazilian risk assets.

LOOKING FORWARD

- China reports its Q4 GDP and retail sales data on **Monday** while the UK announces its unemployment figures on **Tuesday**. The BoJ meets to review its monetary policy on **Wednesday** while the ECB will meet on **Thursday**.



MAIN CROSS RATES

€ 1 ————— \$ 1.1363

£ 1 ————— \$ 1.2872

\$ 1 ————— ¥ 109.78

	Yield % (20/01)	Yield % (13/01)
Abu Dhabi 2021	2.99	2.99
KSA 2021	3.45	3.38
Dubai 2023	3.78	3.76
Qatar 2023	3.25	3.29
US 10Y	2.78	2.70
German 10Y	0.26	0.24

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,001	2.2%	6.2%
MSCI BRIC	302	2.0%	6.5%
MSCI EM	1,018	1.7%	5.4%
USA - S&P 500	2,671	2.9%	6.5%
UK- FTSE 100	6,968	0.7%	3.6%
France - CAC40	4,876	2.0%	3.1%
Germany - DAX	11,206	2.9%	6.1%
Japan - Nikkei 225	20,666	1.5%	3.3%
Dubai	2,517	-1.1%	-0.5%
Abu Dhabi	4,985	0.5%	1.4%
Saudi	8,448	2.9%	7.9%
Oman	4,237	-1.7%	-2.0%
Kuwait	4,795	0.1%	1.2%
Egypt	13,483	0.9%	3.4%
Qatar	10,788	1.2%	4.7%
Commodities			
Gold (\$/oz)	1,282	-0.6%	0.0%
Silver (\$/oz)	15	-1.7%	-1.0%
Platinum (\$/oz)	798	-1.5%	0.3%
Oil – Brent (\$/bbl)	63	3.7%	16.5%

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