

Equities whipsaw on conflicting US economic data

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EMIRATES INVESTMENT BANK

LOOKING BACK

- Equities whipsaw on conflicting US economic data.** Global equities swung sharply last week on conflicting US economic data. While US equities fell on Thursday following a sharp fall in the ISM Manufacturing Index, they swiftly recovered on Friday as the December jobs report showed the US economy added 312k jobs, far ahead of the expected 184k. Meanwhile, Fed Chair Powell indicated that the Fed would not hesitate to slow the pace of the balance sheet taper, if necessary, which further aided sentiment. For the week, the S&P500 gained 1.9% while the US 10-year Treasury yield fell 5bps to 2.67%.
- Eurozone CPI weakens, complicates ECB plans.** Eurozone headline CPI for December slowed to 1.6%, below expectations of 1.8% and well below November's 1.9%. The recent sharp fall in oil prices remained the main reason for the reversal in headline CPI numbers as the core CPI (ex. food and energy) figure remained steady at 1.0%. This has created a stark problem for the ECB in terms of achieving its 2.0% inflation target, especially now that the Bank has ended its QE programme. The news weighed on the EUR which ended last week lower by 0.4% against the USD.
- PBoC cuts reserve ratio amid further slowdown pressures.** In yet another sign of the adverse impact of the trade war and a government-induced slowdown, the Chinese manufacturing PMI entered into contractionary territory for the first time since July 2016. In response, the PBoC cut the reserve requirement ratio (RRR) for banks by 100bps, potentially freeing up roughly USD117 bn for lending. The move is a fifth RRR cut since Jan 2018 as authorities try to support a slowing economy.
- Brazilian equities extend rally as Bolsonaro sworn in.** Immediately after being sworn into office last week, newly elected President Bolsonaro hit the ground running by vowing to fight endemic corruption and usher in much-needed structural reforms. While reforming the country's bloated pension plan is one of his top priorities, he announced his intention to privatize 12 airports and 4 seaports. Investor optimism continued into the new year with the Ibovespa gaining 4.5% last week even as the BRL gained 4.2% against the USD.
- Oil rallies sharply after its worst quarter in four years.** After suffering its worst quarter since Q4 2014, oil rallied last week on reports of Saudi production cuts and strong US jobs data. Despite the stellar rally last week wherein Brent gained 9.3%, oil prices remain vulnerable to global economic slowdown fears and the outcome of the US-China trade dispute.

LOOKING FORWARD

- Eurozone retail sales and US ISM non-manufacturing PMI numbers will be released on **Monday** while minutes of the December FOMC meeting will be published on **Wednesday**. The UK reports its monthly GDP on **Friday** while US CPI data will be announced on the same day.



MAIN CROSS RATES

€ 1 ————— \$ 1.1395

£ 1 ————— \$ 1.2723

\$ 1 ————— ¥ 108.51

	Yield % (06/01)	Yield % (30/12)
Abu Dhabi 2021	2.92	3.09
KSA 2021	3.45	3.62
Dubai 2023	3.76	3.87
Qatar 2023	3.29	3.33
US 10Y	2.67	2.72
German 10Y	0.21	0.24

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	1,904	1.8%	1.1%
MSCI BRIC	286	1.3%	0.9%
MSCI EM	965	0.2%	-0.1%
USA - S&P 500	2,532	1.9%	1.0%
UK- FTSE 100	6,837	1.5%	1.6%
France - CAC40	4,737	1.2%	0.1%
Germany - DAX	10,768	2.0%	2.0%
Japan - Nikkei 225	19,562	-2.3%	-2.3%
Dubai	2,526	2.3%	-0.1%
Abu Dhabi	4,898	1.4%	-0.3%
Saudi	7,830	1.0%	0.0%
Oman	4,276	-1.6%	-1.1%
Kuwait	4,773	1.2%	0.7%
Egypt	13,265	2.2%	1.8%
Qatar	10,350	0.6%	0.5%
Commodities			
Gold (\$/oz)	1,286	0.4%	0.3%
Silver (\$/oz)	16	2.0%	1.3%
Platinum (\$/oz)	823	4.1%	3.4%
Oil - Brent (\$/bbl)	57	9.3%	6.1%

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