

Treasuries sell off on solid US economic data

بنك الإمارات
للإستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- US Treasuries sell off.** The US ISM non-manufacturing gauge rose to 61.6 in September, its highest level since 2008. Meanwhile and despite some weakness in the September US jobs data due to the hurricane impact last month, sharp upward revisions to July and August numbers acted as a catalyst for the 17bps jump in the 10-year US Treasury yield to 3.23%. Fed chair Powell's comments describing the US economy as "firing on all cylinders" also added to the sell-off in US treasuries.
- US-Canada agree to revised trade terms.** Last week and after months of bitter negotiations, the US and Canada finally agreed on a revised NAFTA, moderating investor concerns on the trade front. Meanwhile, US Vice President Pence lashed out at China on its trade policy and attempts to meddle in upcoming US mid-term elections, escalating trade tensions. For the week, equities came under pressure with the S&P500 losing 1.0%.
- Italy's government tries to calm markets on budget.** Amid intense scrutiny over its budget, Italy's government proposed to reduce its 2020 and 2021 budget deficits to 2.1% and 1.8% of GDP, respectively, while maintaining the 2019 figure at 2.4%. Despite the somewhat conciliatory move, Italian assets continued to slide with the 10-year government bond yield rising 28bps to 3.42% last week. The FTSE MIB dragged the broader EuroStoxx50 lower by 1.6% while the EUR weakened 0.7% against the USD.
- Japan's PMI highlights trade war impact.** While Japan's manufacturing PMI for September came in flat at 52.5 compared to August, factory output growth slowed to a 14-month low with export orders showing a further decline. Escalating trade tensions between the US and China alongside Japan's ongoing trade negotiations with the US are hurting business sentiment and affecting demand for Japanese manufactured goods.
- India's RBI changes stance.** The RBI kept its benchmark interest rate unchanged after two back-to-back rate hikes, while changing its stance to "calibrated tightening". With inflation now within the Central Bank's comfort range and the extremely weak INR already tightening monetary conditions, the RBI decided to pause. The benchmark NIFTY has lost 12% from its August peak while the INR has reached an all-time low amid rising oil prices and deteriorating macroeconomic data.

LOOKING FORWARD

- Japan's trade balance figures will be released on **Monday** while the UK reports its GDP and Industrial Production (IP) data on **Wednesday**. US CPI will be announced on **Thursday** while the Eurozone publishes its IP on **Friday**.



MAIN CROSS RATES

€ 1 ————— \$ 1.1524

£ 1 ————— \$ 1.3120

\$ 1 ————— ¥ 113.72

	Yield % (07/10)	Yield % (30/09)
Abu Dhabi 2021	3.29	3.21
KSA 2021	3.59	3.55
Dubai 2023	3.77	3.70
Qatar 2023	3.52	3.51
US 10Y	3.23	3.06
German 10Y	0.57	0.46

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,151	-1.5%	2.3%
MSCI BRIC	288	-4.1%	-14.1%
MSCI EM	1,001	-4.5%	-13.6%
USA - S&P 500	2,886	-1.0%	7.9%
UK- FTSE 100	7,319	-2.6%	-4.8%
France - CAC40	5,359	-2.4%	0.9%
Germany - DAX	12,112	-1.1%	-6.2%
Japan - Nikkei 225	23,784	-1.4%	4.5%
Dubai	2,792	-1.2%	-17.2%
Abu Dhabi	5,007	1.2%	13.8%
Saudi	7,998	1.3%	10.6%
Oman	4,526	0.0%	-10.3%
Kuwait	4,742	-0.4%	-1.8%
Egypt	14,105	-3.6%	-6.1%
Qatar	9,902	1.2%	16.1%
Commodities			
Gold (\$/oz)	1,204	1.1%	-7.6%
Silver (\$/oz)	15	-0.1%	-13.6%
Platinum (\$/oz)	823	0.8%	-11.4%
Oil – Brent (\$/bbl)	84	1.7%	25.9%

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

Hamad Al Majidi

Senior Associate – Asset Management
hamad.almajidi@eibank.com

Joyson D'Souza, CFA

Associate – Asset Management
joyson.dsouza@eibank.com

EMIRATES INVESTMENT BANK

EIBank is an independent private bank based in Dubai. It offers a wide-range of investment and banking services to an exclusive, but diverse, client base of high-net-worth individuals from across the region and around the world.

Emirates Investment Bank seeks to build long-term partnerships based on a foundation of trust, stability and integrity, which allows it to appreciate the unique circumstances and objectives of each of its clients. This personalised approach guides EIBank when providing its clients with bespoke banking solutions in connection with their wealth, business, and every day affairs.

IMPORTANT INFORMATION

This report is for our clients only. It is not an offer or a solicitation to offer, buy or sell any security or instrument or to participate in any particular trading strategy. This report is based on current public information that we consider reliable, but it should not be considered accurate or complete.

This report is not intended to provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. We recommend that investors independently evaluate particular investments and strategies and we encourage investors to always seek professional advice. The securities, instruments or strategies discussed in this report may not be suitable for all investors and certain investors may not be eligible to purchase or participate in some or all of them.

The value of and income from investments may vary because of a variety of factors. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. Fluctuations in exchange rates could have adverse effects on the value, price of and income derived from certain investments. Certain transactions give rise to substantial risk and are not suitable for all investors.

We and our affiliates may transact the securities or derivatives referred to in this research. We may also make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

Emirates Investment Bank pjsc is regulated by the Central Bank of the United Arab Emirates.