

Equities correct on Chinese slowdown fears

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EMIRATES INVESTMENT BANK

LOOKING BACK

- **China's economy cools off.** China's official economic gauges of industrial output, retail sales, and fixed-asset investment cooled in October. Fixed-asset investment sank to its lowest level in nearly two decades, highlighting the government's determination to rein in excess leverage and pursue slower but higher-quality growth.
- **Flat US CPI and tax reform uncertainty aid longer-term Treasuries.** Near-flat CPI data, two versions of the tax reform bill and concerns of a Chinese slowdown led a modest decline in global stocks and a rally in the longer-term US Treasury market, leading to a flattening of the yield curve. The US 10-year Treasury yield fell 6bps.
- **Eurozone bond yields fall too.** Eurozone government bond prices also rose on relatively subdued economic data and disappointing corporate earnings. Industrial Production (IP) was down 0.6% in September after a strong August. Meanwhile, European equities also declined on profit-booking and EUR strength, which gained 1.1% against the USD last week.
- **UK continues to slow down.** Despite unemployment at record lows and falling from 4.5% in Q2 to 4.3% in Q3, inflation-adjusted wages fell for the seventh consecutive month in September. The UK economy continues to show signs of slowdown as Brexit uncertainty hurts both business and consumer sentiment.
- **Japanese economy reports another solid quarter.** The Japanese GDP expanded for a seventh consecutive quarter in Q3, growing at a 1.4% annualized pace, driven by strong exports. Although consumer spending declined for the first time in almost 2 years, the correction seems temporary given the near-full employment levels. The Nikkei225 fell 1.3% last week, exactly offset by a JPY gain of 1.3% against the USD.
- **Oil corrects on oversupply concerns.** Oil prices came under pressure after data showed US inventories rose and amid wavering Russian support for continuing the production cut deal after its expiry in March 2018. Brent fell sharply mid-week but recovered somewhat to end the week down by 1.3%.

LOOKING FORWARD

- US existing home sales and Eurozone unemployment data will be reported on **Tuesday** while the Fed will release the minutes of its last meeting on **Wednesday**. On **Thursday**, the UK reports its Q3 GDP.



MAIN CROSS RATES

€ 1 ————— \$ 1.1790

£ 1 ————— \$ 1.3215

\$ 1 ————— ¥ 112.10

	Yield % (19/11)	Yield % (12/11)
Abu Dhabi 2019	1.69	1.79
KSA 2021	2.94	2.99
Dubai 2023	3.32	3.37
Qatar 2023	3.30	3.39
US 10Y	2.34	2.40
German 10Y	0.36	0.41

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,033	-0.3%	16.1%
MSCI BRIC	332	0.3%	37.3%
MSCI EM	1,136	0.7%	31.8%
USA - S&P 500	2,579	-0.1%	15.2%
UK- FTSE 100	7,381	-0.7%	3.3%
France - CAC40	5,319	-1.1%	9.4%
Germany - DAX	12,994	-1.0%	13.2%
Japan - Nikkei 225	22,397	-1.3%	17.2%
Dubai	3,460	0.3%	-2.0%
Abu Dhabi	4,328	-1.1%	-4.8%
Saudi	6,913	-0.6%	-4.1%
Oman	5,106	1.0%	-11.7%
Kuwait	6,309	0.8%	9.8%
Egypt	13,847	-3.5%	12.2%
Qatar	7,826	-0.8%	-25.0%
Commodities			
Gold (\$/oz)	1,292	1.4%	12.6%
Silver (\$/oz)	17	2.5%	8.7%
Platinum (\$/oz)	952	2.4%	5.4%
Oil - Brent (\$/bbl)	63	-1.3%	10.4%

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