

Renewed trade war fears rattle markets

بنك الإمارات
للإستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- **Trump re-escalates trade war with China.** Expressing frustration at the slow pace of trade talks, Trump announced 10% tariffs, effective September 1, on USD300 bn worth of Chinese goods not already subject to tariffs. The move took markets by surprise and rattled risk assets. Investors ignored broadly positive US jobs data as the safe-haven 10-year Treasury yield lost 22bps. The S&P500 ended last week lower by 3.1%.
- **Fed delivers a 'hawkish' cut.** At its July FOMC meeting, the Fed lowered its benchmark rate by 25bps citing uncertainties around trade tensions and muted inflation pressures. While the move was widely expected, the Central Bank disappointed markets somewhat by downplaying expectations that the move is a start of an extended easing cycle. The hawkish cut tempered expectations for further rate cuts and pushed the Dollar Index to a two-year high.
- **GBP falls sharply on rising likelihood of no-deal Brexit.** Fears of a hard Brexit intensified as the new UK government earmarked another GBP2 bn to cushion the economy in case of a no-deal Brexit. Meanwhile, new PM Johnson reiterated his pledge to take the UK out of the EU by the October 31 deadline with or without a deal. The GBP came under pressure and lost 1.8% last week while the FTSE100 also dropped 1.9%.
- **Chinese equities slump on Trump announcement.** Trump's unexpected decision to escalate the trade war weighed on Chinese assets as well with the Shanghai Composite losing 2.6% last week. While the latest announcement may well be a negotiating tactic from Trump, the move does little to help bridge deep differences between the two sides. The CNY edged lower by 0.9% against the USD on the week and is now very close to breaching the psychological CNY7 / USD mark.
- **Oil falls sharply on demand fears.** Oil had its biggest fall in four years last Thursday after Trump ended the temporary truce with China and re-ignited the trade conflict. While tensions in the Middle East continue to fester, the trade dispute between US and China is overwhelming oil supply concerns at the moment. Brent ended with a weekly loss of 2.5%.

LOOKING FORWARD

- Global service sector PMIs will be released on **Monday** while China reports its trade data on **Thursday**. China CPI, UK GDP and US PPI will be announced on **Friday**.



MAIN CROSS RATES

€ 1	→	\$ 1.1108
£ 1	→	\$ 1.2162
\$ 1	→	¥ 106.59

	Yield % (04/08)	Yield % (28/07)
Abu Dhabi 2027	2.48	2.58
KSA 2029	2.95	3.10
Dubai 2029	3.58	3.66
Qatar 2029	2.79	2.92
US 10Y	1.85	2.07
German 10Y	-0.50	-0.38

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,150	-3.0%	14.1%
MSCI BRIC	304	-4.8%	7.0%
MSCI EM	1,004	-4.3%	3.9%
USA - S&P 500	2,932	-3.1%	17.0%
UK- FTSE 100	7,407	-1.9%	10.1%
France - CAC40	5,359	-4.5%	13.3%
Germany - DAX	11,872	-4.4%	12.4%
Japan - Nikkei 225	21,087	-2.6%	5.4%
Dubai	2,900	1.7%	14.7%
Abu Dhabi	5,230	-2.9%	6.4%
Saudi	8,666	-1.7%	10.7%
Oman	3,777	0.6%	-12.6%
Kuwait	4,892	0.9%	3.2%
Egypt	13,526	0.1%	3.8%
Qatar	10,398	-2.2%	1.0%
Commodities			
Gold (\$/oz)	1,441	1.5%	12.3%
Silver (\$/oz)	16	-1.2%	4.6%
Platinum (\$/oz)	845	-2.4%	6.2%
Oil - Brent (\$/bbl)	62	-2.5%	15.0%

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

Joyson D'Souza, CFA

Associate – Asset Management
joyson.dsouza@eibank.com

Ravindra Deshpande

Associate – Asset Management
ravindra.deshpande@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.