

US-China trade tensions deepen

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EMIRATES INVESTMENT BANK

LOOKING BACK

- US-China trade tensions deepen.** Last week, both sides seem to have dug in their heels on the trade dispute. While China's President Xi asked his citizens to prepare for a new long march and remain resilient, Trump announced USD16 bn in subsidies to US farmers to offset the impact of Chinese tariffs. Overall, both sides look to negotiate from a position of strength while paving the way for a Trump-Xi meeting on the sidelines of the G20 summit in late June. Global equities were volatile last week with the S&P500 edging lower by 1.2% while the 10-year US Treasury yield closed lower by 7bps to 2.3%.
- Global manufacturing PMIs show further weakness.** Flash PMIs for May showed the global economy continues to decelerate. While manufacturing PMIs for both the Eurozone and Japan are in contractionary territory, the US reading showed the country's manufacturing fell to its lowest level in nearly a decade. Overall, while the trade war continues to take its toll on global manufacturing, the services sector continues to provide some support with consumer spending still fairly strong across the US, Europe and Japan.
- PM May resigns.** After months of unsuccessful negotiations within her party and with the opposition, the UK's PM May announced that she will resign on June 7. While this was broadly expected, the Conservative Party is now expected to choose a new leader. Meanwhile and regardless of who replaces her, lack of clear support for a hard exit makes a "No-deal" Brexit highly unlikely. Uncertainty abounds on the Brexit front and the risk of a general election has risen. On the week, the GBP was flat against the USD while the FTSE100 edged lower by 1.0%.
- Chinese equities fall on trade war concerns.** Amid reports that the Trump administration was considering penalizing more Chinese tech firms after Huawei, investor fears of a further escalation in the trade war weighed on tech shares and the overall Chinese equity market. On the week, the Shanghai Composite lost 1.0%, marking its fifth straight weekly loss.
- India's PM Modi re-elected.** The combination of a strongman image, economic populism and right-wing nationalism swept incumbent PM Modi to a landslide second term. Investors cheered the verdict with the benchmark NIFTY gaining 3.8% on the week. Attention will now turn to policy priorities as the economy faces growing distress among the farming community and whether Modi will be able to deliver on the stalled land and labor reforms in his second term.

LOOKING FORWARD

- The Eurozone releases its Economic Sentiment Indicator on **Tuesday** while US Q1 GDP will be published on **Thursday**. Japan's retail sales, China's PMIs and US core PCE Index will be announced on **Friday**.



MAIN CROSS RATES

€ 1	→	\$ 1.1203
£ 1	→	\$ 1.2714
\$ 1	→	¥ 109.31

	Yield % (26/05)	Yield % (19/05)
Abu Dhabi 2021	2.44	2.46
KSA 2021	2.83	2.88
Dubai 2023	3.55	3.67
Qatar 2023	2.77	2.83
US 10Y	2.32	2.39
German 10Y	-0.12	-0.10

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,095	-1.0%	11.2%
MSCI BRIC	299	-1.2%	5.3%
MSCI EM	987	-1.0%	2.2%
USA - S&P 500	2,826	-1.2%	12.7%
UK- FTSE 100	7,278	-1.0%	8.2%
France - CAC40	5,317	-2.2%	12.4%
Germany - DAX	12,011	-1.9%	13.8%
Japan - Nikkei 225	21,117	-0.6%	5.5%
Dubai	2,590	0.6%	2.4%
Abu Dhabi	4,777	1.2%	-2.8%
Saudi	8,531	-1.1%	9.0%
Oman	3,876	0.4%	-10.4%
Kuwait	4,721	-0.9%	-0.4%
Egypt	13,777	0.9%	5.7%
Qatar	9,731	-1.4%	-5.5%
Commodities			
Gold (\$/oz)	1,285	0.6%	0.2%
Silver (\$/oz)	15	1.1%	-6.0%
Platinum (\$/oz)	806	-1.6%	1.3%
Oil - Brent (\$/bbl)	69	-4.9%	27.7%

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

Ravindra Deshpande

Associate – Asset Management
ravindra.deshpande@eibank.com

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