Decent US jobs report offsets ISM data disappointment

بنك الامارات للاستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- **US ISM data disappoints; jobs data provides reprieve.** The ISM data for September showed the US manufacturing sector slipping further into contraction and the dominant services sector also slowing meaningfully. Amid the disappointment, a decent jobs report on Friday, caused the unemployment rate to fall to a 50-year low of 3.5% and helped risk assets somewhat recover. Overall, the S&P500 whipsawed in a data-heavy week and closed just 0.3% lower while the 10-year US Treasury yield lost 15bps to end at 1.53% amid signs of slowing US growth.
- **Germany's services sector showing effects of slowdown.** The entrenched manufacturing slowdown in Germany seems to be spreading to the dominant and still resilient services sector. The services gauge slowed sharply to 51.4 from August's 54.8 figure. A slew of factors including falling global demand for its industrial goods, Brexit uncertainty and structural changes within the country's auto industry are weighing on the economy and the Euro-area as well.
- **Johnson makes last ditch effort to strike a Brexit deal.** UK PM Johnson's revised Brexit proposal to the EU received lukewarm response last week. With the October 31 deadline fast approaching, the prospect of a deal agreeable to both the EU and the UK's Parliament seems unlikely. Given the pressures on Johnson and the lack of political capital, he would be forced to seek an extension to the Brexit deadline and a fresh general election potentially looms on the horizon. The GBP gained 0.3% against the USD while the FTSE100 lost 3.6% on the week.
- **Japanese banks search for yield.** Amid pressure to protect earnings amid prolonged negative interest rates, regional Japanese banks have increased exposure to riskier investments, such as real estate, small-mid business loans and foreign assets. The move has caused a spike in bad-debt costs owing to weaker lending standards and raised credit downgrade fears for many of them. Meanwhile and mindful of the increasing costs of negative interest rates, the BoJ indicated it could buy fewer longer-term bonds to steepen the yield curve. On the week, the JPY gained 0.9% against the USD while the Nikkei225 lost 2.1%.
- **Oil markets fall.** Worries about the state of the global economy continued to weigh on oil demand while investors shrug off geopolitical risks for the time being. A rise in crude oil inventories in the US and a faster-than-expected pace of Saudi's oil production recovery also put downward pressure on prices. Brent lost 5.7% last week and has more than given up its gains made post the recent attack on Saudi oil facilities.

LOOKING FORWARD

- Minutes of the last FOMC meeting will be released on **Tuesday.** The UK reports its monthly GDP figure on **Thursday** while US CPI will be announced on the same day.

MAIN CROSS RATES

€ 1 — $ 1.0979

£ 1 — $ 1.2331

$ 1 — ¥ 106.94

	Yield % (06/10)	Yield % (29/09)
Abu Dhabi 2027	2.28	2.37
KSA 2029	2.77	2.83
Dubai 2029	3.10	3.17
Qatar 2029	2.49	2.66
US 10Y	1.53	1.68
German 10Y	-0.59	-0.57

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,154	-1.0%	14.3%
MSCI BRIC	301	-0.4%	5.9%
MSCI EM	997	-0.5%	3.2%
USA - S&P 500	2,952	-0.3%	17.8%
UK- FTSE 100	7,155	-3.6%	6.4%
France - CAC40	5,488	-2.7%	16.0%
Germany - DAX	12,013	-3.0%	13.8%
Japan - Nikkei 225	21,410	-2.1%	7.0%
Dubai	2,761	-1.3%	9.1%
Abu Dhabi	5,028	-0.8%	2.3%
Saudi	7,921	-1.3%	1.2%
Oman	4,026	0.3%	-6.9%
Kuwait	4,697	-0.4%	-0.9%
Egypt	14,218	2.6%	9.1%
Qatar	10,311	-1.0%	0.1%
Commodities			
Gold ($/oz)	1,505	0.5%	17.3%
Silver ($/oz)	18	0.0%	13.2%
Platinum ($/oz)	880	-5.5%	10.6%
Oil – Brent ($/bbl)	58	-5.7%	8.5%

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EMIRATES INVESTMENT BANK

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IMPORTANT INFORMATION