

Global equities sell off on rising rate fears

بنك الإمارات
للإستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- **Global equities sell off.** Fears that interest rates may have to rise faster than expected on continued solid economic data in the US culminated in a global equity sell-off, led by the S&P500 which fell 4.1% last week. Meanwhile, a lower than expected US CPI reading calmed investor fears and tempered the risk-off sentiment by the end of the week.
- **IMF cuts global growth forecast.** The IMF lowered its global growth forecast for the first time in more than two years, cutting its growth estimate for 2018 by 0.2% to 3.7%. The IMF said that while the steady expansion underway since mid-2016 continues, the expansion has become less balanced due to rising risks from trade protectionism and stresses in Emerging Markets.
- **Italian parliament passes budget proposal.** The Italian parliament defied EU budget controls and voted in favor of the populist government's budget proposal, setting a 2019 deficit goal of 2.4% of GDP. Despite Finance Minister Tria's comment that the extra deficit will help bolster growth and reduce debt as a percentage of GDP, markets continued to punish Italian assets with the spread between Italy and Germany's 10-year bonds hitting a 5-year high of 370bps. The FTSE MIB lost 5.4% while the Eurostoxx50 also sold-off, losing 4.5% last week.
- **China cuts reserve ratio to support growth.** In yet another move to support its slowing domestic economy amid a worsening trade war with the US, China decreased the amount of money that commercial banks must put aside with the Central bank, a significant move that could release an extra USD175 bn into the economy. Though the move should boost domestic activity, it will potentially put downward pressure on the CNY, which has already lost 6.4% against the USD so far this year.
- **Oil falls on IEA report.** In its report, the International Energy Agency (IEA) expressed concerns about rising oil prices, stating that it poses a threat to economic growth. The agency revised its demand outlook for oil downward over the next two years. OPEC also expects global oil demand to slow down next year due to weakening economic growth and higher output from mainly US shale producers. Brent ended last week lower by 4.4%.

LOOKING FORWARD

- The US reports its retail sales figures on **Monday** while China's CPI and UK unemployment data will be announced on **Tuesday**. Eurozone CPI and FOMC minutes will be released on **Wednesday**. On **Friday**, China reports its GDP and retails sales data.



MAIN CROSS RATES

€ 1 ————— \$ 1.1560

£ 1 ————— \$ 1.3153

\$ 1 ————— ¥ 112.21

	Yield % (14/10)	Yield % (07/10)
Abu Dhabi 2021	3.31	3.29
KSA 2021	3.73	3.59
Dubai 2023	3.87	3.77
Qatar 2023	3.52	3.52
US 10Y	3.16	3.23
German 10Y	0.50	0.57

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,063	-4.1%	-1.9%
MSCI BRIC	284	-1.7%	-15.5%
MSCI EM	980	-2.1%	-15.4%
USA - S&P 500	2,767	-4.1%	3.5%
UK- FTSE 100	6,996	-4.4%	-9.0%
France - CAC40	5,096	-4.9%	-4.1%
Germany - DAX	11,524	-4.9%	-10.8%
Japan - Nikkei 225	22,695	-4.6%	-0.3%
Dubai	2,755	-1.3%	-18.2%
Abu Dhabi	4,968	-0.8%	12.9%
Saudi	7,531	-5.8%	4.2%
Oman	4,490	-0.8%	-11.0%
Kuwait	4,718	-0.5%	-2.3%
Egypt	13,283	-5.8%	-11.5%
Qatar	9,862	-0.4%	15.7%
Commodities			
Gold (\$/oz)	1,217	1.1%	-6.6%
Silver (\$/oz)	15	-0.4%	-13.9%
Platinum (\$/oz)	838	1.9%	-9.7%
Oil - Brent (\$/bbl)	80	-4.4%	20.3%

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