Markets react to trade deal and Brexit developments

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LOOKING BACK

- **US and China reach consensus.** Softening their stance, the US as well as China reached consensus with phase one deadline for the trade deal fast approaching. While the US consented to put off tariffs on some of the Chinese imports, Beijing in return, agreed to US$200 billion increased imports of US goods and services over the next two years. After receiving commitments towards increased protection of intellectual property rights from China, the US president revealed immediate initiation of the phase two of deal talks. On the week, the SPX gained 0.7%.
- **Fed leaves interest rates unchanged.** Indicating continuation of a status quo for an unspecified time, the Fed committee in its unanimous decision left the interest rates unchanged. Upbeat on the pickup in the housing market as well as consumer spending on strong labour market, the Fed maintained its 2020 GDP growth expectations of 2%. Signifying the impact of the global economic developments, the Fed also pointed close monitoring of muted inflation in its future course of action. The 10-year US Treasury declined 2bps to close at 1.82%.
- **Brexit uncertainties lessen with Johnson's victory.** The realistic possibilities of a January 2020 Brexit increased with Boris Johnson's win in the UK general elections. While claiming to have a powerful mandate for his government that will approve the Brexit agreement, Johnson ruled out possibility of a second Brexit referendum. Successful Brexit will remove uncertainties which cloud the UK economy that remained flat in October after previous consecutive two months of decline. The paring down of Brexit uncertainties pushed the GBP up by 1.5%, while the FTSE100 index gained 1.6%.
- **Japan's Q3 GDP beats estimates.** Driven by an uptick in capital investment as well as private consumption, the Japanese GDP rose 1.8% in Q3, much ahead of the initial reading of 0.2%. Defying the global sentiments blurred by trade tensions, the business investments grew 1.8% compared to the forecast of 1.4%. However, private consumption in Q4 is expected to cool off, thus creating a drag on the economy, as front-loading of purchases prior to October's consumption tax hike pushed Q3 increase of 0.4% QoQ. On the week, the Nikkei rose 2.9%, while the JPY declined 0.7%.
- **Oil prices advance on OPEC estimates.** Aided by the OPEC forecast of tighter oil market on bottoming out of the global slowdown as well as decline in production, the oil prices grew 1.3% on the week, taking the year to date gains to 21.2%. Meanwhile, a 15% up-move in 2 days since listing made Saudi Aramco the most valuable company in the world as it crossed but closed just below US$2 trillion valuation.

LOOKING FORWARD

- China will report its Industrial Production data, while the US as well as the Eurozone will report their composite PMI data on **Monday**. The US will report its initial jobless claims while Bank of Japan will hold its monetary policy meeting on **Thursday**.

MAIN CROSS RATES

€ 1	$ 1.1121
£ 1	$ 1.3331
$ 1	¥ 109.38

	Yield % (15/12)	Yield % (08/12)
Abu Dhabi 2027	2.38	2.41
KSA 2029	2.84	2.91
Dubai 2029	3.11	3.13
Qatar 2029	2.54	2.55
US 10Y	1.82	1.84
German 10Y	-0.29	-0.29

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,320	1.0%	23.1%
MSCI BRIC	331	3.2%	16.4%
MSCI EM	1,087	3.6%	12.5%
USA - S&P 500	3,169	0.7%	26.4%
UK- FTSE 100	7,353	1.6%	9.3%
France - CAC40	5,919	0.8%	25.1%
Germany - DAX	13,283	0.9%	25.8%
Japan - Nikkei 225	24,023	2.9%	20.0%
Dubai	2,722	1.0%	7.6%
Abu Dhabi	5,036	-0.2%	2.5%
Saudi	8,006	1.3%	2.3%
Oman	4,020	-0.2%	-7.0%
Kuwait	4,821	0.0%	1.7%
Egypt	13,358	-1.9%	2.5%
Qatar	10,257	-1.0%	-0.4%
Commodities			
Gold ($/oz)	1,476	1.1%	15.1%
Silver ($/oz)	17	2.1%	9.3%
Platinum ($/oz)	929	3.6%	16.7%
Oil – Brent ($/bbl)	65	1.3%	21.2%

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EMIRATES INVESTMENT BANK

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