

Geopolitical tensions spark flight-to-safety sentiment

بنك الإمارات
للاستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- **Geopolitics dominates market sentiment.** Safe haven assets were in demand last week amid intensifying geopolitical concerns as tensions between North Korea and the US escalated. Investors affirmed the "risk-off" sentiment, pushing the 10-year US Treasury yield down to 2.19% from 2.26% a week ago. Safe-haven currencies such as the CHF and the JPY firmed, while gold rallied 2.4%. Volatility, as measured by the VIX Index, jumped to 15.5 from 10.0 the week earlier.
- **Muted inflation data raises doubts over Fed plans.** The US CPI rose just 0.1% (1.7% annualized) in July after a stagnant June, the fifth straight month of below-forecast inflation figures. Despite several FOMC members expressing concerns over a lower-than-expected inflation reading in the recent past, the Fed views the recent decline in inflationary pressures as transitory. However, markets seem to be doubting this general Fed view as the implied probability of another rate hike this year stands at just 40%.
- **German exports fall, raising questions over EUR strength.** German exports fell 2.8% in June compared with May, the biggest drop in almost two years, highlighting the risks posed by the EUR strength in recent months. Demand for German exports dropped the most from countries outside the EU, another indication that the 12.4% YTD EUR appreciation against the USD was the main culprit of the fall.
- **China's forex reserves hit a 9-month high in July.** China's forex reserves maintained their upward trajectory in July, demonstrating the underlying resilience of the Chinese economy. Reserves rose for the sixth straight month in July to USD3.08 trillion after falling over USD1 trillion in the last 2 years, as authorities imposed controls to curb capital flight in an attempt to defend the CNY, which has appreciated by 4.1% versus the USD so far this year.
- **OPEC deal compliance rate falls again.** The International Energy Agency (IEA) reported that the OPEC output compliance rate fell further in July to a new low of 75% from 77% in June. While US shale producers have proved resilient with cost cuts and productivity gains, lower OPEC compliance rates have increased the global oil supply by nearly 500k bbl/day in July to 98.2mbd. Brent closed at USD 52.1/bbl, marginally lower by 0.6% last week.

LOOKING FORWARD

- Japan Q2 GDP, China retail sales and Eurozone Industrial Production (IP) will be reported on **Monday** while UK CPI and US retail sales will be reported on **Tuesday**. Eurozone Q2 GDP will be published on **Wednesday** and the minutes of the last ECB meeting will be released on **Thursday**.



MAIN CROSS RATES

€ 1 ————— \$ 1.1821

£ 1 ————— \$ 1.3014

\$ 1 ————— ¥ 109.14

	Yield % (13/08)	Yield % (06/08)
Abu Dhabi 2019	1.52	1.49
KSA 2021	2.61	2.63
Dubai 2023	3.17	3.15
Qatar 2023	3.01	2.91
US 10Y	2.19	2.26
German 10Y	0.38	0.47

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	1,938	-1.5%	10.7%
MSCI BRIC	297	-2.2%	22.9%
MSCI EM	1,043	-2.3%	20.9%
USA - S&P 500	2,441	-1.4%	9.0%
UK- FTSE 100	7,310	-2.7%	2.3%
France - CAC40	5,061	-2.7%	4.1%
Germany - DAX	12,014	-2.3%	4.6%
Japan - Nikkei 225	19,730	-1.1%	3.2%
Dubai	3,647	-0.8%	3.3%
Abu Dhabi	4,551	-1.0%	0.1%
Saudi	7,165	1.1%	-0.6%
Oman	4,992	-1.3%	-13.7%
Kuwait	6,845	0.3%	19.1%
Egypt	13,462	0.4%	9.1%
Qatar	9,243	-1.7%	-11.4%
Commodities			
Gold (\$/oz)	1,289	2.4%	12.4%
Silver (\$/oz)	17	5.2%	7.5%
Platinum (\$/oz)	985	2.2%	9.1%
Oil - Brent (\$/bbl)	52	-0.6%	-8.3%

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

Fabien Paturaud, CFA

Associate Director – Asset Management
fabien.paturaud@eibank.com

Joyson D'Souza, CFA

Associate – Asset Management
joyson.dsouza@eibank.com

EMIRATES INVESTMENT BANK

EIBank is a Dubai-based boutique dedicated to the service of an exclusive group of private and institutional clients. Private banking and investment banking needs are approached holistically.

In private banking, the bank prides itself on offering highly personalised investment solutions and one-on-one servicing by a professional team of wealth management specialists. EIBank's open platform provides clients with access to markets globally.

In investment banking, the bank provides clients with advice on mergers & acquisitions, access to capital markets and other corporate finance matters.

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.