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Equity markets posted gains despite tech sell-off

Equity markets partially reversed the previous week's loss and posted gains despite the volatility in the technology sector. The trade war concerns slightly eased on reports that China may postpone its retaliation on imposing tariffs on some of US imports (including soybeans and commercial aircraft). Softening geopolitical tensions with North-Korea hinting at resolving issues with US also added to risk appetite. However, markets remained subjected to continuous swings, driven by the sell-off in technology stocks. The "FAANG" stocks suffered major losses, led by Facebook which came under pressure as the announcement of a Federal Trade Commission investigation into the data privacy issue signaled the possibility of stricter regulations. Amazon was also heavily sold after President Trump criticized the company for paying "no or little" taxes and putting "thousands out of business". However, tech stocks recovered a bit during the latter part of the week ahead of the Easter holidays and as a result, tech-heavy NASDAQ ended the week almost flat. Investors stepped away from safe-haven assets, causing the gold prices to decline and the yen to post its biggest weekly loss since September 2017. On the other hand, the dollar regained strength, halting its slide against major currencies. In spite of reduced safe-have appetite, investors stuck to US Treasuries amidst the volatility in technology sector, pushing the 10-year treasury yields to the lowest level in almost two months. Brent crude prices were mostly flat while WTI crude declined on reports of rising US inventories and crude production. Amidst the mixed GCC markets' sentiment, Saudi markets outperformed on receiving the FTSE upgrade to emerging market status.

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Chinese imports list release and March US jobs- the highlight of the week

After a turbulent first quarter- the worst three months for global equities in more than two-years- market participants will be looking forward to starting the new quarter. Previous week's calmness may linger on for a while with another shorter trading week as many markets remain closed for Easter holiday on Monday. However, this may not last for long as with the China's retaliatory measures on 128 US imports taking effect from today, the focus will be back again on the prospects of further dialogues between the US and China. The US is scheduled to release a list of USD 50billion worth of Chinese imported goods on which it will be imposing duties before April 6. In terms of data releases, the US March jobs report will mainly dominate the markets. After recording the largest addition since 2016 in February, March's non-farm payrolls is expected to register fewer additions compared to February. However, unemployment rate is expected to decline further to 4% while wage growth is likely to record a modest pick-up. Elsewhere, attention will also be on the final reading of the manufacturing PMI releases across the globe, particularly from Europe, China and Japan where recent indicators have shown signs of softness. In India, all eyes will be on the RBI MPC meeting where the central bank may advocate a less hawkish stance with easing signs of inflation.

Past week global markets' performance

Index Snapshot (World Indices)

Index	Latest	Weekly Chg %	YTD %
S&P 500	2,640.9	2.0	-1.2
Dow Jones	24,103.1	2.4	-2.5
Nasdaq	7,063.4	1.0	2.3
DAX	12,096.7	1.8	-6.4
Nikkei 225	21,454.3	4.1	-5.8
FTSE 100	7,056.6	1.9	-8.2
Sensex	32,968.7	1.1	-3.2
Hang Seng	30093.4	-0.7	0.6
Regional Markets (Sunday to Thursday)			
ADX	4585.4	-0.6	4.3
DFM	3108.5	-0.2	-7.8
Tadawul	7870.9	0.4	8.9
DSM	8574.0	-2.0	0.6
MSM30	4773.51	-0.6	-6.4
BHSE	1318.4	-1.2	-1.0
KWSE	6633.4	0.0	3.5
MSCI			
MSCI World	2,066.8	1.5	-1.7
MSCI EM	1,170.9	-0.1	1.1

Global Commodities, Currencies and Rates

Commodity	Latest	weekly Chg %	YTD %
ICE Brent USD/bbl	69.3	-0.3	3.7
Nymex WTI USD/bbl	64.9	-1.4	7.5
Gold USD/t oz	1325.5	-1.6	1.7
Silver USD/t oz	16.4	-1.2	-3.4
Platinum USD/t oz	932.1	-1.8	0.4
Copper USD/MT	6685.0	0.4	-6.6
Alluminium	1990.75	-2.3	-11.8
Currencies			
EUR USD	1.2324	-0.2	2.7
GBP USD	1.4015	-0.8	3.7
USD JPY	106.28	1.5	-6.0
CHF USD	0.9540	0.7	2.1
Rates			
USD Libor 3m	2.3118	0.9	36.4
USD Libor 12m	2.6626	-0.1	26.4
UAE Eibor 3m	2.3325	3.0	29.9
UAE Eibor 12m	2.7912	-0.6	8.3
US 3m Bills	1.7001	-0.9	23.6
US 10yr Treasury	2.7389	-2.7	13.9

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Summary market outlook

Bonds	
Global Yields	Long-end US Treasury yield dropped to near two month lows as investors added treasuries amidst the tech stocks sell-off. Overall, we expect 10-year yield to consolidate below 3%.Further uptick in yields will only trigger a buying opportunity for long-duration fixed income investors.
Stress and Risk Indicators	The VIX index declined from the previous week's high as equity market stabilised. Volatility is unlikely to decline significantly given the backdrop of markets' fear of central bank policy normalization.
Equity Markets	
Local Equity Markets	GCC equity markets had a mixed week, though Saudi stocks outperformed over the week on FTSE upgrade to emerging market status. We remain neutral on GCC equities given the potential for further dollar strength and range-bound oil prices. We maintain our tactical call on Saudi equities on the back of their inclusion onto the MSCI watch list for potential promotion into the MSCI Emerging Markets index.
Global Equity Markets	Global equities posted weekly gains despite the sell-off in tech stocks. However, markets experienced swings on the back of the volatility in the technology sector. The "FAANG" stocks were the worst hit on concerns of data privacy issues. On the other hand, Japanese equities outperformed other markets on the back of weaker yen. In spite of the recent surge in volatility, we believe that strong economic fundamentals along with robust corporate earnings growth support the case for our overweight stance on equities.
Commodities	
Precious Metals	Gold prices declined as investors moved away from safe-haven assets. We remain overweight on gold as a risk hedge against ongoing political and (potential) inflationary risks.
Energy	Brent crude prices ended the week almost flat. However, WTI crude prices declined over the week on reports of rising US inventories and crude production. We expect oil to continue trading in the broad range seen over the past 12 months. A break out at the upper end will be challenging given US production will likely act as a ceiling on oil prices.
Industrial Metals	Industrial metals remained under pressure with the dollar strength regaining grounds. Longer-term we do not recommend industrial metals exposure due to concerns around Chinese growth prospects post the Party Congress.
Currencies	
EURUSD	The euro was flat versus the dollar in spite of positive German unemployment data. We expect the euro to remain range bound with a minor upward bias.
Critical levels	R2 1.2359 · R1 1.2342 · S1 1.2296 · S2 1.2269
GBPUSD	The pound weakened versus the dollar on account of broad dollar strength. We expect sterling to remain under pressure due to political uncertainty, economic weakness and Brexit negotiations.
Critical levels	R2 1.4078 · R1 1.4047 · S1 1.3997 · S2 1.3979
USDJPY	The yen depreciated against the dollar as safe-haven appetite reduced. We believe there will remain a bias for yen weakness given divergent monetary policies between Japan and the US.
Critical levels	R2 106.78 · R1 106.53 · S1 106.08 · S2 105.88

Note: R2, R1, S2 and S1 refer to Bloomberg calculated weekly technical resistance and support levels

Forthcoming important economic data

United States

	Indicator	Period	Expected	Prior	Comments
04/02/2018	Markit Manufacturing PMI	Mar F	55.7	55.7	Market attention will be on labour market payroll data, also PMI and goods orders will be important this week.
04/04/2018	MBA Mortgage Applications	30-Mar	--	4.80%	
04/04/2018	Durable Goods Orders	Feb F	--	3.10%	
04/05/2018	Initial Jobless Claims	31-Mar	--	215K	
04/05/2018	Trade Balance	Feb	-$56.5b	-$56.5b	
04/06/2018	Change in Nonfarm Payrolls	Mar	189K	313K	
04/06/2018	Unemployment Rate	Mar	4.00%	4.10%	
04/06/2018	Average Hourly Earnings YoY	Mar	2.70%	2.60%	
04/06/2018	Labour Force Participation Rate	Mar	--	63.00%	

Japan

	Indicator	Period	Expected	Prior	Comments
04/02/2018	Nikkei PMI Mfg	Mar F	--	53.2	Japan Nikkei Manufacturing PMI will be important.

Eurozone

	Indicator	Period	Expected	Prior	Comments
04/03/2018	Markit Manufacturing PMI	Mar F	56.6	56.6	All attention will be on PPI and CPI, also the focus will be on trade balance, industrial production, and retail sales.
04/04/2018	CPI Core YoY	Mar A	1.10%	1.00%	
04/04/2018	CPI YoY	Mar	1.40%	1.20%	
04/05/2018	PPI YoY	Feb	1.50%	1.50%	
04/05/2018	Retail Sales YoY	Feb	2.30%	2.30%	
04/06/2018	Industrial Production YoY (GE)	Feb	4.30%	5.50%	
04/06/2018	Trade Balance	Feb	-5313m	-5560m	

United Kingdom

	Indicator	Period	Expected	Prior	Comments
04/03/2018	Markit PMI Manufacturing SA	Mar	54.7	55.2	Attention will be on UK PMI Manufacturing.

China and India

	Indicator	Period	Expected	Prior	Comments
04/02/2018	Caixin PMI Mfg (CH)	Mar	51.6	51.7	All eyes will be on RBI meeting, also China and India Manufacturing PMI will be important.
04/03/2018	Nikkei PMI Mfg (IN)	Mar	--	52.1	
04/05/2018	RBI Meeting (IN)	5-April	No Change		
04/07/2018	Foreign Reserves (CH)	Mar	--	$3134.48b	

Sources

All information in this report has been obtained from the following sources except where indicated otherwise:

1. Bloomberg
2. Wall Street Journal
3. RTTNews
4. Reuters
5. Gulfbase
6. Zawya

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