The Weekly Market View

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A lot of noise but not a lot of action

Global equities started the week strongly only to give up most of their gains by the end of the week. Gains early on were driven by reducing tension between the US and North Korea. Unsurprisingly Emerging equities benefitted the most from this, finishing the week up 1.6%. The pull-back in global equities towards the end of the week came as a result of President Trump's response to events in Charlottesville. This led to the disbanding of his CEO councils which he had set up. At the same time, chief White House strategist Steve Bannon left his position and rumours circulated that economic advisor Gary Cohn may soon depart as well. The combination of these events fuelled worries that the Trump administration would be too pre-occupied to focus on any of their pro-growth policies. This led to a pick-up in volatility, a jump in gold prices (which breached $1,300/oz before settling back down) and Treasury yields to fall. The euro lost against both the US dollar and pound sterling as it emerged that the ECB is becoming concerned both by the strength of the currency as well as stubbornly low inflation.

Central Banks becoming more dovish, Jackson Hole to offer clues

Dovish monetary policy committee minutes from both the ECB and Fed triggered a decline in the value of the euro and put downward pressure on global bond yields. Markets have in recent months been anticipating that the ECB will join the Fed in taking steps towards "policy normalization", that is to say, scaling back its balance sheet. These expectations, together with better economic data in the euro zone have led to a 10% rally in euro-dollar this year. A stronger euro poses a serious headache for the region's export competitiveness, not to mention it also weighs on inflation. The latest ECB minutes suggest the governing council is becoming concerned by this. We have argued for some time that we believe expectations of ECB tightening are pre-mature and that too much has been priced in. The ECB ultimately sets policy for the periphery and not for the core, and the periphery is unable to handle tighter monetary conditions. The symposium at Jackson Hole on Friday in which both Fed Chair Janet Yellen and ECB President Mario Draghi are speaking could be used by the latter to dampen expectations of asset purchase tapering which could therefore lead to further profit taking in the euro-dollar exchange rate.

Past week global markets' performance

Index Snapshot (World Indices)

Index	Latest	Weekly Chg %	YTD %
S&P 500	2,425.6	-0.6	8.3
Dow Jones	21,674.5	-0.8	9.7
Nasdaq	6,216.5	-0.6	15.5
DAX	12,165.2	1.3	6.0
Nikkei 225	19,470.4	-1.3	1.9
FTSE 100	7,324.0	0.2	2.5
Sensex	31,524.7	1.0	18.4
Hang Seng	27047.6	0.6	22.9
Regional Markets (Sunday to Thursday)			
ADX	4492.7	-1.3	-1.2
DFM	3601.2	-1.3	2.0
Tadawul	7179.3	0.2	-0.4
DSM	9106.2	-1.5	-12.7
MSM30	4889.28	-2.0	-15.5
BHSE	1298.9	-1.9	6.4
KWSE	6885.8	0.6	19.8
MSCI			
MSCI World	1,930.4	-0.4	10.2
MSCI EM	1,059.5	1.6	22.9

Global Commodities, Currencies and Rates

Commodity	Latest	Weekly Chg %	YTD %
ICE Brent USD/bbl	52.7	1.2	-7.2
Nymex WTI USD/bbl	48.5	-0.6	-9.7
Gold USD/t oz	1284.1	-0.4	11.9
Silver USD/t oz	17.0	-0.9	6.5
Platinum USD/t oz	977.9	-0.7	8.3
Copper USD/MT	6453.0	1.6	17.3
Alluminium	2051.5	0.7	21.1
Currencies			
EUR USD	1.1761	-0.5	11.8
GBP USD	1.2870	-1.1	4.3
USD JPY	109.18	-0.0	-7.1
CHF USD	0.9646	0.3	5.6
Rates			
USD Libor 3m	1.3147	-0.0	31.7
USD Libor 12m	1.7262	0.1	2.4
UAE Eibor 3m	1.5265	-0.2	3.4
UAE Eibor 12m	2.1513	0.3	2.7
US 3m Bills	1.0011	-3.0	101.3
US 10yr Treasury	2.1939	0.2	-10.2

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Summary market outlook

Bonds	
Global Yields	US Treasury yields ended the week almost unchanged, supported by dovish Fed statement and late week appetite for safe-haven assets. Overall, we expect Treasury yields to remain range bound unless there is a sharp jump in inflation/inflation expectations.
Stress and Risk Indicators	The VIX jumped last week mirroring the decline in US equities amidst both rising geopolitical and US domestic political risks. Given ongoing global political uncertainty, current levels appear justified.
Equity Markets	
Local Equity Markets	GCC equity markets ended the week lower, tracking the sluggishness in global equity markets and volatility in oil prices. Overall, 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 remain mixed with US equities retreating from their record highs. Market concerns over the Trump administration's agenda and rise in geopolitical risks continued to weigh on investor sentiment. Emerging market equities rallied thanks to reducing tension between the US and North Korea. Overall, we believe sentiment in equity markets is less likely to be driven by political uncertainty and more by central bank rhetoric and economic data. At the same time, with most equity markets still trading near record highs, further consolidation is expected to take place in the near-term.
Commodities	
Precious Metals	Gold prices were mostly unchanged in spite of increased geopolitical uncertainty. We stick to our overweight recommendation on gold as a risk hedge against ongoing political and potential for inflationary risks.
Energy	WTI crude oil came under pressure with the sell-off in US equities. Brent crude rose by 1.2% over the week on reports of crude stockpiles declining. While, we expect some upward normalization to take place, moderately rising US production is still likely to act as a ceiling on oil prices.
Industrial Metals	Industrial metals performed well despite the recovery in dollar demand. We do not recommend industrial metals exposure due to ongoing concerns around Chinese growth prospects.
Currencies	
EURUSD	The euro partially reversed its previous gains versus the dollar as minutes highlighted the ECB's concern over euro strength. On a long term basis, we expect the euro to weaken given the divergence in central bank policies in Europe versus the US.
Critical levels	R2 1.1814 · R1 1.1787 · S1 1.1721 · S2 1.1682
GBPUSD	The pound weakened versus the dollar ahead of the next round of Brexit talks. We expect sterling to remain under pressure due to political uncertainty, economic weakness and Brexit negotiations.
Critical levels	R2 1.2958 · R1 1.2914 · S1 1.2829 · S2 1.2788
USDJPY	The yen ended the week flat versus the dollar, supported by demand for safe-haven assets. However, bias for yen weakness remains given the potential for dollar strength.
Critical levels	R2 110.12 · R1 109.65 · S1 108.66 · S2 108.13

Forthcoming important economic data

United States

	Indicator	Period	Expected	Prior	Comments
8/23/2017	Markit Mfg PMI	Aug P	53.4	53.3	Housing data and PMIs will be important.
8/23/2017	New Home Sales	Jul	610k	610k	
8/24/2017	Existing Home Sales	Jul	5.56m	5.52m	
8/25/2017	Durable Goods Orders	Jul P	-6.00%	6.40%	
8/25/2017	Durables Ex Transportation	Jul P	0.40%	0.10%	

Japan

	Indicator	Period	Expected	Prior	Comments
8/21/2017	All Industry Activity Index MoM	Jun	0.40%	-0.90%	PMIs will be closely tracked by the market.
8/23/2017	Nikkei Japan PMI Mfg	Aug P	-	52.1	
8/25/2017	Natl CPI YoY	Jul	0.40%	0.40%	

Eurozone

	Indicator	Period	Expected	Prior	Comments
8/23/2017	Markit Mfg PMI	Aug P	56.3	56.6	Markets will closely look at the PMI and IFO survey.
8/25/2017	IFO Business Climate (GE)	Aug	115.5	116	
8/25/2017	IFO Expectations (GE)	Aug	106.8	107.3	

United Kingdom

	Indicator	Period	Expected	Prior	Comments
8/21/2017	Rightmove House Prices MoM	Aug	-	0.10%	Focus will be on the GDP and trade data.
8/24/2017	GDP QoQ	2Q P	0.30%	0.30%	
8/24/2017	Exports QoQ	2Q P	1.00%	-0.70%	

China and India

Indicator	Period	Expect	Prior	Comments
				No important data releases scheduled for the week

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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