No news was not good news for the dollar

Global equities gained slightly on the back of the market's dovish interpretation of the Jackson Hole Symposium. The euro rallied significantly versus the dollar, gaining 1.4% over the week. As a result, US equity markets outperformed their Eurozone peers, which ended the week slightly down in local currency terms given that continued euro strength weighs on Eurozone corporate earnings expectations. Emerging markets were the top performers, benefitting from the weaker dollar and lower treasury yields. US Treasury yields also dipped in the absence of any indication by the Fed as to the trajectory of future interest rates. However, short-term treasury bills came under pressure amid growing concerns over a possible government shutdown if US Congress fails to extend the debt ceiling limit. The weaker dollar also proved beneficial for the safe-havens including precious metals and the Japanese yen which posted further gains last week. Energy prices ended the week slightly lower but rose going into the weekend due to potential supply disruptions in the US from Hurricane Harvey, as well as reports of declining US crude oil inventories

Wietse Nijenhuis
Equity Strategist
Tel: +971 (0)2 205 4923
wietse.nijenhuis@adcb.com

Prerana Seth
Fixed Income Strategist
Tel: +971 (0)2 696 2878
prerana.seth@adcb.com

Luciano Jannelli, Ph.D., CFA
Head Investment Strategy
Tel: +971 (0)2 696 2340
luciano.jannelli@adcb.com

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Earnings growth and strong economic data can support higher valuations

Equity markets have remained incredibly resilient in recent months, despite a host of potentially destabilising developments (think North Korea, White House turmoil and central bank tightening). It has been over 400 days since global equities last experienced so much as a 5% correction. So far this year, the US equity market has moved by more than 1% on just 7 days, compared to an average of 73 days per year over the past 20 years. This unusual calm, coupled with stretched valuations has led to concerns that a correction is imminent. While a correction can be a healthy occurrence, we do not think that valuations are a justifiable trigger. Global equities are up 12.6% y-t-d, nevertheless the PE ratio has fallen this year. This is because the denominator (earnings) has outpaced the numerator (prices). This development is very welcome given it marks a significant departure from the past 5 years during which earnings were flat or even contracted, and markets rose purely due to multiple expansion (i.e. they became more expensive). As long as corporate earnings growth remains strong and economic data healthy, in the context of still very low global interest rates above average valuations can be sustained for a while longer.

Past week global markets' performance

Index Snapshot (World Indices)

Index	Latest	Weekly Chg %	YTD %
S&P 500	2,443.1	0.7	9.1
Dow Jones	21,813.7	0.6	10.4
Nasdaq	6,265.6	0.8	16.4
DAX	12,167.9	0.0	6.0
Nikkei 225	19,452.6	-0.1	1.8
FTSE 100	7,401.5	1.1	3.6
Sensex	31,596.1	0.2	18.7
Hang Seng	27848.2	3.0	26.6
Regional Markets (Sunday to Thursday)			
ADX	4493.8	0.0	-1.2
DFM	3624.5	0.6	2.7
Tadawul	7245.7	0.9	0.5
DSM	8951.8	-1.7	-14.2
MSM30	4946.89	1.2	-14.5
BHSE	1302.1	0.2	6.7
KWSE	6885.2	-0.0	19.8
MSCI			
MSCI World	1,944.6	0.7	11.0
MSCI EM	1,085.4	2.4	25.9

Global Commodities, Currencies and Rates

Commodity	Latest	Weekly Chg %	YTD %
ICE Brent USD/bbl	52.4	-0.6	-7.8
Nymex WTI USD/bbl	47.9	-1.3	-10.9
Gold USD/t oz	1291.2	0.6	12.5
Silver USD/t oz	17.1	0.6	7.2
Platinum USD/t oz	974.7	-0.3	7.9
Copper USD/MT	6714.0	4.0	22.1
Alluminium	2057.25	0.3	21.4
Currencies			
EUR USD	1.1924	1.4	13.4
GBP USD	1.2882	0.1	4.4
USD JPY	109.36	0.2	-6.9
CHF USD	0.9570	-0.8	6.5
Rates			
USD Libor 3m	1.3178	0.2	32.1
USD Libor 12m	1.7279	0.1	2.5
UAE Eibor 3m	1.5367	0.7	4.1
UAE Eibor 12m	2.1262	-1.1	1.5
US 3m Bills	1.0036	0.3	101.8
US 10yr Treasury	2.1659	-1.3	-11.4

Please refer to the disclaimer at the end of this publication

Summary market outlook

Bonds	
Global Yields	US Treasury yields rallied last week as Mrs. Yellen's speech at Jackson Hole did not give any hint as to the future trajectory of interest rates. 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 moved lower in line with the equity market rally and in the absence of any economic surprises. However, given ongoing global political uncertainty, a jump in volatility cannot be ruled out.
Equity Markets	
Local Equity Markets	GCC equity markets were stable as oil prices rose in the latter half of the week. 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 ended in positive territory, barring Eurozone equities which were slightly down after the euro breached the $1.19 level. US equities were supported by renewed prospects of US tax reform. Emerging market equities were the top performer on the back of dollar weakness. Overall, we believe sentiment in equity markets is likely to be mainly driven by central bank rhetoric and economic data. 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 ended the week higher, receiving a boost from the weaker dollar and lower treasury yields. We stick to our overweight recommendation on gold as a risk hedge against ongoing political and potential for inflationary risks.
Energy	Oil prices ended the week lower, but rallied in the latter half of the week with the emerging threat from Hurricane Harvey as well as reports of declining US crude inventories. 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, tracking precious metals and weak dollar demand. We do not recommend industrial metals exposure due to ongoing concerns around Chinese growth prospects.
Currencies	
EURUSD	The euro rallied to the highest point since January 2015 in the absence of any change in stance by ECB's Draghi. 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 strengthened versus the dollar on the back of broad dollar weakness. 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 appreciated 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
8/30/2017	GDP Annualized QoQ	2Q S	2.70%	2.60%	Focus will be on GDP, Core PCE and payroll data.
8/30/2017	Core PCE QoQ	2Q S	0.90%	0.90%	
8/31/2017	PCE Core YoY	Jul	1.40%	1.50%	
9/01/2017	Change in Nonfarm Payrolls	Aug	180k	209k	
9/01/2017	Average Hourly Earnings YoY	Aug	2.60%	2.50%	
9/01/2017	Markit US Manufacturing PMI	Aug F	52.6	52.5	
9/01/2017	Univ. of Mich. Current Conditions	Aug F	111	111	

Japan

	Indicator	Period	Expected	Prior	Comments
8/30/2017	Retail Sales MoM	Jul	0.30%	0.20%	PMIs will be closely tracked by the market.
9/01/2017	Nikkei Japan PMI Mfg	Aug F	-	52.8	
9/01/2017	Consumer Confidence Index	Aug	43.6	43.8	

Eurozone

	Indicator	Period	Expected	Prior	Comments
8/30/2017	Consumer Confidence	Aug F	-1.5	-1.5	Inflation and PMI data will be important.
8/31/2017	CPI Estimate YoY	Aug	1.40%	1.30%	
8/31/2017	CPI Core YoY	Aug A	1.20%	1.20%	
9/01/2017	Markit Manufacturing PMI	Aug F	57.4	57.4	

United Kingdom

	Indicator	Period	Expected	Prior	Comments
8/29/2017	Nationwide House Px NSA YoY	Aug	2.50%	2.90%	PMI will be the main focus.
9/01/2017	Markit Manufacturing PMI SA	Aug	55	55.1	

China and India

	Indicator	Period	Expected	Prior	Comments
8/31/2017	Manufacturing PMI (CH)	Aug	51.3	51.4	Attention will be on China PMI and India GDP
8/31/2017	GDP YoY (IN)	2Q	-	6.10%	
9/01/2017	Caixin PMI Mfg (CH)	Aug	51.0	51.1	
9/01/2017	Nikkei India PMI Mfg (IN)	Aug	-	47.9	

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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