

Risk-off mood prevails

Global equity markets came under pressure as US-China trade concerns lingered while Brexit complications increased post the EU withdrawal bill spurring risk of snap elections in the UK. US equities declined with underperformance led by tech stocks - with Amazon and Apple shares leading the decline. European stocks ended lower on account of increased uncertainties over the draft EU withdrawal bill. However, Japanese equities underperformed the most, mainly due to rise in safe-haven appetite driving the yen to appreciate. The dollar slightly pared its gains due to muted US core inflation print and Fed Chair Jay Powell's comments on the possible risks to Fed's monetary policy taken as dovish by the market. Trade worries, however, remained the main driver for the market sentiment. Safe-haven assets rallied with the rise in risk-off sentiment. US Treasury yields dropped lower, benefitting from the increased safe-haven demand and also mixed core inflation readings. The continuous decline in oil prices also drove the inflation expectations lower, adding to the decline in long-term US yields. Brent crude dropped by 5% over the week, marking the sixth consecutive week of losses. Reports of US crude inventories rising for the eighth week in row and uncertainty over OPEC supply cuts weighed on the sentiment. However, oil markets stabilized later during the week, driven by hopes of possible production cuts to be discussed at the upcoming December OPEC meeting.

Light week in terms of data, focus on US-China trade

This week will remain light in terms of economic data releases, but market attention will be centred on the progress of US-China trade negotiations and political upheaval in the UK. Last week began with trade worries dominating the markets as the White House hinted at its plans of new tariffs on auto imports. However, trade concerns decelerated later with US and China releasing details ahead of the planned discussions between President Trump and Xi Jinping at the G20 summit on 30 November/1 December. Later, trade worries resurfaced again with no joint communique released at the APEC summit, signalling that US-China differences could prevail. It is important to note that these trade tensions could escalate further with the US having threatened to impose tariffs on all Chinese imports and increase the tariff rate to 25% on 1 January 2019, if there is no progress in US-China negotiations. Separately, increased political uncertainty after PM May's failure in defending the draft EU bill will be another factor driving the markets this week. The draft EU withdrawal bill, being the main driver for the resignation of key ministers, caused Mrs May to reshuffle her cabinet. While she has so far been able to prevent a leadership challenge, it is at this stage very unlikely that she will get the Brexit deal through parliament. As such, increased political uncertainty will continue to weigh on the pound sterling and the UK equities.

Past week global markets' performance

Index Snapshot (World Indices)

Index	Latest	Weekly Chg %	YTD %
S&P 500	2,736.3	-1.6	2.3
Dow Jones	25,413.2	-2.2	2.8
Nasdaq	7,247.9	-2.1	5.0
DAX	11,341.0	-1.6	-12.2
Nikkei 225	21,801.8	-2.6	-4.2
FTSE 100	7,013.9	-1.3	-8.8
Sensex	35,552.2	0.8	4.4
Hang Seng	26244.7	2.3	-12.3
Regional Markets (Sunday to Thursday)			
ADX	5055.5	1.1	14.9
DFM	2778.8	-1.4	-17.5
Tadaw ul	7496.9	-0.6	3.7
DSM	10297.1	-1.7	20.8
MSM30	4452.12	-1.2	-12.7
BHSE	1310.9	-0.3	-1.6
KWSE	5088.9	-0.1	-
MSCI			
MSCI World	2,031.8	-1.5	-3.4
MSCI EM	986.3	1.0	-14.9

Global Commodities, Currencies and Rates

Commodity	Latest	Weekly Chg %	YTD %
ICE Brent USD/bbl	67.4	-4.9	0.7
Nymex WTI USD/bbl	57.2	-6.2	-5.4
Gold USD/t oz	1219.1	1.1	-6.4
Silver USD/t oz	14.4	1.9	-15.2
Platinum USD/t oz	843.8	-0.8	-9.1
Copper USD/MT	6181.0	1.5	-13.6
Aluminium	1921.5	-1.5	-14.9
Currencies			
EUR USD	1.1399	0.7	-5.0
GBP USD	1.2822	-1.1	-5.1
USD JPY	112.77	-0.9	0.1
CHF USD	1.0004	-0.6	-2.6
Rates			
USD Libor 3m	2.6445	1.0	56.1
USD Libor 12m	3.1236	-0.7	48.3
UAE Eibor 3m	2.8500	8.6	58.8
UAE Eibor 12m	3.4075	-3.7	32.2
US 3m Bills	2.3322	-0.1	69.5
US 10yr Treasury	3.0665	-3.7	27.5

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Summary market outlook

Global Yields

The 10-year US Treasuries yields dropped lower, benefiting from safe-haven appetite and muted US core inflation reading. We expect the 10-year yield will remain range bound between 3% and 3.5% as a further uptick in yields will only trigger a buying opportunity for long-duration fixed income investors.

Stress and Risk Indicators

VIX Index moved higher in line with the sell-off in equity markets. We believe that volatility is unlikely to remain low given the backdrop of markets' fear of central bank policy normalization and trade tensions.

Equity Markets

Local Equity Markets

GCC equity markets continued to underperform last week as oil prices remained under pressure. We remain neutral on GCC equities given the potential for further dollar strength and range-bound oil prices, but we maintain our overweight call on Saudi equities.

Global Equity Markets

Global equity markets came under pressure with trade worries and Brexit uncertainty dominating the sentiment. Overall, we believe that with any upward adjustment in interest rates, we could witness more equity market corrections in the short-term. We remain neutral on global stocks and underweight on emerging stocks as the global risk reward trade-off continues to deteriorate with cooling global growth, higher US rates and a stronger US dollar.

Commodities

Precious Metals

Gold prices rallied with increased safe-haven appetite. We remain overweight on gold as a risk hedge against ongoing political and (potential) inflationary risks.

Energy

Oil price remained under pressure due to concerns on rising supply. Overall the oil price is likely to remain sustained as the market is roughly balanced, supported by OPEC 2.0. discipline and Iran related geopolitical tensions might even trigger temporary spikes.

Industrial Metals

Industrial metals were mixed with China growth concerns weighing on the sentiment. We do not recommend industrial metals exposure as China reigns in demand.

Currencies

EURUSD

The euro strengthened versus the dollar. We expect the euro to remain under pressure due to the diverging monetary policies between the Fed and the ECB.

Critical levels



GBPUSD

The pound took a beating as the draft Brexit bill increased the possibility of snap elections in the UK. Whilst we see the pound sterling at some point recovering with the UK staying in the EU in all but name, it will for now remain under pressure due to political uncertainty, economic weakness and Brexit negotiations.

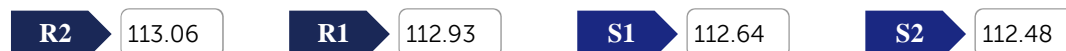
Critical levels



USDJPY

The yen strengthened against the dollar due to increased safe-haven appetite. We believe there will remain a bias for yen strength as emerging markets concerns will not abate soon.

Critical levels



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
11/19/2018	NAHB Housing Market Index	Nov	67	68	
11/20/2018	Housing Starts	Oct	1225K	1201K	
11/20/2018	Housing Starts MoM	Oct	1.60%	-5.30%	
11/21/2018	MBA Mortgage Applications	16-Nov	--	-3.20%	
11/21/2018	Durable Goods Orders	Oct P	-2.50%	0.70%	NAHB housing market, and MBA mortgage applications will be the main releases.
11/21/2018	Initial Jobless Claims	17- Nov	215K	216K	
11/21/2018	Existing Home Sales MoM	Oct	1.00%	-3.40%	
11/21/2018	U. of Mich. Sentiment	Nov F	98.3	98.3	
11/23/2018	Markit Manufacturing PMI	Nov P	55.8	55.7	
11/26/2018	Chicago Fed Nat Activity Index	Oct	--	--	

Japan

	Indicator	Period	Expected	Prior	Comments
11/19/2018	Trade Balance	Oct	-¥70.0b	¥139.6bb	
11/21/2018	All Industry Activity Index MoM	Sep	-0.90%	0.50%	
11/22/2018	Natl CPI Ex Fresh Food YoY	Oct	1.00%	1.00%	Trade balance will be important.
11/22/2018	Machine Tool Orders YoY	Oct F	--	-1.10%	
11/23/2018	Nikkei PMI Mfg	Nov P	--	52.9	

Eurozone

	Indicator	Period	Expected	Prior	Comments
11/19/2018	ECB Current Account SA	Sep	--	23.9b	
11/20/2018	PPI YoY (GE)	Oct	3.30%	3.20%	
11/22/2018	Consumer Confidence	Nov A	-3	-2.7	PMI data and IFO survey will be important.
11/23/2018	Markit Manufacturing PMI	Nov P	52	52	
11/26/2018	IFO Expectations	Nov	--	105.9	

United Kingdom

	Indicator	Period	Expected	Prior	Comments
11/19/2018	Rightmove House Prices MoM	Nov	--	1.00%	Attention will be on Rightmove house prices.

China and India

	Indicator	Period	Expected	Prior	Comments
					No important data releases scheduled for this 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
- 7.

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