

## Risk-off mood prevails

Markets remained in risk-off mood as tech sector sell-off deepened while drop in oil prices aggravated further. The technology stocks entered in a bear market, mainly led by the slide in FAANG stocks. The S&P 500 lost about 4% over the shortened trading week, wiping away its year-to-date gains. The selling pressure extended to other equity markets as well including the European and Emerging markets. Investors' fear of global growth slowdown and oversupply concerns continued to push oil prices lower. Brent Crude prices declined by 12% over the week, taking the price level below 60USD/bbl. In terms of currencies, the euro depreciated versus the dollar, driven by disappointing economic activity data. The flash reading of the Euro area Manufacturing PMI signaled that the weakness in economic activity continued in November. Meanwhile, the greenback also gained traction as investor's preferred safe-haven currency amidst the increased market volatility. Similarly, US treasuries rallied along with the dollar, as market expectations of 2019 Fed hikes slid lower given the backdrop of equity and credit market sell-off and global growth concerns. However, other safe-haven assets including the gold and the yen ended the week mostly unchanged. Emerging market assets remained under pressure with the dollar regaining strength and increased risk-off sentiment.

## G20 meeting, Fed speakers and FOMC minutes in focus

This week, market attention will be mainly centred on the G20 meeting on November 30- December 1. Last week, trade worries dominated the markets after no joint communique was released at the APEC summit. We expect that markets will remain sidelined ahead of the G20 meeting. 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. On the other hand, any progress in trade talks could provide some relief to the markets. Separately, focus will also be on the FOMC meeting minutes and various Fed member speeches including Fed Chair Jay Powell's speech on Wednesday. Markets will be looking for any signs of dovishness from the Fed amidst the recent global market sell-off. With the subtle softness in Fed's tone, futures are pricing in only one rate hike in 2019 as against more than two rate hikes being priced in, just over a month back (after fully pricing in December rate hike). We believe that the Fed minutes will not highlight any risks emerging from recent market sell-off, but it may point to their plans of other policy tools, including the eventual size of the balance sheet.

## Past week global markets' performance

### Index Snapshot (World Indices)

Index	Latest	Weekly Chg %	YTD %
S&P 500	2,632.6	-3.8	-1.5
Dow Jones	24,286.0	-4.4	-1.8
Nasdaq	6,939.0	-4.3	0.5
DAX	11,192.7	-1.3	-13.4
Nikkei 225	21,646.6	-0.2	-4.9
FTSE 100	6,952.9	-0.9	-9.6
Sensex	34,981.0	-1.3	2.7
Hang Seng	25927.7	-1.0	-13.3
Regional Markets (Sunday to Thursday)			
ADX	4984.7	-1.4	13.3
DFM	2754.9	-0.9	-18.3
Tadaw ul	7607.3	1.5	5.3
DSM	10328.5	0.3	21.2
MSM30	4453.3	0.0	-12.7
BHSE	1323.2	0.9	-0.6
KWSE	5082.4	-0.1	-
MSCI			
MSCI World	1,975.1	-2.8	-6.1
MSCI EM	969.2	-1.7	-16.3

### Global Commodities, Currencies and Rates

Commodity	Latest	Weekly Chg %	YTD %
ICE Brent USD/bbl	58.8	-11.9	-12.1
Nymex WTI USD/bbl	50.4	-10.7	-16.6
Gold USD/t oz	1223.1	-0.0	-6.1
Silver USD/t oz	14.3	-0.9	-15.6
Platinum USD/t oz	843.5	-0.3	-9.1
Copper USD/MT	6210.0	0.5	-13.2
Alluminium	1951.25	1.5	-13.6
Currencies			
EUR USD	1.1337	-0.7	-5.6
GBP USD	1.2814	-0.2	-5.2
USD JPY	112.96	0.1	0.2
CHF USD	0.9974	-0.3	-2.3
Rates			
USD Libor 3m	2.6912	1.8	58.8
USD Libor 12m	3.1208	-0.1	48.1
UAE Eibor 3m	2.8160	-1.2	56.9
UAE Eibor 12m	3.4190	0.3	32.7
US 3m Bills	2.3962	2.3	74.2
US 10yr Treasury	3.0390	-0.8	26.3

### Prerana Seth

Fixed Income Strategist  
Tel: +971 (0)2 696 2878  
[prerana.seth@adcb.com](mailto:prerana.seth@adcb.com)

### Luciano Jannelli, Ph.D., CFA

Head Investment Strategy  
Tel: +971 (0)2 696 2340  
[luciano.jannelli@adcb.com](mailto:luciano.jannelli@adcb.com)

### Mohammed Al Hemeiri

Analyst  
Tel: +971 (0)2 696 2236  
[mohammed.alhemeiri@adcb.com](mailto:mohammed.alhemeiri@adcb.com)

Visit [Investment Strategy Webpage](#) to read our other reports

## Summary market outlook

**Global Yields** The 10-year US Treasuries yields softened further last week on the back of largely risk-off sentiments in financial markets. Safe-haven trade also got support from softer set of economic data from the US. 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** Risk-off sentiment pushed the VIX index up. 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 were mixed as decline in oil prices and subdued global cues put downward pressure. However, significant cheaper valuations provide support from the lower side. 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 remained under pressure as worries on global growth for next year resurfaced. 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 remained flat as risk-off sentiment support but stronger dollar put downward pressure. 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** Euro declined slightly as global risk-off sentiment support dollar strength. We expect the euro to remain under pressure due to the diverging monetary policies between the Fed and the ECB.

**Critical levels** **R2** 1.1523 **R1** 1.1430 **S1** 1.1286 **S2** 1.1235

**GBPUSD** The British pound was also under pressure due to broader dollar strength and uncertainty around Brexit deal. 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** **R2** 1.2998 **R1** 1.2906 **S1** 1.2743 **S2** 1.2672

**USDJPY** Risk-off sentiment and broader dollar strength acted in two opposite directions, keeping JPY largely flat last week. We believe there will remain a bias for yen strength as emerging markets concerns will not abate soon.

**Critical levels** **R2** 114.80 **R1** 113.81 **S1** 112.24 **S2** 111.66

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
11/26/2018	Chicago Fed Nat Activity Index	Oct	0.18	0.17	
11/28/2018	MBA Mortgage Applications	23-Nov	--	-0.10%	
11/28/2018	Wholesale Inventories MoM	Oct p	0.40%	0.40%	
11/28/2018	GDP Annualized QoQ	3Q S	3.60%	3.50%	All eyes will be on FOMC meeting this week. Focus will be on PCE, GDP, and on the housing data.
11/28/2018	New Home Sales MoM	Oct	4.00%	-5.50%	
11/29/2018	PCE Core YoY	Oct	1.90%	2.00%	
11/29/2018	Initial Jobless Claims	24-Nov	220K	224K	
11/29/2018	FOMC Meeting Minutes	8-Nov	--	--	

### Japan

	Indicator	Period	Expected	Prior	Comments
11/26/2018	Nikkei PMI Mfg	Nov P	--	52.9	
11/30/2018	Jobless Rate	Oct	2.30%	2.30%	
11/30/2018	CPI YoY	Nov	1.10%	1.50%	PMI data and inflation release will be closely tracked by the market.
11/30/2018	CPI Ex-Fresh Food YoY	Nov	1.00%	1.00%	
11/30/2018	Industrial Production MoM	Oct F	1.20%	-0.40%	

### Eurozone

	Indicator	Period	Expected	Prior	Comments
11/26/2018	IFO Expectations (GE)	Nov	99.2	99.8	
11/29/2018	Consumer Confidence	Nov F	-3.9	-3.9	Eurozone CPI and German survey will be closely tracked by the market. Also, retail sales will be important.
11/29/2018	CPI YoY	Nov P	2.30%	2.50%	
11/30/2018	Retail Sales YoY	Oct	1.40%	-2.60%	

### United Kingdom

	Indicator	Period	Expected	Prior	Comments
11/30/2018	Nationwide House PX MoM	Nov	0.10%	0.00%	Attention will be on nationwide house.

### 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.

## Disclaimer

---

ADCB Asset Management Limited ("AAML"), is a member of ADCB Group, licensed by Financial Services Regulatory Authority in Abu Dhabi Global Markets under financial services permission number 170036.

This publication is intended for general information purposes only. It should not be construed as an offer, recommendation or solicitation to purchase or dispose of any securities or to enter in any transaction or adopt any hedging, trading or investment strategy. Neither this publication nor anything contained herein shall form the basis of any contract or commitment whatsoever. Distribution of this publication does not oblige ADCB Group to enter into any transaction.

The content of this publication should not be considered as legal, regulatory, credit, tax or accounting advice. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in this publication. Investment products are not available to US persons.

Information and opinions contained herein is are based on various sources, including but not limited to public information, annual reports and statistical data that AAML considers accurate and reliable. However, AAML makes no representation or warranty as to the accuracy or completeness of any statement made in or in connection with this publication and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in this publication. This publication is intended for customers who are either retail or professional investors.

Charts, graphs and related data or information provided in this publication are intended to serve for illustrative purposes only. The information contained in this publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. All statements as to future matters are not guaranteed to be accurate. AAML expressly disclaims any obligation to update or revise any forward looking statement to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

ADCB Group does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its publications. As a result, recipients of this publication should be aware that any or all of foregoing services may at time give rise to a conflict of interest that could affect the objectivity of this publication. Opinions expressed herein may differ from opinions expressed by other businesses or affiliates of ADCB Group.

Past performance does not guarantee future results. Investment products are not bank deposits and are not guaranteed by ADCB Group. They are subject to investment risk, including possible of loss of principal amount invested. This publication may not be reproduced or circulated without ADCB Group written authority. The manner of circulation and distribution may be restricted by law or regulation in certain jurisdictions. Persons who come into possession of this document are required to inform themselves of, and to observe such restrictions. Any unauthorized use, duplication, or disclosure of this document is prohibited by law and may result in prosecution.