



# Global Markets Update

QNB Economics  
29 October 2017

# Executive Summary

## Key Takeaways

- **US yields rose due to strong Q3 GDP and durable goods data**
- **The Euro slid after the ECB announced that it would reduce but prolong its quantitative easing programme through next year**
- **Japanese stocks rose on PM Shinzo Abe's electoral victory and expectations of continued policy easing**
- **Oil prices rose after Saudi Arabia signalled that it would be in favour of extending OPEC production cuts into 2018**
- **This week, markets will focus on Euro Area growth and the release of non-farm payrolls in the US**

# US yields rose due to strong Q3 GDP and durable goods data

## Global Benchmark Yields (% , local currencies)

	Maturity	20-Oct	27-Oct	Change in Yield (bps)		
Advanced Economies				Week	MTD*	YTD*
US	10 yrs	2.38	2.41	2.2	7.3	-3.8
Germany	10 yrs	0.45	0.38	-6.9	-8.1	17.5
France	10 yrs	0.86	0.79	-7.1	4.8	10.5
Italy	10 yrs	2.04	1.95	-9.3	-16.1	13.5
Japan	10 yrs	0.08	0.07	-0.2	0.5	2.7
UK	10 yrs	1.33	1.35	1.7	-1.7	10.9
Emerging Markets						
Bahrain**	11 yrs	6.65	6.74	8.6	3.0	4.7
Brazil	10 yrs	9.63	9.76	12.3	2.1	-164.6
China	10 yrs	3.73	3.84	10.7	21.6	77.9
Egypt	9 yrs	5.98	6.05	6.7	-18.0	NA
India	10 yrs	6.76	6.81	4.5	14.2	29.0
Indonesia	10 yrs	6.65	6.83	17.4	33.0	-114.6
Nigeria	8 yrs	14.87	15.07	19.5	-69.9	-102.3
Qatar**	9 yrs	3.53	3.59	6.0	22.3	-8.4
Russia	9 yrs	7.54	7.59	5.5	1.5	-77.0
Saudi Arabia**	9 yrs	3.40	3.47	6.9	7.9	-37.4
South Africa	10 yrs	8.82	9.14	32.2	58.1	21.8
Turkey	10 yrs	11.45	11.95	50.0	98.0	56.0
Abu Dhabi**	10 yrs	3.21	3.26	5.0	NA	NA
Dubai**	3 yrs	2.50	2.54	4.6	-6.8	-30.3

- US Q3 GDP growth came out at 3.0% vs 2.5% expected
- Turkish yields rose on the ongoing political tensions with the US
- South African yields rose as foreign investors were concerned about increasing public debt and the widening budget deficit

### Legend

> 2 standard deviation fall in yields

> 1 standard deviation fall in yields

< 1 standard deviation change in yields

> 1 standard deviation rise in yields

> 2 standard deviation rise in yields

# The Euro slid after the ECB announced that it would reduce but prolong its quantitative easing programme through next year

## Global Exchange Rates vs USD

	20-Oct	27-Oct	Change (%)		
Advanced Economies			Week	MTD	YTD
US Dollar Index	93.70	94.92	1.3	2.0	-7.1
Euro Area*	1.18	1.16	-1.5	-1.7	10.4
Japan	113.52	113.67	-0.1	-1.0	2.9
UK*	1.32	1.31	-0.5	-2.0	6.4
Emerging Markets					
Brazil	3.19	3.24	-1.3	-2.3	0.6
China	6.64	6.65	-0.2	0.0	4.4
Egypt	17.65	17.65	0.0	-0.1	2.8
Indonesia	13,519	13,609	-0.7	-1.0	-1.0
India	65.04	65.05	0.0	0.4	4.4
Kuwait	0.30	0.30	-0.2	-0.2	1.0
Nigeria	358.89	356.60	0.6	0.7	-11.6
Russia	57.49	58.10	-1.0	-0.9	5.9
Turkey	3.67	3.79	-3.2	-5.9	-7.0
South Africa	13.64	14.10	-3.4	-3.9	-2.6
UAE	3.67	3.67	PEGGED		
Bahrain	0.38	0.38			
Oman	0.39	0.38			
Qatar	3.68	3.80			
Saudi Arabia	3.75	3.75			

- The ECB announced it would “downsize” its QE programme from EUR60bn per month to EUR30bn but that QE would continue until at least Sep 2018
- The ECB defied expectations in stating its readiness to extend QE beyond Sep 2018 if needed while markets were anticipating clues about QE’s end-date
- The Turkish lira fell as the decision to keep the policy rate unchanged in the face of high inflation disappointed markets

### Legend

> 2 standard deviation strengthening of currency
> 1 standard deviation strengthening of currency
< 1 standard deviation change in currency
> 1 standard deviation weakening of currency
> 2 standard deviation weakening of currency

# Japanese stocks rose on PM Shinzo Abe's electoral victory and expectations of continued policy easing

## Global Equity Indices

	20-Oct	27-Oct	Change (%)		
			Week	MTD	YTD
<b>Advanced Economies</b>					
<b>US (S&amp;P 500)</b>	2,575	2,581	0.2	2.4	15.3
<b>Europe (STOXX 50)</b>	3,605	3,652	1.3	1.6	11.0
<b>Japan (Nikkei 225)</b>	21,449	22,008	2.6	8.1	15.1
<b>UK (FTSE 100)</b>	7,523	7,505	-0.2	1.8	5.1
<b>Emerging Markets</b>					
<b>Bahrain (BB)</b>	1,278	1,277	-0.1	-0.5	4.7
<b>Brazil (IBOVESPA)</b>	76,391	75,976	-0.5	2.3	26.1
<b>China (Shanghai )</b>	3,381	3,417	1.1	2.0	10.1
<b>Egypt (EGX 30)</b>	13,590	13,955	2.7	0.5	13.0
<b>India (CNX NIFTY)</b>	10,147	10,323	1.7	5.5	26.1
<b>Indonesia (Jakarta)</b>	5,929	5,975	0.8	1.3	12.8
<b>KSA (Tadawul)</b>	7,011	6,911	-1.4	-5.1	-4.2
<b>Kuwait (KSE)</b>	6,619	6,623	0.1	-0.8	15.2
<b>Nigeria (All Share)</b>	36,646	36,462	-0.5	2.9	35.7
<b>Oman (Muscat 30)</b>	5,067	4,959	-2.1	-3.5	-14.3
<b>Qatar (Doha 20)</b>	8,172	8,128	-0.5	-2.2	-22.1
<b>Russia (MICEX)</b>	2,072	2,069	-0.1	-0.4	-7.3
<b>S.Africa (J'burg 40)</b>	51,601	52,403	1.6	6.1	19.4
<b>Turkey (Istanbul 100)</b>	108,489	107,884	-0.6	4.8	38.1
<b>UAE (Abu Dhabi)</b>	4,502	4,468	-0.8	1.6	-1.7
<b>UAE (Dubai)</b>	3,645	3,651	0.2	2.4	3.4

- Indian stocks gained after announcement that the government would inject USD32bn into state owned banks to help resolve impaired loans
- Emerging market equities were generally up on continued strong risk appetite and expectations of sustained monetary policy easing

### Legend

> 2 standard deviation rise in equity index

> 1 standard deviation rise in equity index

< 1 standard deviation change in equity index

> 1 standard deviation fall in equity index

> 2 standard deviation fall in equity index

# Oil prices rose after Saudi Arabia signalled that it would be in favour of extending OPEC production cuts into 2018

## Commodity Prices\*

	20-Oct	27-Oct	Change (%)		
Energy			Week	MTD	YTD
Brent	57.8	60.4	4.7	5.0	6.4
WTI	51.5	53.9	4.7	4.3	0.3
Precious Metals					
Gold	1,280	1,273	-0.6	-0.5	11.0
Silver	17.0	16.9	-1.0	1.3	5.9
Industrial					
Copper	6,952	6,830	-1.8	5.4	23.4
Aluminum	2,136	2,168	1.5	3.1	28.1
Wheat	426	427	0.3	-4.7	4.7
Corn	345	349	1.2	-1.8	-0.9
Cocoa	2,138	2,115	-1.1	3.5	-0.5
Other					
Bitcoin	5,973	5,754	-3.7	37.9	504.4

- US crude inventories rose by 0.9m barrels (-2.7m expected and -5.7m in the prior week)
- US gasoline inventories fell by 5.5m barrels (+0.6m expected and +0.9m in the prior week)

## Legend

- > 2 standard deviation rise in price
- > 1 standard deviation rise in price
- < 1 standard deviation change in price
- > 1 standard deviation fall in price
- > 2 standard deviation fall in price

# This week, markets will focus on Euro Area growth and the release of non-farm payrolls in the US

## Data Review

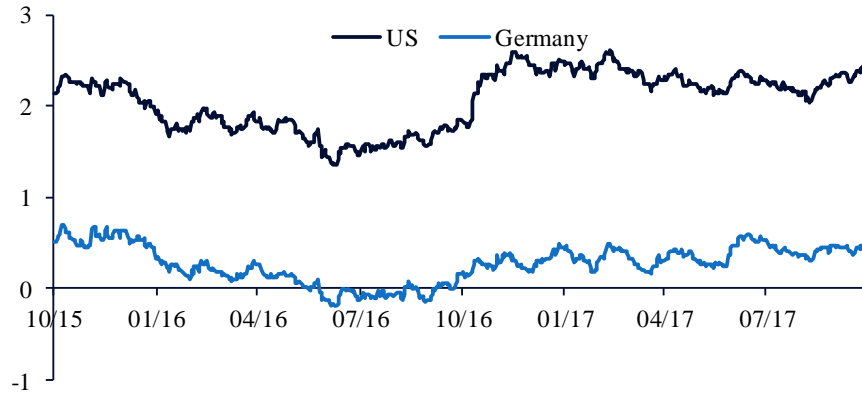
Date	Country	Event	Period	Consensus	Actual	Previous
Oct 24	Euro Area	Markit composite PMI	Oct	56.5	55.9	56.7
Oct 25	US	Durable Goods Orders	Sep	1.0%	2.2%	2.0%
Oct 27	US	U. of Michigan Sentiment	Oct	100.7	100.7	101.1
Oct 27	US	GDP Annualized QoQ	Q3	2.5%	3.0%	3.1%

## Forthcoming Economic Events

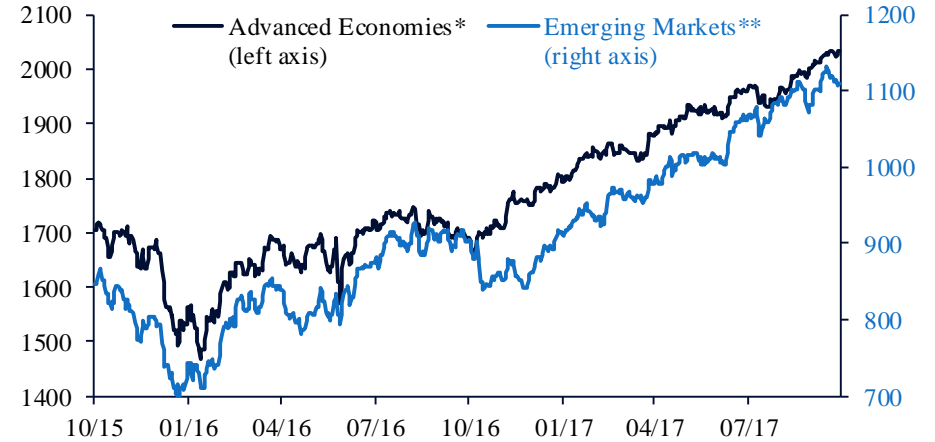
Date	Country	Event	Period	Consensus	Actual	Previous
Oct 31	Euro Area	GDP YoY	Q3	2.3%		2.3%
Nov 01	US	ISM Manufacturing	Oct	59.4		60.8
Nov 01	China	Caixin China PMI Composite	Oct			51.4
Nov 03	US	Change in Nonfarm Payrolls	Oct	310k		-33k
Nov 03	US	ISM Non-Manufacturing Composite	Oct	58.5		59.8

# Two-Year Performance of Major Asset Classes

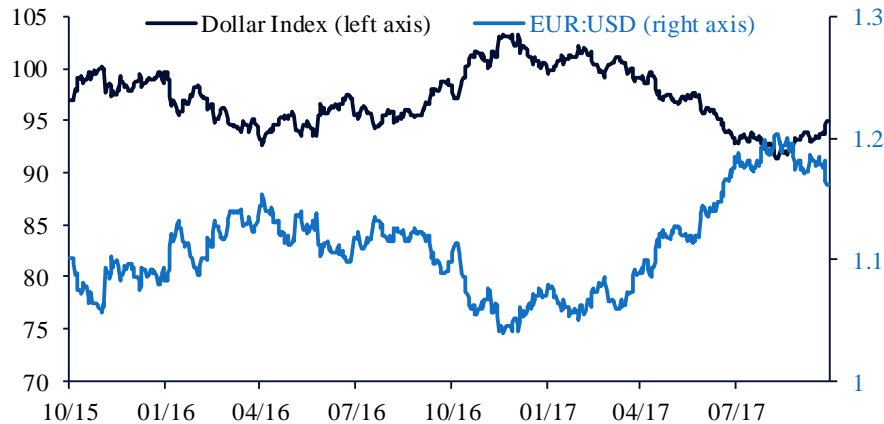
## Sovereign 10-Year Bond Yields



## Equities



## Exchange Rates



## Commodities





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