



Key Highlights



POWELL TURNS HAWKISH

After being generally dovish from the beginning of the year, Fed Chair Jerome Powell changed his tone while speaking at a policy forum on Tuesday. He pointed to strengthening of the economy and the labor market while highlighting the lack of progress on bringing inflation down. On interest rates he mentioned "We can maintain the current level of restriction for as long as needed." Treasury yields rose and equities fell after his remarks.



MORE DATA TO DIGEST

The coming week is likely to provide further cues on the outlook for interest rates and the markets. The first estimate of the US Q1 GDP will be released on Thursday, April 25th. And on Friday April 26th the Personal Consumption Expenditure (PCE) data, which is the Fed's preferred gauge of underlying inflation. Any surprise to the upside in GDP or PCE index is likely to strengthen the Fed's case for keeping the rates higher-for-longer.



EQUITIES RATTLED

After 25% gains in six months and 10% gains this year in Q1, market sentiment has shifted dramatically from the beginning of April. The market is repricing Fed rate cuts and trying to assess the potential escalation of geopolitical tensions in the Middle East. The S&P 500 closed lower for the third straight week (down 5.5% this month), while the technology-heavy Nasdaq was lower for the fourth week in a row (down 7% in April).



MAG 7 EARNINGS

The coming week will be big for earnings with 42% of the S&P500 companies reporting their Q1 numbers. With 5 of the Magnificent 7 companies reporting next week, investors would be hoping that this group will continue to provide earnings leadership and probably support the entire market as it has done in the past. Without the Mag 7, the S&P 500 earnings are once again likely to shrink for the quarter.



THE ECB AND BOE

The European Central Bank has made it clear that it will cut rates in its June meeting as the economy has stagnated and inflation cooled. The futures market indicates about 91% probability of a cut in June with total cuts of 75 bps this year. On the other hand, the Bank of England officials continue to warn against early rate cuts despite UK suffering a recession at the end of last year and inflation expected to reach the 2% target in the next few months.



MICROSOFT GET A Foothold IN THE UAE

In a major development for the local industry, Microsoft announced a \$1.5 billion investment, giving it a minority stake and a board seat in G42, the AI giant of the UAE with interests ranging from cloud computing to molecular biology and smart cities. This agreement gives Microsoft a strong foothold in the UAE market. Microsoft is already seen as a global leader in AI with its strategic stake in OpenAI, hiring of DeepMind cofounder and launch of CoPilot.

1 Week YTD'24 2023

Mover of the Week

Nvidia	-13.59%	53.87%	329.00%
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Global Equities

Magnificent 7	-7.73%	9.73%	80.89%
Dow Jones Ind.	0.01%	0.79%	13.70%
S&P 500	-3.05%	4.14%	24.23%
Nasdaq Comp.	-5.36%	1.26%	43.42%
Euro stoxx 600	-1.18%	4.24%	12.74%
FTSE 100	-1.25%	2.10%	3.78%
India Nifty50	-1.20%	2.38%	20.03%
Nikkei 225	-4.94%	11.45%	28.26%
Shanghai Comp.	-0.43%	3.00%	-1.93%

Regional Equities

Dubai DFM	-1.64%	2.83%	21.69%
Abu Dhabi ADX	-1.20%	-4.72%	-6.20%
Saudi Tadawul	-3.05%	4.14%	13.87%

Bonds

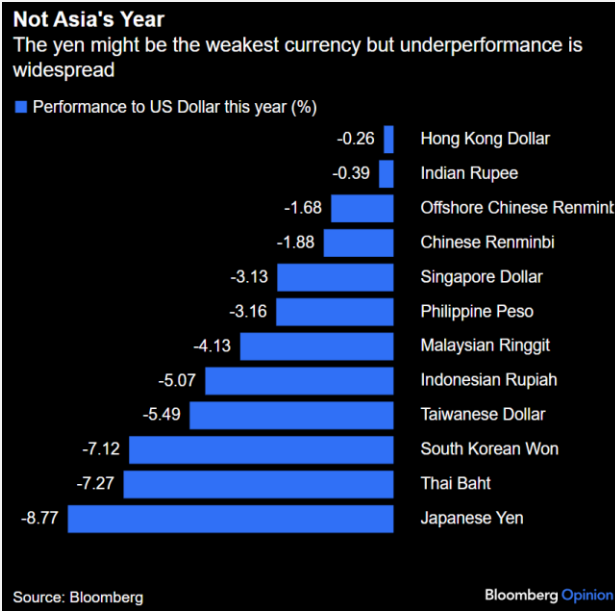
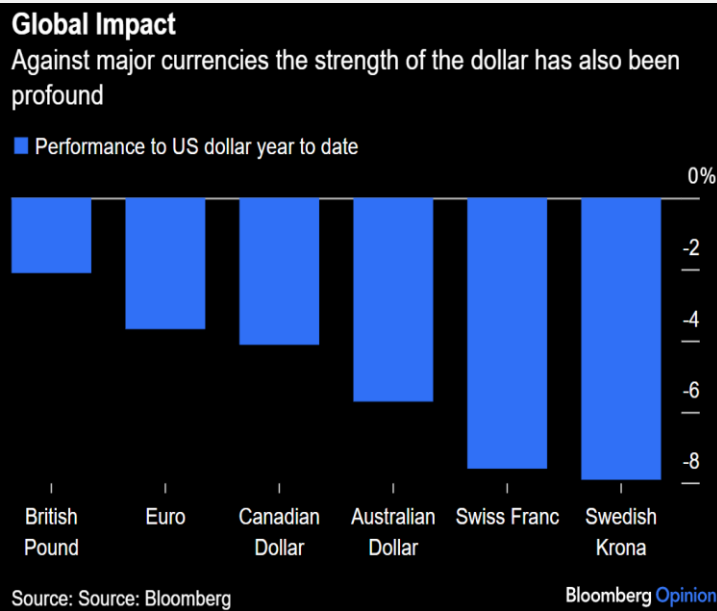
US IG Bond Index	0.00%	-3.11%	5.15%
GCC Bnd/Suk Index	-0.67%	-3.13%	5.14%

Currencies

Dollar Index	-0.15%	4.65%	-2.11%
Euro	0.26%	-3.62%	3.30%
GBP	-0.59%	-2.97%	5.50%
JPY	-0.25%	-8.95%	7.50%
CHF	0.19%	-7.95%	8.97%
AUD	-0.37%	-5.85%	0.23%
CNH	0.11%	-1.79%	-2.94%
INR	0.10%	-0.24%	-0.63%
SGD	0.10%	-3.09%	1.49%

Commodities

WTI Crude	-3.47%	15.07%	-10.73%
Brent Crude	-3.93%	12.36%	-10.32%
Nat Gas	3.19%	-30.59%	-43.82%
Gold	0.50%	14.64%	13.47%
Silver	-2.63%	16.54%	0.18%
Copper	3.03%	15.96%	2.10%



Charts of the Week

The King Dollar is riding high again in 2024 with the dollar index up 5%, crushing practically every other currency in the world. The Taiwan dollar is the lowest in eight years, the Malaysian ringgit for 26 years and the Indonesian rupiah at 4-year lows. The rupee, despite India's stellar economic growth, is at a record low. The Japanese yen is trading at 34-year low. The recent strength of the dollar is driven by a) strong US data that pushes forward the prospects of rate cuts, leading to higher Treasury yields; b) rising geopolitical concerns that increases demand for safe-haven dollar where investors can park cash at yields of 5% and c) record flows into US technology stocks.

22 April 2024

Weekly Economy and Market Watch

بنك دبي التجاري
Commercial Bank of Dubai

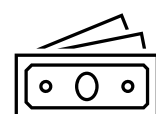


Currencies



FX CHRONICLES

The FX market sees notable shifts as EUR/USD gains traction, breaching 1.0650 amidst improved risk sentiment. GBP/USD rebounds from recent lows, surging to 1.2450 on eased Iran-Israel tensions. USD/CAD remains resilient amid market volatility, buoyed by oil price surges and Fed's cautious stance on rate cuts. USD/JPY experiences turbulence due to Middle East tensions. Governor Ueda's caution on yen weakness hints at potential downtrend. Turning to precious metals, gold stabilizes around \$2,380 following reactions to Israel's reported actions, while silver holds steady at \$28.00 despite a slight RSI decline. Although buyers seem to pause momentarily, silver maintains its bullish momentum, indicating upward potential as momentum remains in favor of bulls amidst ongoing market dynamics.



What's a Stop loss and a Take profit order?

In the fast-paced world of FX trading, managing risk is paramount. Stop loss and take profit orders are essential tools for traders to mitigate losses and lock in profits. A stop loss order is set at a predetermined price level to limit potential losses by automatically selling an asset when it reaches that level. Conversely, a take profit order is placed to secure profits by automatically selling at a predefined target price. These orders empower traders to execute disciplined strategies, safeguarding against adverse market movements and ensuring they capitalize on favorable trends. By incorporating stop loss and take profit orders into their trading arsenal, FX traders can navigate the markets with greater confidence and control.

Commodities



Metals surge

Copper prices surge as tight supply and sanctions drive futures in New York and London to levels not seen since June 2022. Despite past turbulence, copper climbs steadily on global growth optimism and supply constraints. Mining production downgrades compound market tightening. Green transformation and AI applications bolster demand, maintaining a bullish outlook. Meanwhile, aluminum and nickel surge as traders adjust to sanctions, anticipating short-term disruptions. Tin spikes on short squeeze fears, highlighting its vital role amid supply disruptions from key producers. With metal markets in flux, traders navigate geopolitical currents for profit.



Fury Road

Fuel markets faced turbulence as gasoline and diesel prices dipped, signaling global market strain. Amidst Middle East tensions, crude oil prices fluctuated, influenced by tit-for-tat strikes between Israel and Iran. Despite concerns, OPEC+ production cuts, geopolitical unrest, and anticipated demand spikes bolstered hedge fund positions in crude futures. While diesel demand wanes, overall fuel demand remains resilient, reflecting market complexities. Gas oil futures, essential for hedging, hint at a potential trend reversal, signaling a pivotal moment for distillate products. As oil markets tread uncertain waters, traders remain vigilant, navigating geopolitical currents and supply dynamics for profitable opportunities.

CBD Tradr

CBD Tradr



Understanding FX Margin Calls

In FX trading, a margin call occurs when a trader's account balance falls below the maintenance margin level required by their broker. When trading on margin, traders borrow funds from the broker to control larger positions. The initial margin deposit is a percentage of the total trade value, determined by the leverage ratio. However, if losses erode the account balance to a level below the maintenance margin, the broker issues a margin call.

A margin call requires the trader to deposit additional funds into the account to bring the balance back above the maintenance margin. Failure to meet the margin call may lead to the broker liquidating the trader's positions to cover the losses. Margin calls are crucial risk management tools, helping traders avoid excessive losses and maintain sufficient account equity to support their positions. Understanding margin calls is essential for FX traders to effectively manage their risk and protect their investments.

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