

Key Highlights



INFLATION WATCH

Data last week painted a mixed picture about the outlook for inflation. The Consumer Price Index and Producer Price Index for February came in above expectations and confirmed the resilience of inflationary pressures. However, tepid retail sales growth in February, after a sharp drop in January, and weaker consumer sentiments reading suggested the economy is slowing down. This dichotomy is turning out to be challenging for policy makers and investors.



STOCK MARKETS

Stocks struggled for direction as stronger than anticipated economic data pushed back hopes for early interest rate cuts. After making new highs, both S&P 500 and Nasdaq slipped for the second consecutive week. Tech stocks were particularly hard hit after a blistering rally this year that has extended their valuations and priced them for perfection. Markets are likely to stay nervous in the run up to Fed's rate setting FOMC meeting on 19-20 March.



MICROSOFT BREAKS OUT

Microsoft shares broke out of their trading range and closed at a new all-time high of \$426 on Thursday before giving away some gains. Its cybersecurity, Teams, Power Apps, Co-pilot and investments in OpenAI / ChatGPT are expected to generate significant growth going forward. The stock is up 14% this year and 59% in the last one year. Based on 67 analysts tracked by Bloomberg, the average 12-month target price for the stock is \$463.



RATES AND FIXED INCOME

In contrast to the equity markets, bond prices have been under pressure this year. Last week, bond prices were softer again as Treasury yields rose in response to stronger inflation data that is likely to keep Fed on hold for longer. The futures market is now pricing in only 71 bps of rate cuts this year, less than 75 bps projected by the Fed in December last. The Fed will update its projections (the Dot Plot) on 20 March at the FOMC meeting.



URANIUM POWERS AHEAD

In a push towards clean energy, 22 countries pledged at COP28, in Dubai, to triple atomic energy generation by 2050. Nuclear energy is pollution-free, much cheaper and more reliable compared to other sources. About 425 nuclear power plants worldwide generate 10% of the global electricity needs while another 60 are under construction. Uranium U₃₀₈, that powers nuclear energy, has shot up 76% in the last one year alone and 245% since March 2020.



SURGING NON-OIL ACTIVITY

Dubai's Purchasing Managers' Index (PMI) surged in February to 58.5 (from 56.6 in January), marking its highest level since May 2019. The employment sub-index rose to the highest level since 2015. UAE-wide PMI has risen to 57.1 in February, the highest level in almost five years, supported by a sharp rise in output levels. Strong PMI, which is a forward-looking indicator, bodes well for continued non-oil economic expansion in the UAE.

GRANOLAS v/s MAGNIFICENT 7



Chart of the Week

In 2023, Bank of America began using the phrase "Magnificent Seven" to describe the 7 most dominant tech stocks, borrowing from the 1960s Western movie of the same name. This group comprising Microsoft, Apple, Amazon, Meta, Alphabet, Nvidia and Tesla, makes up 28% of the S&P 500 index, and is up a whopping 79% in the last one year, compared to 35% gains for the index. The term GRANOLAS was coined by Goldman Sachs in 2020 after it bundled together 11 top European companies GSK, Roche, ASML, Nestle, Novartis, Novo Nordisk, L'Oreal, LVMH, AstraZeneca, SAP and Sanofi, that have strong balance sheets, low volatility and good dividend yields. This group constitutes 25% of Euro Stoxx 600 index and is up 23% in the last one year, compared to 16% gains for the index. The GRANOLAS are a lot cheaper, trading at 20x earnings versus 30x for Mag 7.

1 Week YTD'24 2023

Mover of the Week

Microsoft	2.51%	10.74%	56.75%
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Global Equities

Magnificent 7	-0.30%	13.80%	80.89%
Dow Jones Ind.	-0.02%	2.72%	13.70%
S&P 500	-0.13%	7.28%	24.23%
Nasdaq Comp.	-1.17%	5.84%	43.42%
Euro stoxx 600	0.31%	5.39%	12.74%
FTSE 100	0.88%	-0.08%	3.78%
India Nifty50	-2.09%	1.34%	20.03%
Nikkei 225	-2.47%	15.67%	28.26%
Shanghai Comp.	0.71%	4.05%	-1.93%

Regional Equities

Dubai DFM	0.22%	4.99%	21.69%
Abu Dhabi ADX	-0.14%	-3.72%	-6.20%
Saudi Tadawul	-0.13%	7.28%	13.87%

Bonds

US IG Bond Index	-1.23%	-1.72%	5.15%
GCC Bnd/Suk Index	-0.65%	-1.58%	5.14%

Currencies

Dollar Index	0.70%	2.07%	-2.11%
Euro	-0.50%	-1.63%	3.30%
GBP	-0.93%	-0.27%	5.50%
JPY	-1.35%	-5.50%	7.50%
CHF	-0.83%	-5.08%	8.97%
AUD	-1.00%	-4.05%	0.23%
CNH	-0.10%	-1.18%	-2.94%
INR	-0.17%	0.45%	-0.63%
SGD	-0.51%	-1.43%	1.49%

Commodities

WTI Crude	3.88%	13.11%	-10.73%
Brent Crude	3.97%	10.77%	-10.32%
Nat Gas	-8.31%	-34.17%	-43.82%
Gold	-1.29%	4.36%	13.47%
Silver	3.30%	5.17%	0.18%
Copper	5.86%	5.71%	2.10%

18 March 2024

Weekly Economy and Market Watch

بنك دبي التجاري
Commercial Bank of Dubai



Key Highlights: Currencies



FX CHRONICLES

After a period of modest performance, USD regained the throne and topped the charts last week, outperforming his rivals. This revival was driven by hot inflation data in the US, indicating persistent inflationary pressure and increased expectations of sustained high interest rates for the year. USD rose by 1.3% against JPY reaching its highest this week at 149.16 and added 0.95% against GBP recording highest this week at 1.2725 and rose by 0.75% against CHF reaching 0.8853, while EUR took a break leaving USD some room marginally to advance the pair was down from Monday opening at 1.0938 and settled at 1.0890.



THE POWER OF FX FORWARDS

FX forward contracts are agreements to exchange currencies at predetermined rate on a future date. They help businesses manage currency risk ,stabilize cash flows and budget accurately amid currency volatility. By locking in exchange rates in advance, FX forwards provide protection against adverse currency movements , ensuring predictability and certainty in international transactions.

Key Highlights: Commodities



GOLDEN SHELTER

Last week gold reached an all time high propelled by economic uncertainty and inflation worries. Investors sought refuge in precious metals due to escalating geopolitical tensions, fear of rising consumer process and expectations of interest rate by Federal Reserves. Gold surge reflects its status as safe-haven asset amidst market volatility and underscores its appeal as hedge against currency devaluation and monetary policy uncertainties.



SILVER SURFER

Silver experienced mixed performance this week as process showed resilience amid global economic uncertainties, mirroring gold as investors sought safe-haven assets. However, as the week progressed, silver faced pressure over the concerns over potential fed rate hike. Despite these headwinds, silver maintained its status as a precious metal with industrial applications, benefiting from expectations of increased demand in sectors like technology and renewable energy . Overall, silver performance reflected a balance between safe-haven demand and influence of currency dynamics and monetary expectations.

Presenting CBD Tradr

CBD Tradr



Introduction to CBD Tradr Platform

A guide to trading Stocks, ETFs, FX, and Precious Metals with CBD

CBD Tradr is a comprehensive and user-friendly platform that allows you to trade a variety of financial instruments with ease and convenience. Whether you want to invest in global stocks and ETFs, trade currencies and precious metals, hedge your FX exposure, or use options to speculate or protect your portfolio, CBD Tradr has the tools and features you need to succeed.

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