Rising trade tensions continue to weigh on global markets: QNB

Highly tariffed trade barriers will continue to affect sentiment and further tighten global financial market conditions such as increasing the overall stress level in money, bond and equity markets. QNB has until now an optimistic commentary.

However, QNB added, “Sentiment remains particularly volatile in recent days. In fact, over the 72-hour period from July 30 to August 1, market expectations about the future path of US policy rate fluctuations significantly.

The initial movement in market expectations followed the July 30-31 meeting of the Federal Reserve’s Federal Open Market Committee (FOMC), when policy rates were cut for the first time in more than 10 years. The target for the fed funds rate was adjusted down by 25 basis points (bps) to 2-2.25%.

The FOMC has also announced an end of future clear sterilization or quantitative tightening two months ahead of schedule. Official reasons for the actions included drawing global growth, trade policy uncertainty, muted inflation pressures and soft US manufacturing data.

Despite the Fed decision, markets were not satisfied with the new rate cuts. Instead, the official communication was interpreted as “modestly hawkish” after the FOMC meeting, market confidence in the aggressive rate cuts diminished with the implied probability of further fed funds rate cuts dropping materially.

The probability of rate cuts in the upcoming FOMC meetings in September, October and December fell from 100% to 62.7%, 78.7% and 85.1%, respectively. As a result, the dollar strengthened and the US yield curve inverted further. This was amplifying the sense of further market conditions such as increasing the overall stress level in money, bond and equity markets.

An eagle tops the US Federal Reserve building’s facade in Washington, DC. The probability of rate cuts in the upcoming FOMC meetings in September, October and December has fallen from 100% to 62.7%, 78.7% and 85.1%, respectively.

According to Fed chairmen Jerome Powell, “Trade is unusual. The thing is, there is not a lot of experience in charting territory for the Fed. Recent developments on the trade front are a major headwind. Confron-
ting global growth, trade policy uncertainty, muted inflation pressures and soft US manufacturing data, the Fed will have to respond aggressively to market conditions and tighten financial market conditions. This would have given the Fed more flexibility to cal-
trate policy in a data-responsive way,” QNB said.

However, US President Donald Trump’s decision to re-escalate the trade conflict with China completely changed the outlook. In less than 24 hours from the FOMC meeting, Trump announced the imminent imposition of 10% tariffs on the remaining $300bn of Chinese exports to the US that already subject to tariffs.

Sentiment plummeted immediately as the key factors of global asset pricing, the US dollar strengthening and a business cycle.

In other words, the end of the trade truce between the US and China completely offset the fed message.

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Trump gets hedge funds bullish on oil after China pulls the rug

For much of the last 18 months, US oil producers had been waiting for a signal from China, the world's largest consumer of energy, to end five years of price war with Russia and return to its role as a global benchmark.

But that optimism however was short-lived. Trump's detente wasn't enough to keep the price from tumbling. On Sunday, August 18, the US crude benchmark, West Texas Intermediate, fell 12.2% to $41.39 a barrel, the biggest single-day drop in its history. Brent, the London-traded benchmark, had its greatest one-day decline on Tuesday – a loss of 11.3% – and by Wednesday evening was down 9.5% at $43.92.

The US losses were triggered by news that the Chinese government is planning to end its stockpiling program. The measure had helped support prices during the pandemic, and its suspension is expected to push oil prices lower, into a bear market defined as a loss of 20% from a recent peak.

McKinsey

Oil market's key trade whipsawed by pipeline and trade war

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**Bloomberg**

B EIJING, Aug 8 (Reuters) - China unveiled a rate reform to help steer funding costs lower for companies, after businesses expressed concerns over inflationary pressures.

China's central bank unveiled a key interest rate reform yesterday to help ease mounting cost pressures for companies and support a slowing economy that has been hurt by a trade war with the United States.

The People's Bank of China (PBoC) said it would use the loan prime rate (LPR) to establish the four percent prime rate (PRR) from the PBoC's interbank lending rate, a move that implies it is leading rates in a coordinated manner.

The central bank said five-year fixed rates would include the variable-rate lending rate, which it said would strengthen its experience on bank's rate quotation and punish banks for irrational behavior or price gouging.

The new LPR quotations will be based on rates of open market operations by the central bank, and will be announced on a monthly basis.

The central bank also said the LPR will be set at the average of the报价. A key goal is to ensure that the LPR is more closely aligned with the PRR.

The central bank's decision comes amid concerns over inflationary pressures, with the consumer price index (CPI) rising at a faster pace.

China's central bank, the PBoC, has cut interest rates in recent months to support the economy, which is growing at its slowest pace in more than a decade. The latest cut was made on August 1, a day after the United States imposed new tariffs on $200 billion of Chinese goods.

China's central bank has repeatedly said it will keep interest rates low to support economic growth, but analysts say the government is under pressure to reduce inflationary pressures.

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BLOOMBERG

The Philippines has more than 500 special economic zones that operate as enclosed areas where qualified firms are exempted from import duties on machinery and equipment, corporate income tax, corporate income tax, and other taxes. The zones are typically located in areas with a high density of business activity, such as industrial parks, Free Trade Zones, and Export Processing Zones. The zones are designed to attract foreign investment and promote trade and foreign direct investment in the Philippines. The zones offer a wide range of incentives, including tax holidays, duty-free imports, and other benefits. The zones are managed by the Board of Investment (BoI), which is responsible for attracting and developing foreign investment in the Philippines. The BoI provides assistance to businesses that wish to establish operations in the zones, including advice on the selection of sites, tax incentives, and other services. The zones are also regulated by the Philippine Bureau of Customs, which enforces customs duties and other import taxes. The zones are monitored by the National Economic and Development Authority (NEDA), which is responsible for the overall economic development of the Philippines. The zones are expected to be a major contributor to the country's growth and development. The zones are also expected to contribute to the country's export-oriented economy, and they are likely to play a key role in the country's future economic development.
Malaysia’s economy grows, bucking regional headwinds

Malaysia’s economic growth accelerated to 0.8% in the second quarter as strong domestic demand helped the economy cope with headwinds,

The economy grew 1% on a seasonally adjusted quarterly basis, including: The economy grew 1% on a seasonally adjusted quarterly basis, and 0.9% on a year-over-year basis. The growth was driven by domestic demand, with the mining sector expanding 2.9%.
The QSE index decreased by 2.17% points, or 2.17%, during the two-day trading week, falling to close at 9,621.70 points from the week before at 9,835.85 points. The index kept moving in a range of 9,500-9,700 levels, with the 9,700 level as our weekly resistance level at 10,800 points. If the index holds below that threshold, we keep our expectation at a weekly resistance level at 56,500 points. Our technical analysis based on the closing chart and the candlestick patterns, along with key levels, are practically equal. The pattern indicates indecisiveness, and based on previous price actions and future confirmation, may indicate a bullish or bearish trend.

The Qatari Stock Exchange (QSE) index decreased by 2.17% points, or 2.17%, during the two-day trading week, falling to close at 9,621.70 points from the week before at 9,835.85 points. The index kept moving in a range of 9,500-9,700 levels, with the 9,700 level as our weekly resistance level at 10,800 points. If the index holds below that threshold, we keep our expectation at a weekly resistance level at 56,500 points. Our technical analysis based on the closing chart and the candlestick patterns, along with key levels, are practically equal. The pattern indicates indecisiveness, and based on previous price actions and future confirmation, may indicate a bullish or bearish trend.

**Weekly Market Report**

**Market Indicators**

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<th>Week ending</th>
<th>August 16, 2019</th>
<th>Week ending</th>
<th>August 23, 2019</th>
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<tr>
<td>QSE Index (QR Million)</td>
<td>9,621.70</td>
<td>9,835.85</td>
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<td>All Share Index</td>
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<tr>
<td>Consumer Goods &amp; Services</td>
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<td>2,364.06</td>
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<tr>
<td>All Share Index</td>
<td>2,760.94</td>
<td>2,833.47</td>
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</table>

**Source:** Qatari Exchange (QSE)

**Weekly Market Performance**

<table>
<thead>
<tr>
<th>Weekly Percentage Change</th>
<th>(2.17%)</th>
<th>(2.17%)</th>
</tr>
</thead>
</table>

**Source:** Bloomberg

**Technical analysis of the QSE index**

The QSE index closed down by 2.17% points from the week before at 9,621.70 points. The index kept moving in a range of 9,500-9,700 levels, with the 9,700 level as our weekly resistance level at 10,800 points. If the index holds below that threshold, we keep our expectation at a weekly resistance level at 56,500 points. Our technical analysis based on the closing chart and the candlestick patterns, along with key levels, are practically equal. The pattern indicates indecisiveness, and based on previous price actions and future confirmation, may indicate a bullish or bearish trend reversal.

**Definitions of key terms used in technical analysis**

Candlestick chart - A candlestick chart is a price chart that displays the high, low, open, and close for a security. The ‘body’ of the chart is portion between the high and low close price, while the ‘shadow’ represents the movements from the ‘body’. The candlestick may represent any time frame. We use a one-day candlestick chart to determine if the market is bullish or bearish, which is important for our analysis.

Doji candlestick pattern - A Doji candlestick is formed when a security’s open and close price, while the high and low intraday movements form the ‘shadow’. The candlestick may represent any time frame. We use a one-day candlestick chart to determine if the market is bullish or bearish, which is important for our analysis.
A sacked executive Argentina poses hit at a supermarket in Buenos Aires. A collapse in petrol subsidies and new surcharges have caused investor concern that Latin America's third-largest economy is heading for another debt restructuring.

Argentina's latest shock failure to swamp other EMs

Argentina's latest political shock is starting to hit emerging markets across Latin America. Local sentiment has seen a steep decline and local equity markets have fallen in the past few days as a result of the shock. The financial markets are waiting to see if there will be a legal restructuring of the debt, while local economies and consumers are worried about their future. Financial markets are concerned about the potential for a debt restructuring, which could have a significant impact on the global economy. Inflation is increasing, the peso is weakening, and the currency is losing value. Argentina's latest shock has raised concerns about the stability of the region's financial systems, and investors are bracing for a potential debt restructuring.
Lower interest rates could boost housing stocks on Wall St, but risks remain

The New York Stock Exchange building at Wall Street in New York City. Lower US interest rates could help support outperforming US homebuilder stocks, even as they raise worries about the economy, with a plethora of data and Federal Reserve forecasts expected this week. The three-year trough as trade tensions lin-
down amid worries about the economy, while a bo-

Euro traders are starting to bet on a $1.10 this month

Fed’s Kashkari backs more policy as recession risks rise

The US Federal Reserve’s incoming chairman, Jerome Powell, is the latest to warn of the risk of a US recession, with度假 villa's prices to slow.

Sri Lankan ambassador visits Logistics Village Qatar

Qatar’s leading logistics provider GMR aviation-owned in-airport operator, Kittisiri Athulathmudali at the Logistics Village Qatar (LVQ) yesterday. The Sri Lankan envoy’s site tour was to get a general idea about GWC’s offering and the Sri Lankan employees and to have a closer view of the operations. Kittisiri Athulathmudali, represented the Sri Lankan government, and the visit is a part of the most comprehensive, globally

recognition’s supply chain solutions. Organized, structured innovation, efficiency and ‘ready-to-go’ to lead the way, the GMR aviation-owned represented the Sri Lankan government, and the visit is a part of the most comprehensive, globally

DEFENSE

Lower interest rates could boost housing stocks on Wall St, but risks remain

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