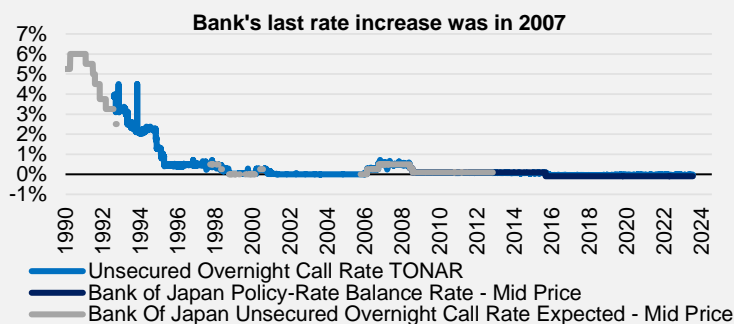


## “Everything rally” fades on Friday

- ▶ Eurozone business activity signaling a likely recession.
- ▶ Global fixed income and equities came in mixed, USD gained.
- ▶ All eyes on the BoJ meeting.

### Chart of the Day: Will the Bank of Japan Ever Hike Rates?



Source: Bloomberg, and ADCB Asset Management

### Macroeconomic news

- ▶ December saw a further downturn in Eurozone business activity, signaling a likely recession – with the GDP shrinking by 0.1% in the previous quarter and the December PMI indicating continuous decline. The HCOB's preliminary Composite PMI, compiled by S&P Global, fell to 47.0, below the 50 threshold for growth, marking its seventh month of contraction.
- ▶ After the Fed hinted at interest rate cuts in 2024, New York Fed president John Williams stated it is too early to consider such cuts, focusing instead on current policies to meet the 2% inflation target.
- ▶ ECB governing Council member Madis Muller indicated that it is premature to predict interest rate reductions for 2024, aligning with ECB President Christine Lagarde's stance that lowering the current 4.5% rate was not discussed at the meeting last week.

### Rates and Fixed Income

- ▶ Global rates declined led by German 10yr Bund. Yields on US 3m Bills rose.
- ▶ Global fixed income came in mixed, with Global Corporate underperforming the most and EM LCY Sovereign outperforming the most.

### Currencies

- ▶ Broad USD Index rose on Friday.
- ▶ EUR, GBP, and JPY weakened against USD.

### Equities

- ▶ Global equities were subdued with FTSE 100 posting declines. Hang Seng outperformed the most.
- ▶ Most regional markets were closed. UAE and KSA markets rose.

### Commodities

- ▶ Commodities were mixed on Friday.
- ▶ Gold prices fell while copper prices rose.

### Key events in the day ahead

- ▶ Germany IFO Business Climate
- ▶ BOJ Meeting

### Performance snapshot\*

Rates	Latest	1D (bp)	1M (bp)	3M (bp)
SOFR	5.31	0.00	-1.00	1.00
UAE Eibor 3m	5.51	17.24	13.91	39.84
UAE Eibor 12m	5.51	-6.24	3.95	6.45
US 3m Bills	5.38	0.28	-1.54	-8.33
US 10yr Treasury	3.91	-0.98	-52.45	-37.53
German 10yr Bund	2.02	-10.30	-57.40	-57.70
UK 10yr Gilt	3.69	-10.20	-46.40	-59.40

Fixed Income		1D (%)	1M (%)	3M (%)
Global Agg. Index	467	-0.03	4.62	5.17
Global Treasuries	200	0.00	4.67	5.05
Global Corporate	270	-0.13	5.09	6.25
EM USD Sovereign	376	0.14	7.29	6.68
EM LCY Sovereign	144	0.23	2.78	4.13
Global High Yield	1,505	-0.07	4.91	5.85

### Currencies

Dollar Index	102.55	0.58	-1.72	-2.71
EUR USD	1.0895	-0.89	0.40	2.37
GBP USD	1.2681	-0.67	2.15	2.19
USD JPY	142.15	0.18	-5.69	-3.61

### Equities

S&P 500	4,719	-0.01	4.68	4.75
Dow Jones	37,305	0.15	6.75	6.87
NASDAQ	14,814	0.35	4.96	6.38
STOXX 600	477	0.01	5.62	3.42
DAX	16,751	0.00	6.11	5.99
Nikkei 225	32,971	0.87	-1.36	-0.60
FTSE 100	7,576	-0.95	2.23	-1.26
SENSEX	71,484	1.37	8.34	5.87
Hang Seng	16,792	2.38	-5.84	-6.96
MSCI World	3,126	-0.09	5.15	4.81
MSCI EM	1,001	0.84	1.90	1.91

### Regional Equities

ADX	9,498	0.23	-1.14	-3.05
DFM	4,001	0.48	0.42	-0.82
Tadawul	11,601	0.50	4.16	3.48
DSM	9,928	0.00	-2.87	-3.79
MSM30	4,589	0.00	-0.66	-2.90
BHSE	1,915	0.00	-1.61	-0.84
KWSE	6,766	0.00	1.86	-3.75

### Commodities

BBG Commodity Index	98.9	0.31	-2.83	-8.18
Brent USD/bbl	76.6	-0.08	-1.12	-18.30
Gold USD/t oz	2,019.6	-0.82	1.95	5.70
Copper USD/MT	8,471.0	0.11	3.74	0.57

### Volatility

VIX	12.28	-1.60	-14.25	-4.21
MOVE	115.75	-1.94	-0.28	19.19

Source: Bloomberg, and ADCB Asset Management

Notes: \*Data as at 8AM GST on December 18, 2023 unless stated otherwise. Performance in local currency terms.

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