

## BANKING ON KNOWLEDGE

## Surge in global headwinds contributes to roller-coaster rides in markets

By Dr R Seetharaman

The global markets are witnessing significant volatility. The Dow Jones has fallen by close to 12% YTD this year. The S&P Index has fallen by above 12% YTD this year. The Nasdaq index has fallen by above 10% YTD this year. The investor concerns that President Donald Trump could fire Federal Reserve chairman Jerome Powell amid anger over the Fed's recent interest-rate hike spurred market losses. Some parts of the federal government shut down last Friday for the third time this year as lawmakers continued to wrangle over funding for Trump's proposed border wall. The shutdown could last into 2019. The Nikkei had fallen by more than 5% on Tuesday and by more than 15% YTD. In the European markets, Germany



down by 18% YTD, the UK down by 13% YTD, France down by 12% YTD. In the Asian markets, India up by 1% YTD, Shanghai down by 24% YTD, Hang

Seng down by 14% YTD. Russia is down by 8% YTD with fall in oil prices also contributing to fall in capital markets. The markets have fallen by concerns about a slowing global economy, the trade dispute with China and another interest rate increase by the Fed. Brazil had surged by 12% YTD this year. Brazil had surged the most as investor-friendly candidate Jair Bolsonaro's victory in the country's presidential election.

In the Gulf region, Qatar market has demonstrated a remarkable performance in 2018 with 20% growth YTD. Dubai market down by 27% YTD, Abu Dhabi market up by close to 9% YTD. Saudi market up by more than 6% YTD. Oman market down by more than 15% YTD. Bahrain down by more than 1% YTD. Oil prices plunged by more than 6% to the lowest level in more



than a year on fears of an economic slowdown and increase in supplies from US shale. WTI had fallen by close to 30% YTD. Brent had fallen by close to 24% YTD. WTI at \$42.53/barrel and Brent at \$50.47/barrel respectively. Earlier this month Opec, Russia and other producers agreed to reduce their combined oil output by 1.2mn barrels daily, with Opec's share at 800,000 bpd. However, it failed to impress a market worried about global economic growth and consequently crude oil demand. Natural gas is at \$3.467/MMBTU and had surged by more than 12% YTD on account of strong demand

and low storage levels. Gold price had fallen by close to 3% YTD and is at \$1268.54/ounce and silver had fallen by close to 13% YTD and is below \$15/ounce. The Fed's monetary policy tightening had erased the gains in precious metals. On the currency side, the dollar index is at 96.65 levels and has surged by close to 5% YTD. The dollar index has surged on Fed monetary policy tightening. Euro and pound had fallen by more than 5% YTD and 6% YTD respectively and is at 1.13\$ and 1.26\$ respectively. The Brexit concerns had impacted pound. The Japanese yen has

strengthened by 2% YTD this year and is at 110 levels against the US dollar. Yields on 10-year US Treasury notes slipped on Monday to eight-month lows as investors, unsettled by dramatic stock market losses, piled more money into low-risk government debt. Two-year yields dropped the most on Monday since May, to the lowest level since July, on reduced expectations that the Federal Reserve will raise interest rates further in 2019. The surge in global headwinds such as slowdown in global economic growth, steep drop in oil prices, uncertainty from Fed actions, delay in Brexit plans and US-China trade wars could contribute to roller-coaster rides in financial markets.

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