

## Trade tensions intensify

بنك الإمارات  
للإستثمار

EMIRATES INVESTMENT BANK

### LOOKING BACK

- Trump threatens to impose another USD200 bn in tariffs on China.** Global markets were under pressure last week as trade tensions between the US and China intensified. Trump threatened to impose tariffs on another USD200 bn worth of imports if China retaliates against the initial tariffs on USD50 bn of Chinese imports. Meanwhile, Fed Chair Powell stated that the case for a continued gradual rise in interest rates is strong, pointing to robust economic data. For the week, the S&P500 lost 0.9%, the US 10-year Treasury yield remained steady at 2.9% while the VIX rose to 13.8 from 12.0 a week ago.
- German auto companies push for zero tariffs.** Trade tensions were also at the forefront between the EU and the US as Trump threatened 20% tariffs on auto imports. In response, German automakers tried to defuse an escalation by proposing that the US and the EU scrap all tariffs on auto trade. Currently, the EU levies a 10% tariff on US auto imports while the US imposes a 2.5% duty on EU autos. The EuroStoxx50 lost 1.8% while the EUR gained 0.4% against the USD last week.
- Bank of England (BoE) holds rates at 0.5%.** The BoE held its benchmark rate at 0.5% amid falling inflation and lackluster growth data. The vote was closer than expected and increases the likelihood of a rate hike later this year as the Bank's chief economist Haldane unexpectedly voted for a 25bps rate hike. The GBP rallied post the news but ended the week flat while the FTSE100 gained 0.6%.
- OPEC to boost output.** Amid pressure from Trump and other major oil consuming countries over rising oil prices, OPEC agreed to boost production by a lesser-than-expected 600k bbl/day in order to make up for production shortfalls in Venezuela and Iran. Brent ended the week higher by 2.9%, while the move eases pressure on OPEC to balance the oil market without creating a supply glut.
- MSCI upgrades Saudi to Emerging Market (EM); UAE caps banking fees.** MSCI confirmed that Saudi Arabia will be added to its EM index from June 2019, in a move expected to help the Kingdom attract greater investment. The 2.6% allocation to Saudi could translate to up to USD40 bn in equity flows. Meanwhile, the UAE Central Bank announced new caps on the banking fees that lenders can charge customers in the country. The move is an attempt to protect consumers from anti-competitive and unfair practices and increase confidence among retail borrowers. The S&P Pan Arab Composite edged lower by 1.3% last week.

### LOOKING FORWARD

- US new home sales data will be reported on **Monday** while data for US durable goods will be released on **Wednesday**. US Q1 GDP will be released on **Thursday** while UK Q1 GDP and EU CPI data will be published on **Friday**.



### MAIN CROSS RATES

€ 1 ————— \$ 1.1651

£ 1 ————— \$ 1.3261

\$ 1 ————— ¥ 109.97

	Yield % (24/06)	Yield % (17/06)
Abu Dhabi 2021	3.32	3.26
KSA 2021	3.60	3.55
Dubai 2023	3.83	3.84
Qatar 2023	3.70	3.72
US 10Y	2.89	2.92
German 10Y	0.34	0.40

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,115	-0.9%	0.5%
MSCI BRIC	325	-2.3%	-3.2%
MSCI EM	1,088	-2.3%	-6.1%
USA - S&P 500	2,755	-0.9%	3.0%
UK - FTSE 100	7,682	0.6%	-0.1%
France - CAC40	5,387	-2.1%	1.4%
Germany - DAX	12,580	-3.3%	-2.6%
Japan - Nikkei 225	22,517	-1.5%	-1.1%
Dubai	2,928	-3.6%	-13.1%
Abu Dhabi	4,535	-3.8%	3.1%
Saudi	8,206	-0.8%	13.5%
Oman	4,610	0.3%	-8.7%
Kuwait	4,857	-0.4%	0.7%
Egypt	16,346	0.8%	8.8%
Qatar	8,923	-1.9%	4.7%
Commodities			
Gold (\$/oz)	1,271	-0.7%	-2.5%
Silver (\$/oz)	16	-0.7%	-2.8%
Platinum (\$/oz)	877	-1.2%	-5.5%
Oil - Brent (\$/bbl)	76	2.9%	13.0%

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## EMIRATES INVESTMENT BANK

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