

## Fed upgrades US economy from solid to strong

بنك الإمارات  
للإستثمار

EMIRATES INVESTMENT BANK

### LOOKING BACK

- **Fed upgrades US economy from solid to strong.** US employers added 157k jobs in July, fewer than expected and well below the 248k created in June. Wage gains remained modest with average hourly earnings increasing by 0.3% in July, up 2.7% year-over-year even as the unemployment rate fell from 4.0% in June to 3.9% in July. Meanwhile, the Fed expectedly kept its benchmark interest rate unchanged while changing its description of the US economy from "solid" to "strong". The US 10-year Treasury yield jumped to 3.0% on the news but ended the week flat at 2.95% as trade war fears escalated between the US and China. For the week, the S&P500 rose 0.8% while the Dollar Index gained 0.5%.
- **US-China trade war intensifies.** The tit-for-tat US-China trade dispute escalated last week as Trump threatened to increase levies on billions of dollars in Chinese goods, to which China responded in kind. China announced that it has prepared a list of USD60 bn worth of US imports to levy duties on if the Trump administration goes ahead and hikes tariff rates on USD200 bn of Chinese products.
- **Eurozone Q2 GDP slows while inflation trends higher.** The Eurozone headline CPI came in higher than expected at 2.1% while Q2 GDP missed expectations and printed at 0.3% quarter-on-quarter. Unemployment remained unchanged at 8.3%. European equities ended the week lower as rising US-China trade tensions once again weighed on the markets. The EuroStoxx50 lost 1.3% last week while the EUR fell 0.8% against the USD.
- **Bank of England (BoE) hikes rates.** In a widely expected move, the BoE raised its policy rate by 25bps to 0.75%, but indicated that it expects to raise them at a very gradual rate going forward. While warning that the chance of the UK dropping out of the EU without a deal was "uncomfortably high", BoE Governor Carney said that the Bank can't be handicapped or tied by the range of Brexit uncertainties. The hike was delivered despite much uncertainty around the outcome of the Brexit negotiations and a softening inflation trend. The GBP edged lower by 0.8% against the USD last week.
- **China takes steps against CNY speculation.** In a strong signal that it is not comfortable with the relentless slide in the CNY, the PBoC imposed a 20% reserve requirement on some trading of foreign-exchange forward contracts. The move intends to target short sellers and makes it expensive for onshore investors to buy the USD. The CNY lost 3.0% in July alone and is down 5.0% YTD against the USD as trade tensions with the US and slowing growth have dented investor confidence in the Chinese economy.

### LOOKING FORWARD

- China reports its trade balance on **Wednesday** while US PPI data will be released on **Thursday**. Japan's GDP, the UK's Industrial Production and GDP, and US CPI data will be published on **Friday**.



### MAIN CROSS RATES

€ 1	\$ 1.1568
£ 1	\$ 1.3001
\$ 1	¥ 111.25

	Yield % (05/08)	Yield % (29/07)
Abu Dhabi 2021	3.25	3.26
KSA 2021	3.56	3.51
Dubai 2023	3.71	3.65
Qatar 2023	3.52	3.50
US 10Y	2.95	2.95
German 10Y	0.41	0.40

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,155	0.0%	2.5%
MSCI BRIC	313	-2.8%	-6.8%
MSCI EM	1,073	-1.7%	-7.3%
USA - S&P 500	2,840	0.8%	6.2%
UK- FTSE 100	7,659	-0.5%	-0.4%
France - CAC40	5,479	-0.6%	3.1%
Germany - DAX	12,616	-1.9%	-2.3%
Japan - Nikkei 225	22,525	-0.8%	-1.1%
Dubai	2,974	0.9%	-11.8%
Abu Dhabi	4,811	-0.7%	9.4%
Saudi	8,254	-1.4%	14.1%
Oman	4,327	-0.2%	-14.3%
Kuwait	4,946	-0.1%	2.4%
Egypt	15,806	4.0%	5.3%
Qatar	9,981	3.9%	17.1%
Commodities			
Gold (\$/oz)	1,215	-0.8%	-6.7%
Silver (\$/oz)	15	-0.6%	-9.0%
Platinum (\$/oz)	831	0.0%	-10.5%
Oil - Brent (\$/bbl)	73	-1.5%	9.5%

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## EMIRATES INVESTMENT BANK

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