

Powell signals rate cut in July

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EMIRATES INVESTMENT BANK

LOOKING BACK

- Powell signals rate cut in July.** In his testimony to the US Congress, Fed Chair Powell stressed that uncertainties around trade tensions and concerns about the strength of the global economy continue to weigh on the US economic outlook. Although the June jobs report and the latest core CPI reading provided little evidence that the Fed needed to cut rates, Powell all but signalled that a 25-bps rate cut is coming at the July FOMC meeting later this month. The US 10-year Treasury yield edged higher by 9bps to 2.12% on the week as traders unwound bearish bets on the back of strong jobs and inflation data.
- France approves digital tax.** In a move that worsens an already stressed trade environment, the French senate approved a digital tax on foreign technology companies. The 3% tax on revenues generated in France targets about 30 large companies, most of which are US technology multinationals. The move evoked a sharp response from the US with Trump ordering an immediate investigation into it. Despite minutes revealing the ECB is considering fresh stimulus measures, European equities fell on the week with the Stoxx600 declining by 0.8% last week.
- European Commission (EC) cuts forecasts.** Amid rising risks to the bloc's economy on elevated uncertainty around US trade policy, the EC cut its growth and inflation estimates for the Eurozone. It now expects inflation to grow less than earlier expected and further undershoot the ECB's target of 2.0%. The agency also downgraded its growth forecasts and expects the Eurozone's economic growth to slow to 1.2% this year from 1.9% in 2018.
- Chinese trade data worsens.** Data showed a meaningful deterioration in China's trade statistics for June. While exports dropped marginally on a year-over-year basis, imports from the US fell sharply by 31% and overall imports dropped 7.3%, highlighting the extent of slowdown in domestic demand. Chinese authorities have been trying to support the domestic economy with monetary and fiscal measures as the US trade war drags on. The Shanghai Composite dropped 2.7% on the week.
- Oil gains amid supply concerns.** Supply disruptions caused by a tropical storm along the US Gulf of Mexico helped oil prices last week. Meanwhile, heightened tensions in the Arabian Gulf region and the previous week's OPEC decision to extend production cuts by another six to nine months have also worsened the near-term supply outlook. Brent gained 3.9% last week.

LOOKING FORWARD

- Chinese retail sales, Industrial Production (IP) and GDP data will be reported on **Monday** while US retail sales and IP data will be released on **Tuesday**. The US and the UK announce their respective CPI on **Wednesday** while the UK reports its retail sales on **Thursday**.



MAIN CROSS RATES

€ 1	\$ 1.1270
£ 1	\$ 1.2572
\$ 1	¥ 107.91

	Yield % (14/07)	Yield % (07/07)
Abu Dhabi 2021	2.09	2.06
KSA 2021	2.42	2.31
Dubai 2023	2.96	2.94
Qatar 2023	2.40	2.31
US 10Y	2.12	2.03
German 10Y	-0.21	-0.36

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,213	0.3%	17.4%
MSCI BRIC	318	-1.4%	12.2%
MSCI EM	1,051	-0.9%	8.8%
USA - S&P 500	3,014	0.8%	20.2%
UK- FTSE 100	7,506	-0.6%	11.6%
France - CAC40	5,573	-0.4%	17.8%
Germany - DAX	12,323	-2.0%	16.7%
Japan - Nikkei 225	21,686	-0.3%	8.3%
Dubai	2,686	0.9%	6.2%
Abu Dhabi	5,052	1.1%	2.8%
Saudi	8,968	1.4%	14.6%
Oman	3,808	-0.4%	-11.9%
Kuwait	4,845	1.3%	2.3%
Egypt	13,814	-1.3%	6.0%
Qatar	10,613	0.4%	3.1%
Commodities			
Gold (\$/oz)	1,416	1.2%	10.4%
Silver (\$/oz)	15	1.5%	-1.8%
Platinum (\$/oz)	831	2.6%	4.4%
Oil - Brent (\$/bbl)	67	3.9%	24.0%

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