

Fed officials offer mixed signals for July

بنك الإمارات
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EMIRATES INVESTMENT BANK

LOOKING BACK

- **Fed officials offer mixed signals for July.** Bets that the Fed could cut interest rates by 50bps later this month increased after two senior Fed officials highlighted the need to act quickly and lower rates at the first sign of economic distress. The probability of a 50bps rate cut climbed on the comments but retreated after the New York Fed issued a statement to allay any speculation. A 25bps rate cut at the Fed's July meeting is almost fully priced in. The US 10-year Treasury yield edged lower by 6bps to 2.06% while the S&P500 lost 1.2% last week.
- **US-China trade talks struggle to resume.** Last week's conference call between officials from the US and China showed the wide gap between the two sides on trade. Slow progress and disagreement on initial promises made at the G20 Trump-Xi meeting have raised doubts about any meaningful progress on much deeper differences such as intellectual property and forced technology transfers. With the 2020 US election season approaching, hopes that a comprehensive deal can be struck are fast fading.
- **UK Parliament votes to curtail Johnson's intentions.** In a move that curtails a no-deal Brexit scenario, the UK Parliament voted to block the next PM – expected to be Boris Johnson – from suspending parliament and forcing through a hard exit. Hardliner Johnson has vowed that he would be willing to walk away without a deal by the Oct 31 Brexit deadline, if talks fail with the EU. Uncertainty rose amid rising concerns about a no-deal Brexit and weighed on the GBP which lost 0.6% against the USD last week.
- **China's Q2 GDP disappoints.** In a sign that the economy continues to face headwinds as the trade war with the US drags on, China's GDP growth slowed to 6.2% in Q2 from a year ago. The figure still remains well within the government's 6-6.5% growth target. Meanwhile, improvement in June's retail sales and fixed-asset investment numbers point to a stabilization in economic activity as the targeted stimulus measures begin to support slowing consumption and business activity.
- **Iran offers to talk.** After weeks of heightened tensions in the Gulf region, Iranian Foreign Minister Zarif said that his country was willing to formally accept enhanced inspections of its nuclear program in exchange for a permanent lifting of US sanctions. While the comments raised hopes that tensions between the US and Iran could be lowered through negotiations, optimism quickly faded as US Secretary of State Pompeo said the US will only talk if Iran meets certain conditions including ending its support for proxies in regional conflicts. Brent ended with a weekly loss of 6.4% as demand concerns overshadowed political tensions.

LOOKING FORWARD

- US existing home sales data will be released on **Tuesday** while global flash PMIs will be published on **Wednesday**. The ECB reviews its monetary policy on **Thursday** while the US announces its Q2 GDP on **Friday**.



MAIN CROSS RATES

€ 1	→	\$ 1.1221
£ 1	→	\$ 1.2502
\$ 1	→	¥ 107.71

	Yield % (21/07)	Yield % (14/07)
Abu Dhabi 2021	2.12	2.09
KSA 2021	2.29	2.42
Dubai 2023	2.02	2.96
Qatar 2023	2.34	2.40
US 10Y	2.06	2.12
German 10Y	-0.32	-0.21

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,195	-0.8%	16.5%
MSCI BRIC	320	0.4%	12.6%
MSCI EM	1,057	0.6%	9.5%
USA - S&P 500	2,977	-1.2%	18.7%
UK- FTSE 100	7,509	0.0%	11.6%
France - CAC40	5,552	-0.4%	17.4%
Germany - DAX	12,260	-0.5%	16.1%
Japan - Nikkei 225	21,467	-1.0%	7.3%
Dubai	2,763	2.9%	9.2%
Abu Dhabi	5,218	3.3%	6.2%
Saudi	9,034	0.7%	15.4%
Oman	3,748	-1.6%	-13.3%
Kuwait	4,901	1.1%	3.4%
Egypt	13,670	-1.0%	4.9%
Qatar	10,503	-1.0%	2.0%
Commodities			
Gold (\$/oz)	1,425	0.7%	11.1%
Silver (\$/oz)	16	6.4%	4.5%
Platinum (\$/oz)	845	1.7%	6.3%
Oil – Brent (\$/bbl)	62	-6.4%	16.1%

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