

## Trump targets the Fed now

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للإستثمار

EMIRATES INVESTMENT BANK

### LOOKING BACK

- Trump criticizes the Fed; ready to impose further tariffs on China.** In response to Fed chair Powell's assessment that the US economy is strong and additional rate hikes are likely, Trump sharply criticized the Fed saying interest rate hikes are hurting the economy. He also expressed displeasure on the rising USD, saying the greenback's strength is disadvantaging the US economy. In a separate attack, Trump said that he is prepared to levy tariffs on the entire value of US imports from China, in case negotiations fail between the two sides. The S&P500 still ended the week flat, helped by a solid start to US Q2 earnings while the US 10-year Treasury yield rose 6bps to 2.89%.
- IMF warns about rising risks for the Eurozone and UK.** While pointing that investment, consumption, and job creation are still trending up, the IMF warned that the EU will suffer long-term damage equivalent to about 1.5% of its GDP if the UK leaves the bloc without a free trade deal, while UK GDP would be impacted by more than twice that amount. The agency also stated that Eurozone growth has peaked, and risks to the outlook are "mounting", highlighting policy inaction over high public debt and implementation of much-needed structural reforms as well as rising trade tensions. The EUR gained 1.1% against the GBP last week.
- Japan trade surplus widens.** Japan's exports to the US fell 0.9% year-over-year in June while imports fell 2.1%, widening the trade surplus. The news worries Japan's policymakers as Trump continues to escalate trade tensions with US trading partners and could target Japan next. Meanwhile, the JPY strengthened 5.7% against the USD in Q1 but has given back almost all of the gain since then amid general USD strength and easing North Korea tensions.
- China devalues the CNY.** In a sign of retaliation to Trump's threats of tariffs on almost all US imports from China, the PBoC devalued the USD/CNY by almost 1% on Thursday. Surprisingly, the move comes after a less confrontational Chinese response in the previous week and raises the prospect of a full-blown trade war. The Shanghai Composite closed flat last week and is down 14.5% YTD while the CNY has depreciated 4.0% against the USD this year.
- INR reaches all-time low.** The INR reached a lifetime low against the USD as a no-confidence vote on PM Modi weighed on investor sentiment. The government comfortably won the vote amid a heated parliamentary session surrounding allegations of opaqueness and general mismanagement. The INR has dropped significantly in recent months amid a broader Emerging Market currency selloff and worsening fiscal position due to rising oil prices and populism ahead of general elections early next year. The INR is down 7.8% against the USD so far this year.

### LOOKING FORWARD

- US existing home sales data will be released on **Monday** while global flash PMIs will be published on **Tuesday**. The ECB will have a press conference on **Thursday** while US preliminary Q2 GDP data will be announced on **Friday**.



### MAIN CROSS RATES

€ 1 ————— \$ 1.1724

£ 1 ————— \$ 1.3136

\$ 1 ————— ¥ 111.41

	Yield % (22/07)	Yield % (15/07)
Abu Dhabi 2021	3.22	3.17
KSA 2021	3.51	3.40
Dubai 2023	3.66	3.65
Qatar 2023	3.54	3.55
US 10Y	2.89	2.83
German 10Y	0.37	0.34

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,139	0.2%	1.7%
MSCI BRIC	315	-1.1%	-6.2%
MSCI EM	1,070	-0.5%	-7.6%
USA - S&P 500	2,802	0.0%	4.8%
UK- FTSE 100	7,679	0.2%	-0.1%
France - CAC40	5,398	-0.6%	1.6%
Germany - DAX	12,561	0.2%	-2.8%
Japan - Nikkei 225	22,698	0.4%	-0.3%
Dubai	2,926	1.4%	-13.2%
Abu Dhabi	4,770	1.8%	8.4%
Saudi	8,450	1.0%	16.9%
Oman	4,448	0.2%	-11.9%
Kuwait	4,953	-0.5%	2.6%
Egypt	15,416	-2.9%	2.7%
Qatar	9,421	1.1%	10.5%
<b>Commodities</b>			
Gold (\$/oz)	1,230	-1.2%	-5.6%
Silver (\$/oz)	16	-1.9%	-8.4%
Platinum (\$/oz)	829	-0.1%	-10.7%
Oil - Brent (\$/bbl)	73	-3.0%	9.3%

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## EMIRATES INVESTMENT BANK

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