

## US growth strong amid signs of global slowdown

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للإستثمار

EMIRATES INVESTMENT BANK

### LOOKING BACK

- **US growth momentum intact.** Amid signs of a mild slowdown in the pace of global growth, US growth continues to hold up well as evidenced in the latest PMI numbers. While the US composite PMI rose sharply to 56.6 in May, from April's 54.9 reading, the Euro-area composite PMI fell to 54.1 in May from 55.1 in April. Meanwhile, just ahead of the G7 summit, Trump accused Canada and the EU of unfair trade barriers while calling for Russia to be readmitted to the group. Despite deep divisions between Trump and the other six leaders in addition to some anxiety surrounding Trump's June 12 meeting with Kim, the S&P500 closed higher by 1.6% for the week.
- **Italy's new PM mixes populism with caution.** While outlining his government's plan for growth with populist rhetoric, new Italian PM Conte said that leaving the EUR is not on the agenda and that the government does not intend to renegotiate fiscal policy with the EU. Despite the broadly positive speech, the FTSE MIB underperformed its major European peers on concerns surrounding the new populist government's fiscal policy. Meanwhile, Spain's IBEX35 gained 1.2% for the week, over optimism about newly-elected PM Sanchez's move to assemble a pro-Eurozone cabinet. Overall, the EuroStoxx50 closed flat while the EUR gained 0.9% against the USD.
- **Argentina signs deal with IMF.** The IMF approved a USD50 bn credit line to Argentina in exchange for faster fiscal cuts, more central bank independence, changes to its inflation targets and free-floating the currency. The ARS lost 1.4% against the USD after the Central Bank let it float freely on Friday, while Argentine bonds and stocks stabilized.
- **Brazil currency woes deepen.** Amid an increasingly bearish view on the economy exacerbated by the recent 10-day truckers strike, policymakers tried to support the BRL through additional swap agreements to reduce pressure on the currency. Political uncertainty ahead of general elections in October, fiscal concerns and rising global yields are putting pressure on the BRL which has lost 12.1% versus the USD year-to-date.
- **Mexican Peso falls on trade tensions.** In a tit-for-tat response, Mexico struck back on Trump's re-imposition of tariffs on steel and aluminium and said it would tax imports of US agriculture and steel products. Escalating trade tensions came as a blow to the on-going NAFTA negotiations. In response, the MXN lost 1.8% against the USD last week.

### LOOKING FORWARD

- UK Industrial Production (IP) data will be published on **Monday** while US CPI data will be released on **Tuesday**. China GDP and UK CPI will be released on **Wednesday** while the FOMC meets on the same day. On **Thursday**, Japan releases its IP data while the ECB meets to set rates. The BoJ reviews its monetary policy on **Friday**.



### MAIN CROSS RATES

€ 1	→	\$ 1.1769
£ 1	→	\$ 1.3405
\$ 1	→	¥ 109.55

	Yield % (10/06)	Yield % (03/06)
Abu Dhabi 2021	3.26	3.23
KSA 2021	3.55	3.54
Dubai 2023	3.84	3.92
Qatar 2023	3.72	3.75
US 10Y	2.95	2.90
German 10Y	0.45	0.39

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,138	1.4%	1.6%
MSCI BRIC	337	0.5%	0.3%
MSCI EM	1,135	0.5%	-2.0%
USA - S&P 500	2,779	1.6%	3.9%
UK- FTSE 100	7,681	-0.3%	-0.1%
France - CAC40	5,450	-0.3%	2.6%
Germany - DAX	12,767	0.3%	-1.2%
Japan - Nikkei 225	22,695	2.4%	-0.3%
Dubai	3,042	2.6%	-9.7%
Abu Dhabi	4,663	1.2%	6.0%
Saudi	8,344	2.2%	15.4%
Oman	4,597	-0.2%	-8.9%
Kuwait	4,837	0.4%	0.3%
Egypt	15,924	-3.0%	6.0%
Qatar	9,242	4.1%	8.4%
Commodities			
Gold (\$/oz)	1,298	0.4%	-0.4%
Silver (\$/oz)	17	2.3%	-0.9%
Platinum (\$/oz)	907	0.3%	-2.2%
Oil - Brent (\$/bbl)	76	-0.4%	14.3%

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## EMIRATES INVESTMENT BANK

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