

Fed stands ready to turn dovish

بنك الإمارات
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EMIRATES INVESTMENT BANK

LOOKING BACK

- **Fed stands ready to turn dovish.** Amid slowing economic data and declining inflation expectations, the Fed said it stands ready to cut interest rates later this year, if required. While Powell still asserted to remain data-dependent, a neutral-to-dovish outlook raised the prospects for a July rate cut and pushed the 10-year US Treasury yield to below 2.0%. On the week, renewed accommodative commentary from major Central banks and hopes that the US and China will re-engage in trade talks at next week's G20 summit aided risk sentiment. The S&P500 gained 2.2%, reaching a fresh all-time high.
- **Trump-Xi to meet at G20.** Investor sentiment got a further boost after Trump confirmed a meeting with China's Xi at the upcoming G-20 summit. Given the recent wide differences between the two warring sides, expectations remain modest with hopes that renewed talks will help avoid further tariffs and a move back to the negotiating table.
- **Bank of England (BoE) remains neutral.** The GBP gained 1.2% against the USD last week, as the BoE bucked the dovish trend globally and decided to hold short-term rates steady at 0.75%. While the Central bank lowered its Q2 GDP forecast for the UK to 0.0%, from its earlier 0.2%, it still sees an orderly UK withdrawal from the EU as the more likely outcome.
- **Japanese exports decline further.** While exports to the US rose in May, overall exports declined for a sixth straight month led by a larger-than-expected decline in exports to China. Meanwhile and amid a deteriorating trade and inflation outlook, the Bank of Japan (BoJ) kept its monetary policy unchanged while suggesting it may allow the 10-year Japanese government bond yield to fall below the -0.2% target. The Nikkei225 gained 0.7% while the safe-haven JPY appreciated 1.1% against the USD.
- **US, Iran on the brink.** Geopolitical tensions ratcheted higher in the Middle East, driving a sharp rally in oil prices last week. Amid reports that Iran shot down an unmanned US military drone in the region, Trump apparently ordered and then cancelled airstrikes against Iranian targets. The volatile situation heightened oil supply concerns as Brent rose 5.1% on the week.

LOOKING FORWARD

- Fed Chair Powell will address the media on **Tuesday** while the Eurozone reports its Economic Sentiment Index on **Thursday**. The G20 meets on **Friday** while Japan's IP data and Eurozone CPI will be released on the same day.



MAIN CROSS RATES

€ 1 ————— \$ 1.1369

£ 1 ————— \$ 1.2737

\$ 1 ————— ¥ 107.32

	Yield % (23/06)	Yield % (16/06)
Abu Dhabi 2021	2.02	2.14
KSA 2021	2.43	2.57
Dubai 2023	2.93	3.10
Qatar 2023	2.36	2.48
US 10Y	2.05	2.08
German 10Y	-0.29	-0.26

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,178	2.2%	15.6%
MSCI BRIC	318	4.0%	12.0%
MSCI EM	1,053	3.8%	9.1%
USA - S&P 500	2,950	2.2%	17.7%
UK- FTSE 100	7,408	0.8%	10.1%
France - CAC40	5,528	3.0%	16.9%
Germany - DAX	12,340	2.0%	16.9%
Japan - Nikkei 225	21,259	0.7%	6.2%
Dubai	2,659	1.0%	5.1%
Abu Dhabi	5,045	1.6%	2.6%
Saudi	8,870	-0.8%	13.3%
Oman	3,928	0.2%	-9.1%
Kuwait	4,741	-1.3%	0.1%
Egypt	14,043	-1.0%	7.7%
Qatar	10,689	1.6%	3.8%
Commodities			
Gold (\$/oz)	1,400	4.3%	9.1%
Silver (\$/oz)	15	3.2%	-1.0%
Platinum (\$/oz)	810	0.6%	1.8%
Oil - Brent (\$/bbl)	65	5.1%	21.2%

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EMIRATES INVESTMENT BANK

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