

Uncertainties cloud global economic growth

بنك الإمارات
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EMIRATES INVESTMENT BANK

LOOKING BACK

- **Rate cut speculation spurs bond and equity indices.** Impacted by subdued new order inflows, US manufacturing PMI figures declined to 50.5 in May, their lowest level since September 2009. While external demand was marred by trade disputes, domestic demand dwindled on weaker sentiment. Wage growth at 3.1% is still relatively healthy and although the unemployment rate remained at a 50-year low of 3.6%, nonfarm payrolls increased only 75,000 in May, below the 224,000 reported in April and forecasts of 175,000. Against this backdrop and fuelled by exaggerated speculation of a rate cut, the 10 year US treasury yield dropped to a 21 month low of 2.08% and the S&P 500 Index reported gains of 4.41% on the week.
- **Eurozone continues to be grappled by slowdown.** After narrowly avoiding recession in the last quarter of 2018, the German economy grew only 0.4% in the first quarter of 2019. Continued to be affected by the headwinds of trade tensions as well as Brexit related uncertainty, German industrial output dropped 1.9% on the month, its sharpest decline since August 2015. Wary of a slowing global economy, the ECB delayed its interest rate hike until at least the middle of next year. The Euro gained 1.5% against the USD on the week, while the DAX Index gained 2.7%.
- **China witnesses weaker external demand.** China's manufacturing PMI for May managed to barely remain in an expansionary mode with a reading of 50.2, while the services PMI dipped to 52.7 in May from 54.5 in April as companies reported a slowdown in new overseas orders. Meanwhile, the composite PMI declined to a three month low 51.5 in May from 52.7 in April. Thwarted by trade tensions and a weaker global economic growth backdrop, the International Monetary Fund (IMF) lowered China's 2019 GDP growth estimate to 6.2% from 6.3%. The Shanghai Composite Index declined 2.5% on the week.
- **Mixed outcome from trade disputes.** Reversing the earlier threats of imposing import duties on Mexican goods starting at 5%, the US suspended its plan indefinitely. The reversal came after Mexico promised to take steps to stem the flow of illegal immigrants to the US. However, the trade dispute between the US and China remained at a standstill as any solution remained elusive. The trade negotiations may gain pace with the meeting between the presidents of the US and China next month. The Mexbol Index gained 1.27% on the week, while the Mexican Peso declined 0.02%.

LOOKING FORWARD

- UK Industrial Production (IP) and China's trade balance data will be released on **Monday**. In the US, initial jobless claims will be reported on **Thursday**, while retail sales data will be released on **Friday**.



MAIN CROSS RATES

€ 1 ————— \$ 1.1334

£ 1 ————— \$ 1.2737

\$ 1 ————— ¥ 108.19

| | Yield % (09/06) | Yield % (02/06) |
|----------------|--------------------|--------------------|
| Abu Dhabi 2021 | 2.16 | 2.34 |
| KSA 2021 | 2.57 | 2.77 |
| Dubai 2023 | 3.39 | 3.47 |
| Qatar 2023 | 2.49 | 2.70 |
| US 10Y | 2.08 | 2.12 |
| German 10Y | -0.26 | -0.20 |

| Equities | Last Price | Weekly Chg | YTD Chg |
|----------------------|------------|------------|---------|
| MSCI World | 2,127 | 3.9% | 12.9% |
| MSCI BRIC | 304 | 0.6% | 7.0% |
| MSCI EM | 1,007 | 0.9% | 4.3% |
| USA - S&P 500 | 2,873 | 4.4% | 14.6% |
| UK- FTSE 100 | 7,332 | 2.4% | 9.0% |
| France - CAC40 | 5,364 | 3.0% | 13.4% |
| Germany - DAX | 12,045 | 2.7% | 14.1% |
| Japan - Nikkei 225 | 20,885 | 1.4% | 4.3% |
| Dubai | 2,620 | 0.0% | 3.6% |
| Abu Dhabi | 5,004 | 0.0% | 1.8% |
| Saudi | 8,516 | 0.0% | 8.8% |
| Oman | 3,942 | 0.2% | -8.8% |
| Kuwait | 4,767 | 0.7% | 0.6% |
| Egypt | 13,788 | 0.1% | 5.8% |
| Qatar | 10,319 | 0.5% | 0.2% |
| Commodities | | | |
| Gold (\$/oz) | 1,341 | 2.7% | 4.6% |
| Silver (\$/oz) | 15 | 2.9% | -3.1% |
| Platinum (\$/oz) | 807 | 1.7% | 1.4% |
| Oil - Brent (\$/bbl) | 63 | -1.9% | 17.6% |

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EMIRATES INVESTMENT BANK

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