

US yields rise on solid economic data

بنك الإمارات
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EMIRATES INVESTMENT BANK

LOOKING BACK

- US yields rise on solid economic data.** A robust uptick of 0.7% in Industrial Production (IP), a 0.3% gain in April retail sales and continued momentum in oil prices raised fears of higher interest rates, pushing the US 10-year Treasury yield above the psychological 3.0% mark and pushed the S&P500 lower by 0.5%. Meanwhile, with nearly 93% of S&P 500 companies having reported, Q1 2018 earnings show a 23.6% advance year-over-year (YoY) while revenues rose 8.2%.
- Italian yields rise on draft policy leak.** A leaked draft document, drawn up by Italy's two populist parties, which are set to form a coalition government, exposed their plans to ask the ECB to cancel EUR250 bn of Italy's debt and create procedures to enable countries to exit the Eurozone. However, it was later clarified that the leaked version was only a draft of 'notes' and not a policy initiative. As a result, Italy's equity benchmark came under pressure and lost 2.9% while the 10-year government bond yield jumped 35bps last week and the EUR weakened 1.4% against the USD.
- Japan's economy shrinks first time in two years.** Japan's economy contracted by an annualized 0.6% in Q1, worse than analyst expectations of a 0.2% decline. Meanwhile, April core CPI came in at 0.4% YoY in April, slowing from 0.5% in March and well below the central bank's 2% target. The safe-haven JPY had appreciated 5.7% against the USD in Q1 on Korea tensions and trade war fears, disrupting the semi-strong economic recovery underway in Japan.
- Chinese economy points to a slowdown ahead.** Weaker-than-expected investment and retail sales in April in addition to a drop in home sales, pointed to a slowdown in Chinese growth as policymakers try to navigate debt risks and negotiate their way to a trade deal with the US. While growth still remains strong, the downtrend is likely to continue as the government reins in debt levels. The CNY has remained relatively stable against the USD so far this year and has gained 1.9% YTD.
- Oil continues its upward trajectory.** Looming US sanctions on Iran, Venezuela's production slump, and a new disruption in Nigeria have contributed to recent gains in oil prices. Brent closed last week at USD78.5/bbl, higher by 1.8%, capping a sixth straight week of gains.

LOOKING FORWARD

- Japan publishes its trade balance on **Monday** while global flash manufacturing PMIs, UK CPI and FOMC minutes will be released on **Wednesday**. The ECB releases its meeting minutes on **Thursday** while the UK reports its Q1 GDP on **Friday**.



MAIN CROSS RATES

€ 1 ————— \$ 1.1772

£ 1 ————— \$ 1.3469

\$ 1 ————— ¥ 110.78

	Yield % (20/05)	Yield % (13/05)
Abu Dhabi 2021	3.29	3.26
KSA 2021	3.68	3.63
Dubai 2023	4.04	3.93
Qatar 2023	3.86	3.79
US 10Y	3.06	2.97
German 10Y	0.58	0.56

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,121	-0.5%	0.8%
MSCI BRIC	339	-1.7%	0.9%
MSCI EM	1,138	-2.3%	-1.8%
USA - S&P 500	2,713	-0.5%	1.5%
UK- FTSE 100	7,779	0.7%	1.2%
France - CAC40	5,615	1.3%	5.7%
Germany - DAX	13,078	0.6%	1.2%
Japan - Nikkei 225	22,930	0.8%	0.7%
Dubai	2,913	1.1%	-13.6%
Abu Dhabi	4,432	-0.1%	0.8%
Saudi	8,017	1.3%	10.9%
Oman	4,618	-1.4%	-8.5%
Kuwait	4,864	-0.4%	0.8%
Egypt	16,878	-1.6%	12.4%
Qatar	8,891	1.6%	4.3%
Commodities			
Gold (\$/oz)	1,293	-2.0%	-0.7%
Silver (\$/oz)	16	-1.3%	-2.9%
Platinum (\$/oz)	887	-3.9%	-4.4%
Oil - Brent (\$/bbl)	79	1.8%	17.4%

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