

## Jittery economic sentiment mar global equities

بنك الإمارات  
للإستثمار

EMIRATES INVESTMENT BANK

### LOOKING BACK

- Core PCE reading remains below Fed's expectations.** Backed by strong contributions from government spending as well as increased exports, US GDP rose 3.1% during the first quarter, against 3.2% in the previous quarter. The core PCE index, which remains the Fed's preferred inflation measure, rose 1.0%, compared to 1.2% in the previous quarter. A projected slowdown in second quarter economic growth, coupled with a core PCE reading much below the Fed's target level of 2%, confirms the Fed's neutral position. The S&P500 edged lower by 2.6% while the 10-year US Treasury yield closed lower by 20bps to 2.12% on the week.
- Italy heading to ECB debt standoff.** Concerns of another Eurozone debt crisis escalated as Italy's leaders ignored the European Central Bank's mandate for spending. The Italian leaders seemed to remain unfazed despite possibilities of attracting over EUR 3 billion in fines from the European Commission as the country's debt rose to 132.2% of GDP in 2018, from 131.8% in 2017, and is further expected to mount to 135.2% by 2020. Coupled with Brexit uncertainties and nervous sentiment surrounding the Euro area, the Eurostoxx 50 Index corrected 2.1% on the week and the German 10 year government bond yields declined further to -0.2%.
- Muted Japanese retail sales.** Japanese industrial output rebounded in April to rise 0.6% M-o-M as manufacturers front loaded production before a 10 day public holiday in late April. Retail sales, however, slowed down to 0.5% in April compared to a 1% rise in March as shoppers reduced spending on clothes and vehicles. With slower domestic demand growth, Japanese manufacturing growth remains vulnerable as both its major export destinations remained embroiled in a tariff war. The Nikkei fell 2.4% on the week.
- China retaliates to US actions.** In a retaliatory move, the Chinese government indicated that it was preparing its own blacklist of "unreliable foreign entities" that do not follow market rules. The reactionary move came after the US government banned Huawei and is likely to escalate the trade war, leaving no immediate solution in sight. On the week, the Hang Seng Index corrected 1.66%.
- Crude oil corrects on demand-supply concerns.** The ongoing US-China trade dispute, coupled with the anticipation of sluggish global economic growth, marred the demand growth outlook for crude oil. Dragged further by supply side fears of rising production as well as a build-up in the US inventories, crude oil prices corrected 6.1% on the week.

### LOOKING FORWARD

- US, China and Japan manufacturing PMI data will be released on **Monday**. US jobless claims along with trade balance data and Eurozone GDP data will be released on **Thursday**.



### MAIN CROSS RATES

€ 1 ————— \$ 1.1169

£ 1 ————— \$ 1.2629

\$ 1 ————— ¥ 108.29

	Yield % (02/06)	Yield % (26/05)
Abu Dhabi 2021	2.34	2.44
KSA 2021	2.77	2.83
Dubai 2023	3.47	3.55
Qatar 2023	2.70	2.77
US 10Y	2.12	2.32
German 10Y	-0.20	-0.12

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,046	-2.3%	8.6%
MSCI BRIC	302	0.9%	6.3%
MSCI EM	998	1.2%	3.3%
USA - S&P 500	2,752	-2.6%	9.8%
UK- FTSE 100	7,162	-1.6%	6.4%
France - CAC40	5,208	-2.0%	10.1%
Germany - DAX	11,727	-2.4%	11.1%
Japan - Nikkei 225	20,601	-2.4%	2.9%
Dubai	2,620	1.2%	3.6%
Abu Dhabi	5,004	4.7%	1.8%
Saudi	8,516	-0.2%	8.8%
Oman	3,934	1.5%	-9.0%
Kuwait	4,737	0.3%	0.0%
Egypt	13,771	0.0%	5.6%
Qatar	10,273	5.6%	-0.3%
Commodities			
Gold (\$/oz)	1,306	1.6%	1.8%
Silver (\$/oz)	15	0.2%	-5.8%
Platinum (\$/oz)	794	-1.5%	-0.2%
Oil - Brent (\$/bbl)	64	-6.1%	19.9%

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