

## Global political events drive market sentiment

بنك الإمارات  
للإستثمار

EMIRATES INVESTMENT BANK

### LOOKING BACK

- **Global political events drive market sentiment.** A good start for risk assets amid waning US tensions with North Korea was largely undone by a terrorist attack in Barcelona and fears over Trump's fresh political controversies. Despite better-than-expected retail sales, yields remained volatile with the 10-year Treasury yield closing flat at 2.19%. The combination of events helped drive the VIX back up to 14.3 after falling to 11.7 mid-week.
- **FOMC minutes show split committee.** The minutes of the Fed's last meeting showed a majority of FOMC participants were sticking to the forecast that inflation would gradually rise to their 2.0% target over the medium term, albeit with risks now tilted to the downside. However, some also cautioned that financial conditions and tight labor markets could result in an "overshooting" of the inflation target.
- **Eurozone trade surplus shrinks.** The Eurozone's June trade surplus shrank by EUR1.7 bn on the back of an uptick in imports. Year-over-year imports rose 6.2% in June while exports grew 3.9%, indicating strengthening domestic demand. Meanwhile, minutes of the ECB's July meeting revealed concerns about the strength of the EUR, complicating the Bank's efforts to hit its inflation goal of just under 2.0% and dampening expectations of any concrete communication regarding QE tapering at the upcoming Jackson Hole conference.
- **UK inflation stays steady.** UK CPI remained steady at 2.6% year-over-year while the unemployment rate fell to 4.4%, its lowest level since 1975. Wage growth improved by a better-than-expected 2.1% while real household income continues to decline as GBP-induced inflation erodes purchasing power.
- **Japan's GDP growth beats expectations.** Fueled by gains in private consumption and capital expenditures, Japan's economy expanded at a 4.0% annualized rate in Q2, exceeding expectations of a 2.5% rise. The economy grew for a sixth straight quarter, while inflation, though mild, continued to edge upwards. However, consensus states it is unlikely that the economy would sustain the current pace of growth for the rest of the year amid lackluster wage gains.
- **Chinese economic data points to slowing growth.** After a strong H1 2017 where the economy grew at an annualized 6.9%, a batch of recent economic indicators showed that China's growth slowed in July compared to June. The pace of growth in industrial output and retail sales decelerated while infrastructure investment also slowed slightly as China stepped up measures to crack down on an overheated real estate market.

### LOOKING FORWARD

- Canada reports retail sales data on **Tuesday** while global preliminary PMIs will be released on **Wednesday**. The Jackson Hole symposium begins on **Thursday** while US durable goods orders will be published on **Friday**.



### MAIN CROSS RATES

€ 1 ————— \$ 1.1761

£ 1 ————— \$ 1.2870

\$ 1 ————— ¥ 109.18

	Yield % (20/08)	Yield % (13/08)
Abu Dhabi 2019	1.52	1.52
KSA 2021	2.60	2.61
Dubai 2023	3.11	3.17
Qatar 2023	2.94	3.01
US 10Y	2.19	2.19
German 10Y	0.41	0.38

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	1,930	-0.4%	10.2%
MSCI BRIC	303	1.9%	25.2%
MSCI EM	1,060	1.6%	22.9%
USA - S&P 500	2,426	-0.6%	8.3%
UK- FTSE 100	7,324	0.2%	2.5%
France - CAC40	5,114	1.1%	5.2%
Germany - DAX	12,165	1.3%	6.0%
Japan - Nikkei 225	19,470	-1.3%	1.9%
Dubai	3,601	-1.3%	2.0%
Abu Dhabi	4,493	-1.3%	-1.2%
Saudi	7,179	0.2%	-0.4%
Oman	4,889	-2.0%	-15.5%
Kuwait	6,886	0.6%	19.8%
Egypt	13,119	-2.5%	6.3%
Qatar	9,106	-1.5%	-12.7%
<b>Commodities</b>			
Gold (\$/oz)	1,284	-0.4%	11.9%
Silver (\$/oz)	17	-0.9%	6.5%
Platinum (\$/oz)	978	-0.7%	8.3%
Oil - Brent (\$/bbl)	53	1.2%	-7.2%

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## EMIRATES INVESTMENT BANK

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