

Strong manufacturing boosts global equities

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للإستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- **Global manufacturing ends 2017 on a high.** The JPMorgan global manufacturing PMI hit 54.5 in December, its highest level since Feb 2011 with data signalling broad-based expansion across both developed and emerging markets. Global equities rallied with the MSCI World gaining 2.5% last week. Government bonds fell with the US 10-year Treasury yield rising 7bps to 2.48%.
- **US Fed minutes show a divided house.** Minutes of the Fed's Dec 12-13 meeting showed two regional presidents dissenting from the Fed's stated intention to raise rates three times this year, citing concerns about below-target inflation. The release of the minutes and an underwhelming December jobs report capped the 10-year Treasury yield, which had spiked after strong manufacturing data. However, investors largely ignored the dovish developments as market-implied odds of a 25bps rate hike in March remained high at over 70%.
- **Euro-area inflation slows, easing pressure on ECB.** Despite solid economic growth, Eurozone headline inflation slowed to 1.4% in December from 1.5% in November. The latest reading should ease pressure off the ECB and allow an orderly QE exit amid calls from some ECB members to exit QE sooner. The EUR held steady against the USD and ended last week at 1.2029, higher by 0.2%.
- **Japanese equities start 2018 on a strong note.** The Nikkei225 opened after a 5-day holiday to rally 4.2% last week, climbing to a fresh 26-year high. The predominantly export-driven economy has benefitted from the steadily growing global economy. Meanwhile, the latest Bank of Japan (BoJ) Tankan survey pointed to growing capacity constraints among companies which should kick-start a cycle of capital investments. This has the potential to lead to a pickup in inflation, which remains low despite firming growth and record low levels of unemployment.
- **Oil prices rally on declining US inventories.** Oil prices rose to 3-year highs in the opening week of 2018 as US crude stockpiles shrank to levels last seen in August 2017. Overall, gradually declining inventories amid a healthy global economy and a disciplined adherence by members to OPEC's production cut agreement have boosted prices. Brent came off its highs to close the week at USD67.62, gaining 1.1%.

LOOKING FORWARD

- China reports its CPI on **Tuesday** while UK Industrial Production (IP) will be published on **Wednesday**. US CPI will be released on **Friday**.



MAIN CROSS RATES

€ 1 ————— \$ 1.2029

£ 1 ————— \$ 1.3571

\$ 1 ————— ¥ 113.05

	Yield % (07/01)	Yield % (31/12)
Abu Dhabi 2019	2.03	1.89
KSA 2021	2.96	2.99
Dubai 2023	3.24	3.21
Qatar 2023	3.39	3.41
US 10Y	2.48	2.41
German 10Y	0.44	0.43

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,157	2.5%	2.5%
MSCI BRIC	352	4.9%	4.9%
MSCI EM	1,201	3.7%	3.7%
USA - S&P 500	2,743	2.6%	2.6%
UK- FTSE 100	7,724	0.5%	0.5%
France - CAC40	5,471	3.0%	3.0%
Germany - DAX	13,320	3.1%	3.1%
Japan - Nikkei 225	23,715	4.2%	4.2%
Dubai	3,464	2.8%	2.8%
Abu Dhabi	4,548	3.4%	3.4%
Saudi	7,277	0.6%	0.6%
Oman	5,105	1.1%	1.1%
Kuwait	6,454	0.7%	0.7%
Egypt	14,782	-1.6%	-1.6%
Qatar	8,631	1.2%	1.2%
Commodities			
Gold (\$/oz)	1,320	1.3%	1.3%
Silver (\$/oz)	17	1.7%	1.7%
Platinum (\$/oz)	969	4.4%	4.4%
Oil – Brent (\$/bbl)	68	1.1%	1.1%

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