

EUR braces for eventual QE taper

بنك الإمارات
للإستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- **Earnings season off to good start.** With roughly 20% of S&P 500 companies having reported, the Q2 earnings season has gotten off to a decent start, albeit at a moderate pace compared to Q1. Earnings rose at an average 6.5% on 4.4% revenue growth. However, the Trump administration's failure to repeal "Obamacare" and anxiety over the investigation into his links with Russia weighed on the USD Index, which fell 1.4% last week.
- **ECB keeps policy unchanged, delays taper talk.** The ECB kept interest rates and its monetary stimulus program unchanged at its July monetary policy meeting. Draghi's tone was less hawkish than in late June, when he suggested the ECB may announce the gradual winding down of its asset purchase program later on in the year. While stating that the Eurozone economic recovery has been "robust," the "last thing that the Governing Council may want is an unwanted tightening of the financing conditions". Most Eurozone government bonds benefited from the announcement while the EUR gained 1.7% against the USD.
- **UK CPI eases.** UK government bonds rallied last week after data showed that inflation softened in June. Headline CPI for June fell to 2.6% from 2.9% the previous month, while core CPI dropped to 2.4% from 2.6%. The drop in inflation should provide the BoE with some elbow room ahead of its next monetary policy meeting on August 3.
- **Bank of Japan (BoJ) stays put, lowers inflation forecast.** As broadly expected, the BoJ kept its monetary policy unchanged, yet again postponing the timing of its 2% inflation target while lowering its CPI forecast for fiscal years 2017 and 2018. The BoJ affirmed its current yield-curve control and asset purchase program and said that it now expects to hit the 2% inflation target in fiscal year 2020. However, the Bank expects the economy to expand 1.8% during fiscal 2017, stronger than an earlier projection of 1.6%.
- **China's Q2 GDP growth beats forecasts.** China's Q2 GDP rose by a better-than-expected 6.9%, matching the strong pace of Q1 and underscoring the economy's resilience, even as the government continues to tighten policy and takes other steps to reduce systemic risks. Consumption contributed roughly 63% to growth in the year's first half, providing evidence of China's efforts to rebalance its economy towards a more sustainable footing.
- **IMF lowers 2017 Saudi GDP growth to 0.1% from 0.4%.** The IMF lowered Saudi's 2017 GDP growth forecast to 0.1% from 0.4%, citing OPEC production cuts, uncertainty over oil prices and the impact of structural reforms the country is undertaking to diversify its economy. The Fund lauded the Kingdom's plans to reform its economy and recommended a "more gradual phasing of reforms to allow households and businesses more time to adjust".

LOOKING FORWARD

- Global flash PMIs will be released on **Monday** while Germany reports its Ifo business sentiment survey results on **Tuesday** and preliminary UK Q2 GDP will be reported on **Wednesday**. The FOMC meets to set rates on **Thursday** and also US Q2 GDP will be reported on the same day.



MAIN CROSS RATES

€ 1 ————— \$ 1.1663

£ 1 ————— \$ 1.2997

\$ 1 ————— ¥ 111.13

	Yield % (23/07)	Yield % (16/07)
Abu Dhabi 2019	1.79	1.80
KSA 2021	2.68	2.74
Dubai 2023	3.15	3.19
Qatar 2023	2.88	3.14
US 10Y	2.24	2.33
German 10Y	0.51	0.60

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	1,959	0.5%	11.9%
MSCI BRIC	296	1.2%	22.5%
MSCI EM	1,060	1.3%	23.0%
USA - S&P 500	2,473	0.5%	10.4%
UK- FTSE 100	7,453	1.0%	4.3%
France - CAC40	5,118	-2.2%	5.3%
Germany - DAX	12,240	-3.1%	6.6%
Japan - Nikkei 225	20,100	-0.1%	5.2%
Dubai	3,574	1.0%	1.2%
Abu Dhabi	4,552	0.8%	0.1%
Saudi	7,261	-0.7%	0.7%
Oman	4,999	-2.4%	-13.5%
Kuwait	6,781	-0.1%	18.0%
Egypt	13,715	-0.8%	11.1%
Qatar	9,542	0.8%	-8.6%
Commodities			
Gold (\$/oz)	1,255	2.1%	9.4%
Silver (\$/oz)	17	3.3%	3.7%
Platinum (\$/oz)	935	1.5%	3.5%
Oil - Brent (\$/bbl)	48	-1.7%	-15.4%

FOR MORE INFORMATION,
PLEASE CONTACT:



Emirates Investment Bank pjsc
PO Box 5503, Dubai
Dubai Festival City, UAE



+971 4 231 7777



+971 4 231 7788



www.eibank.com

ASSET MANAGEMENT TEAM:

Nadi Bargouti, CFA

Managing Director – Head of Asset Management
nadi.bargouti@eibank.com

Yaser Al-Nimr

Director – Asset Management
yaser.alnimr@eibank.com

Fabien Paturaud, CFA

Associate Director – Asset Management
fabien.paturaud@eibank.com

Joyson D'Souza, CFA

Associate – Asset Management
joyson.dsouza@eibank.com

EMIRATES INVESTMENT BANK

EIBank is a Dubai-based boutique dedicated to the service of an exclusive group of private and institutional clients. Private banking and investment banking needs are approached holistically.

In private banking, the bank prides itself on offering highly personalised investment solutions and one-on-one servicing by a professional team of wealth management specialists. EIBank's open platform provides clients with access to markets globally.

In investment banking, the bank provides clients with advice on mergers & acquisitions, access to capital markets and other corporate finance matters.

IMPORTANT INFORMATION

This report is for our clients only. It is not an offer or a solicitation to offer, buy or sell any security or instrument or to participate in any particular trading strategy. This report is based on current public information that we consider reliable, but it should not be considered accurate or complete.

This report is not intended to provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. We recommend that investors independently evaluate particular investments and strategies and we encourage investors to always seek professional advice. The securities, instruments or strategies discussed in this report may not be suitable for all investors and certain investors may not be eligible to purchase or participate in some or all of them.

The value of and income from investments may vary because of a variety of factors. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. Fluctuations in exchange rates could have adverse effects on the value, price of and income derived from certain investments. Certain transactions give rise to substantial risk and are not suitable for all investors.

We and our affiliates may transact the securities or derivatives referred to in this research. We may also make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

Emirates Investment Bank pjsc is regulated by the Central Bank of the United Arab Emirates.