

Markets shrug off softer US jobs data

بنك الإمارات
للإستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- **Markets stay the course despite muted jobs data.** May's employment data showed a softening jobs market totalling 138k new job additions compared to the consensus forecast of 182k with downward revisions to both March and April. The bright spot in the report was the continued fall in the unemployment rate, which edged down to a decade low of 4.3% from 4.4% in April. While weaker than forecast, markets still expect the Fed to hike rates by 25bps later this month but anticipate a slower rate hike path afterwards.
- **Draghi downplays QE taper talk.** Appearing before the European Parliament's committee on economic affairs this week, ECB President Draghi toned down the odds of any shift in policy at the upcoming rate-setting meeting. While stating that economic growth is improving, he added that the economy still requires stimulus as inflation remains subdued. Sluggish Eurozone headline inflation data (+1.4% year-over-year) released later during the week further lowered expectations of a policy shift. Meanwhile, the EUR ended 0.9% higher versus the USD as the Eurozone manufacturing PMI firmed to 57.0 from 56.7 in April, the highest in six years.
- **Political uncertainty rises in the UK.** UK gilts rallied early in the week amid increased political uncertainty, as the election race appeared to be tighter than was initially expected. The yield on 10-year gilts fell below 1.0% to reach the lowest level since October as opinion polls suggested that the lead of PM May's Conservative party was narrowing just ahead of elections to be held on May 8.
- **Japanese economy starts Q2 on a strong note.** The manufacturing PMI for Japan rose to 53.1 in May from 52.7 in April, indicating production increased for a tenth month in a row. Record low levels of unemployment are starting to prompt businesses to invest as a preliminary reading showed the economy grew 2.2% in Q1. The Nikkei225 soared 2.5% to finish above the psychologically significant 20k level.
- **China PMI holds steady.** China's manufacturing PMI remained at 51.2 in May, compared with a median estimate of 51 whereas the non-manufacturing PMI rose to 54.5 from 54.0 in April. The PMI data signals sustained momentum in the economy that may give policymakers room to continue targeted tightening to rein in systemic risks.
- **Brazil emerges from recession.** Brazil emerged from its worst recession on record as the economy grew 1.0% in Q1 after eight straight quarters of contraction. Meanwhile, the Central Bank cut its key interest rate by 1.0% to 10.25% after the annual rate of inflation fell to a near decade low of 4.1% on dampened demand. However, political chaos, record high unemployment and weak growth continue to remain headwinds to a sustainable recovery for the beleaguered economy.

LOOKING FORWARD

- The Reserve Bank of Australia (RBA) meets to set rates on **Tuesday**, China reports its forex reserves on **Wednesday** while Eurozone releases its GDP data on the same day. On **Thursday**, elections will be held in the UK, China reports its trade balance figures and the ECB meets to set rates. Finally, Canada releases its unemployment data on **Friday**.



MAIN CROSS RATES

€ 1 ————— \$ 1.1279

£ 1 ————— \$ 1.2888

\$ 1 ————— ¥ 110.40

	Yield % (04/06)	Yield % (28/05)
Abu Dhabi 2019	1.40	1.37
KSA 2021	2.55	2.56
Dubai 2023	3.09	3.11
Qatar 2023	2.58	2.57
US 10Y	2.16	2.25
German 10Y	0.27	0.33

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	1,935	1.2%	10.5%
MSCI BRIC	281	-0.2%	16.2%
MSCI EM	1,015	-0.2%	17.7%
USA - S&P 500	2,439	1.0%	8.9%
UK- FTSE 100	7,548	0.0%	5.7%
France - CAC40	5,343	0.1%	9.9%
Germany - DAX	12,823	1.8%	11.7%
Japan - Nikkei 225	20,177	2.5%	5.6%
Dubai	3,352	0.7%	-5.1%
Abu Dhabi	4,479	-0.8%	-1.5%
Saudi	6,864	-0.1%	-4.8%
Oman	5,435	0.6%	-6.0%
Kuwait	6,813	1.9%	18.5%
Egypt	13,467	2.8%	9.1%
Qatar	9,940	-1.2%	-4.8%
Commodities			
Gold (\$/oz)	1,279.2	1.0%	11.5%
Silver (\$/oz)	17.6	1.2%	10.2%
Platinum (\$/oz)	954.5	-0.6%	5.7%
Oil - Brent (\$/bbl)	50.0	-4.2%	-12.1%

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