

Global equities rally on strong US earnings

بنك الإمارات
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EMIRATES INVESTMENT BANK

LOOKING BACK

- Global equities rally on strong US earnings.** Despite Trump pulling the US out of the Iran nuclear deal and continued uncertainty over NAFTA negotiations and the US-China trade dispute, investors remained focused on the on-going Q1 earnings season. Tech and semiconductor firms rallied on strong earnings growth helping the S&P500 advance 2.4% for the week. The VIX dropped 2 points while the US 10-year Treasury yield again came off the psychological 3.0% mark after a lower-than-expected rise in the April US CPI figure.
- Italy close to government formation.** After weeks of negotiation, the Five Star Movement (M5S) and the Northern League have moved closer to forming a government in Italy, paving the way for a prime minister from one of the two populist parties. Italian government bonds lost ground last week even as both the 5-Star leader Maio and a senior leader of the Northern League made statements toning down their anti-EUR stance. The FTSE MIB ended 0.72% lower for the week.
- Bank of England (BoE) leaves policy unchanged.** Despite wide expectations of a May rate hike, recent disappointing growth figures compelled the BoE to leave interest rates unchanged at 0.5%. However, the Bank warned that interest rates may still have to rise in the coming months as inflation continues to weigh on consumer and business sentiment. The Bank cut its 2018 growth forecast from 1.8% to 1.4%. The GBP remained flat last week while the FTSE100 gained 2.1%.
- Turkey and Argentina currency woes worsen.** The TRY's rebound from a record low fizzled out last week after President Erdogan reiterated his opposition to higher interest rates. Meanwhile, attempts by Argentina to stem capital outflows proved unsuccessful prompting the government to seek the IMF's help. In recent weeks, markets have lost confidence in both currencies amid spiralling inflation and fiscal laxity. The TRY and the ARS have lost 13.6% and 24.6% respectively against the USD so far this year.
- Oil continues higher after US withdrawal from Iran nuclear deal.** Oil continued to make gains post the much-expected US pull out from the Iran nuclear deal even as US energy companies added oil rigs for a sixth week in a row amid rising crude prices. The US Energy Information Administration (EIA) projected annual US oil output would rise to a record high of 10.72 mio bbl/day in 2018. Brent ended last week at USD77.1/bbl, gaining 3.0%.

LOOKING FORWARD

- Eurozone GDP and US and China retail sales data will be published on **Tuesday** while Eurozone CPI and US Industrial Production (IP) will be released on **Wednesday**. Japan reports its CPI on **Friday**.



MAIN CROSS RATES

€ 1 ————— \$ 1.1943

£ 1 ————— \$ 1.3542

\$ 1 ————— ¥ 109.39

	Yield % (13/05)	Yield % (06/05)
Abu Dhabi 2021	3.26	3.24
KSA 2021	3.63	3.62
Dubai 2023	3.93	3.89
Qatar 2023	3.79	3.81
US 10Y	2.97	2.95
German 10Y	0.56	0.54

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,132	2.0%	1.4%
MSCI BRIC	345	3.2%	2.7%
MSCI EM	1,164	2.5%	0.5%
USA - S&P 500	2,728	2.4%	2.0%
UK- FTSE 100	7,725	2.1%	0.5%
France - CAC40	5,542	0.5%	4.3%
Germany - DAX	13,001	1.4%	0.6%
Japan - Nikkei 225	22,758	1.3%	0.0%
Dubai	2,882	-2.2%	-14.5%
Abu Dhabi	4,438	-2.6%	0.9%
Saudi	7,914	-2.4%	9.5%
Oman	4,682	-0.9%	-7.2%
Kuwait	4,884	1.4%	1.3%
Egypt	17,155	-3.8%	14.2%
Qatar	8,750	-0.6%	2.6%
Commodities			
Gold (\$/oz)	1,319	0.4%	1.3%
Silver (\$/oz)	17	0.8%	-1.6%
Platinum (\$/oz)	923	1.2%	-0.6%
Oil - Brent (\$/bbl)	77	3.0%	15.3%

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EMIRATES INVESTMENT BANK

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