

Yields fall on heightened geopolitical risks

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LOOKING BACK

- **Yields fall on heightened geopolitical risks.** Global yields fell amid a flight-to-safety trade after the June 12 summit between the US and North Korea was cancelled as preparatory talks between the two had broken down. Later, a conciliatory statement from North Korea kept the possibility of the summit alive. Meanwhile, minutes of the last Fed meeting show that the Fed is still forecasting a total of three rate hikes for 2018, maintaining their guidance for two more rate hikes for the rest of the year. Global yields fell last week with the US 10-year Treasury yield falling to 2.93%, lower by 13bps.
- **Global composite PMIs point to slowdown in Europe and Japan.** While the US PMI data continues to look upbeat, composite PMIs from Europe and Japan continued to disappoint. The Eurozone composite PMI declined to 54.1 in May from 55.1 in April while Japan's manufacturing PMI fell to 52.5 from 53.8.
- **Spain adds to political risk in Eurozone.** Spain's IBEX 35 lost 2.8% last week after the opposition called a no-confidence vote against PM Rajoy on corruption charges. Meanwhile, Italian equities continued their slide amid fears that the new populist government would threaten the country's already fragile fiscal condition. The EUR lost 1.0% against the USD, the EuroStoxx50 edged lower by 1.6%, while the German 10-year government yield fell 17bps to close at 0.41%.
- **Turkey rate hike fails to stem TRY slide.** Despite the Central Bank's emergency 300bps rate hike and other measures to provide dollar liquidity, the TRY lost another 5.0% last week reflecting investor concerns about the Bank's ability to tame inflation, particularly amid President Erdogan's interference in monetary policy.
- **Oil falls on OPEC comments.** Oil fell sharply on Friday after Russian and Saudi energy ministers discussed plans to ease some of the OPEC production cuts to offset supply concerns from Venezuela and also to address global concerns over rising crude prices. Brent closed last week at USD76.4/bbl, lower by 2.6%.

LOOKING FORWARD

- China publishes its trade balance on **Tuesday** while the US preliminary Q1 GDP figure will be released on **Wednesday**. Eurozone CPI will be released on **Thursday** while US reports its employment data on **Friday**.



MAIN CROSS RATES

€ 1	→	\$ 1.1651
£ 1	→	\$ 1.3309
\$ 1	→	¥ 109.41

	Yield % (27/05)	Yield % (20/05)
Abu Dhabi 2021	3.19	3.29
KSA 2021	3.54	3.68
Dubai 2023	3.90	4.04
Qatar 2023	3.73	3.86
US 10Y	2.93	3.06
German 10Y	0.41	0.58

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,111	-0.5%	0.3%
MSCI BRIC	335	-1.0%	-0.1%
MSCI EM	1,137	-0.1%	-1.9%
USA - S&P 500	2,721	0.3%	1.8%
UK- FTSE 100	7,730	-0.6%	0.6%
France - CAC40	5,543	-1.3%	4.3%
Germany - DAX	12,938	-1.1%	0.2%
Japan - Nikkei 225	22,451	-2.1%	-1.4%
Dubai	2,954	1.4%	-12.3%
Abu Dhabi	4,601	3.8%	4.6%
Saudi	8,038	0.3%	11.2%
Oman	4,564	-1.2%	-9.6%
Kuwait	4,809	-1.1%	-0.3%
Egypt	16,634	-1.4%	10.8%
Qatar	9,049	1.8%	6.1%
Commodities			
Gold (\$/oz)	1,302	0.7%	0.0%
Silver (\$/oz)	17	0.4%	-2.5%
Platinum (\$/oz)	901	1.6%	-2.9%
Oil - Brent (\$/bbl)	76	-2.6%	14.3%

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EMIRATES INVESTMENT BANK

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