Fed rules out rate cut

EMIRATES INVESTMENT BANK

LOOKING BACK

- **Fed rules out rate cut.** Last week, the FOMC met and expectedly decided to make no change to its short-term interest rates. However, hopes by some investors for a rate cut later this year amid recent softening in inflation data were dashed by the Fed. Powell cited transitory factors for the recent declines in inflation and expected it to climb back toward the Central Bank's 2% goal. The Fed's not so dovish tone alongside strong US jobs data widened yields slightly with the US 10-year Treasury yield gaining 3bps last week to 2.53%. The S&P500 edged higher by 0.7% on the week.
- **US labor market remains buoyant; wage growth unchanged.** US non-farm payrolls climbed by 263k in April, exceeding expectations. While the jobless rate unexpectedly fell to a fresh 49-year low to 3.6% as the participation rate dipped, average hourly earnings growth was unchanged at 3.2% and below projections. The continued improvement in the labour market with declining inflationary pressures and average wage gains reaffirm the Fed's patient do-nothing stance for now.
- **Chinese equities stabilize after sharp fall.** Amid fears that incrementally improving economic data could force the authorities to focus on financial stability and reduce monetary and fiscal support to the economy, the Shanghai Composite lost 5.6% for the week ending April 26. Last week, mixed signals surrounding US-China trade negotiations and a dip in April's manufacturing PMI eased investor concerns about any pullback in government support to the economy. On the week, the benchmark Shanghai Composite closed almost flat in a holiday-shortened week and is up 23.4% year-to-date.
- **Japan's industrial production faces headwinds.** A preliminary reading showed Japan's industrial output fell by a greater-than-expected 4.6% in March, its second consecutive monthly decline and its biggest year-over-year drop since May 2015. The slide was attributed to weak external as well as domestic demand leading to a rise in inventory levels. Japan's bourses were closed last week for the Golden week holidays.
- **Turkish Central Bank verbally calms investor fears.** After dropping its explicit commitment to raise interest rates to fight elevated inflation in the previous week, Turkish Central Bank Governor Cetinkaya verbally clarified last week that the Bank stands ready to provide "additional tightening" if inflationary pressures strengthen. The statement was aimed to calm investor concerns about the Central Bank's commitment to fighting inflation. On the week, the BIST-100 fell 0.9% while the TRY lost 0.4% against the USD.

LOOKING FORWARD

- China and Eurozone service sector PMIs will be released on **Monday** while Japan publishes its manufacturing PMI on **Tuesday.** China reports its trade balance on **Wednesday** while Japanese CPI will be released on **Thursday.** US CPI and UK GDP and IP data will be released on **Friday.**

MAIN CROSS RATES

€ 1	$ 1.1198
£ 1	$ 1.3173
$ 1	¥ 111.10

	Yield % (05/05)	Yield % (28/04)
Abu Dhabi 2021	2.53	2.62
KSA 2021	2.87	2.91
Dubai 2023	3.52	3.53
Qatar 2023	2.88	2.89
US 10Y	2.53	2.50
German 10Y	0.03	-0.02

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,178	0.2%	15.6%
MSCI BRIC	330	0.7%	16.2%
MSCI EM	1,083	0.4%	12.1%
USA - S&P 500	2,946	0.7%	17.5%
UK- FTSE 100	7,381	-0.7%	9.7%
France - CAC40	5,549	-0.2%	17.3%
Germany - DAX	12,413	1.1%	17.6%
Japan - Nikkei 225	22,259	0.0%	11.2%
Dubai	2,759	-1.0%	9.0%
Abu Dhabi	5,243	-2.8%	6.7%
Saudi	9,337	0.7%	19.3%
Oman	3,965	0.6%	-8.3%
Kuwait	4,866	-0.2%	2.7%
Egypt	14,880	0.7%	14.2%
Qatar	10,481	0.3%	1.8%
Commodities			
Gold ($/oz)	1,279	-0.5%	-0.3%
Silver ($/oz)	15	-1.0%	-3.6%
Platinum ($/oz)	872	-3.0%	9.6%
Oil – Brent ($/bbl)	71	-1.8%	31.7%

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EMIRATES INVESTMENT BANK

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