

Solid Q2 earnings underpin equity markets

بنك الإمارات
للاستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- **Solid Q2 earnings season underpins markets.** With 75% of the companies in the S&P 500 Index having reported, Q2 earnings have increased by 10.1% on average compared with Q2 2016 while revenues have increased by 5.4% over the same period. The Dow Jones surpassed the 22k mark last week and global equities edged higher amid continued strength in the US economy and an upbeat earnings season.
- **US job market continues to tighten.** The US economy added 209k new jobs in July, beating consensus expectations of 180k jobs, with the unemployment rate falling by 0.1% to 4.3%, a 16-year low. Wage growth remained lacklustre though and was 2.5% higher year-over-year.
- **EUR surges on solid Eurozone Q2 GDP.** Eurostat reported preliminary Eurozone Q2 GDP was up 2.1% compared with a year ago, the fastest growth since 2011 and in line with forecasts. The EUR rose to a 30-month high against the USD on the back of this news, later softening to end the week 0.2% higher against the USD. A strengthening Eurozone economy, expectations of less accommodative monetary policy and general softness in the USD have all contributed to the EUR rally so far.
- **The Bank of England (BoE) holds rates.** The BoE voted last week to hold rates steady at 0.25% after signalling in its last meeting that rates could rise sooner than anticipated on higher inflation. However, sluggish growth in the first half of the year, an unexpected drop in inflation in June and a weak pickup in wages attributed to a 6-2 vote in favour of holding rates. The BoE also cut its 2017 UK GDP growth forecast to 1.7% from the earlier 1.9%, with Governor Carney warning that high inflation triggered by a Brexit-fuelled fall in the GBP had hurt consumer spending.
- **India PMI plunges on Goods & Services Tax (GST) rollout.** The Nikkei India Composite PMI fell to 46.0 in July from 52.7 in June, its steepest drop since 2009, owing to the disruption caused to supply and distribution links by the newly rolled out GST. Meanwhile, the RBI cut its benchmark rate by 25bps and urged the government to speed up projects given an "urgent need" to boost slowing private consumption.
- **Oil markets await direction post strong rally.** Oil traded sideways last week after rallying 9.3% in the week before on larger-than-expected inventory drawdowns and signals from Saudi Arabia that it would further reduce output in August. The direction of oil price could be set next week when some OPEC and non-OPEC committee officials meet on August 7-8 to discuss ways to boost compliance with their supply reduction agreement.

LOOKING FORWARD

- China reports its trade figures on **Tuesday** and publishes its CPI & PPI data on **Wednesday**. The UK reports its Industrial Production (IP), trade balance and PPI data on **Thursday**, while the US CPI data will be released on **Friday**.



MAIN CROSS RATES

€ 1 ————— \$ 1.1773

£ 1 ————— \$ 1.3040

\$ 1 ————— ¥ 110.69

	Yield % (06/08)	Yield % (30/07)
Abu Dhabi 2019	1.49	1.55
KSA 2021	2.63	2.66
Dubai 2023	3.15	3.11
Qatar 2023	2.91	2.86
US 10Y	2.26	2.29
German 10Y	0.47	0.54

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	1,968	0.4%	12.4%
MSCI BRIC	304	1.3%	25.6%
MSCI EM	1,067	0.4%	23.8%
USA - S&P 500	2,477	0.2%	10.6%
UK- FTSE 100	7,512	1.9%	5.2%
France - CAC40	5,203	1.4%	7.0%
Germany - DAX	12,298	1.1%	7.1%
Japan - Nikkei 225	19,952	0.0%	4.4%
Dubai	3,675	1.9%	4.1%
Abu Dhabi	4,596	0.6%	1.1%
Saudi	7,086	-1.2%	-1.7%
Oman	5,058	0.2%	-12.5%
Kuwait	6,826	0.3%	18.7%
Egypt	13,413	-1.4%	8.7%
Qatar	9,398	-1.7%	-10.0%
Commodities			
Gold (\$/oz)	1,259	-0.8%	9.7%
Silver (\$/oz)	16	-2.9%	2.1%
Platinum (\$/oz)	964	3.1%	6.8%
Oil - Brent (\$/bbl)	52	-0.2%	-7.7%

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