

US yields rise on China speculation

بنك الإمارات
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EMIRATES INVESTMENT BANK

LOOKING BACK

- US yields rise on stronger economic data and China speculation.** Better-than-expected CPI and retail sales data in the US alongside speculation that China may slow or halt purchases of US Treasuries pushed the policy-sensitive 2-year Treasury yield to 2.0% last week, the first time since the financial crisis of 2008. The odds of a Fed March rate hike rose to over 85% while the S&P500 gained 1.6% for the week as equities continue to trend higher.
- Political progress in Germany.** More than three months after the general election and failed attempts to form a coalition, Chancellor Merkel has struck a deal to enter into formal talks with the Social Democratic Party (SPD). Meanwhile, European government bonds sold off on the ECB's December meeting minutes which highlighted positive signs of Eurozone economic growth while the EUR rose to a three-year high of 1.22 versus the USD.
- World Bank (WB) endorses Japan's economic recovery.** In a report released last week, the WB forecast Japan's economy to grow 1.3% in 2018, slightly lower than 2017 due to the possibility of a gradual withdrawal of the government's fiscal stimulus and a moderation in export growth. Overall, the Bank projects the economy to continue its strong growth momentum amid synchronized global growth. The JPY has started 2018 on a positive note strengthening 1.4% against the USD year-to-date.
- China's forex reserves rise on strong exports.** China's forex reserves rose to USD3.14 trillion, their highest level in more than a year as exports rose more than expected in December, amid rising global demand for Chinese goods. In response, the CNY rebounded approximately 6.5% in 2017 following three straight years of losses against the USD.
- S&P downgrades Brazil.** In an expected move, S&P lowered its long-term rating for Brazil sovereign debt from BB to BB-, with a stable outlook, citing faltering progress on fiscal reforms and greater political uncertainty in 2018. The move brings S&P's long-term sovereign rating for Brazil three notches below Investment Grade (IG). Meanwhile, Moody's and Fitch both rate Brazil two notches below IG.

LOOKING FORWARD

- UK CPI will be released on **Tuesday** while US Industrial Production (IP) and Eurozone CPI data will be released on **Wednesday**. China reports its retail sales, IP and GDP figures on **Thursday**.



MAIN CROSS RATES

€ 1 ————— \$ 1.2202

£ 1 ————— \$ 1.3728

\$ 1 ————— ¥ 111.06

	Yield % (14/01)	Yield % (07/01)
Abu Dhabi 2019	2.11	2.03
KSA 2021	3.00	2.96
Dubai 2023	3.24	3.24
Qatar 2023	3.32	3.39
US 10Y	2.55	2.48
German 10Y	0.58	0.44

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,185	1.3%	3.9%
MSCI BRIC	357	1.5%	6.5%
MSCI EM	1,208	0.6%	4.3%
USA - S&P 500	2,786	1.6%	4.2%
UK- FTSE 100	7,779	0.7%	1.2%
France - CAC40	5,517	0.8%	3.8%
Germany - DAX	13,245	-0.6%	2.5%
Japan - Nikkei 225	23,654	-0.3%	3.9%
Dubai	3,495	0.9%	3.7%
Abu Dhabi	4,591	0.9%	4.4%
Saudi	7,338	0.8%	1.5%
Oman	5,087	-0.3%	0.8%
Kuwait	6,561	1.6%	2.4%
Egypt	15,242	3.1%	1.5%
Qatar	9,136	5.9%	7.2%
Commodities			
Gold (\$/oz)	1,338	1.4%	2.7%
Silver (\$/oz)	17	-0.1%	1.6%
Platinum (\$/oz)	994	2.6%	7.1%
Oil - Brent (\$/bbl)	70	3.3%	4.5%

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