

Markets unmoved by rising political uncertainty

بنك الإمارات
للإستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- **Markets calm despite US political turmoil.** Former FBI Director Comey testified before the Senate Intelligence Committee into Russia's alleged interference in the 2016 US presidential election. Trump's firing of Comey at a time when the FBI was investigating any potential links with the Russians has put his administration under the spotlight. This has undermined Trump's reform agenda by diverting the attention of policymakers. Stocks were conspicuously calm with the S&P500 closing almost flat for the week while the fixed income markets continued to price in a 25bps hike at the upcoming June 13-14 Fed policy meeting.
- **ECB drops easing bias, keeps rates on hold.** As expected, the ECB left interest rates unchanged, although the Bank tweaked its forward guidance by dropping an earlier reference that rates could be lowered in the future. Markets viewed this exclusion as the ECB's hint toward tapering its QE program. However, the overall tone was dovish with Draghi confirming that QE will continue until the end of the year, or beyond if necessary.
- **UK elects hung Parliament.** The UK elections resulted in a "hung" parliament, in which no single political party managed to secure a majority in the House of Commons. PM May's Conservative Party which lost its majority, announced that it would form a new minority government with the support from a smaller party. This result potentially puts the UK in a weaker bargaining position with the EU and the decision to call for early elections is now seen as a big miscalculation by Theresa May.
- **Chinese economy shows resilience.** China's May exports rose 8.7% from a year ago, lifted by robust demand from the US and Europe. Meanwhile, imports also surged 14.8%, as domestic consumption remained strong and in line with a stable CNY. China's forex reserves also rose in May for a fourth straight month, by a significant USD 24 billion to USD 3.05 trillion, their highest level this year. The data shows China's positive growth momentum is continuing and is holding up well despite the government's targeted efforts to curb excessive leverage in the economy.
- **Qatar markets plunge on severed ties with several Arab nations.** A group of Gulf nations and Egypt severed diplomatic ties and transport links with Qatar on June 5. Political uncertainty in the region will remain elevated until the situation is resolved.

LOOKING FORWARD

- UK CPI and US PPI will be released on **Tuesday**, China & Eurozone report their respective retail sales numbers and also the US FOMC meeting will be held on **Wednesday**. On **Thursday**, both the Swiss National Bank (SNB) and the Bank of England (BoE) review their respective interest rate policies. On **Friday**, the BoJ meets to set rates and the Eurozone reports its CPI.



MAIN CROSS RATES

€ 1 ————— \$ 1.1195

£ 1 ————— \$ 1.2746

\$ 1 ————— ¥ 110.32

	Yield % (11/06)	Yield % (04/06)
Abu Dhabi 2019	1.43	1.40
KSA 2021	2.65	2.55
Dubai 2023	3.15	3.09
Qatar 2023	3.11	2.58
US 10Y	2.20	2.16
German 10Y	0.26	0.27

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	1,923	-0.6%	9.8%
MSCI BRIC	283	0.6%	17.0%
MSCI EM	1,018	0.3%	18.1%
USA - S&P 500	2,432	-0.3%	8.6%
UK- FTSE 100	7,527	-0.3%	5.4%
France - CAC40	5,300	-0.8%	9.0%
Germany - DAX	12,816	-0.1%	11.6%
Japan - Nikkei 225	20,013	-0.8%	4.7%
Dubai	3,400	1.4%	-3.7%
Abu Dhabi	4,477	-0.1%	-1.5%
Saudi	6,865	0.0%	-4.8%
Oman	5,355	-1.5%	-7.4%
Kuwait	6,783	-0.4%	18.0%
Egypt	13,684	1.6%	10.8%
Qatar	9,238	-7.1%	-11.5%
Commodities			
Gold (\$/oz)	1,267	-1.0%	10.4%
Silver (\$/oz)	17	-2.0%	8.0%
Platinum (\$/oz)	940	-1.5%	4.1%
Oil - Brent (\$/bbl)	48	-3.6%	-15.3%

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