

US earnings growth might have reached its peak

بنك الإمارات
للإستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- Investors worry US corporate earnings might have reached a peak.** With 266 S&P500 companies having reported robust earnings growth of 25% in Q1, investors are starting to worry that earnings might have reached a peak as rising inflation and labour costs could eat into future corporate profits. Moreover, on Tuesday, Caterpillar reported above-consensus earnings, but the CFO lowered investor expectations by saying that Q1 was likely to be the "high water mark" for the year. The S&P managed to close flat for the week, while the USD gained 1.4%.
- UK Q1 GDP growth disappoints.** The UK economy missed expectations and grew at an annualized rate of 1.2% in Q1 2018 and only 0.1% QoQ, its weakest quarterly growth in five years. As a result, expectations for a rate hike in May by the Bank of England (BoE) fell to 23%, from 59% previously. The GBP weakened by 1.6% against the USD, while the FTSE 100 recorded a weekly gain of 1.8%.
- ECB keeps monetary policy unchanged.** As widely expected, the ECB kept its interest rate and bond-buying program unchanged at its April meeting. The Bank said it plans to maintain its EUR30 bn monthly asset purchases at least through September of this year. Meanwhile, the EUR fell 1.3% over the week as Draghi acknowledged that the Eurozone's most recent economic data has been showing signs of a slowdown, albeit from an unexpectedly fast pace in recent months.
- Bank of Japan (BoJ) also stays the course.** The BoJ left its benchmark rate at -0.1% and would continue targeting a 0.0% yield for the 10-year government bond. However, the Bank removed its timeline for reaching its 2% inflation target which, at its previous meeting, it planned to reach in about two years. Meanwhile, after two consecutive monthly declines, the manufacturing PMI rebounded to 53.3 in April, from 53.1 previously.
- Commodities drop as US softens its stance against Russia.** Aluminium dropped almost 10% last week as the US said it may grant sanctions relief to Rusal, the Russian aluminium giant, if Oleg Deripaska gives up control over the company.

LOOKING FORWARD

- China's latest official PMIs will be released on **Monday**, followed by the PCE Core data in the US. On **Tuesday**, April's US manufacturing PMI will be published, while the Fed meets to review its monetary policy on **Wednesday**. On **Thursday**, the Eurozone inflation data for April will be released, while the focus on **Friday** will be on April's US jobs report.



MAIN CROSS RATES

€ 1	→	\$ 1.2130
£ 1	→	\$ 1.3781
\$ 1	→	¥ 109.05

	Yield % (29/04)	Yield % (22/04)
Abu Dhabi 2021	3.20	3.15
KSA 2021	3.57	3.51
Dubai 2023	3.81	3.74
Qatar 2023	3.78	3.74
US 10Y	2.96	2.96
German 10Y	0.57	0.59

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,096	-0.2%	-0.4%
MSCI BRIC	338	-0.2%	0.8%
MSCI EM	1,156	-1.0%	-0.2%
USA - S&P 500	2,670	0.0%	-0.1%
UK- FTSE 100	7,502	1.8%	-2.4%
France - CAC40	5,483	1.3%	3.2%
Germany - DAX	12,581	0.3%	-2.6%
Japan - Nikkei 225	22,468	1.4%	-1.3%
Dubai	3,043	-1.3%	-9.7%
Abu Dhabi	4,697	-0.2%	6.8%
Saudi	8,248	-0.3%	14.1%
Oman	4,722	-0.8%	-7.4%
Kuwait	6,633	0.0%	3.5%
Egypt	18,363	3.7%	22.3%
Qatar	9,088	-1.2%	6.6%
Commodities			
Gold (\$/oz)	1,324	-0.9%	1.6%
Silver (\$/oz)	17	-3.6%	-2.5%
Platinum (\$/oz)	915	-1.2%	-1.4%
Oil - Brent (\$/bbl)	75	0.8%	11.6%

FOR MORE INFORMATION, PLEASE CONTACT:



Emirates Investment Bank pjsc
PO Box 5503, Dubai
Dubai Festival City, UAE



+971 4 231 7777



+971 4 231 7788



www.eibank.com

ASSET MANAGEMENT TEAM:

Nadi Bargouti, CFA

Managing Director – Head of Asset Management
nadi.bargouti@eibank.com

Yaser Al-Nimr

Director – Asset Management
yaser.alnimr@eibank.com

Fabien Paturaud, CFA

Associate Director – Asset Management
fabien.paturaud@eibank.com

Hamad Al Majidi

Senior Associate – Asset Management
hamad.almajidi@eibank.com

Joyson D'Souza, CFA

Associate – Asset Management
joyson.dsouza@eibank.com

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