

Yields rise on increased inflation expectations

بنك الإمارات
للإستثمار

EMIRATES INVESTMENT BANK

LOOKING BACK

- **Global risk appetite resumes; yields rise.** Global equities had a relatively calm week after the previous week's US-led strikes on Syria didn't evoke a response from Russia. A solid start to Q1 US earnings season, strong retail sales and housing starts combined with higher oil prices contributed to increased inflation expectations. As a result, yields rose with the US 10-year Treasury yield rising 13bps to end last week at 2.96%.
- **Bank of England (BoE) lowers May rate hike expectations.** The GBP fell 1.7% against the USD last week as BoE Governor Carney lowered expectations for an interest rate hike in May citing mixed economic data and softening inflation which came in at 2.5% in March against 2.7% in February. The export-oriented FTSE100 gained 1.4% last week.
- **China's Q1 GDP beats forecasts.** China reported Q1 2018 GDP growth of 6.8%, exceeding expectations as consumer demand stayed strong and manufacturing rebounded. Although some slowdown in growth is expected going forward as the government continues to manage debt concerns and US trade expectations, the Q1 figures highlight the inherent resilience of the Chinese economy.
- **Reserve Bank of India (RBI) turns hawkish on inflation concerns.** Minutes of the last RBI policy meeting showed a shift to a more hawkish stance from most of the members. While a majority of the six-member panel highlighted upside risks to inflation from the proposed hike in farm subsidies and expansionary fiscal policy, the minutes also revealed optimism that the economy will rebound this year with the output gap closing. The 10-year benchmark rate rose 30bps to end the week at 7.7% while the INR lost 1.4% against the USD.
- **Oil rallies on Saudi comments.** Brent reached a three-year high of USD74.1/bbl last week following a fall in US inventories and comments from Saudi targeting a price range of between USD80-100/bbl. Trump criticized the comments in a tweet saying that it is unacceptable that crude prices are being kept artificially high.

LOOKING FORWARD

- Global flash PMIs will be released on **Monday** while the ECB meets to set rates on **Thursday**. The BoJ meets to review monetary policy on **Friday** while the US and the UK report Q1 GDP on the same day.



MAIN CROSS RATES

€ 1 ————— \$ 1.2288

£ 1 ————— \$ 1.4000

\$ 1 ————— ¥ 107.66

	Yield % (22/04)	Yield % (15/04)
Abu Dhabi 2021	3.15	3.00
KSA 2021	3.51	3.51
Dubai 2023	3.74	3.65
Qatar 2023	3.74	3.79
US 10Y	2.96	2.83
German 10Y	0.59	0.51

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,100	0.5%	-0.2%
MSCI BRIC	339	-0.4%	1.0%
MSCI EM	1,168	-0.2%	0.8%
USA - S&P 500	2,670	0.5%	-0.1%
UK- FTSE 100	7,368	1.4%	-4.2%
France - CAC40	5,413	1.8%	1.9%
Germany - DAX	12,541	0.8%	-2.9%
Japan - Nikkei 225	22,162	1.8%	-2.6%
Dubai	3,082	-0.4%	-8.5%
Abu Dhabi	4,707	1.2%	7.0%
Saudi	8,277	5.8%	14.5%
Oman	4,760	-0.4%	-5.7%
Kuwait	4,839	-0.5%	0.3%
Egypt	17,781	0.9%	18.4%
Qatar	9,197	3.1%	7.9%
Commodities			
Gold (\$/oz)	1,336	-0.7%	2.6%
Silver (\$/oz)	17	2.8%	1.1%
Platinum (\$/oz)	926	-0.5%	-0.2%
Oil - Brent (\$/bbl)	74	2.0%	10.8%

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