

## Hawkish stance by major central banks

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EMIRATES INVESTMENT BANK

### LOOKING BACK

- **Fed projects hawkish tone.** In her first public appearance since the Fed hiked rates on June 14, Yellen stated that asset valuations appear rich, by certain traditional metrics, while also stating that the Fed's plans for reducing its USD 4.5 trillion balance sheet were "well understood" by markets. Yields rose with the US 10-year Treasury yield rising by 16bps to end the week at 2.3%.
- **EUR strengthens after Draghi speech.** European markets reacted to ECB President Draghi's upbeat assessment of the Eurozone's economic recovery, strengthening the EUR versus the USD by 2.1% and sending government bond yields sharply higher. The German 10-year government yield rose by 21bps. Despite attempts by authorities to calm market concerns, fears over the prospect of QE tapering weighed on the EuroStoxx50, which fell 2.9% for the week.
- **BoE also shifts tone.** BoE governor Carney toned down his earlier accommodative stance stating that the Central Bank may need to begin raising interest rates and will debate a move in the next few months. The GBP strengthened after the speech and ended last week 2.4% higher against the USD.
- **China's economy sustains momentum.** China's manufacturing PMI rose to a solid 51.7 reading in June from 51.2 in May, as manufacturing accelerated on strong overseas demand, marking the 11th consecutive month of expansion. Meanwhile, the services PMI also edged higher and remained strongly in expansionary territory. The data shows that China's economy is holding up well, allowing the government more room to target the excesses in the financial system.
- **Brazil President officially charged.** Brazilian President Temer was formally charged with passive corruption and other crimes that need to be investigated further. The charges, however, need to be approved by two-thirds of Brazil's chamber of deputies to proceed, which could be a long process. Brazil stocks shrugged off the news gaining 3.0% for the week.
- **Saudi economy shrinks in Q1.** Saudi Arabia's economy shrank by 0.5% in Q1, highlighting the difficulties the authorities face as they attempt to wean the economy off oil. The government's efforts to diversify the economy with targeted austerity measures and progressive structural reforms have weighed on short-term growth.

### LOOKING FORWARD

- The Eurozone reports its manufacturing PMI and unemployment report on **Monday**. The US markets will be closed on **Tuesday** on account of Independence Day, while minutes of the last FOMC meeting will be released on **Wednesday**. The ECB minutes will be released on **Thursday** while US June unemployment data will be released on **Friday**.



### MAIN CROSS RATES



	Yield % (02/07)	Yield % (25/06)
Abu Dhabi 2019	1.47	1.48
KSA 2021	2.69	2.65
Dubai 2023	3.13	3.16
Qatar 2023	3.12	3.05
US 10Y	2.30	2.14
German 10Y	0.47	0.26

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	1,916	-0.4%	9.4%
MSCI BRIC	280	0.1%	15.6%
MSCI EM	1,011	-0.1%	17.2%
USA - S&P 500	2,423	-0.6%	8.2%
UK- FTSE 100	7,313	-1.5%	2.4%
France - CAC40	5,121	-2.8%	5.3%
Germany - DAX	12,325	-3.2%	7.4%
Japan - Nikkei 225	20,033	-0.5%	4.8%
Dubai	3,392	-0.3%	-3.9%
Abu Dhabi	4,425	-0.1%	-2.7%
Saudi	7,426	0.0%	3.0%
Oman	5,118	0.0%	-11.5%
Kuwait	6,763	-0.1%	17.7%
Egypt	13,396	-0.2%	8.5%
Qatar	9,030	0.0%	-13.5%
Commodities			
Gold (\$/oz)	1,242	-1.2%	8.2%
Silver (\$/oz)	17	-0.5%	4.4%
Platinum (\$/oz)	926	-0.5%	2.5%
Oil - Brent (\$/bbl)	48	5.2%	-15.7%

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