



Global Markets Update

QNB Economics
19 March 2017

Executive Summary

Key Takeaways

- **While the US Fed hiked rates last week, the Fed's dovish tone caused global yields to fall, especially in emerging markets (EMs)**
- **The US dollar fell against most global currencies on a dovish Fed**
- **A dovish Fed boosted EM equities**
- **Commodity prices were broadly stable over the week**
- **The week ahead focuses on global PMI manufacturing surveys**

While the US Fed hiked rates last week, the Fed's dovish tone caused global yields to fall, especially in EMs

Global Benchmark Yields (% , local currencies)

	Maturity	10-Mar	17-Mar	Change in Yield (bps)		
Advanced Economies				Week	MTD*	YTD*
US	10 yrs	2.57	2.50	-7.4	11.1	5.6
Germany	10 yrs	0.49	0.44	-5.0	22.7	22.7
France	10 yrs	1.12	1.11	-0.7	21.9	42.3
Italy	10 yrs	2.37	2.36	-1.0	27.1	54.2
Japan	10 yrs	0.09	0.08	-1.4	1.9	2.9
UK	10 yrs	1.23	1.24	1.3	9.3	0.5
Emerging Markets						
Bahrain**	6 yrs	4.99	4.94	-4.5	3.6	-39.8
Brazil	10 yrs	10.26	10.23	-2.4	-0.2	-116.7
China	10 yrs	3.42	3.32	-9.9	0.1	26.2
Egypt	10 yrs	6.90	6.71	-19.1	N/A	N/A
India	10 yrs	6.86	6.86	0.2	-0.8	34.8
Indonesia	10 yrs	7.52	7.22	-30.0	-31.6	-74.9
Nigeria	9 yrs	16.16	16.21	4.7	-44.4	11.9
Qatar**	9 yrs	3.54	3.46	-8.6	5.2	-20.2
Russia	10 yrs	8.13	7.95	-18.0	-29.5	-41.0
Saudi Arabia**	10 yrs	3.88	3.75	-12.7	12.9	-11.7
South Africa	10 yrs	8.72	8.54	-18.4	-30.0	-42.3
Turkey	10 yrs	11.27	10.99	-28.0	11.0	-40.0
Abu Dhabi**	9 yrs	3.35	3.28	-6.5	11.2	-6.0
Dubai**	4 yrs	2.88	2.78	-9.1	3.8	-21.2

- The Fed's dot plot remained unchanged showing two further hikes for the year while markets expected a more aggressive path ahead
- Turkey's central bank hiked short-term rates on Thursday; long-term yields fell on positive signals of central bank independence which was previously questioned

Legend

> 2 standard deviation fall in yields

> 1 standard deviation fall in yields

< 1 standard deviation change in yields

> 1 standard deviation rise in yields

> 2 standard deviation rise in yields

The US dollar fell against most global currencies on a dovish Fed

Global Exchange Rates vs USD

	10-Mar	17-Mar	Change (%)		
Advanced Economies			Week	MTD	YTD
US Dollar Index	101.25	100.30	-0.9	-0.8	-1.9
Euro Area*	1.07	1.07	0.6	1.5	2.1
Japan	114.79	112.70	1.8	0.1	3.8
UK*	1.22	1.24	1.9	0.1	0.5
Emerging Markets					
Brazil	3.14	3.09	1.6	0.6	5.3
China	6.91	6.90	0.1	-0.5	0.6
Egypt	17.60	18.05	-2.5	-12.4	0.5
Indonesia	13,376	13,345	0.2	-0.1	1.0
India	66.61	65.48	1.7	1.9	3.7
Kuwait	0.31	0.31	0.3	0.1	0.3
Nigeria	314.67	315.54	-0.3	-0.1	-0.1
Russia	58.98	57.18	3.1	2.1	7.6
Turkey	3.73	3.64	2.5	0.3	-3.1
South Africa	13.18	12.73	3.4	3.2	8.0
UAE	3.67	3.67	PEGGED		
Bahrain	0.38	0.38			
Oman	0.38	0.39			
Qatar	3.64	3.64			
Saudi Arabia	3.75	3.75			

• The GBP outperformed advanced economies as the Bank of England's statement was more hawkish than expected

Legend

> 2 standard deviation strengthening of currency
> 1 standard deviation strengthening of currency
< 1 standard deviation change in currency
> 1 standard deviation weakening of currency
> 2 standard deviation weakening of currency

A dovish Fed boosted EM equities

Global Equity Indices					
	10-Mar	17-Mar	Change (%)		
Advanced Economies			Week	MTD	YTD
US (S&P 500)	2,373	2,378	0.2	0.6	6.2
Europe (STOXX 50)	3,416	3,448	0.9	3.9	4.8
Japan (Nikkei 225)	19,605	19,522	-0.4	2.1	2.1
UK (FTSE 100)	7,343	7,425	1.1	2.2	3.9
Emerging Markets					
Bahrain (BB)	1,354	1,375	1.6	1.8	12.6
Brazil (IBOVESPA)	64,585	64,210	-0.6	-3.7	6.6
China (Shanghai)	3,213	3,237	0.8	-0.1	4.3
Egypt (EGX 30)	12,853	12,984	1.0	8.8	5.2
India (CNX NIFTY)	8,924	9,160	2.6	3.2	11.9
Indonesia (Jakarta)	5,391	5,540	2.8	2.9	4.6
KSA (Tadawul)	6,917	6,922	0.1	-0.7	-4.0
Kuwait (KSE)	6,711	6,811	1.5	0.4	18.5
Nigeria (All Share)	25,238	25,653	1.6	1.3	-4.5
Oman (Muscat 30)	5,792	5,668	-2.1	-1.9	-2.0
Qatar (Doha 20)	10,467	10,361	-1.0	-3.2	-0.7
Russia (MICEX)	1,974	2,037	3.2	0.1	-8.8
S.Africa (J'burg 40)	43,953	45,309	3.1	2.7	3.2
Turkey (Istanbul 100)	89,611	90,491	1.0	3.4	15.8
UAE (Abu Dhabi)	4,457	4,425	-0.7	-2.8	-2.7
UAE (Dubai)	3,520	3,521	0.0	-3.0	-0.3

• Russian equities were supported by the S&P's improved outlook to 'positive' from 'stable,' on the back of better economic growth prospects and lower risk of large capital outflows

Legend

> 2 standard deviation rise in equity index

> 1 standard deviation rise in equity index

< 1 standard deviation change in equity index

> 1 standard deviation fall in equity index

> 2 standard deviation fall in equity index

Commodity prices were broadly stable over the week

Commodity Prices*

	10-Mar	17-Mar	Change (%)		
Energy			Week	MTD	YTD
Brent	51.4	51.8	0.8	-6.9	-8.9
WTI	48.5	48.8	0.6	-9.7	-9.2
Precious Metals					
Gold	1,205	1,229	2.0	-1.5	7.1
Silver	17.0	17.4	2.1	-5.0	9.3
Industrial					
Copper	5,732	5,935	3.5	-0.6	7.2
Steel	631	640	1.4	3.2	8.8
Aluminum	1,880	1,914	1.8	-0.5	13.1
Wheat	423	436	3.2	2.7	6.9
Corn	358	368	2.7	0.2	4.4
Cocoa	1,967	2,013	2.3	3.6	-5.3

• US crude oil inventories fell by 0.2m barrels versus an expected increase of 3.2m; gas inventories fell by 3.1m barrels versus an expected decline of 1.7m

Legend

> 2 standard deviation rise in price

> 1 standard deviation rise in price

< 1 standard deviation change in price

> 1 standard deviation fall in price

> 2 standard deviation fall in price

The week ahead focuses on global PMI manufacturing surveys

Last Week's Data Review*

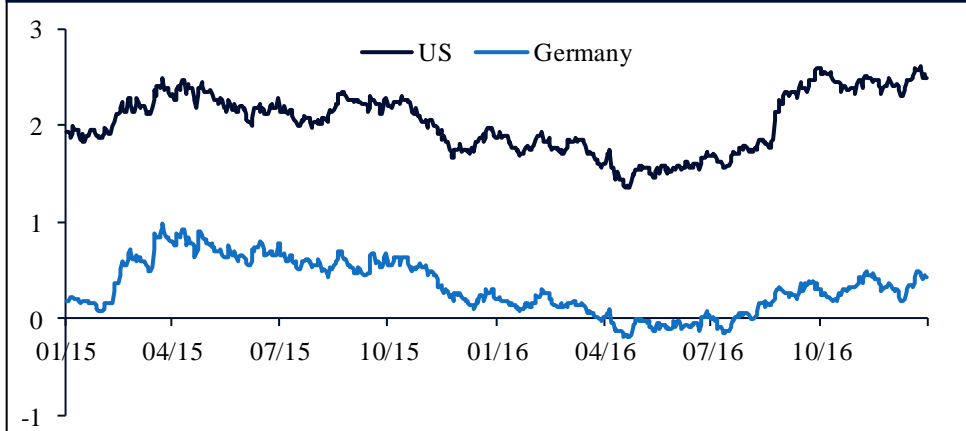
Date	Country	Event	Period	Consensus	Actual	Previous
Mar 15	US	CPI YoY	Feb	2.7%	2.7%	2.5%
Mar 15	US	Fed Rate Decision	Mar 15	1.00%	1.00%	0.75%
Mar 16	UK	Bank of England Bank Rate	Mar 16	0.25%	0.25%	0.25%
Mar 16	Eurozone	CPI YoY	Feb F	2.0%	2.0%	2.0%

Forthcoming Economic Events*

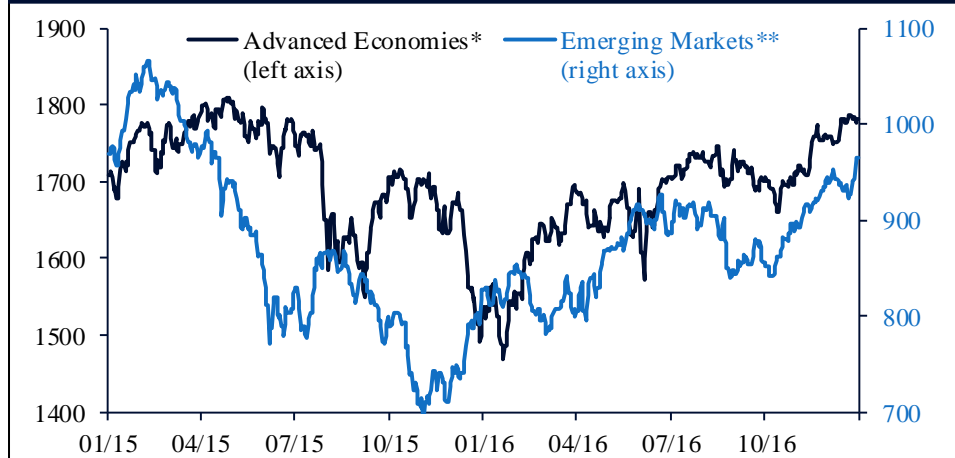
Date	Country	Event	Period	Consensus	Actual	Previous
Mar 21	UK	CPI YoY	Feb	2.1%		1.8%
Mar 23	US	Initial Jobless Claims	Mar 18	240k		241k
Mar 24	US	Durable Goods Orders	Feb	1.2%		2.0%
Mar 24	US	US Manufacturing PMI	Mar	54.7		54.2
Mar 24	Eurozone	Eurozone Manufacturing PMI	Mar	55.3		55.4

Two-Year Performance of Major Asset Classes

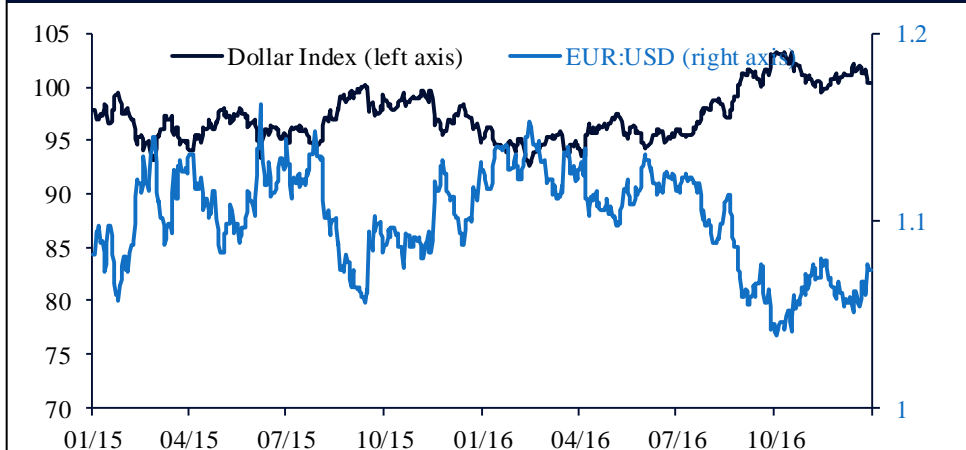
Sovereign 10-Year Bond Yields



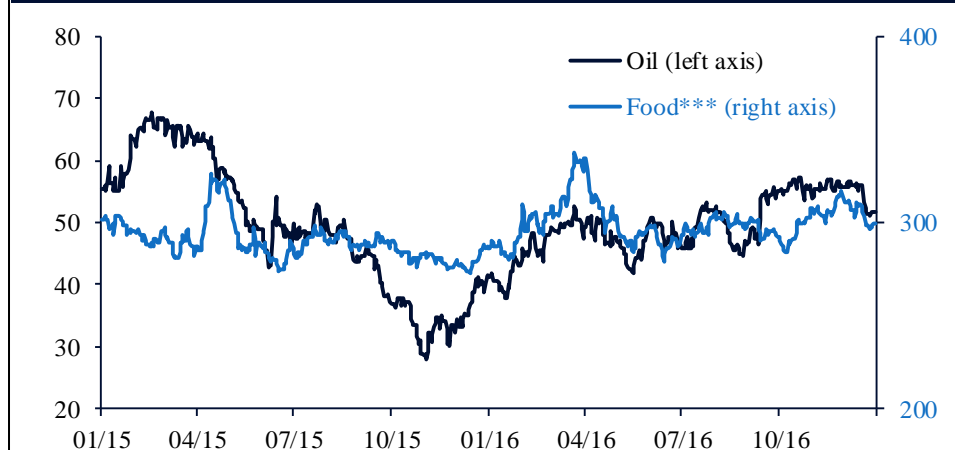
Equities



Exchange Rates



Commodities



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QNB Economics Team				
Ziad Daoud Head of Economics +974-4453-4642	Rory Fyfe Senior Economist +974-4453-4643	Ali Jaffery Economist +974-4453-4423	Nancy Fahim Economist +974-4453-4648	Abdulrahman Al-Jehani Analyst +974-4453-4436