



# Global Markets Update

## QNB Economics

15 January 2017

# Executive Summary

## Key Takeaways

- **Yields fell as Trump failed to outline detailed growth plans in his press conference**
- **USD weakened as markets retreated from the Trump growth trade; Egypt's pound weakened after high inflation data; and TRY continued to sink**
- **EM equity markets had a good week as lower US yields encouraged capital inflows**
- **Oil prices fell early in the week on concerns about rising US production, but recovered some ground towards the end of the week on Saudi output cuts**
- **China activity and inflation in the US and Euro Area are likely to dominate markets this week**

# Yields fell as Trump failed to outline detailed growth plans in his press conference

Global Benchmark Yields (% , local currencies)						
	Maturity	06-Jan	13-Jan	Change in Yield (bps)		
Advanced Economies				Week	MTD*	YTD*
US	10 yrs	2.42	2.40	-2.3	-4.8	-4.8
Germany	10 yrs	0.30	0.34	4.0	13.0	13.0
France	10 yrs	0.83	0.80	-2.7	11.8	11.8
Italy	10 yrs	1.96	1.90	-6.5	8.1	8.1
Japan	10 yrs	0.06	0.05	-0.9	0.4	0.4
UK	10 yrs	1.38	1.36	-1.9	12.5	12.5
Emerging Markets						
Bahrain**	7 yrs	5.26	5.33	7.2	-1.1	-1.1
Brazil	10 yrs	11.37	11.06	-31.2	-34.2	-34.2
China	10 yrs	3.22	3.20	-2.0	13.9	13.9
India	10 yrs	6.39	6.42	3.0	-9.8	-9.8
Indonesia	10 yrs	7.75	7.62	-12.9	-35.4	-35.4
Nigeria	9 yrs	16.47	16.70	23.6	61.2	61.2
Qatar**	9 yrs	3.60	3.53	-7.7	-13.4	-13.4
Russia	10 yrs	8.26	7.99	-27.0	-39.0	-39.0
Saudi Arabia**	10 yrs	3.72	3.69	-3.1	-18.0	-18.0
South Africa	10 yrs	8.84	8.70	-14.2	-26.9	-26.9
Turkey	10 yrs	11.28	11.46	18.0	7.0	7.0
Abu Dhabi**	9 yrs	3.31	3.27	-3.1	-7.1	-7.1
Dubai**	4 yrs	2.88	2.86	-2.5	-14.0	-14.0

- In the US, Trump disappointed markets by not providing more details on growth plans, such as an expected fiscal stimulus
- US consumer sentiment and retail sales were mildly disappointing
- In Brazil, the central bank cut rates by 0.75% (0.5% expected) to fend off recession
- Russian yields fell as lower inflation prompted speculation that the central bank will cut rates

## 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

# USD weakened as markets retreated from the Trump growth trade; Egypt's pound weakened after high inflation data; and TRY continued to sink

Global Exchange Rates vs USD

	06-Jan	13-Jan	Change (%)		
Advanced Economies			Week	MTD	YTD
US Dollar Index	102.22	101.18	-1.0	-1.0	-1.0
Euro Area*	1.05	1.06	1.1	1.2	1.2
Japan	117.02	114.49	2.2	2.2	2.2
UK*	1.23	1.22	-0.9	-1.3	-1.3
Emerging Markets					
Brazil	3.22	3.22	0.2	1.2	1.2
China	6.88	6.90	-0.3	0.6	0.6
Egypt	18.19	18.73	-3.0	-3.1	-3.1
Indonesia	13,371	13,338	0.2	1.0	1.0
India	67.96	68.16	-0.3	-0.3	-0.3
Kuwait	0.31	0.31	0.1	0.1	0.1
Nigeria	315.78	316.13	-0.1	-0.3	-0.3
Russia	59.62	59.58	0.1	3.3	3.3
Turkey	3.64	3.72	-2.2	-5.4	-5.4
South Africa	13.76	13.52	1.8	1.7	1.7
UAE	3.67	3.67	PEGGED		
Bahrain	0.38	0.38			
Oman	0.39	0.39			
Qatar	3.64	3.64			
Saudi Arabia	3.75	3.75			

- Egypt reported year on year urban inflation of 23% for December
- Turkey's lira continued to fall even though the central bank cancelled a repo auction, leading to tighter liquidity and higher rates

## 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

# EM equity markets had a good week as lower US yields encouraged capital inflows

Global Equity Indices					
	06-Jan	13-Jan	Change (%)		
Advanced Economies			Week	MTD	YTD
US (S&P 500)	2,277	2,275	-0.1	1.6	1.6
Europe (STOXX 50)	3,321	3,324	0.1	1.0	1.0
Japan (Nikkei 225)	19,454	19,287	-0.9	0.9	0.9
UK (FTSE 100)	7,210	7,338	1.8	2.7	2.7
Emerging Markets					
Bahrain (BB)	1,206	1,212	0.4	-0.7	-0.7
Brazil (IBOVESPA)	62,071	63,652	2.5	5.7	5.7
China (Shanghai )	3,154	3,113	-1.3	0.3	0.3
Egypt (EGX 30)	12,824	13,224	3.1	7.1	7.1
India (CNX NIFTY)	8,244	8,400	1.9	2.6	2.6
Indonesia (Jakarta)	5,347	5,273	-1.4	-0.4	-0.4
KSA (Tadawul)	7,199	6,922	-3.8	-4.0	-4.0
Kuwait (KSE)	5,831	6,108	4.7	6.3	6.3
Nigeria (All Share)	26,251	26,326	0.3	-2.0	-2.0
Oman (Muscat 30)	5,793	5,762	-0.5	-0.3	-0.3
Qatar (Doha 20)	10,717	10,709	-0.1	2.6	2.6
Russia (MICEX)	2,214	2,195	-0.8	-1.7	-1.7
S.Africa (J'burg 40)	43,682	46,067	5.5	4.9	4.9
Turkey (Istanbul 100)	77,107	81,524	5.7	4.3	4.3
UAE (Abu Dhabi)	4,602	4,681	1.7	3.0	3.0
UAE (Dubai)	3,628	3,721	2.6	5.4	5.4

- Turkey outperformed on central bank action to support the lira
- South Africa's stock market outperformed on firmer metals prices, such as platinum and gold
- Lower oil prices hit most oil producers' stock markets, particularly Saudi Arabia

## 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

# Oil prices fell early in the week on concerns about rising US production, but recovered some ground towards the end of the week on Saudi output cuts

## Commodity Prices\*

	06-Jan	13-Jan	Change (%)		
Energy			Week	MTD	YTD
Brent	57.1	55.5	-2.9	-2.4	-2.4
WTI	54.0	52.4	-3.0	-2.5	-2.5
Precious Metals					
Gold	1,173	1,197	2.1	4.3	4.3
Silver	16.5	16.8	2.0	5.6	5.6
Industrial					
Copper	5,590	5,909	5.7	6.7	6.7
Steel	585	602	2.9	2.4	2.4
Aluminum	1,713	1,809	5.6	6.9	6.9
Wheat	423	426	0.6	4.4	4.4
Corn	358	359	0.1	1.8	1.8
Cocoa	2,261	2,213	-2.1	4.1	4.1

- Oil prices fell 3.8% on Monday and 2.4% on Tuesday after US rig counts rose for the 10<sup>th</sup> consecutive week
- Oil prices recovered towards the end of the week as news emerged that Saudi had cut oil output to below 10m b/d, more than required under OPEC quotas
- US Crude oil inventories rose 4.1m barrels versus an expected increase of 0.9m
- US Gasoline inventories rose 5.0m versus an expected increase of 2.1m

## 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

# China activity and inflation in the US and Euro Area are likely to dominate markets this week

## Last Week's Data Review\*

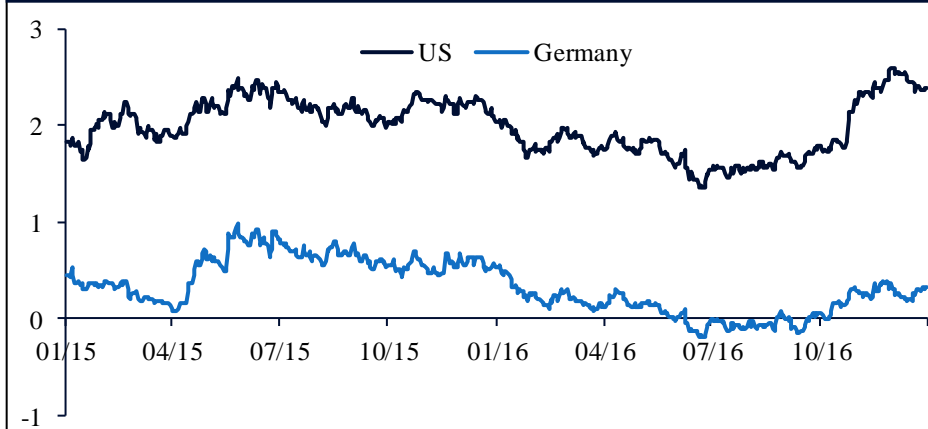
Date	Country	Event	Period	Consensus	Actual	Previous
Jan 09	Germany	Industrial Production YoY	Nov	1.9%	2.2%	1.2%
Jan 10	China	CPI YoY	Dec	2.2%	2.1%	2.3%
Jan 10	France	Industrial Production YoY	Nov	-0.2%	1.8%	-1.8%
Jan 11	UK	Industrial Production YoY	Nov	0.6%	2.0%	-1.1%
Jan 12	US	Initial Jobless Claims	07-Jan	255k	247k	235k
Jan 13	US	Uni of Michigan Sentiment	Jan P	98.5	98.1	98.2
Jan 13	US	Retail Sales Advance MoM	Dec	0.7%	0.6%	0.1%

## Forthcoming Economic Events\*

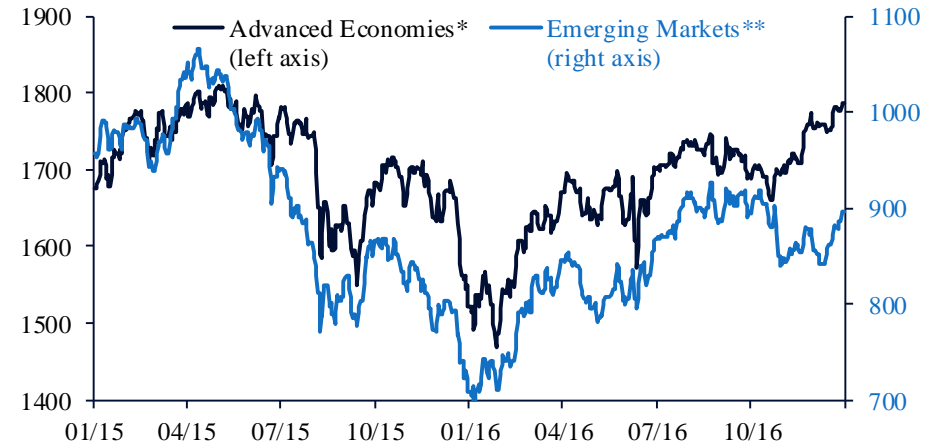
Date	Country	Event	Period	Consensus	Actual	Previous
Jan 17	Japan	Industrial Production YoY	Nov F			4.6%
Jan 17	Germany	ZEW Survey Expectations	Jan	18.4		13.8
Jan 18	Euro Area	CPI YoY	Dec F	1.1%		1.1%
Jan 18	US	CPI YoY	Dec	2.1%		1.7%
Jan 19	US	Initial Jobless Claims	14-Jan	251k		247k
Jan 19	Euro Area	ECB Meeting, Refinancing Rate	19-Jan	0.0%		0.0%
Jan 19	Euro Area	ECB Meeting, Deposit Facility Rate	19-Jan	-0.4%		-0.4%
Jan 20	China	GDP YoY	Q4	6.7%		6.7%
Jan 20	China	Industrial Production YoY	Dec	6.1%		6.2%

# Two-Year Performance of Major Asset Classes

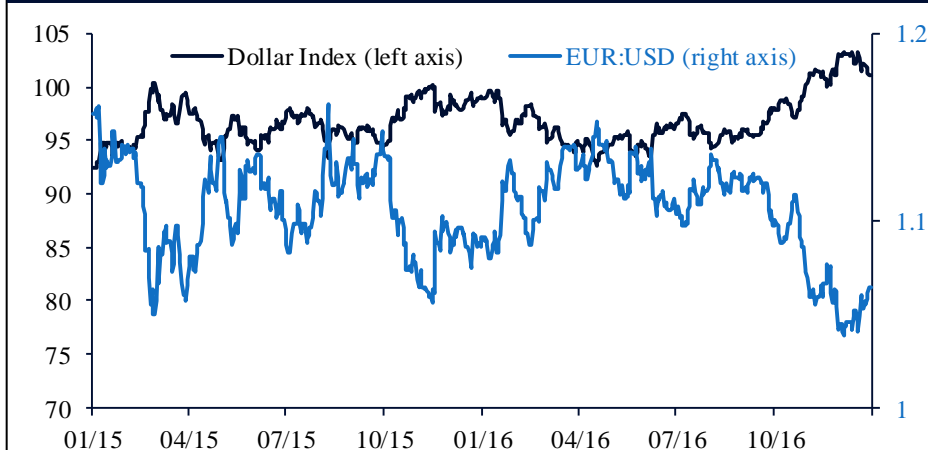
## Sovereign 10-Year Bond Yields



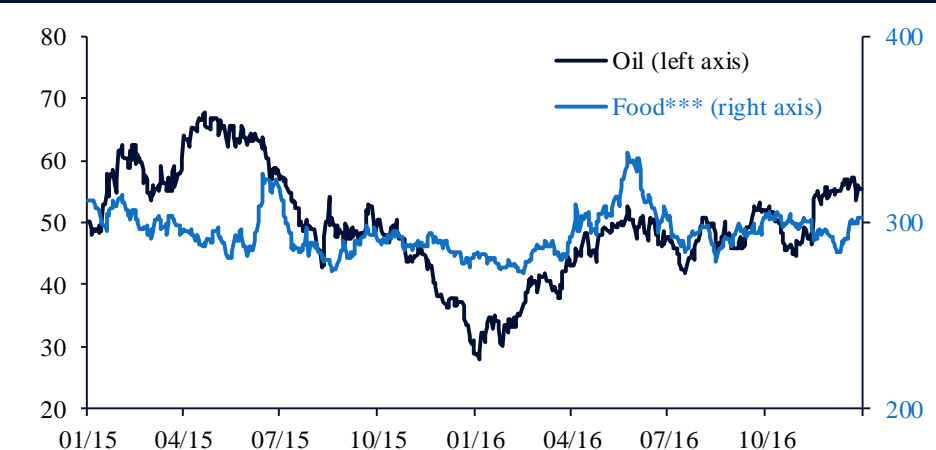
## Equities



## Exchange Rates



## Commodities





# Disclaimer and Copyright Notice

All the information in this report has been carefully collated and verified. However, QNB Group accepts no liability whatsoever for any direct or consequential losses arising from its use. Where an opinion is expressed, unless otherwise cited, it is that of the authors which does not coincide with that of any other party, and such opinions may not be attributed to any other party.

The report is distributed on a complimentary basis to valued business partners of QNB Group. It may not be reproduced in whole or in part without permission.

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