April 17, 2017

[WEEKLY ECONOMIC COMMENTARY]

WEEKLY ANALYSIS FOR THE MOST CRITICAL ECONOMIC AND FINANCIAL DEVELOPMENTS

MACRO & MARKETS COMMENTARY

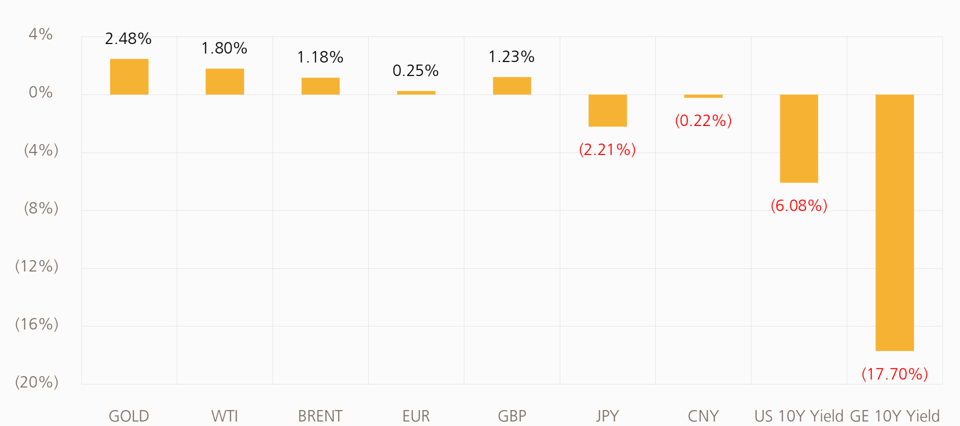
- Last week, Macroeconomic data (hard data) showed some divergence from the sentiment (soft) data as a government report showed that retail sales fell for the second consecutive month FED & March at the time when consumer sentiment index [measured by University of Michigan index] surged by the most in four months signaling U.S consumers are optimistic about the U.S economy.

- Dollar spot index (D XY - the index that tracks the performance of the U.S. dollar against major world currencies) fell for the first time in three weeks (on a weekly basis), declining by 0.66% (or 0.67 points) over the week, closing its weekly trading session at 100.51 point on the 14th of April 2017, compared to 101.18 at last week's close. The single currency closed its weekly trading session higher. EUR/USD rose by 0.25% [or 27 pips], closing its weekly trading session at $1.0618 per Euro at the end of the week. GBP/USD rose by 1.01% [or 123 pips] during the week, closing its weekly trading session at $1.2523 per pound on Friday the 14th of April 2017.

- Crude oil price extended gains for the third consecutive week amid optimism that OPEC will extend its production – cut deal beyond June. U.S crude oil inventory dropped last week by the most since December and for the first time in four weeks by 2.166 million barrel (0.40%) to 533.377 million. West Texas Intermediate WTI (May 2017 Delivery) rose over the week by 3.24% [or $1.64] per barrel to $52.24 per barrel. Brent crude prices (June 2017 Delivery) ended the week higher by 1.18%, or by $0.65 per barrel, closing at $55.89 on Friday, the 14th of April 2017.

WEEKLY CHANGES AGAINST THE USD

MAJOR MARKETS



SOURCE : BLOOMBERG | BANK ALBILAD TREASURY DIVISION

"The University of Michigan Consumer Sentiment Index (MCSI) : Uses telephone surveys to gather information on consumer expectations regarding the overall economy."

» U.S Treasuries surged amid raising the geopolitical tensions and political uncertainty in Europe. Moreover, the U.S. Treasuries pushed up by President Trump remarks about the U.S dollar value and the monetary policy as he said that "he likes the Federal Reserve's low interest rate policy". The yield on the benchmark 10 – year Treasury fell by 14.5 basis points (bps) or 6.08% ending its weekly trading session at 2.238% on Friday, the 14th of April [the lowest level since November 2016].

ECONOMIC DATA & EVENTS FROM THE LAST WEEK.

U.S.A & CANADA

Initial jobless claims in the **United States** unexpectedly fell to 234K in the week ending April 08 following the revised up reading to 235K in the prior week. MBA mortgage applications climbed 1.5% in the week ending April 07 following 1.6% decline in March. CPI fell 0.3% M/M in March following 0.1% M/M increase in February. Excluding food and energy, CPI fell 0.1% M/M in March following 0.2% M/M increase in February. PPI final demand rose 2.3% Y/Y in March compared to 2.2% Y/Y increase in February. Retail sales advance fell 0.2% M/M in March as expected following the revised down reading to -0.3% M/M in February. Import price index fell 0.2% M/M in March as expected following the revised up increase to 0.4% M/M in February.
The US government posted a deficit of $176.2 billion in March following a deficit of $108 billion in February. University of Michigan sentiment unexpectedly rose to 98 in April preliminary estimate compared to 96.9 in March.

On April 12, Bank of **Canada** kept its policy rate unchanged at 0.5% as expected. Housing starts rose above expectations to 253.7K in March following the revised of reading to 214.3K in February.

UK & JAPAN

U.K Jobless claims change came in at 25.5K in March following the revised up reading to -6.1K in February. Unemployment rate remained at 4.7% in the three months ending February, the same as the previous period. Claimant count rate rose slightly to 2.2% in March from 2.1% in February. CPI inflation kept stable at 2.3% Y/Y in March as expected, the same as in February.

Core inflation decelerated to 1.8% Y/Y in March compared to 2% Y/Y in February. PPI output rose 0.4% M/M in March compared to 0.2% M/M increase in February.

Japanese industrial production rose 3.2% M/M in February final estimate compared to 2% M/M increase in the previous estimate. Machine orders rose 1.5% M/M in February, which is less than expected, and following 3.2% M/M decline in January.

Measure of money supply M2 grew 4.3% Y/Y in March compared to 4.2% Y/Y increase in February. The Japanese balance of payments posted a surplus of ¥2813.6 billion in February following ¥65.5 billion surplus registered in January.

EUROZONE

CPI inflation in **Germany** was confirmed at 1.6% Y/Y in March final estimate as expected, the same as previously estimated. ZEW survey expectations climbed to 19.5 in April compared to 12.8 in March. ZEW survey current situation rose above expectations to 80.1 in April from 77.3 in March. CPI inflation in **France** was confirmed at 1.1% Y/Y in March final estimate as expected, the same as previously estimated.

In **Italy**, CPI EU harmonized was revised up to 1.4% Y/Y in March final estimate from 1.3% Y/Y previously estimated. Industrial production increased 1% M/M in February following 2.3% M/M decline in January. CPI inflation in **Spain** was confirmed at 2.3% Y/Y in March final estimate as expected, the same as previously estimated.

EMERGING MARKET,

On April 12, the **Brazilian** Central Bank kept its Selic rate unchanged at 11.25% as expected. Retail sales fell 3.2% Y/Y in February compared to -7% Y/Y expected, and following the revised up reading to -1.2% Y/Y in January. The Brazilian trade balance posted a surplus of $1596 million in the week ending April 09 following a surplus of $1692 million in the prior week.

Industrial production in **India** unexpectedly fell 1.2% Y/Y in February following the revised up increase to 3.3% Y/Y in January. Indian Exports increased 27.6% Y/Y in March compared to 17.5% Y/Y increase in February.

CPI inflation in **China** accelerated slightly to 0.9% Y/Y in March from 0.8% Y/Y in February. PPI rose 7.6% Y/Y in March compared to 7.8% Y/Y increase in February.
Measure of money supply M2 grew 10.6% Y/Y in March compared to 11.1% Y/Y growth rate in February. Chinese exports increased 16.4% Y/Y in March following 1.3% Y/Y decline in February. The trade balance posted a surplus of $23.93 billion in March which is above expectations and compared to $9.15 billion deficit registered in February.

Russian gold and FOREX reserve fell to $395.7 billion in the week ending April 07 from $397.9 billion in the prior week. The current account balance posted a surplus of $22.8 billion in Q1 2017 preliminary estimate compared to $10.124 billion surplus registered in the preceding quarter.

GCC & MENA,

Measure of money supply M2 in **Kuwait** grew 1.4% Y/Y in February compared to 2.93% Y/Y increase in January.

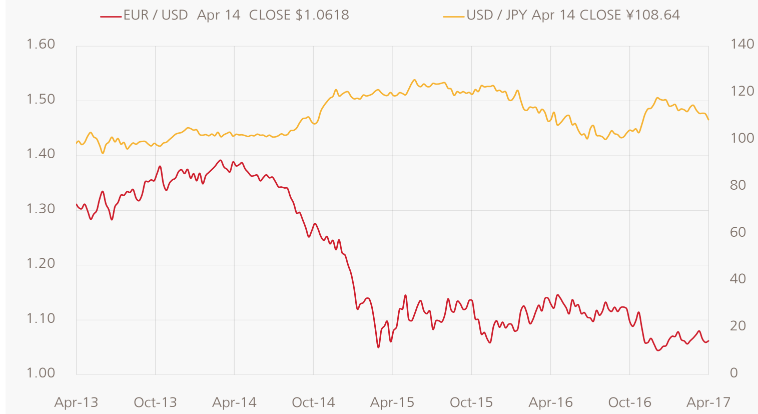
Omani CPI inflation accelerated slightly to 2.82% Y/Y in March from 2.38% Y/Y in February.

The **Turkish** current account balance posted a deficit of $2.53 billion in February compared to $2.5 billion deficit expected, and following $2.76 billion deficit registered in January.

WEEKLY CLOSING FX CHART
POUND STERLING

SOURCE : BLOOMBERG | BANK ALBILAD TREASURY DIVISION

WEEKLY CLOSING FX CHART
EURO & JAPANESE YEN



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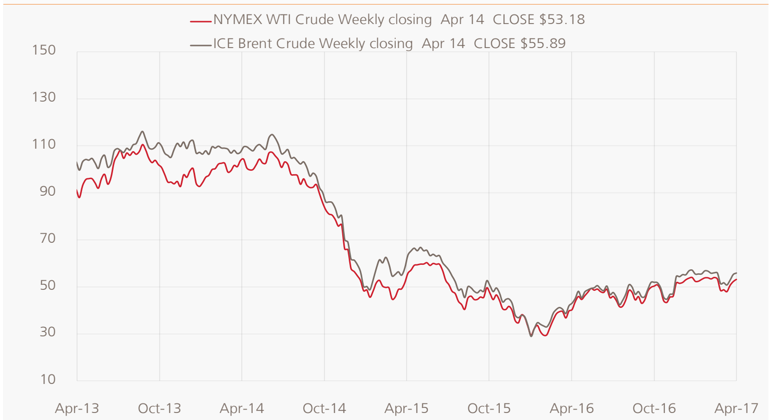
WEEKLY CLOSING CRUDE OIL
USD PER BARREL



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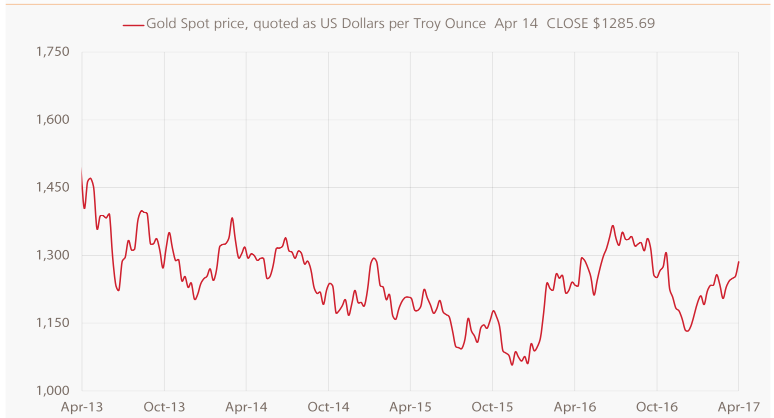
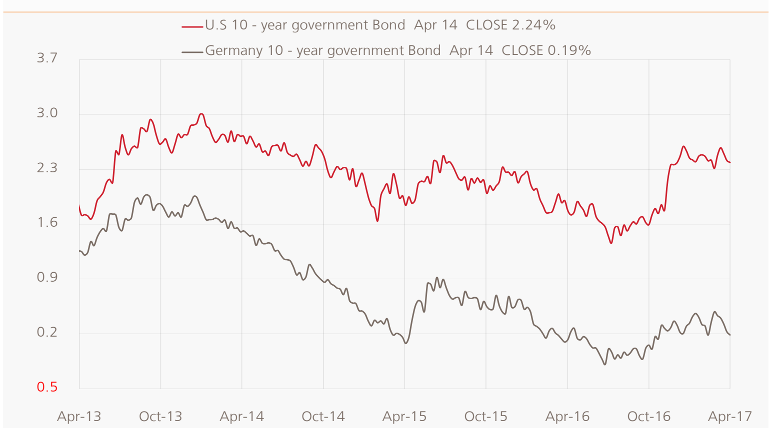
WEEKLY CLOSING SPOT GOLD
USD PER OUNCE



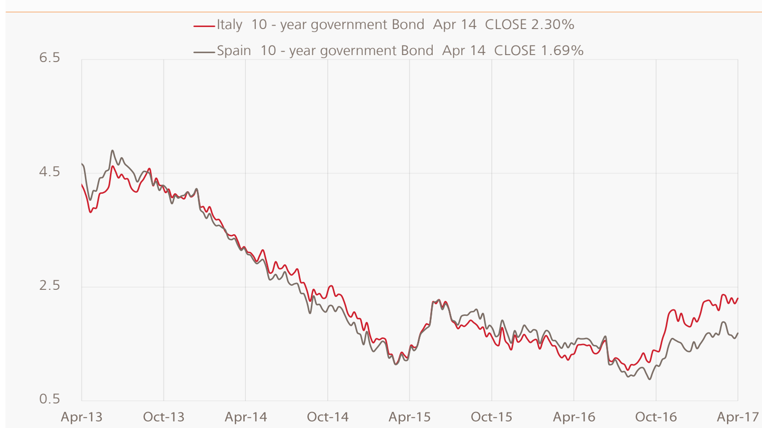
SOURCE : BLOOMBERG | BANK ALBILAD TREASURY DIVISION

WEEKLY CLOSING GOVERNMENT BOND YIELDS
USA & GERMANY



SOURCE : BLOOMBERG | BANK ALBILAD TREASURY DIVISION

WEEKLY CLOSING GOVERNMENT BOND YIELDS
ITALY & SPAIN



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PROFIT RATE BENCHMARK

TENOR	LIBOR	SIBOR	SAR - DEP
1 - Month	0.9944	1.3038	1.09
3 - Month	1.1584	1.7338	1.53
6 - Month	1.4032	2.0050	1.75
9 - Month	-	-	-
12 - Month	1.7718	2.2063	1.93

ENERGY / COMMODITIES USD

	LAST PRICE	WTD
GOLD - SPOT	1,285.69	2.48%
SILVER - SPOT	18.54	2.85%
ALUMINUM - LME 3 MTH	1,909.00	(2.70%)
COPPER - LME 3 MTH	5,692.00	(2.43%)
WTI - NYMEX	53.18	1.80%
BRENT - ICE	55.89	1.18%

Foreign Exchange

	Spot	SAR Equ	WTD
GBP / USD	1.2523	4.6961	1.23%
EUR / USD	1.0618	3.9818	0.25%
AUD / USD	0.7579	2.8421	1.05%
USD / CHF	1.0055	3.7295	(0.36%)
USD / CAD	1.3325	2.8143	(0.54%)
USD / JPY	108.64	0.0345	(2.21%)
USD / CNY	6.4755	0.5791	(0.28%)
USD / SAR	3.7502	1.0000	(0.01%)

STOCKS INDEXES WEEKLY CLOSING

Index	Closed	WTD
S&P 500	2,329	(1.13%)
Dow Jones	20,453	(0.98%)
NASDAQ	5,805	(1.24%)
FTSE 100	7,328	(0.30%)
DAX Index	12,109	(0.95%)
CAC Index	5,071	(1.25%)
Nikkei 225	18,336	(1.76%)
TASI Index	7,077	0.02%

WEEK AHEAD ECONOMIC CALENDAR

DATE	COUNTRY	ECONOMIC RELEASE /EVENTS	PERIOD	EXPECTED *	PRIOR	IMPORTANCE
Mon 17 / 04 05:00	CH	GDP YoY	1Q	6.80%	6.80%	
Mon 17 / 04 15:30	US	Empire Manufacturing	Apr	15	16.4	
Tue 18 / 04 15:30	US	Housing Starts	Mar	1250k	1288k	
Tue 18 / 04 16:15	US	Industrial Production MoM	Mar	0.40%	0.00%	
Wed 19 / 04 12:00	EC	CPI YoY	Mar F	1.50%	1.50%	
Thu 20 / 04 15:30	US	Philadelphia Fed Business Outlook	Apr	26	32.8	
Thu 20 / 04 15:30	US	Initial Jobless Claims	Apr-15	240k	234k	
Thu 20 / 04 17:00	EC	Consumer Confidence	Apr A	-4.8	-5	
Fri 21 / 04 03:30	JN	Nikkei Japan PMI Mfg	Apr P	--	52.4	
Fri 21 / 04 10:00	FR	Markit France Manufacturing PMI	Apr P	53.1	53.3	
Fri 21 / 04 10:30	GE	Markit/BME Germany Manufacturing PMI	Apr P	58	58.3	
Fri 21 / 04 11:00	EC	Markit Eurozone Manufacturing PMI	Apr P	56	56.2	
Fri 21 / 04 11:30	UK	Retail Sales Ex Auto Fuel MoM	Mar	-0.50%	1.30%	
Fri 21 / 04 16:45	US	Markit US Manufacturing PMI	Apr P	53.5	53.3	
Fri 21 / 04 17:00	US	Existing Home Sales	Mar	5.60m	5.48m	

Source: Bloomberg for forecasting

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ADDITIONAL DISCLOSURES

This report is dated as at 17 April 2017. All market data included in this report are dated as at close 15 April 2017, unless otherwise indicated in this report.

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