



Global perspective

Research Department
ARC Research Team

Tel: +966 11 211 9370, devassyp@alrajhi-capital.com

Broadly steady performance

US Q4 2016 GDP rose by 1.9% y-o-y (consensus: 2.2%) versus the 3.5% y-o-y rise in Q3 2016. However, the ISM manufacturing PMI expanded to a 26-month high reading in January, led by the rise in production, new orders and employment. Non-farm payrolls added higher-than-expected jobs in the same month.

The Eurozone economy in Q4 2016 expanded by a slower pace of 1.7% y-o-y (+1.8% y-o-y estimated previously), due to a slower rise in industrial output. Meanwhile, UK's Q4 2016 GDP grew by 2.2% y-o-y, unchanged from the previous quarter.

China's Q4 2016 GDP grew 6.8% y-o-y, as against +6.7% y-o-y in Q3 2016, supported by higher government spending and lending by the banking sector, while Japan's Q4 2016 GDP expanded at a slower pace of 1.0% y-o-y, versus a rise of 1.4% y-o-y in Q3 2016.

Global manufacturing activity remained steady in January 2017, according to the JP Morgan Global Manufacturing PMI, which logged a reading of 52.7 similar to that of December 2016, which was at a 34-month high.

EIA revised its oil price estimates for 2017 to US\$ 55 per barrel from US\$ 53 per barrel and for 2018 to US\$ 57 per barrel from US\$ 56 per barrel. Further, the agency forecasted that the US oil production will jump to 9.5 mbpd in 2018, its highest production since 1970, as against the previous estimate of 9.3 mbpd.

Meanwhile, **IEA reported** that OPEC members have complied with 90% of their agreed output quotas, where the Kingdom has slashed its crude oil production higher than its pledged reductions.

The **Institute of International Finance** estimates that emerging markets could see capital outflow worth US\$490bn in 2017, primarily led by China, after 2016 witnessed inflows of only US\$28bn, 90% below the average of 2010-2014. The IIF further stated that the severity of the US President's protectionist policies and the French election outcome, where the right-wing candidate is gaining ground, will impact global growth.

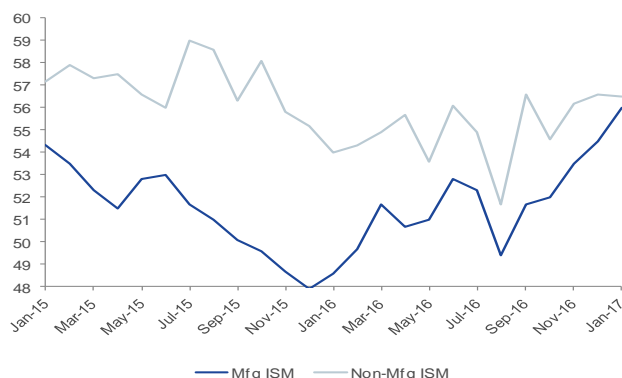
Figure 1: Global Economic Data

Country	Particulars	Period	Actual	Consensus	Previous
US	GDP (Advance estimate y-o-y)	Q4	1.9%	2.2%	3.5%
	ISM Manufacturing PMI	January	56.0	55.0	54.7
	CPI (y-o-y)	December	2.1%	2.1%	1.7%
Eurozone	GDP (Flash estimate y-o-y)	Q4	1.7%	1.8%	1.8%
	Manufacturing PMI	January	55.2	55.1	55.1
	CPI (Flash estimate y-o-y)	January	1.8%	1.6%	1.1%
UK	GDP (Preliminary estimate y-o-y)	Q4	2.2%	2.1%	2.2%
	Manufacturing PMI	January	55.9	55.9	56.1
	CPI	January	1.8%	1.9%	1.6%
Japan	GDP (First Preliminary y-o-y)	Q4	1.0%	1.1%	1.4%
	Manufacturing PMI	January	52.7	52.8	52.8
	CPI (y-o-y)	December	0.3%	-	0.5%
China	GDP (y-o-y)	Q4	6.8%	6.7%	6.7%
	Manufacturing PMI	January	51.0	51.8	51.9
	CPI (y-o-y)	January	2.5%	2.4%	2.1%
India	GDP	-	-	-	-
	Manufacturing PMI	January	50.4	-	49.6
	CPI (y-o-y)	January	3.2%	-	3.4%

Source: FXstreet, Al Rajhi Capital

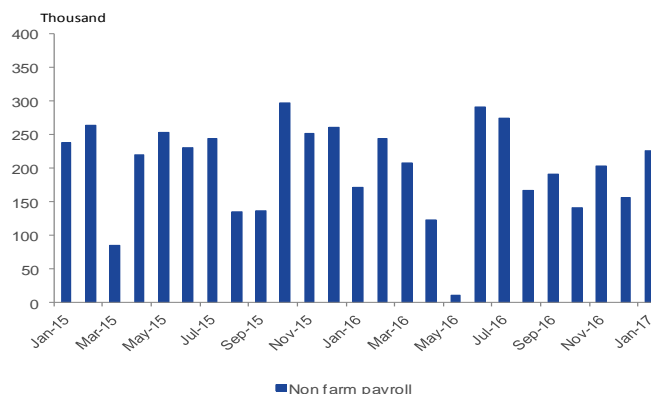


Figure 2: US ISM PMI Trend –Manufacturing PMI expanded to a 26-month high reading of 56.0 in January 2017, backed by the rise in production, new orders and employment.



Source: Bloomberg, Al Rajhi Capital

Figure 3: Non-farm payrolls – Higher-than-expected data at 227,000 in January 2017 (consensus: 175,000), while December's data was revised higher to 157,000 (156,000 earlier).



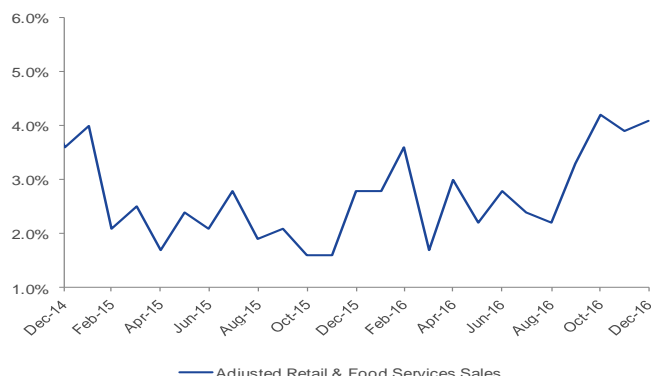
Source: Bloomberg, Al Rajhi Capital

Figure 4: US auto sales growth (y-o-y) – declined by 0.4% y-o-y in January 2017, as compared to a yearly rise of 2.9% y-o-y in December 2016.



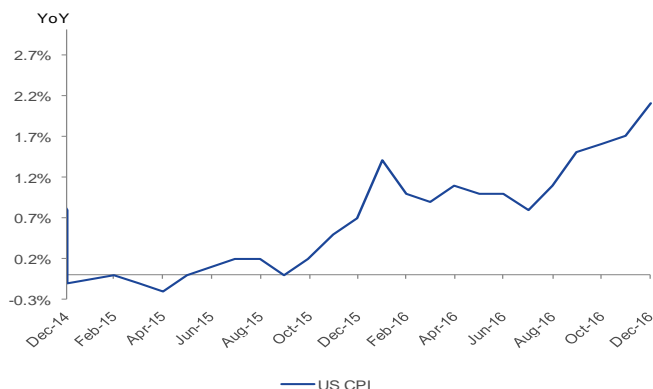
Source: Bloomberg, Al Rajhi Capital

Figure 5: US retail sales growth (y-o-y) – advanced by 4.1% y-o-y in December, versus a rise of 3.9% y-o-y in November, backed by holiday season shopping.



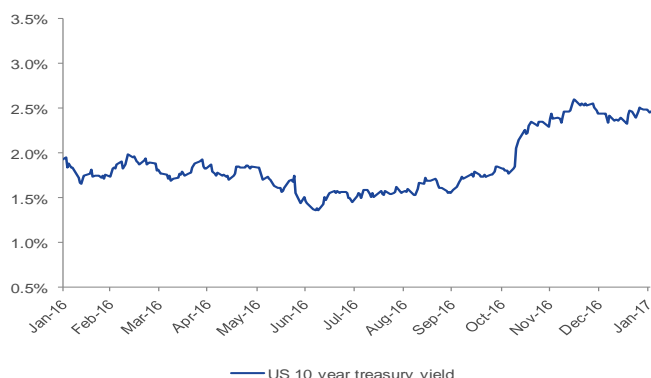
Source: Bloomberg, Al Rajhi Capital. January 2017 data not released yet.

Figure 6: Inflation trend – US Consumer inflation grew by its fastest pace since June 2014, at 2.1% y-o-y in December 2016 (+1.7% y-o-y in November 2016), due to a rise in rents and fuel prices.



Source: Bloomberg, Al Rajhi Capital. US CPI data for January 2017 not released yet.

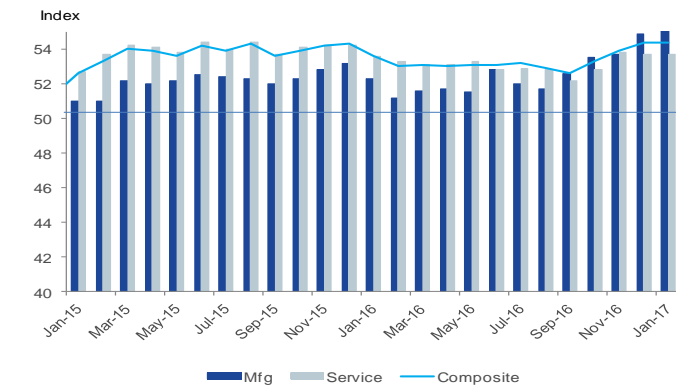
Figure 7: 10-year US treasury yield – The US 10-year treasury yield rose 0.9 bps in January 2017.



Source: Bloomberg, Al Rajhi Capital

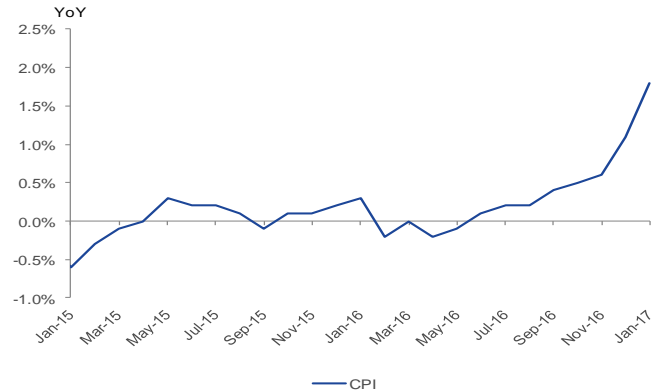


Figure 8: Eurozone PMI trend – January manufacturing PMI registered its 69-month high reading, (55.2 in Jan Vs 54.9 in Dec), supported by the rise in new orders and employment.



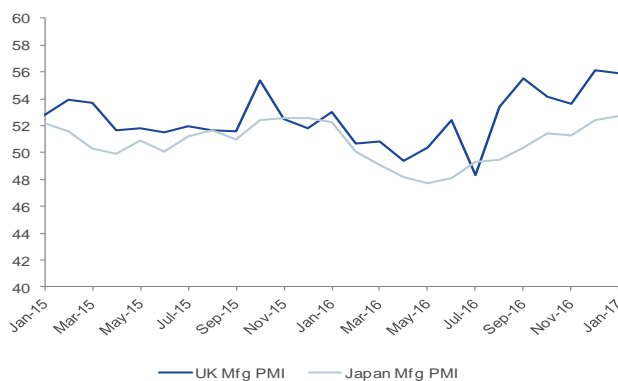
Source: Bloomberg, Al Rajhi Capital

Figure 9: Eurozone Inflation – Eurozone CPI (flash estimate) grew at the fastest pace since February 2013, by 1.8% y-o-y in January 2017, owing to a rise in energy and food prices.



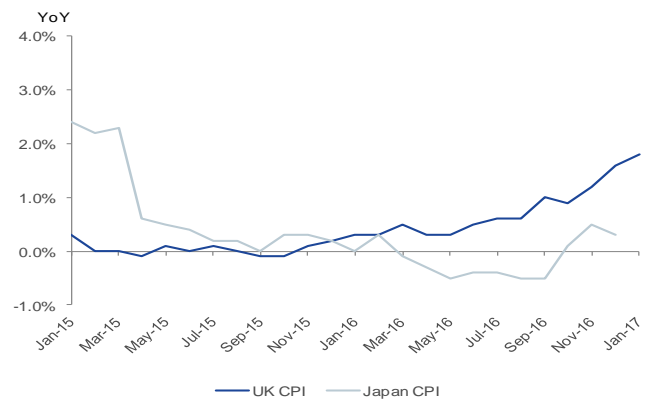
Source: Bloomberg, Al Rajhi Capital

Figure 10: Japan and UK manufacturing PMI trend – Japan's and UK's PMI witnessed expansion for the 5th and 6th straight month, respectively, both backed by the rise in output and new orders.



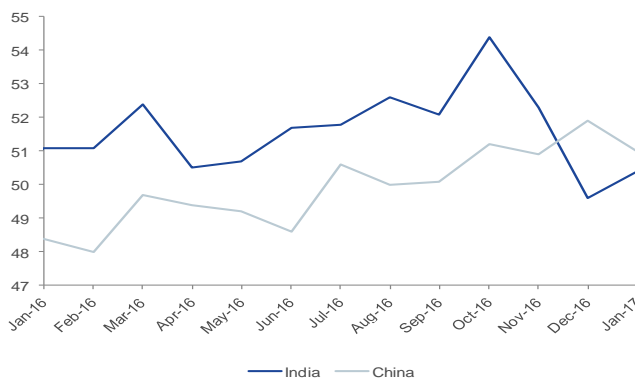
Source: Bloomberg, Al Rajhi Capital

Figure 2: Japan and UK CPI trend – Japanese CPI grew for the third consecutive month (+0.3% y-o-y in December 2016), while UK CPI rose at the fastest pace in 31 months (+1.8% y-o-y in January 2017), due to a rise in fuel prices.



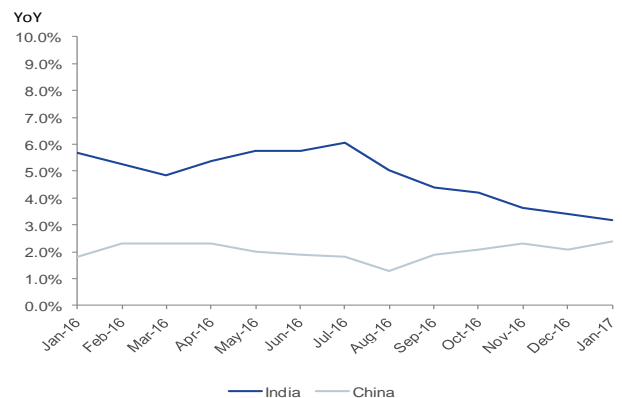
Source: Bloomberg, Al Rajhi Capital. Japan's January 2017 CPI data not released yet.

Figure 3: India and China manufacturing PMI trend – China's PMI slowed down in January 2017 but remained in the expansion territory, while India's January PMI rebounded to the expansion zone after a brief contraction in the previous month.



Source: Bloomberg, Al Rajhi Capital

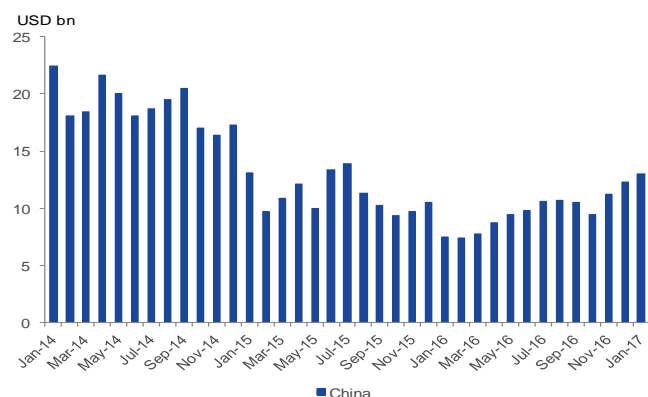
Figure 4: India and China CPI trend – China's inflation rose by 2.4% y-o-y in January 2017, while India's inflation grew at the slower pace of 3.2% y-o-y in the same month, due to a fall in food prices.



Source: Bloomberg, Al Rajhi Capital

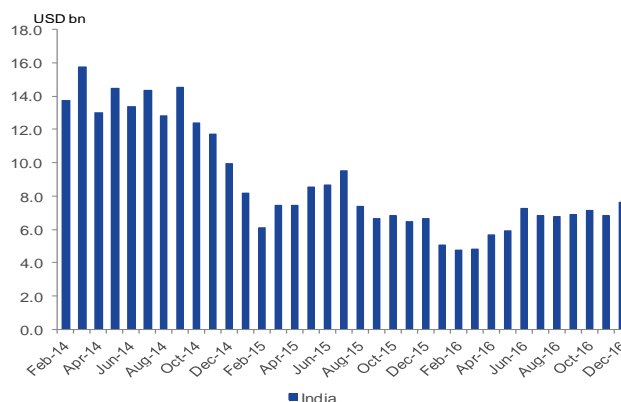


Figure 5: China's oil import trend



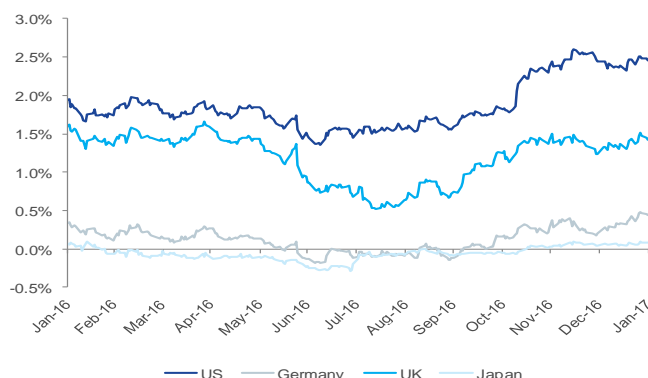
Source: Bloomberg, Al Rajhi Capital

Figure 6: India's oil import trend



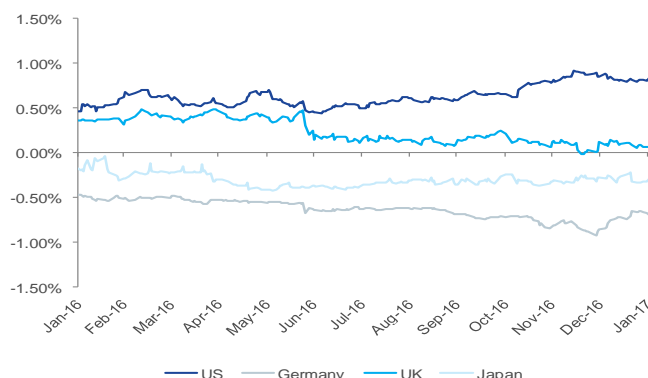
Source: Bloomberg, Al Rajhi Capital. January 2017 data not released yet.

Figure 7: 10-year government yields – Yields in the US, Germany, Japan and the UK witnessed a rise in January 2017.



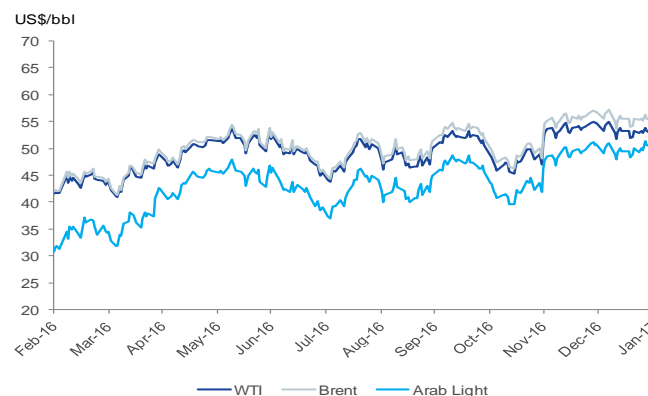
Source: Bloomberg, Al Rajhi Capital

Figure 8: One year government yields – US and Japan one-year yields fell by 1bps and 1.5bps, respectively in January 2017, whereas the German one-year yields rose 16.1bps in the same month.



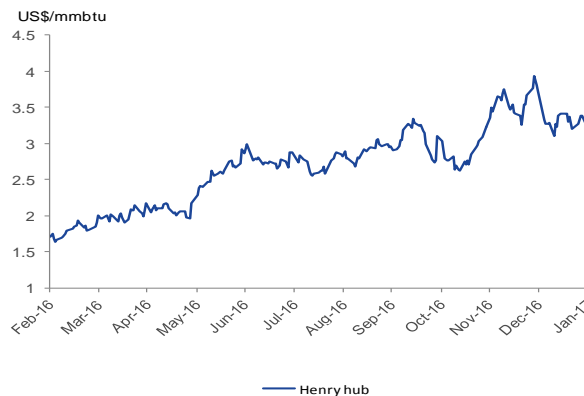
Source: Bloomberg, Al Rajhi Capital

Figure 18: Crude oil prices – Brent (March futures) dropped 2.0% m-o-m in January 2017, as investors were concerned over the rise in US shale oil output.



Source: Bloomberg, Al Rajhi Capital

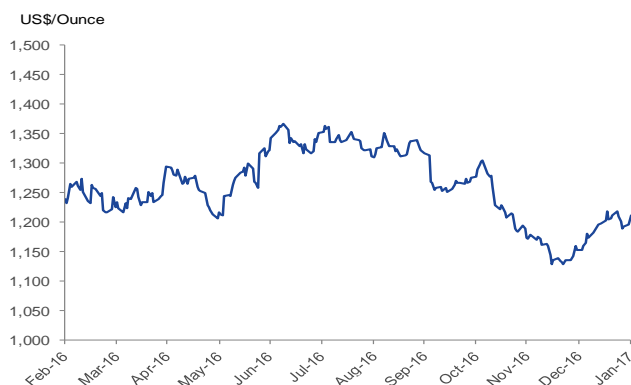
Figure 19: Gas (Henry hub) prices trend – Natural gas (Henry hub) prices declined 16.3% m-o-m in January 2017 to US\$3.117/mmbtu, owing to a relatively mild winter season.



Source: Bloomberg, Al Rajhi Capital

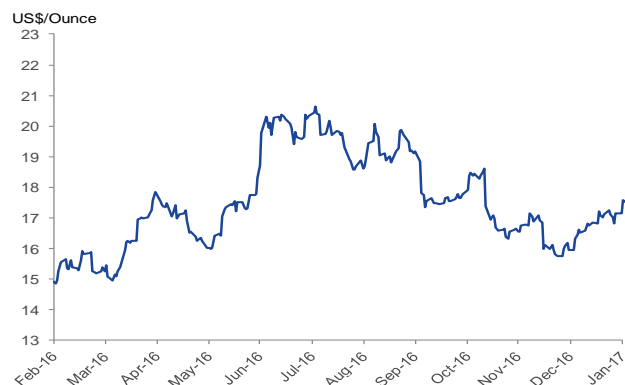


Figure 20: Gold price trend – Gold prices rose by 5.1% m-o-m in January 2017, as concerns over the US President's protectionist policies led to a weaker US dollar.



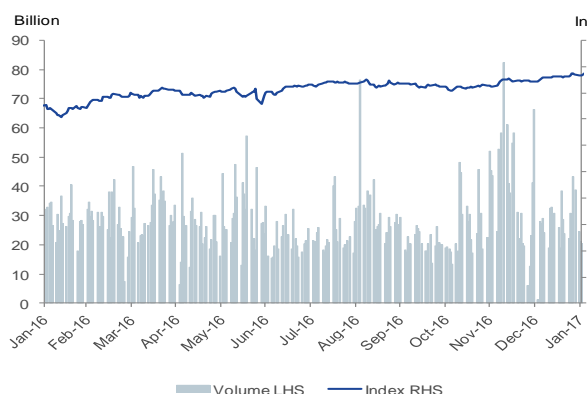
Source Bloomberg, Al Rajhi Capital

Figure 21: Silver price trend – Silver prices advanced by 10.3% m-o-m in January 2017, as compared to a monthly fall of 3.7% in the previous month.



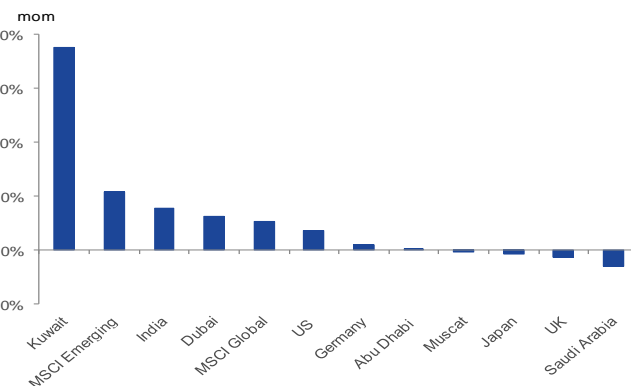
Source: Bloomberg, Al Rajhi Capital

Figure 22: MSCI Global Index



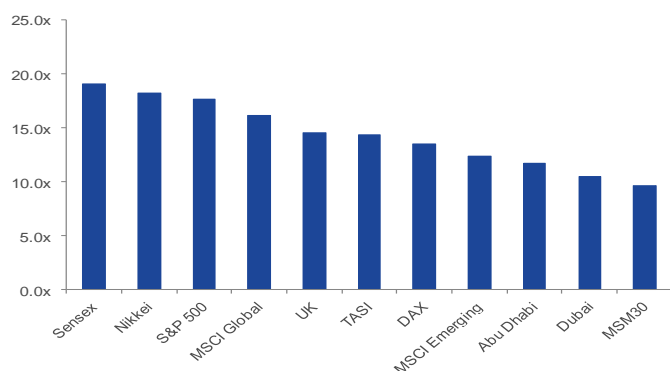
Source: Bloomberg, Al Rajhi Capital

Figure 23: Benchmark Index Return



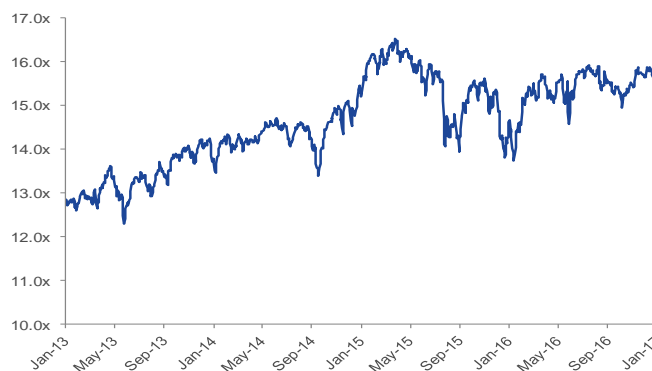
Source: Bloomberg, Al Rajhi Capital

Figure 24: Forward P/E chart



Source: Bloomberg, Al Rajhi Capital

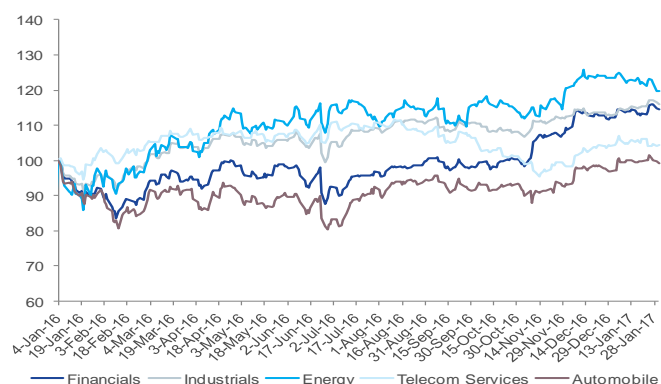
Figure 25: MSCI global P/E movement chart



Source: Bloomberg, Al Rajhi Capital

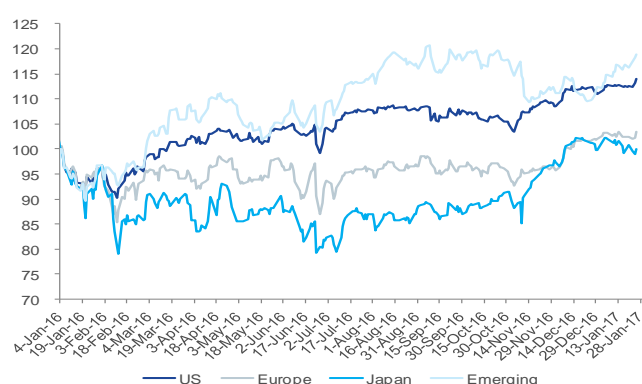


Figure 26: MSCI global sector YTD performance



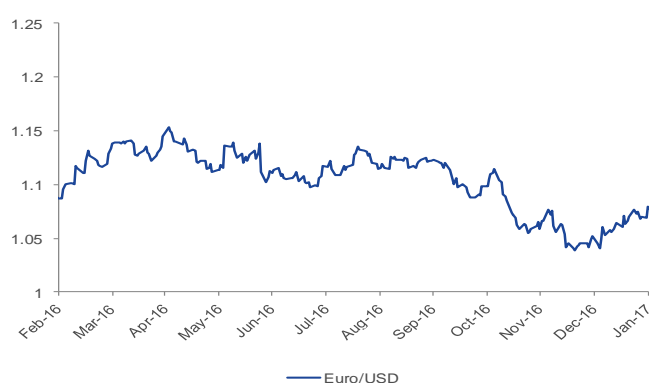
Source: Bloomberg, Al Rajhi Capital, Rebased 2016=100

Figure 27: MSCI regional YTD performance



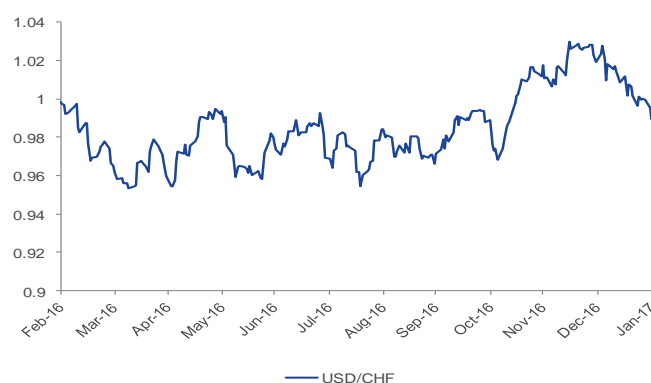
Source: Bloomberg, Al Rajhi Capital, Rebased 2016=100

Figure 28: Euro/USD



Source: Bloomberg, Al Rajhi Capital

Figure 29: USD/CHF



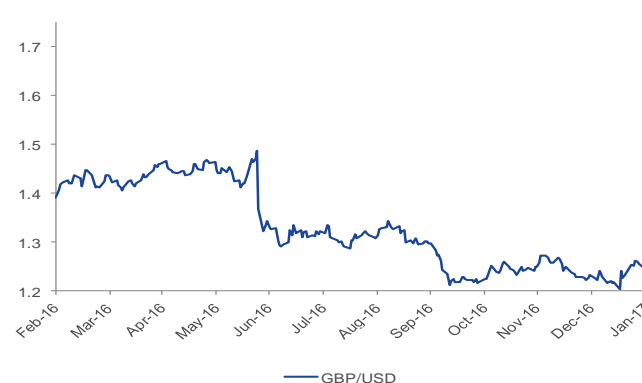
Source: Bloomberg, Al Rajhi Capital

Figure 30: USD/JPY



Source: Bloomberg, Al Rajhi Capital

Figure 31: GBP/USD



Source Bloomberg, Al Rajhi Capital



Figure 32: Real GDP Growth

Economies	Q3 2016	Q4 2016	Q1 2017E	Q2 2017E	Q3 2017E	Q4 2017E	Q1 2018E
US	3.5%	1.9%	2.2%	2.3%	2.4%	2.4%	2.4%
Europe	1.8%	1.7%	1.4%	1.5%	1.5%	1.5%	1.5%
Japan	1.4%	1.0%	1.1%	1.1%	1.0%	0.7%	0.8%
UK	2.2%	2.2%	1.9%	1.3%	1.1%	0.8%	1.0%
India	7.3%	6.0%	6.5%	6.8%	7.4%	7.7%	7.7%
China	6.7%	6.8%	6.6%	6.5%	6.4%	6.4%	6.3%

Source: Bloomberg, Al Rajhi Capital, and forecasts are Bloomberg consensus

Figure 33: Inflation (CPI)

Economies	Q3 2016	Q4 2016	Q1 2017E	Q2 2017E	Q3 2017E	Q4 2017E	Q1 2018E
US	1.1%	1.8%	2.4%	2.3%	2.5%	2.4%	2.3%
Europe	0.3%	0.7%	1.5%	1.4%	1.5%	1.3%	1.4%
Japan	-0.5%	0.3%	0.3%	0.5%	0.9%	0.6%	0.9%
UK	0.7%	1.2%	1.8%	2.3%	2.5%	2.7%	2.8%
India	5.3%	2.7%	4.3%	4.1%	4.8%	5.1%	4.9%
China	1.7%	2.2%	2.1%	2.2%	2.3%	2.3%	2.0%

Source: Bloomberg, Al Rajhi Capital, and forecasts are Bloomberg consensus

- The US Q4 2016 GDP (advance estimate) grew by 1.9% y-o-y, as against the 3.5% y-o-y rise in the previous quarter, owing to the slowdown in soybean exports. Meanwhile, on a yearly basis the economy expanded by 1.6% y-o-y in 2016 (+2.6% y-o-y in 2015), its slowest pace since 2011.
- The Eurozone Q4 2016 GDP (flash estimate) rose by 1.7% y-o-y, 0.1% lower than the previous estimate, owing to lower industrial output. On a quarterly basis, the Q4 2016 GDP expanded by 0.4%, versus a rise of 0.5% q-o-q as per the preliminary flash estimate.
- China's Q4 2016 GDP rose by 6.8% y-o-y, higher than Q3 2016 (+6.7% y-o-y), due to increase in government spending coupled with higher lending by the banks. For 2016, the country grew by 6.7% y-o-y, versus 6.9% y-o-y in 2015, the slowest rate in 26 years.
- The Japanese Q4 2016 GDP (first preliminary) expanded by 1.0% y-o-y, versus a rise of 1.4% y-o-y (revised from +1.3% y-o-y) in the previous quarter, as the weaker yen led to the rise in exports and business investments. On a yearly basis, the economy grew by 1.0% in 2016, as compared to 1.2% y-o-y in 2015.
- The UK Q4 2016 GDP (preliminary estimate) grew by 2.2% y-o-y, unchanged from the previous quarter. Meanwhile, the UK expanded by 2.0% y-o-y in 2016, as compared to a yearly rise of 2.2% in 2015.



Figure 9: Economic Calendar

Country	Event Name	Period	Start Date
Eurozone	ECB Monetary Policy Meeting Accounts		16-Feb-2017
UK	Retail Sales	January	17-Feb-2017
Japan	Trade balance	January	19-Feb-2017
Eurozone	Markit Composite PMI (Preliminary)	February	21-Feb-2017
UK	Inflation Report Hearings		21-Feb-2017
Eurozone	Consumer Price Index (YoY)	January	22-Feb-2017
US	FOMC Minutes		22-Feb-2017
UK	Q4 Gross Domestic Product (Preliminary)		23-Feb-2017
Japan	Retail Trade	January	26-Feb-2017
Eurozone	Economic Sentiment Indicator	February	27-Feb-2017
US	Durable Goods Orders	January	27-Feb-2017
US	Q4 Gross Domestic Product (Preliminary)		28-Feb-2017
US	Personal Consumption Expenditure Prices (Preliminary)		28-Feb-2017
US	Consumer Confidence	February	28-Feb-2017
China	NBS manufacturing and non-manufacturing PMI	February	1-Mar-2017
China	Caixin manufacturing PMI	February	1-Mar-2017
US	ISM Manufacturing PMI and Prices Paid	February	1-Mar-2017
Japan	Consumer Price Index (YoY)	January	1-Mar-2017
Eurozone	Unemployment Rate	February	2-Mar-2017
Eurozone	Consumer Price Index (YoY) (Preliminary)	February	2-Mar-2017
US	Non-farm Payrolls	February	3-Mar-2017
US	Unemployment Rate	February	3-Mar-2017
US	ISM non-manufacturing PMI	February	3-Mar-2017
Eurozone	Q4 Gross Domestic Product		7-Mar-2017
US	ADP Employment Change	February	8-Mar-2017
Eurozone	ECB Interest Rate Decision		9-Mar-2017
China	Industrial Production	January	10-Mar-2017
UK	Consumer Inflation Expectations		10-Mar-2017
US	Retail Sales	February	15-Mar-2017
US	Consumer Price Index (YoY)	February	15-Mar-2017
US	Fed's Monetary Policy Statement		15-Mar-2017

Source: FXStreet, Al Rajhi Capital



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Contact us

Jithesh Gopi, CFA

Head of Research and Financial Institutions

Tel : +966 1 211 9332

Email: gopij@alrajhi-capital.com

Al Rajhi Capital

Research Department

Head Office, King Fahad Road

P.O. Box 5561, Riyadh 11432

Kingdom of Saudi Arabia

Email: research@alrajhi-capital.com

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