Global Markets Update

QNB Economics

23 July 2017

Executive Summary

Key Takeaways

- **Global bond yields fell as the failure of the healthcare bill raised concerns about Trump's stimulus programme**
- **The euro strengthened after the ECB press conference; the Nigerian naira strengthened on central bank intervention**
- **European equities were negatively impacted by the strong euro; stock markets in oil-producing countries were slightly lower on weaker oil prices**
- **Commodity markets were relatively quiet last week; US oil inventories continued to fall**
- **This week will be dominated by a slew of data releases, mainly from the US, including Q2 GDP**

Sources: Bloomberg and QNB Economics

Global bond yields fell as the failure of the healthcare bill raised concerns about Trump's stimulus programme

Global Benchmark Yields (%, local currencies)

	Maturity	14-Jul	21-Jul	Change in Yield (bps)		
Advanced Economies				Week	MTD*	YTD*
US	10 yrs	2.33	2.24	-9.4	-6.6	-20.7
Germany	10 yrs	0.60	0.51	-9.1	4.0	29.8
France	10 yrs	0.86	0.75	-11.0	-6.3	6.6
Italy	10 yrs	2.29	2.07	-21.8	-8.6	25.7
Japan	10 yrs	0.08	0.07	-1.6	-1.9	2.1
UK	10 yrs	1.31	1.18	-13.5	-8.2	-6.4
Emerging Markets						
Bahrain**	11 yrs	6.77	6.65	-11.5	-14.7	-4.1
Brazil	10 yrs	10.23	10.05	-18.1	-49.1	-135.6
China	10 yrs	3.57	3.59	1.9	1.8	52.6
Egypt	10 yrs	6.42	6.29	-13.0	N/A	N/A
India	10 yrs	6.46	6.44	-2.8	-7.5	-7.9
Indonesia	10 yrs	6.96	6.93	-3.7	9.6	-104.8
Nigeria	9 yrs	16.27	16.29	1.3	23.3	19.5
Qatar**	9 yrs	3.51	3.34	-16.5	-26.7	-31.8
Russia	10 yrs	7.74	7.77	3.5	8.5	-59.0
Saudi Arabia**	9 yrs	3.47	3.40	-7.3	5.5	-46.8
South Africa	10 yrs	8.76	8.54	-21.4	-26.4	-40.4
Turkey	10 yrs	10.70	10.52	-18.0	-1.0	-87.0
Abu Dhabi**	9 yrs	2.93	2.92	-0.7	-2.0	-42.1
Dubai**	3 yrs	2.68	2.66	-2.7	7.1	-34.1

- Trump's healthcare bill was scrapped, calling into question tax cuts and infrastructure spending plans, leading to lower global yields
- The effect was compounded by concerns about persistently low inflation

Legend

- > 2 standard deviation fall in yields
- > 1 standard deviation fall in yields
- < 1 standarad deviation change in yields
- > 1 standard deviation rise in yields
- > 2 standard deviation rise in yields

Sources: Bloomberg and QNB Economics; *Month to Date and Year to Date; **USD denominated

The euro strengthened after the ECB press conference; the Nigerian naira strengthened on central bank intervention

Global Exchange Rates vs USD

	14-Jul	21-Jul	Change (%)		
Advanced Economies			Week	MTD	YTD
US Dollar Index	95.15	93.86	-1.4	-1.9	-8.2
Euro Area*	1.15	1.17	1.7	2.1	10.9
Japan	112.53	111.13	1.2	1.1	5.2
UK*	1.31	1.30	-0.8	-0.2	5.3
Emerging Markets					
Brazil	3.18	3.14	1.1	5.2	3.6
China	6.78	6.77	0.1	0.2	2.6
Egypt	17.96	17.87	0.5	1.4	1.5
Indonesia	13,339	13,313	0.2	0.3	1.2
India	64.45	64.32	0.2	0.4	5.6
Kuwait	0.30	0.30	0.2	0.2	1.1
Nigeria	324.50	315.00	2.9	2.3	0.1
Russia	59.01	59.36	-0.6	-0.8	3.7
Turkey	3.54	3.54	0.1	-0.4	-0.4
South Africa	13.04	12.92	0.9	1.2	6.4
UAE	3.67	3.67	PEGGED		
Bahrain	0.38	0.38			
Oman	0.39	0.39			
Qatar	3.71	3.68			
Saudi Arabia	3.75	3.75			

- In the press conference after the ECB's rate setting meeting, the President, Mario Draghi, was less dovish than markets expected
- The central bank of Nigeria offered USD195m to support the currency

Legend

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

Sources: Bloomberg and QNB Economics; * Exchange rate quoted as amount of USD per currency unit in line with market convention, other exchange rates are amount of currency per USD

European equities were negatively impacted by the strong euro; stock markets in oil-producing countries were slightly lower on weaker oil prices

Global Equity Indices

	14-Jul	21-Jul	Change (%)		
Advanced Economies			Week	MTD	YTD
US (S&P 500)	2,459	2,473	0.5	2.0	10.4
Europe (STOXX 50)	3,526	3,452	-2.1	0.3	4.9
Japan (Nikkei 225)	20,119	20,100	-0.1	0.3	5.2
UK (FTSE 100)	7,378	7,453	1.0	1.9	4.3
Emerging Markets					
Bahrain (BB)	1,317	1,320	0.2	0.8	8.2
Brazil (IBOVESPA)	65,436	64,684	-1.1	2.8	7.4
China (Shanghai)	3,222	3,238	0.5	1.4	4.3
Egypt (EGX 30)	13,823	13,715	-0.8	2.4	11.1
India (CNX NIFTY)	9,886	9,915	0.3	4.1	21.1
Indonesia (Jakarta)	5,832	5,765	-1.1	-1.1	8.8
KSA (Tadawul)	7,313	7,261	-0.7	-2.2	0.7
Kuwait (KSE)	6,788	6,778	-0.2	0.2	17.9
Nigeria (All Share)	33,262	34,020	2.3	2.7	26.6
Oman (Muscat 30)	5,121	4,999	-2.4	-2.3	-13.5
Qatar (Doha 20)	9,470	9,542	0.8	5.7	-8.6
Russia (MICEX)	1,961	1,925	-1.8	2.4	-13.8
S.Africa (J'burg 40)	47,309	47,802	1.0	5.2	8.9
Turkey (Istanbul 100)	105,176	106,843	1.6	6.4	36.7
UAE (Abu Dhabi)	4,518	4,541	0.5	2.6	-0.1
UAE (Dubai)	3,537	3,584	1.3	5.6	1.5

- **Oman's stock market was hit by disappointing earnings**

Legend

- > 2 standard deviation rise in equity index
- > 1 standard deviation rise in equity index
- < 1 standaradard deviation change in equity index
- > 1 standard deviation fall in equity index
- > 2 standard deviation fall in equity index

Sources: Bloomberg and QNB Economics

Commodity markets were relatively quiet last week; US oil inventories continued to fall

Commodity Prices*

	14-Jul	21-Jul	Change (%) Week	MTD	YTD
Energy					
Brent	48.9	48.1	-1.7	0.3	-15.4
WTI	46.5	45.8	-1.7	-0.6	-14.8
Precious Metals					
Gold	1,229	1,255	2.1	1.1	9.4
Silver	16.0	16.5	3.3	-0.7	3.7
Industrial					
Copper	5,926	6,004	1.3	1.1	8.5
Steel	609	616	1.1	0.8	4.8
Aluminum	1,927	1,915	-0.6	-0.2	13.1
Wheat	495	499	0.9	-2.3	22.4
Corn	365	380	4.0	2.5	7.9
Cocoa	1,876	1,968	4.9	3.4	-7.4

- US crude inventories fell 4.7m barrels (-3.5m expected and -7.6m in the prior week)
- US gasoline inventories fell 4.4m barrels (0.7m expected and -1.6m in the prior week)

Legend

- > 2 standard deviation rise in price
- > 1 standard deviation rise in price
- < 1 standarad deviation change in price
- > 1 standard deviation fall in price
- > 2 standard deviation fall in price

Sources: Bloomberg and QNB Economics; * Spot prices or nearest expiring future

This week will be dominated by a slew of data releases, mainly from the US, including Q2 GDP

Data Review

Date	Country	Event	Period	Consensus	Actual	Previous
Jul 17	China	GDP YoY	Q2	6.8%	6.9%	6.9%
Jul 17	China	Industrial Production YoY	Jun	6.5%	7.6%	6.5%
Jul 19	US	Housing Starts	Jun	1160k	1215k	1092k
Jul 20	Japan	All Industry Activity Index MoM	May	-0.8%	-0.9%	2.1%
Jul 20	US	Initial Jobless Claims	Jul-15	245k	233k	247k
Jul 20	Eurozone	ECB Deposit Facility Rate	Jul-20	-0.40%	-0.40%	-0.40%

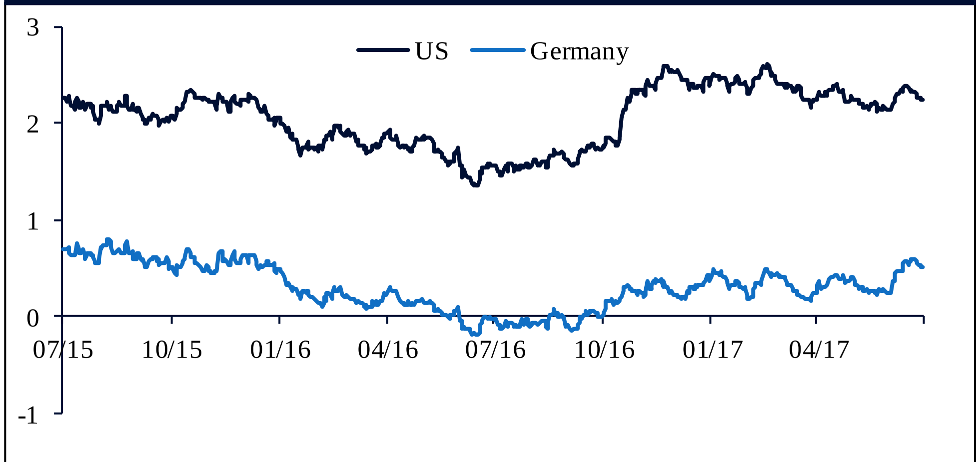
Forthcoming Economic Events

Date	Country	Event	Period	Consensus	Actual	Previous
Jul 24	Euro Area	Markit Manufacturing PMI	Jul P	57.2		57.4
Jul 24	US	Markit Manufacturing PMI	Jul P	52.2		52.0
Jul 25	US	Conf Board, Consumer Confidence	Jul	116.0		118.9
Jul 26	UK	GDP YoY	Q2 A	1.7%		2.0%
Jul 26	US	Fed Rate Decision	Jul-26	1.25%		1.25%
Jul 27	US	Initial Jobless Claims	Jul-22	240k		233k
Jul 27	US	Durable Goods Orders	Jun P	3.5%		-0.8%
Jul 28	US	GDP Annualized QoQ	Q2 A	2.5%		1.4%
Jul 28	US	Uni of Michigan Sentiment	Jul F	93.1		93.1

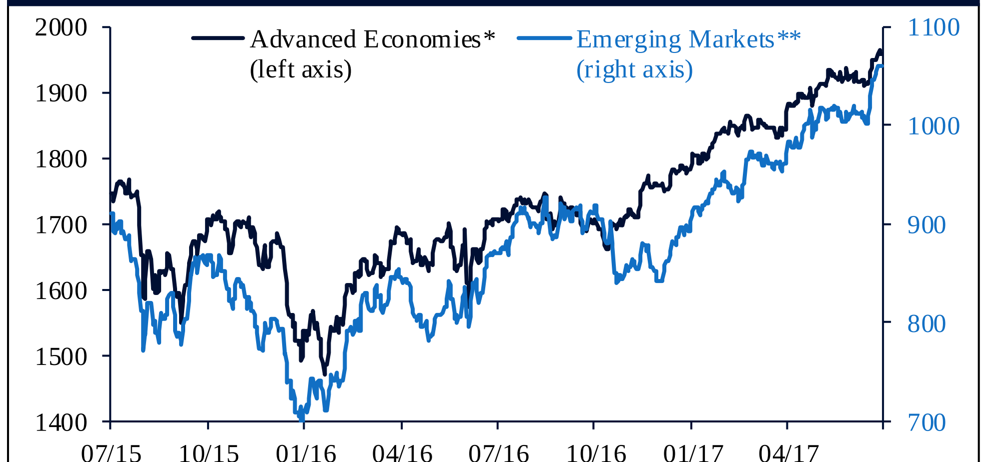
Sources: Bloomberg and QNB Economics
* 'A' stands for advance, 'P' for preliminary, 'S' for second and 'F' for final

Two-Year Performance of Major Asset Classes

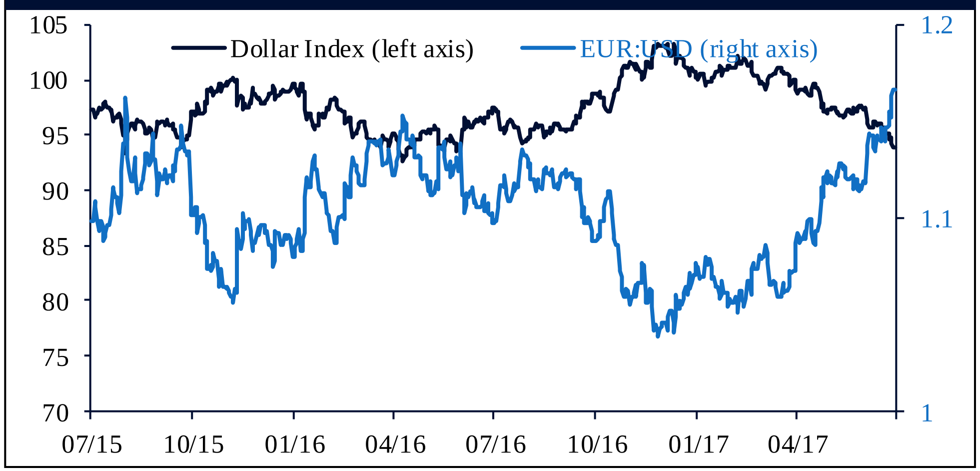
Sovereign 10-Year Bond Yields



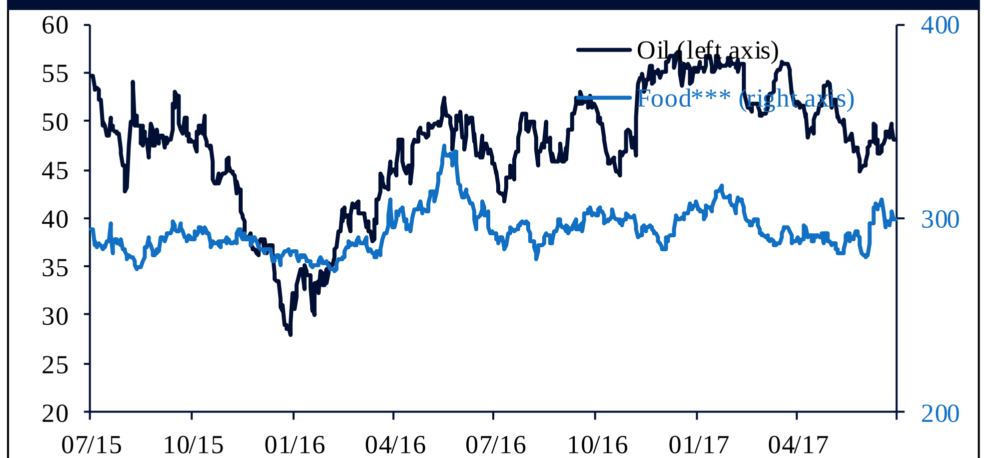
Equities



Exchange Rates



Commodities



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Sources: Bloomberg and QNB Economics; * MSCI World Index; ** MSCI Emerging Markets Index;; ***S&P GSCI Agricultural Index, which includes wheat cor n, soybeans, coffee, sugar, cocoa and cotton

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