

# [WEEKLY ECONOMIC COMMENTARY]

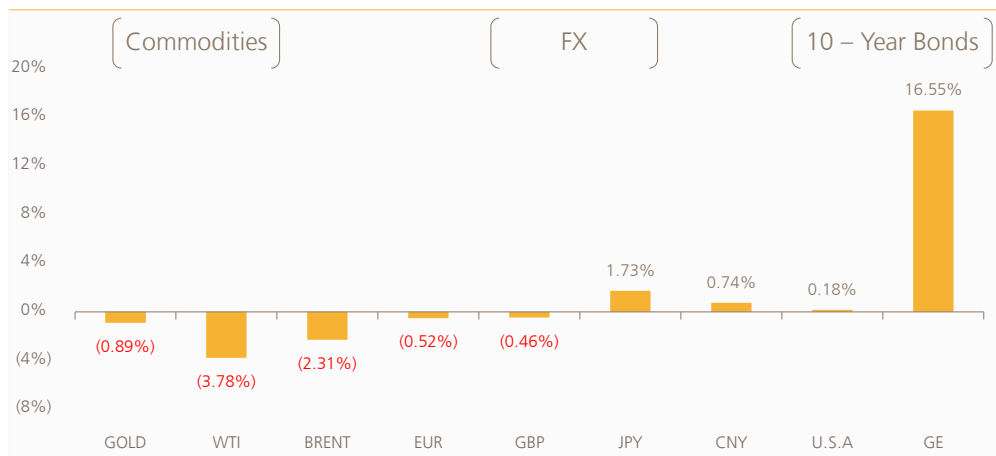
WEEKLY ANALYSIS FOR THE MOST CRITICAL ECONOMIC AND FINANCIAL DEVELOPMENTS

## MACRO & MARKET COMMENTARY

- » U.S. started the process to draft plans on a further \$200 billion in Chinese imports after tensions between the two largest economies in the world intensified, posing challenge to the global economic growth. China fired back immediately, saying that they will adopt a comprehensive “quantity and quality” measures against the United States. The recent round of trade war hit commodities market harshly, with losses from crude oil to metals. Currencies responded accordingly. U.S Dollar index (DXY - the index that tracks the performance of the US Dollar against major world currencies), rose last week, increasing by 0.76% or 0.71 points. the index closed its weekly trading session at 94.68 point on Friday the 13th of July compared to 93.96 at last week’s close.
- » Global Oil prices declined over the week as U.S authorities are preparing to impose additional tariffs on goods from China elevating the risks to the global economy, putting pressures on Investments, spending and economic growth. U.S Energy Information Administration (EIA) reported that commercial crude stockpile fell by the most since September 2014 declining by 12.633 million barrel (compared to the expectation of a decline of 3.9 Million barrel), putting total inventories at 405.25 million barrels.

## WEEKLY CHANGES AGAINST THE USD

MAJOR MARKETS



SOURCE : BLOOMBERG | BANK ALBILAD ECONOMIC RESEARCH

- » On the supply side, drillers in U.S didn't add any new rigs the week to the 13<sup>th</sup> of July, bringing the total count up to 863, according to Baker Hughes energy services firm. West Texas intermediate future contracts (August 2018 delivery) fell by 3.78% [or \$2.79] per barrel to \$71.01 per barrel. The international oil benchmark (Brent crude future contracts for Sep 2018 delivery), however, fell by 2.31% [or \$1.78] per barrel, closing its weekly trading session at \$75.33 on Friday, the 13<sup>th</sup> of July 2018.
- » U.S. Treasuries swung between gains and losses during the week as trade tensions boosted demand for haven assets (including the longer dated bonds). Over the week, yield on the benchmark 10 – year treasury managed to close its weekly trading session slightly higher, increasing by 0.5 basis points (bps) or 0.18% to 2.828% on the 13th of July 2018.

## ECONOMIC DATA & EVENTS FROM LAST WEEK.

### US & Canada:

In the United States, university of Michigan sentiment came in at 97.1 in July compared to 98.2 in June. CPI excluding food and energy kept stable at 0.2% Y/Y in June as expected, the same as in May. On July 11, Bank of Canada has hiked its interest rate from 1.25% to 1.50% as expected. Building permits increased 4.7% M/M in May following the revised up decline to 4.7% M/M in April.

### UK and Japan:

Industrial production in the United Kingdom unexpectedly fell 0.4% M/M in May following the revised up decline to 1% M/M in April. The trade balance posted a deficit of £2.790B in May following the revised down deficit to £3.087B in May. In Japan, Industrial production growth was confirmed at -0.2% M/M in May final estimate. The current account posted a surplus of ¥1938.3 billion in May compared to a surplus of ¥1845.1 billion in April.

### EuroZone:

ZEW survey expectations in the Euro Area came in at -18.7 in July compared to -12.6 in June. Industrial production rose 1.3% M/M (seasonally adjusted) in May following the revised down decline to 0.8% M/M in April. In Germany, ZEW survey expectations came in at -24.17 in July compared to -16.1 in June. ZEW survey current situation fell below expectations to 72.4 in July from 80.6 in June CPI inflation was confirmed at 2.1% Y/Y in June final estimate. CPI inflation in France was unexpectedly revised down to 2% Y/Y in June final estimate. Industrial production unexpectedly fell 0.2% M/M in May following 0.5% decline in April. Industrial production in Italy rose 0.7% M/M in May following the revised up decline to 1.3% M/M in April.

### Emerging Markets:

Retail sales in Brazil fell 0.6% M/M in May following the revised down increase to 0.7% M/M in April. Industrial production in India rose 3.2% Y/Y in May following the revised down reading to 4.8% Y/Y in April. Exports grew 17.6% Y/Y in June following 20.2% Y/Y increase in May. CPI inflation in China accelerated slightly to 1.9% Y/Y in June as expected compared to 1.8% Y/Y in May.

Chinese exports grew 11.3% Y/Y in June following the revised down increase to 12.2% Y/Y in May. While imports grew 14.1% Y/Y in June compared to 21.3% Y/Y increase expected and following 26% Y/Y increase in May. Trade balance posted a surplus of \$41.61 billion in June following the revised down surplus to \$24.23 billion in May. The Russian current account posted a surplus of \$22300 million in Q2 2018 following a surplus of \$30827 million in the previous quarter.

### **GCC and Turkey:**

Measure of money supply M2 in Kuwait grew 4.01% Y/Y in May compared to 3.99% Y/Y growth rate in April. CPI inflation in Oman accelerated to 1.37% Y/Y in June from 0.78% Y/Y in May. The Turkish current account posted a deficit of \$5.89 billion in May following the revised up deficit to \$5.45 billion in the previous month.

## WEEKLY CLOSING FX CHART

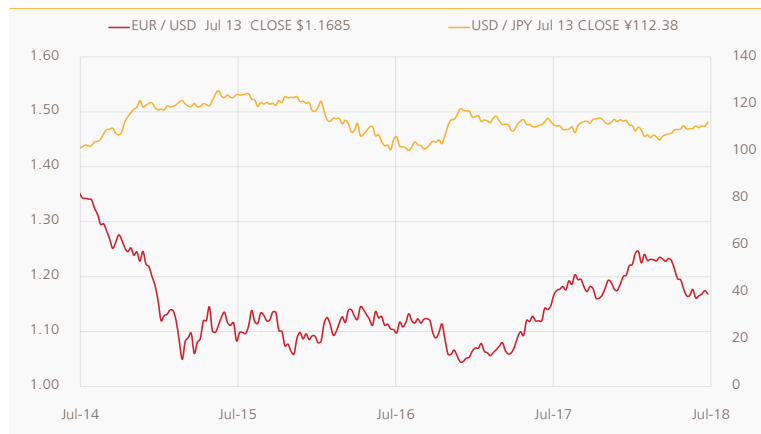
POUND STERLING



SOURCE : BLOOMBERG | BANK ALBILAD TREASURY DIVISION

## WEEKLY CLOSING FX CHART

EURO & JAPANESE YEN



SOURCE : BLOOMBERG | BANK ALBILAD TREASURY DIVISION

## WEEKLY CLOSING CRUDE OIL

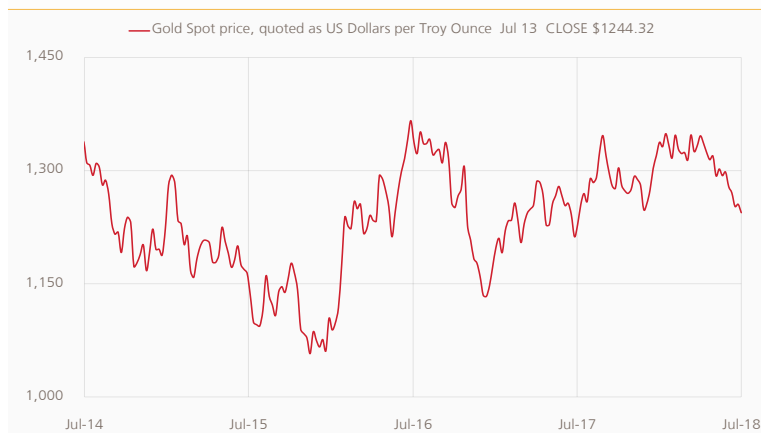
USD PER BARREL



SOURCE : BLOOMBERG | BANK ALBILAD TREASURY DIVISION

## WEEKLY CLOSING SPOT GOLD

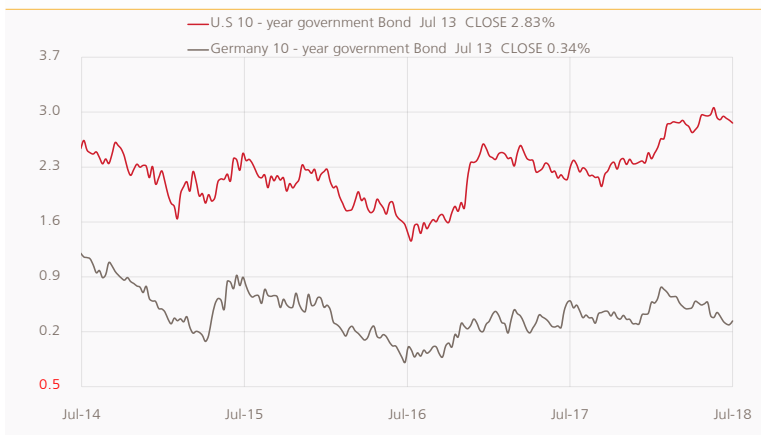
USD PER OUNCE



SOURCE : BLOOMBERG | BANK ALBILAD TREASURY DIVISION

## WEEKLY CLOSING GOVERNMENT BOND YIELDS

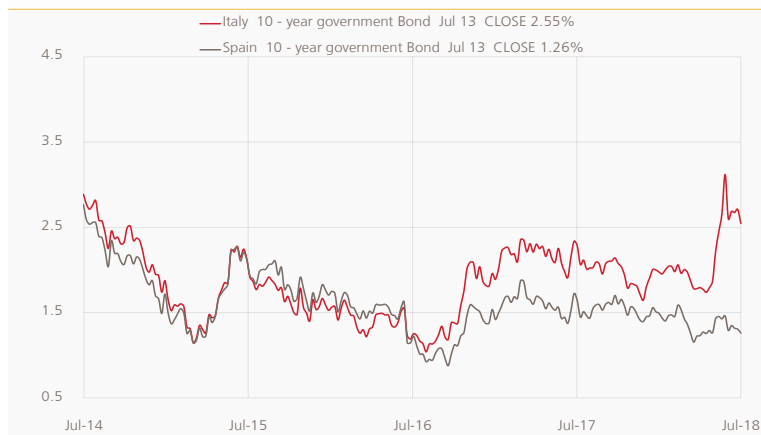
USA & GERMANY



SOURCE : BLOOMBERG | BANK ALBILAD TREASURY DIVISION

## WEEKLY CLOSING GOVERNMENT BOND YIELDS

ITALY & SPAIN



SOURCE : BLOOMBERG | BANK ALBILAD TREASURY DIVISION

## PROFIT RATE BENCHMARK

TENOR	LIBOR	SIBOR	SAR - DEP
1 - MONTH	2.0733	2.4050	2.31
3 - MONTH	2.3360	2.6075	2.51
6 - MONTH	2.5209	2.7850	2.69
12 - MONTH	2.7869	2.9925	2.89

## ENERGY / COMMODITIES USD

	LAST PRICE	WTD
GOLD - SPOT	1,244.32	(0.89%)
SILVER - SPOT	15.82	(1.45%)
ALUMINUM - LME 3 MTH	2,031.00	(2.36%)
COPPER - LME 3 MTH	6,237.00	(0.72%)
WTI - NYMEX	71.01	(3.78%)
BRENT - ICE	75.33	(2.31%)

## FOREIGN EXCHANGE

	SPOT	SAR EQU	WTD
GBP / USD	1.3222	4.9583	(0.46%)
EUR / USD	1.1685	4.3819	(0.52%)
AUD / USD	0.7424	2.7840	(0.08%)
USD / CHF	1.0017	3.7436	1.25%
USD / CAD	1.3160	2.8495	0.58%
USD / JPY	112.3800	0.0334	1.73%
USD / CNY	6.4755	0.5791	(0.28%)
USD / SAR	3.7503	1.0000	0.00%

## STOCKS INDEXES WEEKLY CLOSING

INDEX	LAST PRICE	WTD
S&P 500	2,801	1.50%
DOW JONES	25,019	2.30%
NASDAQ	7,826	1.79%
FTSE 100	7,662	0.58%
DAX INDEX	12,541	0.36%
CAC INDEX	5,429	0.99%
NIKKEI 225	22,597	3.71%
TASI INDEX	8,362	2.26%

## WEEK AHEAD ECONOMIC CALENDAR

DATE	COUNTRY	ECONOMIC RELEASE /EVENTS	PERIOD	EXPECTED *	PRIOR	IMPORTANCE
Sun 15 / 07 00:00	SR	CPI YoY	Jun	--	2.30%	91
Mon 16 / 07 05:00	CH	GDP YoY	2Q	6.70%	6.80%	95
Mon 16 / 07 15:30	US	Retail Sales Advance MoM	Jun	0.50%	0.80%	92
Tue 17 / 07 11:30	UK	Jobless Claims Change	Jun	--	-7.7k	93
Tue 17 / 07 11:30	UK	ILO Unemployment Rate 3Mths	May	4.20%	4.20%	89
Tue 17 / 07 16:15	US	Industrial Production MoM	Jun	0.50%	-0.10%	89
Wed 18 / 07 11:30	UK	CPI YoY	Jun	2.60%	2.40%	95
Wed 18 / 07 11:30	UK	CPI MoM	Jun	0.20%	0.40%	94
Wed 18 / 07 11:30	UK	CPI Core YoY	Jun	2.10%	2.10%	91
Wed 18 / 07 12:00	EC	CPI YoY	Jun F	2.00%	1.90%	95
Wed 18 / 07 14:00	US	MBA Mortgage Applications	13-Jul	--	2.50%	92
Wed 18 / 07 15:30	US	Housing Starts	Jun	1320K	1350K	90
Thu 19 / 07 15:30	US	Initial Jobless Claims	14-Jul	221K	214K	98

SOURCE: BLOOMBERG FOR FORECASTING

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### ADDITIONAL DISCLOSURES

This report is dated as at 16 July 2018. All market data included in this report are dated as at close 14 July 2018, unless otherwise indicated in this report.

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