January 22, 2018

[WEEKLY ECONOMIC COMMENTARY]

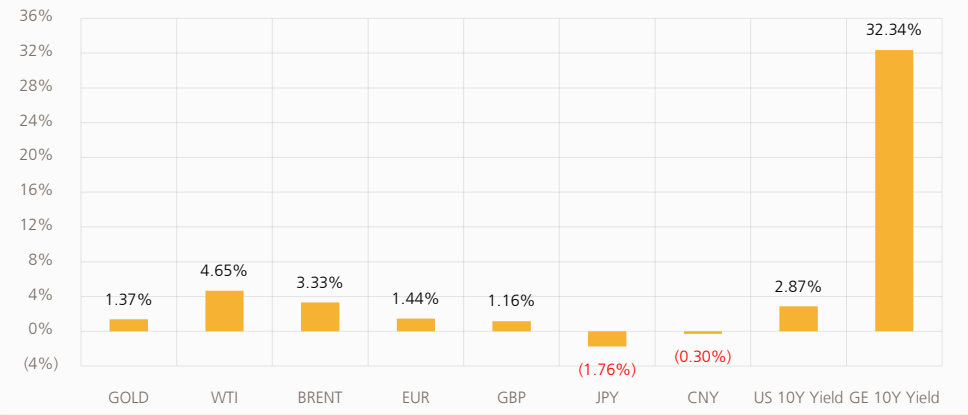
WEEKLY ANALYSIS FOR THE MOST CRITICAL ECONOMIC AND FINANCIAL DEVELOPMENTS

MACRO & MARKETS COMMENTARY

- The U.S economy and inflation expanded at a "Modest to Moderate" pace during December 2017, while wages continued to push higher according to the Federal Reserve report "beige book" that was released last week. Inflation continued, however, to be the main concern for decision makers and investors who are wondering now if the new report will promote the FED to continue its plan to raise interest rate three times in 2018.
- U.S. Dollar spot index (DXY - the index that tracks the performance of the US Dollar against major world currencies) dropped for the 05th consecutive week, declining by 0.44% or 0.40 points closing its weekly trading session at 90.57 point on Friday the 12th of January [lowest level since January 2015], compared to 90.97 at last week's close. In the Eurozone, the EUR/USD rose slightly during the week, closing its weekly trading session higher by 0.16% (or 20 pips) to $1.12222 per euro on Friday, the 19th of January 2018.
- Crude oil prices retreated from three-year highs on concern that prices are due for correction. The U.S Energy Information Agency (EIA), however, highlighted in its monthly report that "global inventories has tightened substantially", thanks to OPEC cuts. But it warned the rapidly increasing production in the U.S could threaten market balance. West Texas intermediate future contracts (February 2018 delivery) dropped by 1.45% [or $0.93] per barrel to $63.37 per barrel. The international oil benchmark (Brent crude future contracts for March 2018 delivery) dropped by 1.80% W/W [or $1.26] per barrel….

WEEKLY CHANGES AGAINST THE USD

MAJOR MARKETS



SOURCE : BLOOMBERG | BANK ALBILAD TREASURY DIVISION

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The Beige Book, more formally called the Summary of Commentary on Current Economic Conditions, is a report published by the United States Federal Reserve Board eight times a year.

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- … closing its weekly trading session at $68.61 on Friday, the 19th of January 2018.
- U.S government bond prices dropped further during the week on growing bets that the upbeat view of the U.S economy will promote the Federal Reserve to raise interest rates multiple times in 2018. The sell-off in U.S. treasuries sent the yield to its highest level since May 2014. Yield on the benchmark 10 – year treasury rose by 11.2 basis points (bps) or 4.40% over the week, closing its weekly trading session at 2.66% on the 19th of January 2018.

ECONOMIC DATA & EVENTS FROM THE LAST WEEK.

U.S.A & CANADA

United State of America: Initial jobless claims in the United States fell below expectations to 220K in the week ending January 13 compared to 261K in the preceding week. Housing starts fell to 1192K in December from 1297K in November. Industrial production increased 0.9% M/M in December compared to 0.2% M/M increase in November. University of Michigan sentiment index declined to 94.4 in January from 95.9 in December. Empire manufacturing index unexpectedly fell to 17.7 in January from 18 in December. Philadelphia Fed business outlook fell to 22.2 in January from 26.2 in December.
Canada: In January 17, Bank of Canada increased its target rate from 1% to 1.25% as expected.

UK & JAPAN

CPI inflation in the United Kingdom decelerated slightly to 3% Y/Y in December from 3.1% Y/Y in November. Core inflation decelerated more than expected to 2.5% Y/Y in December from 2.7% Y/Y in the previous month. Retail sales increased 1.3% Y/Y in December following 1.5% Y/Y increase in November.
Industrial production growth in Japan was revised down to 0.5% M/M in November final estimate from 0.6% M/M previously estimated. PPI rose 3.1% Y/Y in December, which is less than expected, and less than the registered in the previous month at 3.5% Y/Y.

EUROZONE

CPI inflation in the Euro Area was confirmed at 1.4% Y/Y in December final estimate as expected. In Germany, CPI inflation was confirmed at 1.7% Y/Y in December final estimate as expected. In Italy, CPI inflation EU harmonized was confirmed at 1% Y/Y in December final estimate as expected.
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EMERGING MARKET,

Chinese economy grew faster than expected in the 04th quarter of 2017 compared to a year earlier supported by a rebound in industrial productivity and strong exports growth. Recent data showed Chinese GDP grew by 6.8% in the fourth quarter of 2017 compared to a year earlier [6.9% full year growth in 2017, the first annual rate of acceleration since 2010]. Industrial production grew by 6.2% Y/Y in December, retail sales growth slowed to10.2% [compared to 10.3% in November], while investment activities remained surprisingly strong.

Indian exports grew 12.4% Y/Y in December following 30.6% Y/Y increase registered in November. Gold and FOREX reserve in Russia increased to $437.9 billion in the week ending January 12 from $432.6 billion in the previous month.

GCC & MENA,

Saudi Arabia: Fitch credit rating agency affirmed [on Thursday January 18] Saudi Arabia's (A+ with Stable outlook) sovereign rating as Fitch believes that the recent fiscal measures in Saudi Arabia will raise government revenues substantially.

Consumer price inflation in Qatar accelerated to 0.6% in December, compared to 0.2% in November reading. Kuwait inflation, however, slowed to 1.07% Y/Y in December, down from 1.53% in November.

On January 18, the Turkish Central Bank kept its benchmark repurchase rate, overnight lending rate, and overnight borrowing rate unchanged at 8%, 9.25% and 7.25% respectively as expected.

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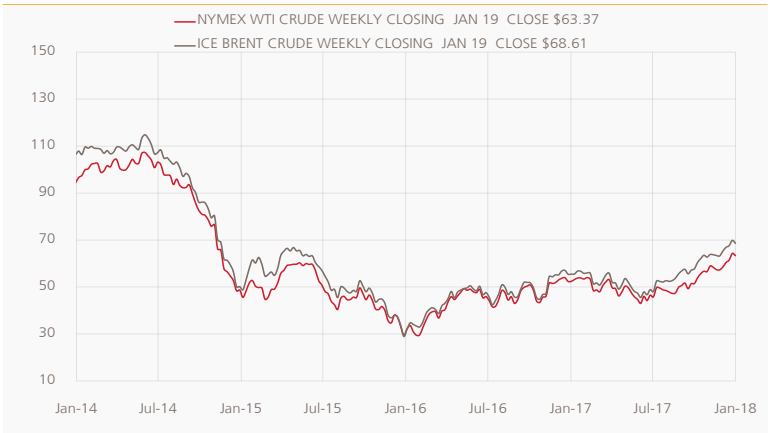
WEEKLY CLOSING FX CHART
POUND STERLING

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



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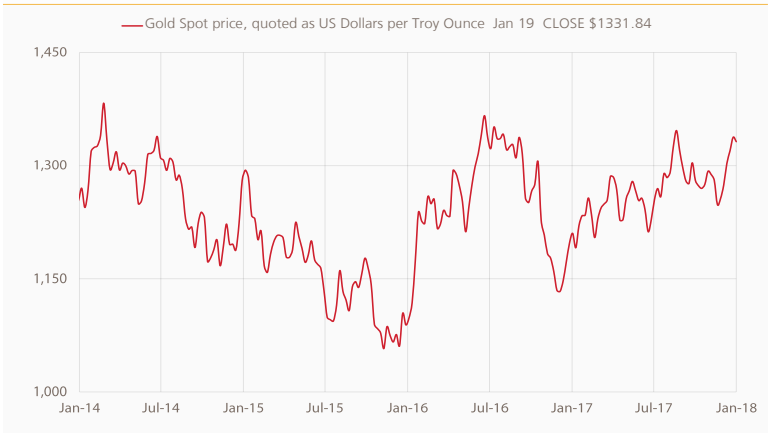
WEEKLY CLOSING SPOT GOLD
USD PER OUNCE



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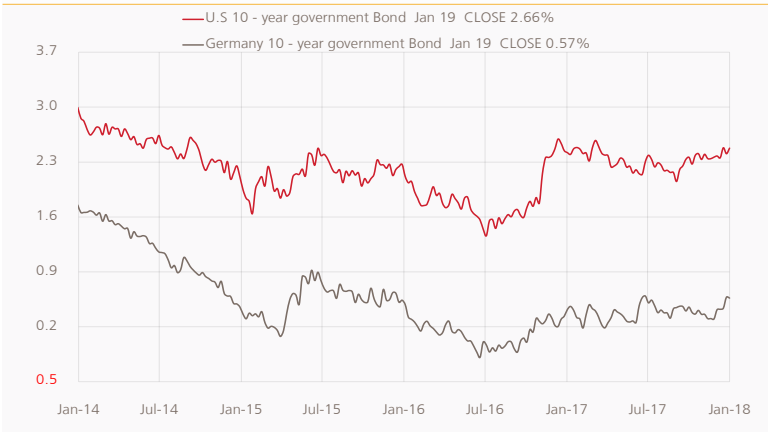
WEEKLY CLOSING GOVERNMENT BOND YIELDS
USA & GERMANY



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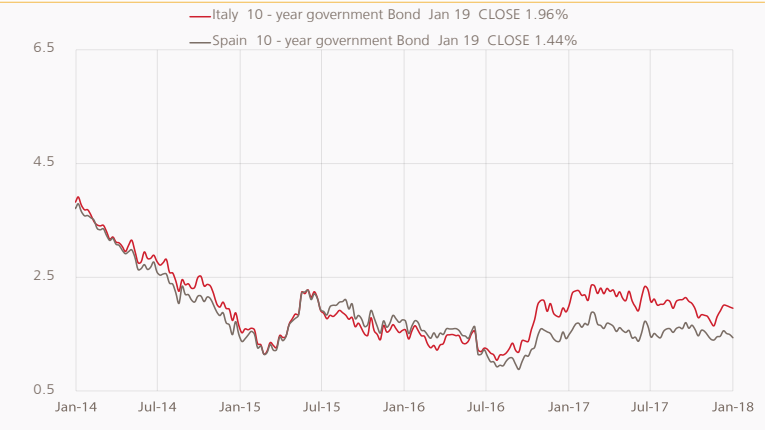
WEEKLY CLOSING GOVERNMENT BOND YIELDS
ITALY & SPAIN



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PROFIT RATE BENCHMARK

TENOR	LIBOR	SIBOR	SAR - DEP
1 - MONTH	1.5613	1.6838	1.27
3 - MONTH	1.7445	1.8938	1.57
6 - MONTH	1.9318	2.0875	1.79
12 - MONTH	2.1731	2.28	1.97

ENERGY / COMMODITIES USD

	LAST PRICE	WTD
GOLD - SPOT	1,331.84	(0.43%)
SILVER - SPOT	17.02	(1.08%)
ALUMINUM - LME 3 MTH	2,220.00	0.27%
COPPER - LME 3 MTH	7,041.00	(0.97%)
WTI - NYMEX	63.37	(1.45%)
BRENT - ICE	68.61	(1.80%)

FOREIGN EXCHANGE

	SPOT	SAR EQU	WTD
GBP / USD	1.3858	5.1968	0.95%
EUR / USD	1.2222	4.5833	0.16%
AUD / USD	0.7995	2.9981	0.99%
USD / CHF	0.9628	3.8949	(0.47%)
USD / CAD	1.2493	3.0017	0.27%
USD / JPY	110.77	0.0339	(0.26%)
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	2,810	0.86%
DOW JONES	26,072	1.04%
NASDAQ	7,336	1.04%
FTSE 100	7,731	(0.62%)
DAX INDEX	13,434	1.43%
CAC INDEX	5,527	0.17%
NIKKEI 225	23,808	0.65%
TASI INDEX	7,539	2.74%

WEEK AHEAD ECONOMIC CALENDAR

DATE	COUNTRY	ECONOMIC RELEASE /EVENTS	PERIOD	EXPECTED *	PRIOR	IMPORTANCE
Tue 23 / 01 / 18	GE	ZEW Survey Expectations	Jan	17.7	17.4	
Tue 23 / 01 / 18	GE	ZEW Survey Current Situation	Jan	89.6	89.3	
Wed 24 / 01 / 18	FR	Markit France Manufacturing PMI	Jan P	58.6	58.8	
Wed 24 / 01 / 18	UK	Jobless Claims Change	Dec	--	5.9k	
Wed 24 / 01 / 18	US	MBA Mortgage Applications	19-Jan	--	4.10%	
Thu 25 / 01 / 18	GE	IFO Business Climate	Jan	117	117.2	
Thu 25 / 01 / 18	EC	ECB Main Refinancing Rate	25-Jan	0.00%	0.00%	
Thu 25 / 01 / 18	US	Initial Jobless Claims	20-Jan	235k	220k	
Thu 25 / 01 / 18	US	New Home Sales	Dec	675k	733k	
Fri 26 / 01 / 18	UK	GDP QoQ	4Q A	0.40%	0.40%	
Fri 26 / 01 / 18	UK	GDP YoY	4Q A	1.40%	1.70%	
Fri 26 / 01 / 18	US	GDP Annualized QoQ	4Q A	3.00%	3.20%	
Fri 26 / 01 / 18	US	Durable Goods Orders	Dec P	0.90%	1.30%	

Source: Bloomberg For Forecasting

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ADDITIONAL DISCLOSURES

This report is dated as at 22 January 2018. All market data included in this report are dated as at close 20 January 2018, unless otherwise indicated in this report.

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