

Dollar loses steam yet again

Global equities remained near their all-time highs during the second week of the second quarter earnings. Emerging markets were the best performing markets for another week, mainly on the back of dollar weakness. European markets came under pressure as the euro strengthened versus the dollar after the ECB meeting last week. On the other hand, investor concerns over President Trump's political agenda spurred safe haven demand. US Treasuries benefitted the most, dropping to a one month low. Similarly, gold prices surged while safe-haven currencies like the yen strengthened versus the dollar. The euro jumped to a two year high against the dollar on talks of QE exit at the ECB monetary policy meeting last week. While the ECB maintained its prudent stance on the economy, it hinted at the possibility of announcing changes to its bond-buying program in autumn, leading to increased market expectations of possible monetary tightening next year. Elsewhere, commodity prices fell, weighed by market concerns ahead of the OPEC and non-OPEC members meeting scheduled today (24 July).

Focus shifts to FOMC and OPEC meeting this week

From the ECB meeting last week, market attention will now shift to the FOMC meeting scheduled to take place on 26 July, followed by the US GDP release on 28 July. Whilst we believe that the recent dollar weakness is likely to bottom out, we do not expect the upcoming FOMC meeting to be a likely trigger. In fact, given the downward trend seen in inflation and inflation expectations, any hawkish bias by the FOMC could be interpreted as the Fed moving ahead of the curve, adding to the recent dollar weakness. At the same time, GDP data is likely to show that the US economy probably accelerated in the second quarter, boosted by consumer spending. Attention will also be on the outcome of today's OPEC and non-OPEC meeting taking place in Russia. Concerns of accelerating supply output from small producers like Libya, Nigeria and Ecuador has already kept the markets on edge recently. Signs of any member wavering from their commitment of planned production cuts could significantly weigh on the commodities market, although the likelihood of such an outcome is low in our opinion. Markets will also look forward to the series of Q2 earnings results from major US technology firms like Amazon and Facebook and US banks scheduled this week. With a possibility of earnings beating expectations, we expect the equity markets to remain near their all-time highs.

Past week global markets' performance

Index Snapshot (World Indices)

Index	Latest	Weekly Chg %	YTD %
S&P 500	2,472.5	0.5	10.4
Dow Jones	21,580.1	-0.3	9.2
Nasdaq	6,387.8	1.2	18.7
DAX	12,240.1	-3.1	6.6
Nikkei 225	20,099.8	-0.1	5.2
FTSE 100	7,452.9	1.0	4.3
Sensex	32,028.9	0.0	20.3
Hang Seng	26706.1	1.2	21.4

Regional Markets (Sunday to Thursday)

Index	Latest	Weekly Chg %	YTD %
ADX	4552.5	0.8	0.1
DFM	3573.5	1.0	1.2
Tadaw ul	7261.1	-0.7	0.7
DSM	9542.3	0.8	-8.6
MSM30	4999.37	-2.4	-13.5
BHSE	1320.4	0.2	8.2
KWSE	6781.0	-0.1	18.0

MSCI

Index	Latest	Weekly Chg %	YTD %
MSCI World	1,958.8	0.5	11.9
MSCI EM	1,060.2	1.3	23.0

Global Commodities, Currencies and Rates

Commodity	Latest	Weekly Chg %	YTD %
ICE Brent USD/bbl	48.1	-1.7	-15.4
Nymex WTI USD/bbl	45.8	-1.7	-14.8
Gold USD/t oz	1255.0	2.1	9.4
Silver USD/t oz	16.5	3.3	3.7
Platinum USD/t oz	934.9	1.5	3.5
Copper USD/MT	6001.5	2.4	9.1
Alluminium	1899.75	-0.5	12.1

Currencies

Currency	Latest	Weekly Chg %	YTD %
EUR USD	1.1663	1.7	10.9
GBP USD	1.2997	-0.8	5.3
USD JPY	111.13	-1.2	-5.2
CHF USD	0.9457	-1.8	7.8

Rates

Rate	Latest	Weekly Chg %	YTD %
USD Libor 3m	1.3144	0.8	31.7
USD Libor 12m	1.7357	-0.2	3.0
UAE Eibor 3m	1.5488	0.4	5.0
UAE Eibor 12m	2.1342	-0.1	1.9
US 3m Bills	1.1590	12.3	133.0
US 10yr Treasury	2.2375	-4.0	-8.5

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Summary market outlook

Bonds									
Global Yields	US Treasury yields ended the week lower on the back of safe haven demand amidst the continued uncertainty on President Trump's political agenda. We expect Treasury yields to remain supported in the near term unless there is a sharp jump in inflation/inflation expectations. Similarly, ECB's prudent stance on policy normalization pushed German bund yields lower. Nevertheless, we expect the Treasury-Bund spread to continue to tighten.								
Stress and Risk Indicators	The VIX remained low in the absence of any major surprises in economic data. Current levels are very low given the ongoing global political uncertainty and we therefore expect volatility to rise.								
Equity Markets									
Local Equity Markets	GCC equity markets had a mixed week as oil prices remained under pressure ahead of the meeting of major oil producers this week. Overall, we remain neutral on GCC equities given the potential for further dollar strength and range-bound oil prices. We maintain our tactical call on Saudi equities on the back of their inclusion onto the MSCI watch list for potential promotion into the MSCI Emerging Markets index.								
Global Equity Markets	Global equities were mainly flat last week with the start of the earning season and rising doubts on President Trump's policies weighed on the sentiment. European markets underperformed after the ECB hinted at the possibility of QE exit talks in autumn, dragging the euro higher. Emerging markets were the best performers on the back of dollar weakness. Overall for equities globally, we expect some consolidation to take place in the near-term.								
Commodities									
Precious Metals	Gold prices edged higher again this week helped by the safe haven demand and dollar weakness. We stick to our overweight recommendation on gold as a risk hedge against ongoing political and potential for inflationary risks.								
Energy	Energy prices ended the week lower despite US data showing a decline in oil inventories. Market concerns have emerged ahead of OPEC and non-OPEC meeting scheduled today, 24 July. Signs of any member wavering from its commitment could weigh on the oil markets. Overall, we expect some upward normalization to take place. However, rising US production will act as a ceiling on oil prices.								
Industrial Metals	Industrial metals performed well amidst the weaker dollar last week. We do not recommend industrial metals exposure due to ongoing concerns around Chinese demand.								
Currencies									
EURUSD	The euro strengthened against the dollar as ECB turned hawkish at the MPC meeting. On a long term basis, we expect the euro to weaken given the divergence in central bank policies in Europe versus the US.								
Critical levels	<table border="0"> <tr> <td>R2</td> <td>1.1718</td> <td>R1</td> <td>1.1690</td> <td>S1</td> <td>1.1627</td> <td>S2</td> <td>1.1591</td> </tr> </table>	R2	1.1718	R1	1.1690	S1	1.1627	S2	1.1591
R2	1.1718	R1	1.1690	S1	1.1627	S2	1.1591		
GBPUSD	The pound weakened versus the dollar on inflation disappointment and Brexit concerns. We expect sterling to remain under pressure due to political uncertainty and Brexit negotiations.								
Critical levels	<table border="0"> <tr> <td>R2</td> <td>1.3056</td> <td>R1</td> <td>1.3027</td> <td>S1</td> <td>1.2960</td> <td>S2</td> <td>1.2924</td> </tr> </table>	R2	1.3056	R1	1.3027	S1	1.2960	S2	1.2924
R2	1.3056	R1	1.3027	S1	1.2960	S2	1.2924		
USDJPY	The yen appreciated versus the dollar buoyed by lower US yields and weak dollar demand. However, bias for yen weakness remains given the potential for dollar strength.								
Critical levels	<table border="0"> <tr> <td>R2</td> <td>112.47</td> <td>R1</td> <td>111.80</td> <td>S1</td> <td>110.74</td> <td>S2</td> <td>110.34</td> </tr> </table>	R2	112.47	R1	111.80	S1	110.74	S2	110.34
R2	112.47	R1	111.80	S1	110.74	S2	110.34		

Forthcoming important economic data

United States

Indicator	Period	Expected	Prior	Comments
7/24/2017	Markit US Manufacturing PMI	Jul P	52.2	52
7/24/2017	Existing Home Sales MoM	Jun	-0.90%	1.10%
7/26/2017	New Home Sales MoM	Jun	0.80%	2.90%
7/26/2017	FOMC meeting	26-Jul	No change	
7/27/2017	Wholesale Inventories MoM	Jun P	0.30%	0.40%
7/28/2017	GDP Annualized QoQ	2Q A	2.50%	1.40%
7/28/2017	U. of Mich. Sentiment	Jul F	93.1	93.1

All eyes will be on the FOMC meeting this week. Focus will also be on the housing data, PMI releases and the 2Q GDP print.

Japan

Indicator	Period	Expected	Prior	Comments
7/24/2017	Nikkei Japan PMI Mfg	Jul P	-	52.4
7/28/2017	Jobless Rate	Jun	3.00%	3.10%
7/28/2017	Natl CPI YoY	Jun	0.40%	0.40%
7/28/2017	Natl CPI Ex Fresh Food, Energy YoY	Jun	-0.10%	0.00%

PMI data and Inflation release will be closely tracked by the market.

Eurozone

Indicator	Period	Expected	Prior	Comments
7/24/2017	Markit Eurozone Manufacturing PMI	Jul P	57.2	57.4
7/24/2017	Markit Eurozone Composite PMI	Jul P	56.2	56.3
7/25/2017	IFO Expectations	Jul	106.5	106.8
7/28/2017	Consumer Confidence	Jul F	-1.7	-1.7

PMI data and German IFO survey will be important.

United Kingdom

Indicator	Period	Expected	Prior	Comments
7/26/2017	GDP YoY	2Q A	1.70%	2.00%
7/28/2017	Nationwide House PX MoM	Jul	-0.20%	1.10%

Attention will be on the GDP data.

China and India

Indicator	Period	Expected	Prior	Comments
				No important data releases scheduled for the week.

Sources

All information in this report has been obtained from the following sources except where indicated otherwise:

1. Bloomberg
2. Wall Street Journal
3. RTTNews
4. Reuters
5. Gulfbase
6. Zawya

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