

13 May 2024

# Weekly Economy and Market Watch



## Key Highlights



### THE GREAT US INTEREST RATE DEBATE

Economists at Citi and Pantheon, two of the most accurate forecasters recently, are now calling for 100 bps cuts in Fed Fund rates this year. However, economists at Bank of America and Deutsche Bank are at the most hawkish end, expecting only one rate cut of 25 bps before the end of the year. The futures market is pricing-in two rate cuts, potentially in September and December this year.



### ANOTHER CENTRAL BANK PIVOTS

The central bank of Sweden, Riksbank, cut rates last week even as inflation is running above target. It has acted in advance of any European Central Bank cuts to support a sputtering economy even though this can lead to another bout of currency weakness that in turn can fuel import prices. In March, the Swiss National Bank had proactively cut rate, ahead of ECB, to prevent further appreciation of the franc.



### LIGHT BUT POSITIVE ECONOMIC DATA

Initial jobless claims in the US, for the last week, were higher than expected, reinforcing the view that the labor market is softening. Earlier, the employment sub-indices of the ISM and PMI data also indicated further weakness. The biggest story of the week was the plunge in University of Michigan's Consumer Sentiments reading for May, which had its biggest fall since August 2021. As many as eight Fed officials spoke in different forums last week and mostly sounded hawkish.



### STOCKS PUSH HIGHER

Stocks got a fresh boost from Thursday's higher-than-expected jobless claims and Friday's consumer sentiments data that support a rate cut narrative. Softer economic data was able to offset the mostly hawkish Fed speak during the week. Corporate earnings remain a bright spot with 459 of the S&P 500 index companies reporting so far and 77% delivering consensus-beating results. All major indices in US and Europe posted another weekly advance with blue-chip Dow its best week since mid-Dec.



### DATA HEAVY WEEK AHEAD

Inflation has been under added scrutiny this year, but the coming week's data and more in the weeks ahead could mark the beginning of the easing of these pressures. The most important economic data will be the April Consumer Price Index (CPI inflation) on Wednesday, apart from the Producer Price Index, Retail Sales figures and Small Business Sentiments. The spotlight will also be on Fed Chair Powell when he speaks on Tuesday.



### SAUDI GDP SHRINKS AGAIN

Saudi Arabia's GDP is estimated to have shrunk 1.8% y/y in Q1, 2024 as oil activity continues to drag activity. The non-oil GDP grew by 2.8% y/y (compared to 4.2% last quarter) while the oil sector GDP was down 10.6% y/y. This comes after the economy contracted by 4.3% and 3.2% in Q4 and Q3 of last year, respectively; driven lower by voluntary OPEC oil production cuts. Saudi Arabia has been producing 9mn barrels per day against a capacity of 12mn.

1 Week YTD'24 2023

### Mover of the Week

Silver	6.81%	18.01%	0.18%
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### Global Equities

Magnificent 7	0.53%	19.55%	80.89%
Dow Jones Ind.	2.16%	4.84%	13.70%
S&P 500	1.85%	9.49%	24.23%
Nasdaq Comp.	1.51%	7.94%	43.42%
Euro stoxx 600	3.01%	8.72%	12.74%
FTSE 100	3.20%	9.06%	3.78%
India Nifty50	-1.87%	1.49%	20.03%
Nikkei 225	-0.12%	14.24%	28.26%
Shanghai Comp.	1.72%	6.85%	-1.93%

### Regional Equities

Dubai DFM	0.73%	2.79%	21.69%
Abu Dhabi ADX	0.59%	-5.09%	-6.20%
Saudi Tadawul	1.85%	9.49%	13.87%

### Bonds

US IG Bond Index	0.09%	-1.97%	5.15%
GCC Bnd/Suk Index	0.58%	-1.75%	5.14%

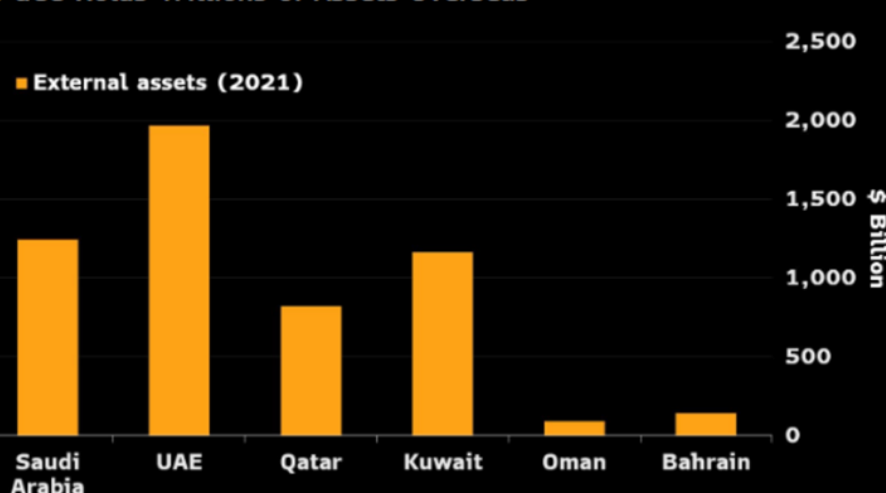
### Currencies

Dollar Index	0.26%	3.92%	-2.11%
Euro	0.11%	-2.60%	3.30%
GBP	-0.06%	-1.79%	5.50%
JPY	-1.89%	-9.62%	7.50%
CHF	-0.04%	-7.38%	8.97%
AUD	-0.06%	-3.34%	0.23%
CNH	-0.54%	-1.54%	-2.94%
INR	-0.17%	-0.39%	-0.63%
SGD	-0.30%	-2.58%	1.49%

### Commodities

WTI Crude	0.19%	9.23%	-10.73%
Brent Crude	-0.20%	7.46%	-10.32%
Nat Gas	5.14%	-10.42%	-43.82%
Gold	3.00%	14.60%	13.47%
Silver	6.81%	18.01%	0.18%
Copper	2.62%	20.64%	2.10%

The GCC Holds Trillions of Assets Overseas



Source: Milesi-Ferretti, Gian Maria (2022), The External Wealth of Nations database, Brookings Institution, Saudi Central Bank, Bloomberg Economics

## Chart of the Week

Bloomberg has recently published estimates of the overseas assets of GCC countries – the total of which comes to \$5.4 trillion. How did they arrive at these estimated? Saudi Arabia publishes data on international investments, which show overseas assets at \$1.2 trillion in 2021. The holdings range from cash dollars to deposits to shares in companies abroad, like Lucid Group Inc., Uber Technologies Inc. and Newcastle United FC. Most of the rest of the GCC don't reveal their international investments. Bloomberg has used the External Wealth of Nations database, maintained by the Brookings Institution. The data are based on the earlier work of Philip Lane, now the European Central Bank's chief economist.

The figure doesn't include the region's liabilities. There are about \$2 trillion of obligations, in the form of debt owed to outsiders and foreign stakes in GCC companies. Excluding these, the Gulf's net worth is still a significant \$3.5 trillion – roughly equal to all US Quantitative Easing programs between 2008 and 2020. Source: Bloomberg

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بنك دبي التجاري  
Commercial Bank of Dubai



## Currencies



### FX CHRONICLES

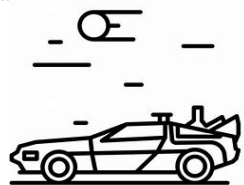
EUR/USD struggles near 1.0800 amid cautious trading ahead of key data releases. Market expects persisting policy restrictiveness, hinting at a potential economic slowdown. FOMC members are set to speak, shaping market sentiment. GBP/USD faces pressure, testing 1.2500 after the BoE decision. The US Dollar strengthens as initial jobless claims surpass expectations. The Michigan Consumer Sentiment Index is forecasted to decrease slightly in May. USD/JPY climbs despite pessimistic consumer sentiment, trading at 155.83, up 0.24%. Gold maintains bullish momentum, trading above 100-day EMA, with XAU/USD breaking above a descending trend channel. If gold reaches \$2,400, it may rally to \$2,432; otherwise, support levels lie at \$2,340 and \$2,300.



### FX swap

An FX swap offers several benefits. Firstly, it allows entities to hedge against currency risk by locking in exchange rates for future transactions, thus protecting against adverse movements in currency values. Secondly, it provides flexibility in managing cash flows, as it enables entities to access different currencies without needing to hold them directly. Additionally, FX swaps can be cost-effective compared to other hedging instruments like forward contracts, as they may involve lower transaction costs. Finally, they provide opportunities for arbitrage and profit generation by exploiting differences between spot and forward exchange rates. Overall, FX swaps are valuable tools for managing currency exposure efficiently and effectively.

## Commodities



### Mining to the Future

Copper surpassing \$10,000/ton reflects forecasts of tighter global supplies amid rising demand from electric vehicles and power grids, offsetting reduced demand in China. This year, prices surged 17% due to supply fears, exacerbated by aging mines struggling to meet demand, with stagnant supply growth. Chinese fabricators cut purchases, with copper wire plants operating at 73% capacity, down 14% from last year. Analysts warn of a potential pullback driven by investors' fear of missing out, not underlying market changes. Despite pledges, sizable cuts in refined copper output are yet to occur in China. Will the copper mining industry invest adequately to support the transition to cleaner energy sources amidst increasing demand?



### A Morning coffee reflection

Have you looked at your morning warm coffee cup and wondered about the economy behind this famous drink? The ICO Composite Indicator Price (I-CIP), a crucial metric in the coffee industry, surged to a 13-year high in April 2024. Reflecting the weighted average of coffee prices globally, the I-CIP serves as a key benchmark for understanding market trends. This surge was driven by factors like heavy rainfall in Brazil's Minas Gerais and supply difficulties in Vietnam. However, the I-CIP fell later in April due to factors like recovery of ICE warehouse stocks and a strengthening dollar. Coffee futures reached their highest price on April 17th, hitting \$247.95 and are currently priced at \$204.40. What do you think the future holds for coffee? Don't worry just enjoy your coffee because at CBD we got you covered with the latest updates.

## CBD Tradr

# CBD Tradr



### FX Margin Trading best practices

FX margin trading, technical analysis encompasses various methods to forecast future price movements based on historical data. Common types include:

- Chart Patterns:** Identifying formations like triangles, flags, and head and shoulders patterns to predict potential price movements.
  - Indicators:** Using mathematical calculations on price and volume data to generate buy or sell signals, such as moving averages, RSI, and MACD.
  - Support and Resistance:** Identifying levels where prices tend to bounce or reverse, indicating potential entry or exit points.
  - Trend Analysis:** Assessing the direction and strength of price movements over time to determine whether to buy, sell, or hold positions.
  - Fibonacci Retracement:** Utilizing Fibonacci ratios to identify potential support and resistance levels based on natural price retracements.
- These methods help traders make informed decisions in the dynamic FX market.

For more details on FX Tradr , please contact us on the below information. Telephone: 04 – 2121829 / 04 – 2121897

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