

Market Commentary

- **Xi Ready for Full-Scale Trade War:** Escalating trade rhetoric continued to nag at investors after Chinese President Xi Jinping warned his cabinet to get ready for a "full-scale trade war", according to a research note from macro-research firm SGH Macro Advisors. Xi made the comments during a meeting of China's highest decision-making body, which gathered to discuss China-U.S. relations.
- **EU Leaders To Meet:** EU leaders gather in Brussels today with the bloc's unity tested on multiple fronts. Immigration tops the agenda as Italy turns away refugee boats and Germany demands frontline states share more of the burden. Strained U.S. ties mean Donald Tusk's "worst-case scenarios" for the transatlantic alliance will get an airing, as well as Brexit, the future of the euro and expansion to the Balkans.
- **Japan Retail Sales Drop:** Japanese retail sales fell in May by the most in nearly two years, pointing to weaker consumption that could restrain any rebound in the economy following a contraction in the first quarter. A preliminary reading from the Ministry of Economy, Trade and Industry showed a month-on-month fall of 1.7% where a forecast from economists polled by Bloomberg had predicted a dip of only 0.8%
- **Record Low Rupee:** India's rupee has touched its weakest point on record against the dollar following a high-profile visit to New Delhi by US negotiators and amid a streak of broader strengthening by the greenback. The currency softened as much as 0.6% to an intraday low of 69.0038 rupees per dollar on Thursday, the weakest level on record according to Bloomberg pricing data going back to January 3, 1973.
- **M&A Activity Pick Up:** The activity of mergers and acquisitions deals in the Middle East and North Africa (MENA) has witnessed a pick-up recently as governments increase the pace of privatisation and regulatory changes in an attempt to transform the investment environment in the region. The value of announced M&A transactions with any MENA involvement reached a three-year high in the first quarter of this year – up 7% year-on-year to \$13.9 billion, according to Thomson Reuters data.
- **Saudi Inflation Rise:** Saudi Arabia's CPI (inflation) has registered a 2.3% YoY increase in May. Inflation's rise was attributed to a 54.1% jump in tobacco section after putting the selective tax into effect, according to the monthly report by the General Authority for Statistics.
- **Oil Surge:** Oil prices surged on Wednesday morning, buoyed by recent moves among global producers as well as data showing the largest weekly fall in US crude inventories since September 2016. US crude oil inventories dropped 9.89m barrels, the steepest one-week draw on record since September 2016.

Source: Bloomberg, Reuters
Currencies

EUR/USD	1.1536
GBP/USD	1.3078
USD/JPY	110.40
AUD/USD	0.7338
NZD/USD	0.6769
USD/CHF	0.9987
USD/CAD	1.3342

Interbank Rates

	USD	GBP	EUR	AED	SAR	BHD
1WK	1.98688	0.48363	-0.4251	1.9489	2.2650	2.350
1MO	2.10188	0.5015	-0.3983	2.2125	2.3825	3.075
2MO	2.16888	0.5645	-0.3723	-	-	3.250
3MO	2.33563	0.66438	-0.3671	2.4350	2.5825	3.500
6MO	2.5025	0.78413	-0.3186	2.7110	2.755	3.705
12MO	2.77094	0.96431	-0.2316	3.2307	2.95625	4.250

Commodities

Brent Crude	77.41
WTI	72.43
Gold	1250.52
Aluminum	2155.0
Copper	6692.5
Silver	16.09
Platinum	855.3
Palladium	948.6

Indices

DJIA	24,117.6
S&P 500	2,699.6
DAX	12,348.6
NIKKEI 225	22,270.4
CAC 40	5,327.2
FTSE 100	7,621.7
DFM	2,831.3
TASI	8,317.3

Treasuries

US2Y	2.5000
US10Y	2.8365
EU2Y	-0.6740
EU10Y	0.3180
GB2Y	0.7060
GB10Y	1.2450
SAR2Y	3.0853
SAR10Y	3.8361

Main Economic Indicators

Relevance	Country	Indicator	Consensus	Previous
	GE	Consumer Price Index (MoM) (JUN) - Preliminary	0.1%	0.5%
	US	GDP Annualized (QoQ) (1Q) - Third	2.2%	2.2%
	US	Core PCE (QoQ) (1Q) - Third	-	2.3%

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