

## International Markets – Weekly Report

Energy / Precious Metals	Close		WTD %	YTD %
Oil - Light Crude	96.03	▲	4.41%	4.59%
Oil - Brent	104.56	▲	4.15%	-5.90%
Gold (USD/t oz)	1,383.89	▼	-0.18%	-17.35%
Silver (USD/t oz)	21.64	▼	-2.57%	-28.60%

Currency	Close		WTD %	YTD %
USD - EUR	1.3222	▲	1.75%	0.21%
USD - GBR	1.5557	▲	2.36%	-4.27%
JPY - USD	97.53	▼	-2.92%	12.44%

### Energy/Currencies

U.S. crude futures settled up as data pointing to modest gains in U.S. hiring gave U.S. stock markets a boost, taking crude along for the ride. News of a fall in U.S. oil inventories also supported prices. On the New York Mercantile Exchange, crude oil <CLc1> settled at USD96.03 a barrel, rising by USD4.06 for the week. In London, Brent crude <LCOc1>, settled at USD104.56, up by USD4.17. NYMEX RBOB gasoline <RBc1> settled at USD2.8715 a gallon, for the week, the contract rose by 0.93 cents. NYMX heating oil <Hoc1> rose by USD1.01 to settle at USD2.8931.

The U.S. State Department renewed six-month waivers on Iran sanctions for China, India and seven other economies in exchange for their agreeing to reduce purchases of oil from Iran. The waivers, which the State Department calls exceptions, mean that financial institutions in the consumer countries do not risk being cut off from the U.S. financial system for the next six months. On the other hand, President Barack Obama said that supplies of oil from countries other than Iran are ample enough to allow for tough sanctions on purchases of Iranian oil to continue.

U.S. crude oil inventories shrank much more than expected last week as imports tumbled while gasoline stockpiles along the East Coast fell, data from the U.S. Energy Information Administration (EIA) showed. Stockpiles of crude declined by nearly 6.3mn barrels last week, led by a 2.5 drawdown on the Gulf Coast for the week to May 31. Analysts polled by Reuters had forecast a much smaller 400,000 barrel decline. Crude inventories at the Cushing, Oklahoma delivery point for the U.S. oil futures contract declined by 484,000 barrels during the week, the first draw since early May. Gasoline inventories in the United States fell unexpectedly, down 366,000 barrels after analysts had forecast a 500,000 barrel build. Distillate inventories rose by 2.6mn barrels, more than double analysts' expectations for a 1.2mn barrel increase.

U.S. natural gas futures ended down last week pressured by a government report showing a weekly inventory build well above market expectations. On the New York Mercantile Exchange <NGc1> settled up at USD3.828 per million British thermal units (mmbtu). Data from EIA showed inventories rose last week by 111 billion cubic feet (bcf) to 2.252 trillion cubic feet (tcf). Traders viewed the build as bearish for prices, noting it came in above the highest Reuters poll estimate of 110 bcf and above the five-year average increase for that week of 92 bcf. Inventories now stand at 616 bcf, or 21 percent below last year's record highs at the time and 69 bcf, or 3 percent below the five-year average. Early injection estimates for next week's report range from 83 to 107 bcf versus a 66-bcf build during the same week last year and a five-year average rise for that week of 84 bcf.

The Pound had its biggest weekly gain versus the U.S. Dollar in more than three years as U.K. manufacturing, services and home-price data beat economist forecasts, boosting confidence in the economy. However, the Dollar weakened against both Euro and Yen but a report that showed U.S. employment growth was higher than forecast last month, sustaining speculation the Federal Reserve is moving toward reducing its monetary-stimulus program, has limited losses.

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## U.S.

The U.S. trade deficit widened in April as a rise in imports offset a rebound in exports. The Commerce Department said the trade gap increased to USD40.3bn from USD37.1bn in March. That was less than economists' expectations for a rise to USD41.0bn. When adjusted for inflation, the shortfall on the trade balance increased to USD47.6bn from USD44.6 billion in March.

Index	Close		WTD %	YTD %
US - DJ Average	15,248.12	▲	0.88%	16.36%
US - Nasdaq Comp.	3,469.22	▲	0.39%	14.89%
US - S&P500	1,643.38	▲	0.78%	15.23%

Nonfarm payrolls rose in May by 175k according to the Employment Situation report from the BLS, slightly over the consensus estimate of a 170k increase. Private payrolls were up 178k, a touch under the consensus estimate of +180k. The unemployment rate rose to 7.6 percent, having been expected to hold at 7.5 percent. Average hourly earnings were flat, expected up 0.2 percent, and the average workweek held at 34.5 hours, as expected, with the prior month revised up from 34.4.

New orders for U.S. factory goods rose in February but a gauge of planned business spending slipped, suggesting factory activity continued to expand at a modest pace. The Commerce Department said orders for manufactured goods climbed 3.0 percent. Economists polled by Reuters had forecast orders advancing 2.9 percent. Factory orders were boosted by the aircraft industry, which is prone to sharp swings. Civilian aircraft orders surged 95.1 percent. U.S. manufacturer Boeing had previously reported orders in February for 179 aircraft, up from two a month earlier.

Activity in the vast U.S. services sector picked up slightly in May, though growth was still lackluster and a measure of employment fell to its lowest level in close to a year. The Institute for Supply Management said its services index edged up to 53.7 last month from 53.1 in April, coming in above economists' expectations for 53.5. Both overseas and domestic demand appeared to cool with the exports index falling to 50.0 from 53.5, while imports tumbled to 49.5 from 58.5.

## Europe

The pace of the Euro-zone's economic contraction slowed down QoQ in the first three months of this year, but retail sales in April pointed to continued weakness in household demand. The European Union's statistics office confirmed its earlier estimates that gross domestic product in the 17 countries using the Euro fell 0.2 percent QoQ in the January-March period, for a 1.1 percent YoY contraction. The smaller fall in the first quarter of 2013 was mainly thanks to a stabilization of inventories and household demand, which, unlike in the previous three months, did not weigh down the overall result.

Index	Close		WTD %	YTD %
England - FTSE 100	6,411.99	▼	-2.60%	8.72%
Germany - DAX	8,254.68	▼	-1.13%	8.44%
France - CAC 40	3,872.59	▼	-1.92%	6.36%

The European Central Bank kept its main interest rate on hold at a record low 0.5 percent, saying that improved economic data in May confirmed its forecast of a gradual recovery from prolonged recession later this year. ECB President Mario Draghi told a news conference the bank's easy monetary policy "should continue to support prospects for an economic recovery later in the year" and it would remain "accommodative" for as long as necessary. The ECB slightly lowered its economic outlook for the Euro area this year, saying output would decline by 0.6 percent in 2013 but grow by 1.1 percent next year. ECB staff forecast inflation of 1.4 percent this year and 1.3 percent in 2014 -- below the bank's target of below but close to 2.0 percent.

German industry output unexpectedly jumped in April, beating even the highest forecast in a Reuters poll and rising at the fastest rate in more than a year in a further sign of a pickup in Europe's largest economy. Output jumped 1.8 percent on the month, surpassing the consensus forecast in a Reuters poll of 39 economists for it to remain unchanged and beating the highest forecast for a 1.0 percent rise. Manufacturing output was up 1.5 percent, while construction output surged 6.7 percent. Only energy production was down, by 1.5 percent.

Activity in Germany's private sector grew in May although firms cut jobs as they faced a fall in new contracts, raising doubts about the strength of recovery in Europe's largest economy. Markit's final composite Purchasing Managers' Index (PMI), measuring growth in both the manufacturing and services sector and tracking more than two-thirds of the economy, rose to 50.2 in May from 49.2 the previous month.

The Bank of England voted against restarting its bond buying and left interest rates at a record low, bringing to a close Governor Mervyn King's final Monetary Policy Committee meeting. The decision to leave policy unchanged before the arrival next month of King's successor, was widely expected by economists, as recent data suggests Britain's recovery is gathering strength. King, has argued since February, along with two other policymakers, for an extra GBP25bn (USD38bn) of bond purchases to boost Britain's sluggish economic recovery.

Britain's goods trade deficit narrowed more than expected in April as imports fell sharply. The Office for National Statistics said the goods trade deficit shrank to GBP8.224bn from GBP9.175bn in March. Economists in a Reuters poll had forecast a gap of GBP8.8bn. The goods trade deficit with non-EU countries narrowed to GBP3.414bn in April from GBP3.469bn in March and was lower than forecasts for a gap of GBP3.6bn. Including Britain's surplus in trade in services, the overall trade deficit narrowed to GBP2.579bn from GBP3.249bn in March. The monthly figures tend to be volatile. Over the three months to April, goods exports were up 0.8 percent while imports rose 1.1 percent.

## Japan

Japan's index of coincident economic indicators rose a preliminary 1.0 point in April from the previous month, the Cabinet Office said, underscoring views the economy is picking up. The index of leading economic indicators, compiled using data such as the number of job offers and consumer sentiment and a gauge of the economy a few months ahead, rose 1.3 points from March.

Index	Close		WTD %	YTD %
Japan - Nikkei 225	12,877.53	▼	-6.51%	23.88%
Japan - Topix	1,056.95	▼	-6.94%	22.93%

## Emerging Markets

### China

Exports edged up 1 percent in May from a year earlier, the lowest growth since last July and against a median forecast in a Reuters poll of a rise of 7.3 percent. Data was even worse for imports - they fell 0.3 percent against expectations of a 6 percent rise. The trade surplus was USD20.4bn for the month, compared with market expectations of USD19.3bn. Exports to the United States, China's top export destination, fell 1.6 percent in May, the third straight month of declines, while those to the European Union, the second most important market, fell 9.7 percent, also the third straight month of declines.

Index	Close		WTD %	YTD %
Honk Kong - Hang Seng	21,575.26	▼	-3.65%	-4.77%
Korea - KOSPI	1,923.85	▼	-3.86%	-3.67%
India - BSE	19,429.23	▼	-1.68%	0.01%
Pakistan - KSE	22,358.96	▲	2.46%	32.26%
Brazil - BVSP	51,618.63	▼	-3.53%	-15.31%
Mexico - INMX	40,232.68	▼	-3.26%	-7.95%
China - SSE180	5,390.75	▼	-4.59%	-2.87%
Russia - IRTS	1,314.41	▼	-1.28%	-13.92%

China's industrial output grew 9.2 percent in May and retail sales rose 12.9 percent, in line with market expectations but little changed from the previous month's growth. Fixed-asset investment, an important driver of economic activity, grew 20.4 percent in the first five months from the same period last year. Economists polled by Reuters had forecast industrial output growth of 9.3 percent and a retail sales increase of 12.9 percent in May, as well as a rise of 20.5 percent in fixed-asset investment for the January-May period.

### India

Indian services activity expanded last month at its fastest pace since February as burgeoning new orders drove optimism to a five-month high. The HSBC Markit Services Purchasing Managers' Index, based on a survey of around 400 companies, rose to 53.6 last month from 50.7 in April. The April reading was the weakest since October 2011. New businesses poured in at a faster pace, according to the survey, which drove the business expectations index to 70.7, its highest since December, from 69.6 for April.



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