GLOBAL MARKETS

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World Economic Performance Report – Mid-Year 2017

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Dear clients,

It's been a turbulent year thus far, full of political turmoil and unease in the financial markets. Although there are numerous threats and uncertainties, many traders thrive in such circumstances. No matter which type of trader you are, we've prepared a comprehensive report to help you make sense of it all.

In this exclusive report, you'll find not only expert analysis into the events and developments that have shaped the year so far but also gain a unique understanding to help you forecast and tackle what's to come in the months ahead. Our experts have pored over months of economic data to bring you the best insights possible.

Remarkably in-depth but still easy to understand, the report is divided into easy-to-navigate segments and covers all the major economies of the world, collectively painting a clear picture of the global economic performance at large. We are sure that it will leave you better informed and equipped to take on the uncertainties ahead.

As always, we'll continue to stand by your side and inform and guide you through the future, and hope you use the knowledge provided herein to close out the year successfully.

Sincerely,

Iskandar Najjar

Group CEO, Equiti Group

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World Economy...
Where is the light at the end of the tunnel?

Political tensions, uncertainty and positive economic data, how does the trader navigate through it all?
World Economic Performance Report – Before the end of 2017

Are we still in the dangerous bottleneck zone or what some analysts and experts have called the critical phase of the global economy? And is this a phase that will last longer than expected?

Add to this the many political problems and global concerns that have breached the limits of real danger, certainly we refer here to the military threats that are being exchanged between the United States of America and North Korea, which are constantly on the minds of those who follow the very real nuclear threat that could ignite the whole world.

But if the world is secured from political threat and a more positive outlook is raised that the parties will be more prudent, is there also hope that the global economy will be moving out of the long bottleneck?
The process of change is not easy. If the global economy can shake off the dust of last decade's economic crisis, this difficult phase can be passed, even if it appears to be taking too long. In fact, positive signs are appearing more and more. Yes, there is hope.

In this report, you will not only find analysis, information and economic data about the past period, but you'll also uncover many points that will enable you to discover and infer future moves in the global markets that will light the way to the end of the year.

From the good economic figures but disturbing political changes coming out of the US, especially the new president and his unpredictable behaviour, to the European economy which has begun to change its vision to becoming more favourable and enter the stage of monetary policy shift. We'll take a look at the performance of the UK, which has begun to show signs that the economy will overcome all obstacles caused by the country's exit from the EU, and the rest of the major economies such as Japan, China, Canada, and Australia; followed by a detailed study of the performance and expected movements of the most popular products in the world market.

Dear all, I invite you to look through this report and I'm confident that it will help you in your trading during the rest of this year, with hope that we have succeeded in presenting future readings based on objective analysis. This study will be followed by many more reports and analytical tools, that we at Equiti are proud to provide to you consistently and continuously.

Raed Hamed Al Khedr

Head of market Research & Analysis at Equiti Group

The American Economy

The American Economy

Political events dominated the first month of 2017 as US President Donald Trump entered the White House. The uncertainty remaining so far surrounds the crisis faced by Trump since taking office. This has raised doubts about his ability to achieve the economic agenda promised during his campaign. However, expectations for the US economy are that it is growing at about 2% per year.

Until now, the Trump administration has failed to pass any economic legislation and no tax nor infrastructure reform plans have been set. There is a small chance that Congress will pass tax reform before the end of this year.

Trump's biggest obstacle was to repeal Obamacare in 2017, but he couldn't

While Trump was desperately trying to repeal the Obama's health care program, the number of uninsured Americans fell to historic lows during the first months of Donald Trump's mandate.

In the first three months of 2017, only 8.8% of Americans, or 28.1 million people, had no health insurance, while the number was 48.6 million before Obamacare. These figures came after the Republicans failed to fully repeal Obamacare and pass a bill to reform the health care system. Because of the hesitancy of many Republicans, all their efforts have been hampered.

Trump's economic agenda may have the same fate as his healthcare reform

In a speech regarding the tax code, Trump announced that he would cut taxes on workers and companies. There is concern in the markets that this reform plan may face the same fate as his healthcare reform, which will have a major political effect.

The problem is that Republicans inside and outside Congress have many differing plans on how to reform the tax bill, but the White House decision is not clear.

Trump's tax plan is likely to include a reduction in corporate taxes as well as property and income taxes, which could have great benefits for Americans.

But the question is whether he will be able to pass these reforms. Or will it have the same fate as his healthcare replacement program?

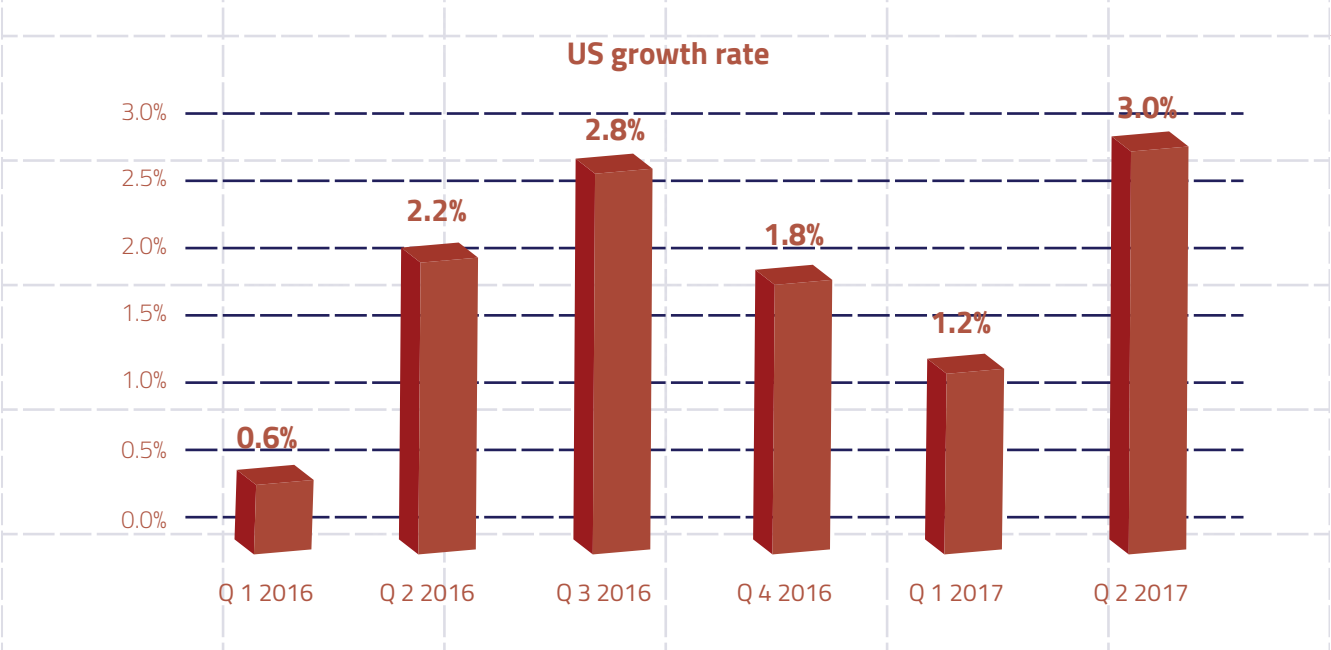
The American economy is on the right path

The US economy grew strongly during the first half of 2017, boosting the labour market and improving overall market confidence. The Federal Reserve confirmed the positive developments in the economy by gradually tightening its monetary policy. The interest rate has been raised four times so far since December 2015 to 1.25%, with expectations of raising it again before the end of this year.

Gross Domestic Product grew in the second quarter of 2017 by 3% for the first time in more than two years, after 1.4% growth in the first quarter of the year driven by strong corporate investments and consumer spending. US President Donald Trump has set a 3% target for long term economic growth, and it will need to continue at the same pace or surpass it in order to achieve the annual target this year. the US Treasury Secretary said that it may take up to two years to achieve the overall target.

During the second quarter, the personal expenditure reading, which is the largest contributor to economic growth, was revised to a high of 3.3% from 2.8%, driven by house spending, utilities, pharmaceuticals and mobile services.

Economists are waiting to assess the damage caused by Hurricane Harvey and its impact on economic growth in the third quarter of 2017. The hurricane has led to the closure of about 15% of US oil refineries, which affected production and pushed gasoline prices to their highest level in more than two years.



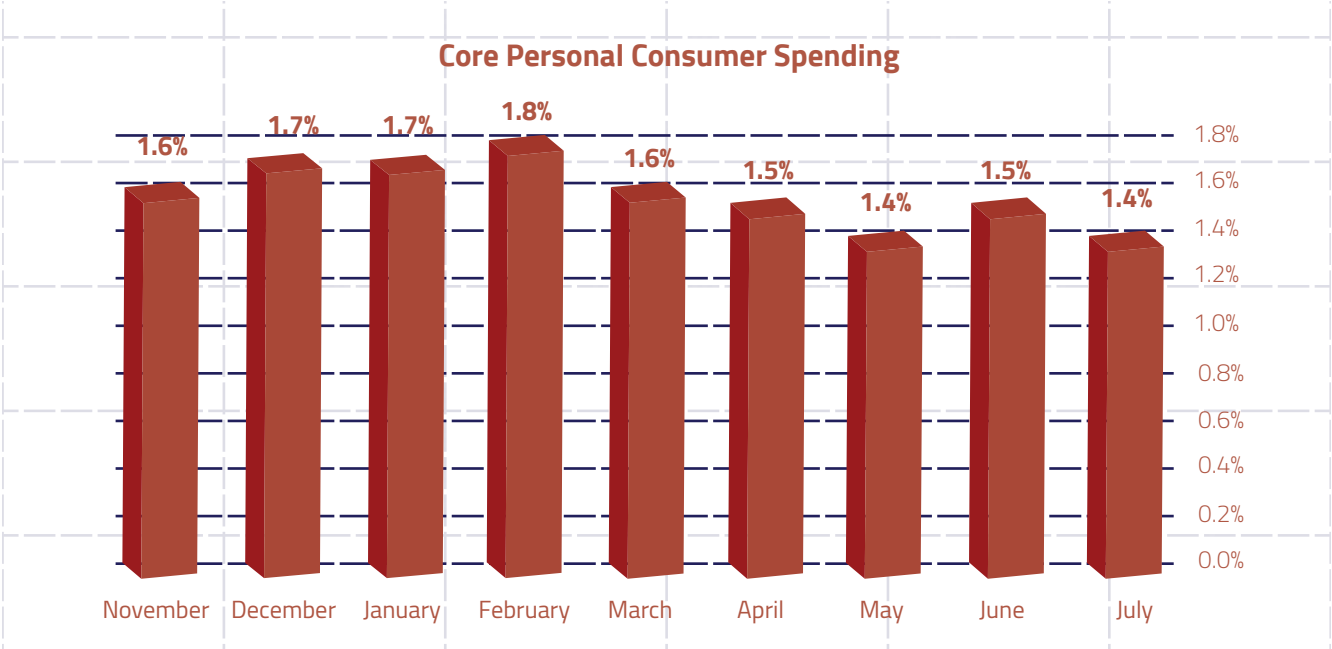
Does Trump want to drop out from the NAFTA agreement?

Since the first day of Donald Trump's mandate, he has strived to reduce the US trade deficit. In January, he signed the withdrawal from the Trans-Pacific Partnership Agreement, which Barack Obama had negotiated for years. This agreement includes 12 countries that account for about 40% of the global economy.

Recently, the US administration announced its desire to renegotiate new NAFTA terms with Canada and Mexico after Trump described it as a disaster, and threatened to drop out from this agreement through Twitter saying: *"We are in the NAFTA (worst trade deal ever made) renegotiation process with Mexico & Canada. Both being very difficult, may have to terminate?"*

Most analysts believe that Trump's threats are not real, but rather a bargaining trick before the three countries embark on a second round of talks. Ending the 23-year-old agreement will have legal impediments. Under this agreement, a party can withdraw from the agreement once written notice has been given six months in advance, which Trump has not yet done.

Rising weak inflation may delay interest rate hikes

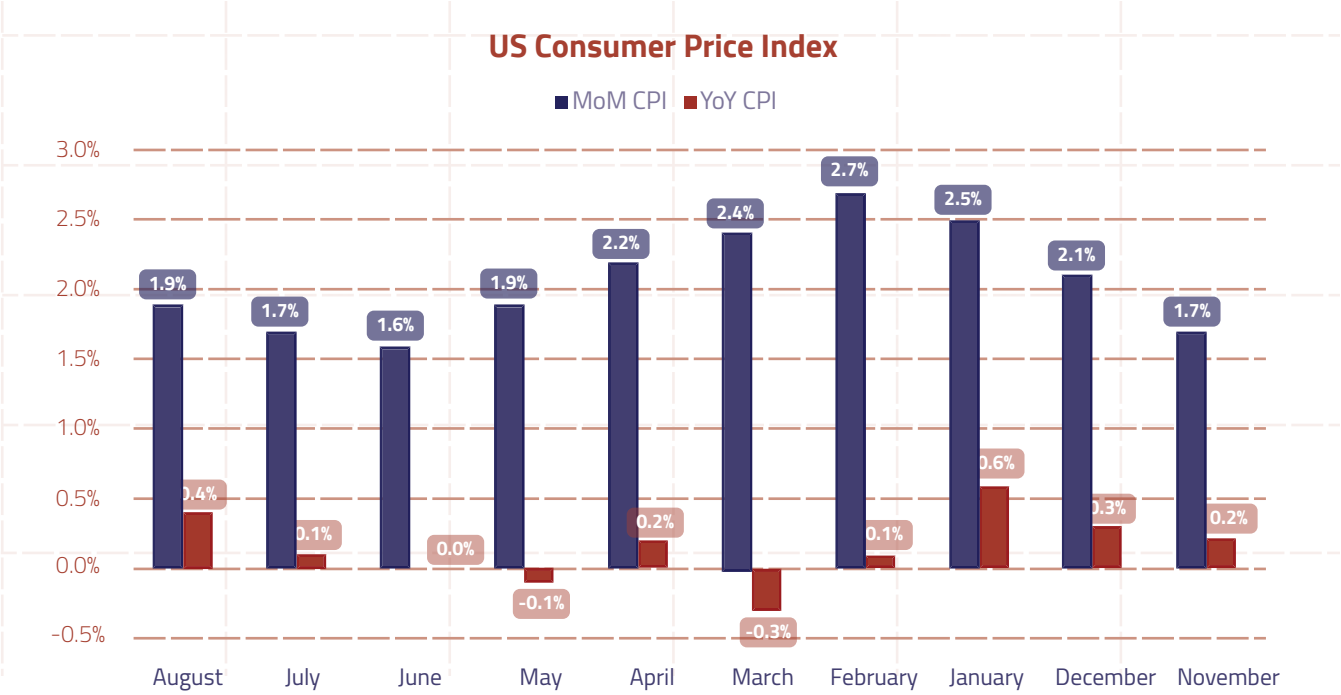


There is little doubt that the US Federal Reserve will raise interest rates in December following a weak sixth CPI reading in July in a row month on month. The consumer price index rose 0.1% below expectations in July while it rose 1.7% year on year. In August, it witnessed a remarkable acceleration, rising by 0.4% on a monthly basis, the highest since the beginning of this year, while rising by 1.9% year on year.
While the preferred benchmark of inflation for the Federal Reserve - the core personal consumer spending index, rose 1.5% in June, it was followed by a slight slowdown in July to 1.4%.

Inflation is the missing link that would put the Fed on a convincing path to continue raising interest rates, but even with the lowest target of 2%, the Federal Reserve expects the rate to rise again this year and three times in 2018, but the markets believe that it may rise only once in the next year.

The weak inflation rise has worried the Federal Reserve. Neel Kashkari, a member of the Federal Reserve, commented that one of the reasons for easing before raising interest rates is low inflation figures, and that inflation rates did not rise in light of the strong labour market data.

Any interest rate decision will depend on future inflation data, and the Federal Reserve has already raised interest rates twice this year.

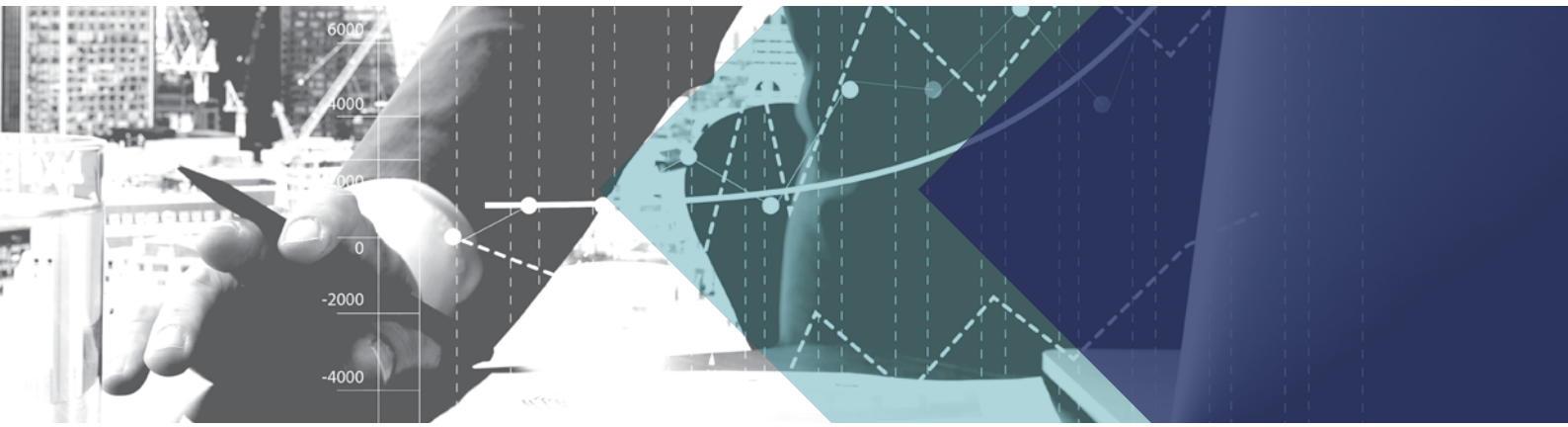


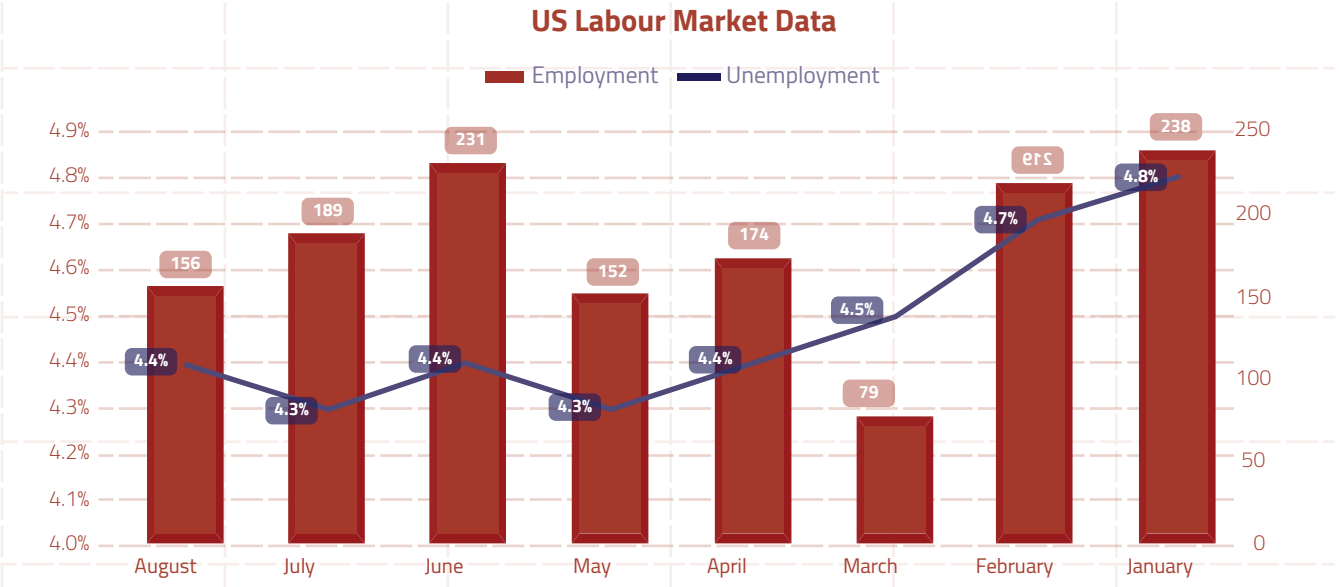
The labour market train does not stop

As we mentioned the US economy has achieved the fastest pace of growth in the second quarter of this year for more than two years, and one of the factors driving this growth is strong job creation within the US economy.

Although the August data came below expectations with the economy adding 156,000 jobs against expectations of 180,000, data shows that August is the 83rd consecutive month of growth in US jobs - the longest-ever, bringing the total jobs added to the economy since January 2006 to about 147 million.

Unemployment rose slightly to 4.4% in August, but remains near its 16-year low, while average per capita income rose 2.5% from a year ago to $26.39 per hour from $25.74.





What to expect from the Federal Reserve for the rest of this year?

The Fed expressed confidence in the US economy and kept interest rates unchanged at 1.25% at its last meeting, and raised its growth expectation this year to 2.4% and kept it unchanged for 2018 at 2.1% while raising it to 2% for 2019.

On the other hand, the Federal Reserve lowered its inflation expectation for 2017 from 1.7% to 1.5% and in 2018 from 2% to 1.9% believing that the weakness of inflation is caused by temporary factors. While Janet Yellin, Federal Reserve Bank Governor, attributed it to the labor market still recovering after the financial crisis and lower energy prices, in addition to the strength of the US dollar due to lower import costs. She added that monetary policy may be adjusted if the causes of low inflation become permanent.

The Federal Reserve continues to maintain its expectations for a one-time interest rate hike this year and three times next year, while lowering expectations for a rate hike in 2019 from three times to twice. According to the FedWatch tool, the probability of a rate hike at the December meeting stabilized at 71.4%.

The Fed also announced its intention to reduce the huge holdings of bonds, amounting to about $4.5 trillion, which was collected after the global financial crisis in the beginning of October 2008 with a reduction of $10 billion per month and gradually increased over the next year to $50 billion per month.
The following table shows the economic outlook for the Federal Reserve, which is expected to be updated at the December meeting:

Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents under their individual assessments of projected appropriate monetary policy, September 2017

Advance release of table 1 of the Summary of Economic Projections to be released with the FOMC minutes

Percent

Variable	Median[1]					Central tendency[2]					Range[3]				
	2017	2018	2019	2020	Longer run	2017	2018	2019	2020	Longer run	2017	2018	2019	2020	Longer run
Change in real GDP	2.4	2.1	2.0	1.8	1.8	2.2–2.5	2.0–2.3	1.7–2.1	1.8–2.0	1.8–2.0	2.2–2.7	1.7–2.0	1.4–2.3	1.4–2.0	1.5–2.2
June projection	2.2	2.1	1.9	n.a.	1.8	2.1–2.2	1.8–2.2	1.8–2.0	n.a.	1.8–2.0	2.0–2.5	1.7–2.3	1.1–2.3	n.a.	1.5–2.2
Unemployment rate	4.3	4.1	4.1	4.2	4.6	4.2–4.3	4.0–4.2	3.9–4.4	4.0–4.5	4.5–4.8	4.2–4.5	3.9–4.5	3.9–4.5	3.8–4.8	4.4–5.0
June projection	4.3	4.2	4.2	n.a.	4.6	4.2–4.3	4.0–4.3	4.1–4.4	n.a.	4.5–4.8	4.1–4.5	3.9–4.5	3.9–4.5	n.a.	4.5–5.0
PCE inflation	1.6	1.9	2.0	2.0	2.0	1.5–1.6	1.8–2.0	2.0	2.0–2.1	2.0	1.5–1.7	1.7–2.0	1.8–2.2	1.9–2.2	2.0
June projection	1.9	2.0	2.0	n.a.	2.0	1.6–1.7	1.8–2.0	2.0–2.1	n.a.	2.0	1.5–1.8	1.7–2.1	1.8–2.2	n.a.	2.0
Core PCE inflation[4]	1.5	1.9	2.0	2.0		1.5–1.6	1.8–2.0	2.0	2.0–2.1		1.4–1.7	1.7–2.0	1.8–2.2	1.9–2.2	
June projection	1.7	2.0	2.0	n.a.		1.6–1.7	1.8–2.0	2.0–2.1	n.a.		1.6–1.8	1.7–2.1	1.8–2.2	n.a.	
Memo: Projected appropriate policy path															
Federal funds rate	1.4	2.1	2.7	2.9	2.8	1.1–1.4	1.9–2.4	2.4–3.1	2.5–3.5	2.5–3.0	1.1–1.6	1.1–2.0	1.1–3.4	1.1–3.9	2.3–3.5
June projection	1.4	2.1	2.9	n.a.	3.0	1.1–1.6	1.9–2.6	2.6–3.1	n.a.	2.8–3.0	1.1–1.6	1.1–3.1	1.1–3.1	n.a.	2.5–3.5

Eurozone Economy

Eurozone Economy

Sustained recovery paves the way for tightening monetary policy

In early 2015, the European Central Bank (ECB) had unveiled its massive monetary stimulus program to buy government bonds, known as Quantitative Easing (QE). The decision came after several attempts to rouse the listless eurozone economy out of recession and boost inflation by cutting interest rates, unlocking cheap loans and buying private sector debts.

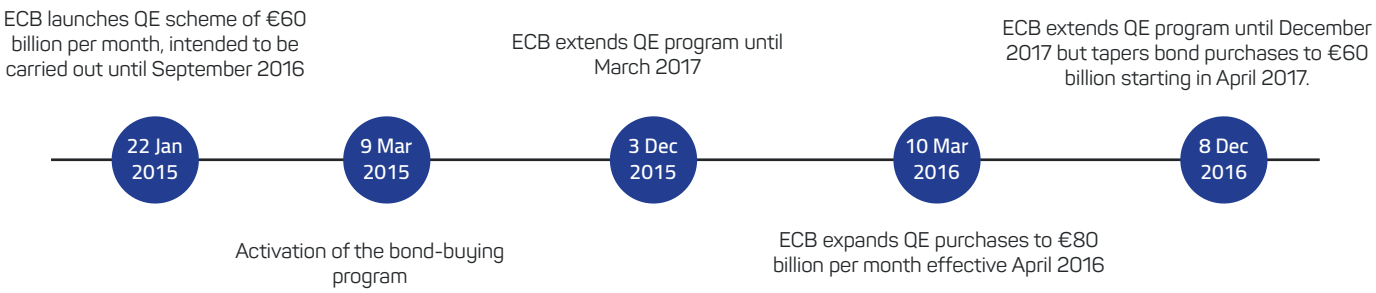
Germany was one of the biggest opponents of that program, fearing that it would be a form of funding for government deficits, or that it would encourage governments not to move forward with economic reforms.

In two and a half years, the program has positively contributed to growth in the bloc economy, and most of Europe's macro indicators turned to growth after years of contraction. The Eurozone economy grew close to 2% in the first quarter of 2017. The labour market also showed robust momentum despite the variation in unemployment figures among the bloc members. In addition, inflation has picked up this year, although it slowed down over the past few months.

Similar to last year, political events dominated the first half of 2017. European voters in France and the Netherlands favoured pro-European candidates over those who opposed European integration or even backed a Brexit-style departure from the common euro currency area. This was also the preferred choice for financial markets; therefore we have seen solid gains across the board following the victory of pro-Europe parties.

Since the beginning of the year, there were no material changes in monetary policies overall, which have remained accommodative to shore up economic growth and boost inflation. Nevertheless, markets are increasingly attuned to the possibility that the European Central Bank may discuss a likely shift in its policy soon.

The following table shows the timeline of QE program since it was announced to date:



The Eurozone economy continued to prove resilient over the past period, with growth in the region partially outpacing its equivalent in the US and UK during the first quarter of 2017. The economy grew by 0.5% or more for a third straight quarter for the first time in a decade.

Figures for business sentiment, industrial production and unemployment in the single currency area have all provided positive surprises. The favorable trend supports the ECB expectations that inflationary pressures are on the rise, so policymakers should be able to discuss the QE future fairly soon.

Although it doesn't get plenty of attention, Eurozone economy has quietly outshined the US.

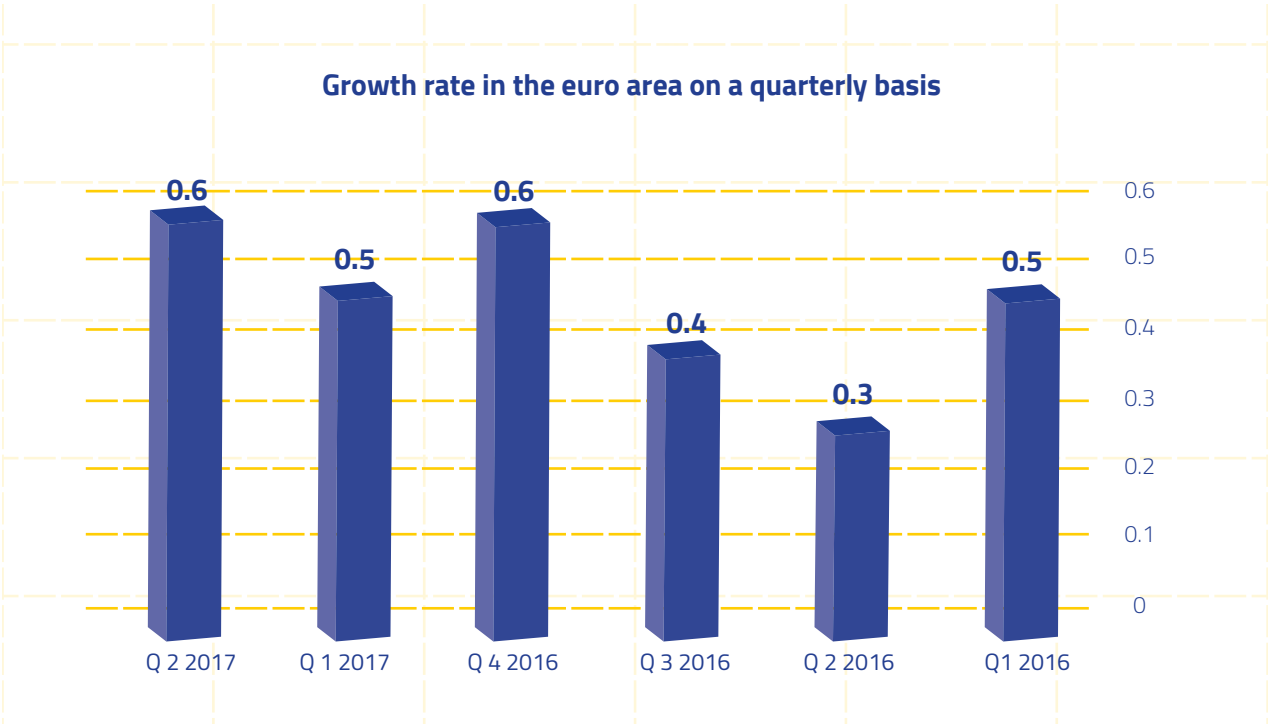
At the height of Greek debt crisis in 2015, the overall expansion of the euro economy exceeded growth in the United States over the past two and a half years. The region's economy grew by 5.1% during this period compared to only 4.6% in the United States.

Markets are now ready for the ECB to announce a reducing of the quantitative easing program and begin tightening monetary policy. Do you expect the ECB to take this step before the end of the year or may it be slow before making any decisions?

The ECB decided to reduce the QE by the beginning of January of next year. However, the reduction is less than what everyone anticipated. Estimates were to reduce QE by 20B today. However, the ECB decided to extend the period until September of next year.

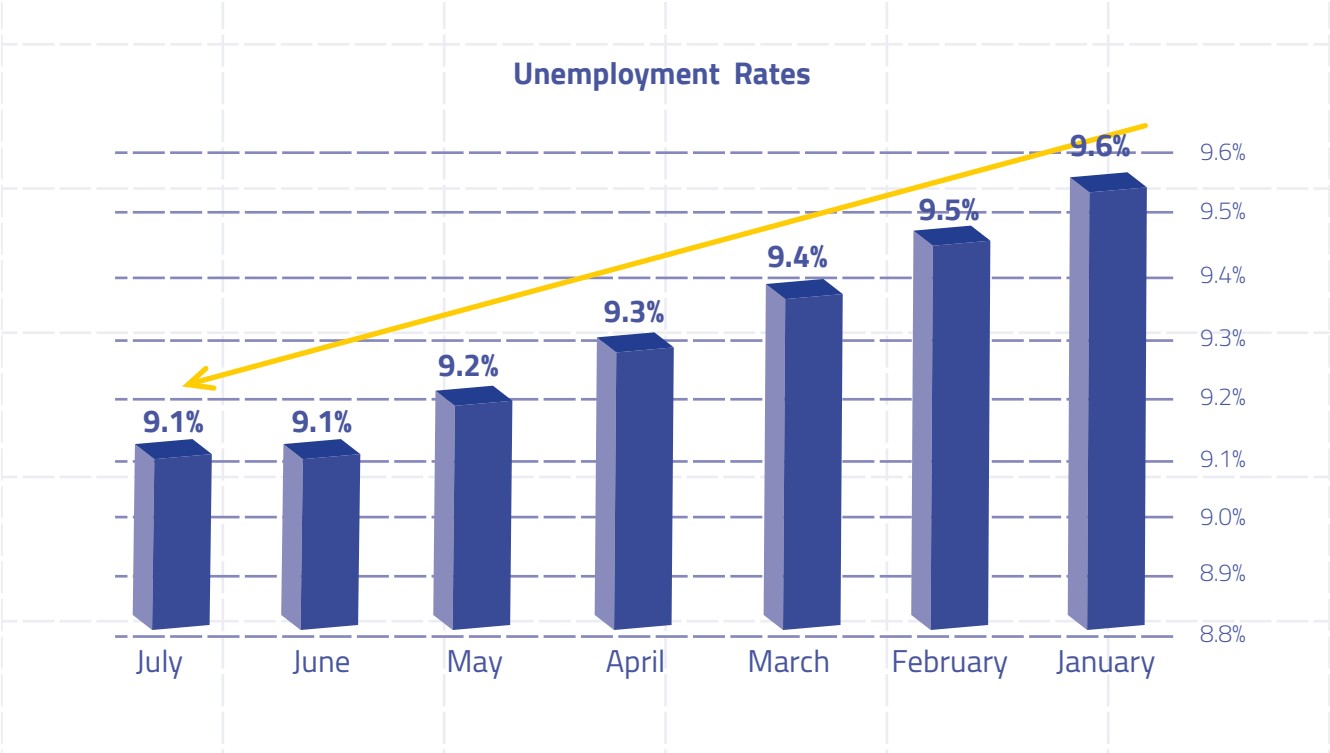
Yet, this all can change anytime, especially of the data continued to show further improvement, in addition to another rise in inflation. But what we are sure of is that the ECB is looking for a slower tapering. By January, the ECB will still be buying 30B until September, which means that the ECB might be reducing 10B every quarter.

Nour Eldeen Al-Hammoury
Independent Market Strategist & Business at Skynews Arabia



ECB president Mario Draghi expressed confidence in the Eurozone economy, signaling his optimism that the current recovery will extend into the second half of 2017. As the labour market is improving and the production gap is bridged, it would help sustain robust inflation levels. On a related note, the European Commission recently reported that economic confidence in the region climbed to its highest level in 10 years.

In the meantime, the Eurozone's recovery was reflected in a lower unemployment rate which dropped in July to an 8-year low at 9.1%. Although the figure is much higher than its counterpart in the US, we can note the jobless level has been declining not only since the beginning of the year but starting from early 2015. This is a strong indication that the economic recovery will continue in the second half of 2017.



Sagging inflation puts QE tapering in doubt

Despite growing confidence in the underlying strength of Eurozone's recovery, sluggish inflation could force the ECB to slow down any plans to start unwinding its €2.3 trillion economic stimulus program. On this ground, the IMF urged the ECB to keep its stimulus program, despite the broadening recovery, to boost weak price pressures. It also stressed the importance of monetary policy to ensure a sustained adjustment in the path of inflation to levels closer to the ECB's target.

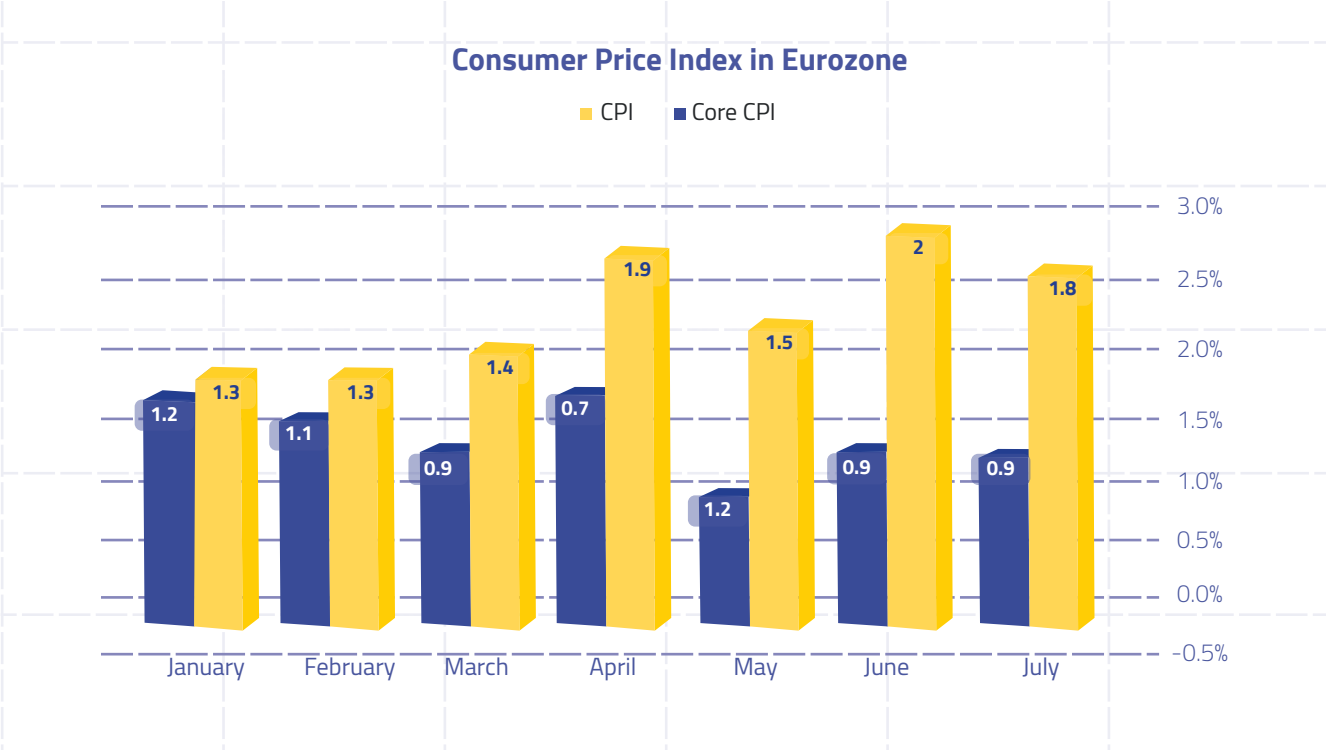
Inflationary pressures remain low as a result of mild growth in wages, and also due to lower oil prices, making the central bank's next move difficult. Although current oil prices are higher than they were a year ago and could even push inflation slightly higher, the stronger euro is complicating ECB's mission as it reduces prices of imports.

The euro zone's CPI growth stabilised in July at 1.3%, indicating that the deflation risk has mostly disappeared. However, the figure still needs some time to reach the central bank's target of 2%. The core CPI, which excludes volatile commodity prices such as food and fuel, gained 1.2%, the highest since June 2013.

To get clarification on the future path of inflation, policymakers will have to wait until the end of this year, when plans were set out to unwind the quantitative easing program. Of course, they will not rely on just one month of data to decide on whether to end the stimulus program or not. The ECB now expects inflation to stay closer to current levels in the month ahead, but they are confident that they will reach the target levels, thus it has no choice but to adopt a wait-and-see approach.

As the markets did not rush in for the ECB's policy shift, the ECB commented that the markets had misunderstood an upbeat speech by Mario Draghi as heralding the end of its asset purchase program or an indication of tightening policy. He added the central bank will have to be prudent to gradually adjust its monetary stimulus to the economic recovery.

Five years ago, ECB President Mario Draghi pledged to do whatever it takes to save the euro. His dovish policy is widely credited with reviving eurozone growth and blunting the threat of deflation. But markets now turned to speculate on when to wind down the bond-buying program. Still, policymakers are reluctant to end the economic stimulus before inflation returns.



Political events shape the Eurozone scene in H1 2017

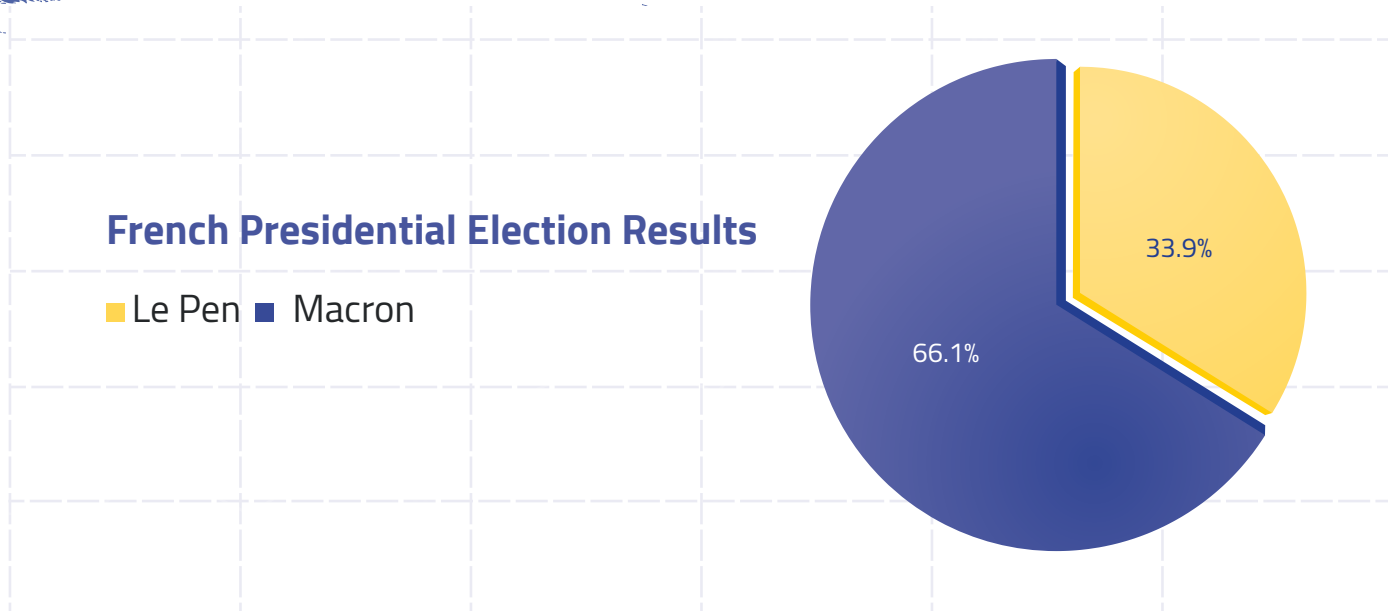
The euro area kicked off the 2017 calender with heightened attention to political risks, but the uncertainity has been waning after elections in France, the Netherlands and Austria passed off relatively well. However, fresh concerns are around the corner as elections are looming in Italy, while the Netherlands is still unable to form a coalition government and Spain's separatist movement remains in full swing. Formal Brexit talks kicking off also contribute to the political risks in the euro zone, together with uncertainty over the outcome of these negotiations.

2017 could be defined as the year of political turmoil in the shared currency bloc. Such concerns were mainly related to growing fears over the success of anti-euro parties and their possible accession to power. But after European voters revised their choices, the populist groups have lost significant momentum, with the exception of the right-wing upset in the recent German election. There is, however, the possibility of game-changing elections in Italy where the pro-Europe camp is not as big as its counterparts in other countries.

In light of the positive data coming out of the eurozone, which is now accompanied by a more stable political environment, France has begun to unveil its own reforms agenda, which mainly focuses on promoting the nation's economic growth. The move comes after Emmanuel Macron has taken office as France's youngest-ever president after defeating the far-right nationalist Marine Le Pen in the second round run-off last May.

Macron has also made an additional victory after the collective "Republican Front" won a majority in the legislative elections, securing with his centrist ally Democratic Movement (MoDem) 350 out of 577 seats in France's lower house.

Macron said after his success in the presidential election that "France is facing an immense task to rebuild European unity."



Merkel is on her way to a fourth term and the right-wing victory is a shock

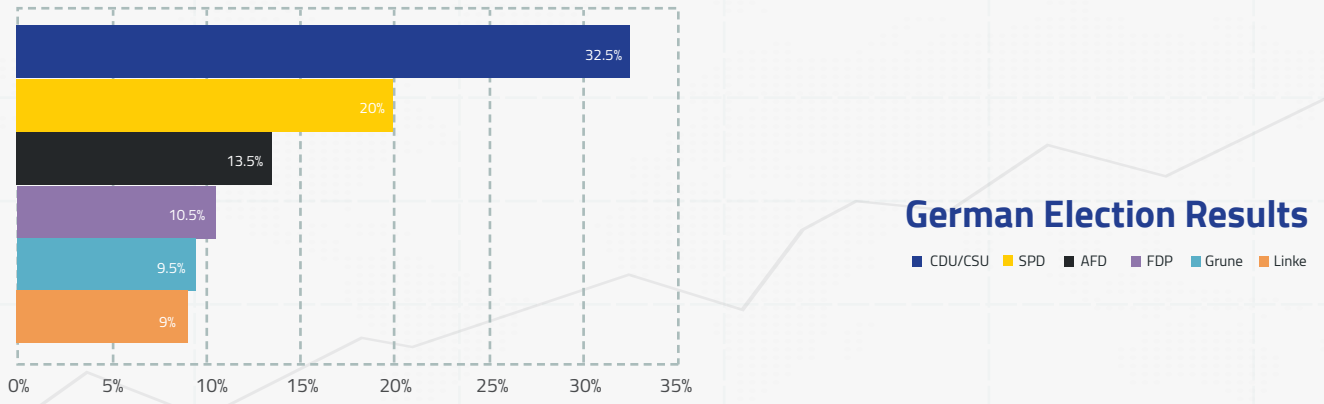
Although as expected Angela Merkel is on her way to remain in her post as Chancellor for a fourth term, in a major upset the Alternative for Germany (AFD) party will also enter the parliament for the first time. Not only did the right-wing nationalist party succeed in entering the parliament, but it managed to be the third-largest political power in the country after it gained nearly 13.5% of the vote, although it is only four years old.

Merkel's alliance between the Christian Democratic Union (CDU) and the Christian Social Union (CSU) drew 32.5%, while the Social Democratic Party (SPD) came down by about 20%, which was its worst result since the Second World War. The leader of the party described it as a bitter day for his party.

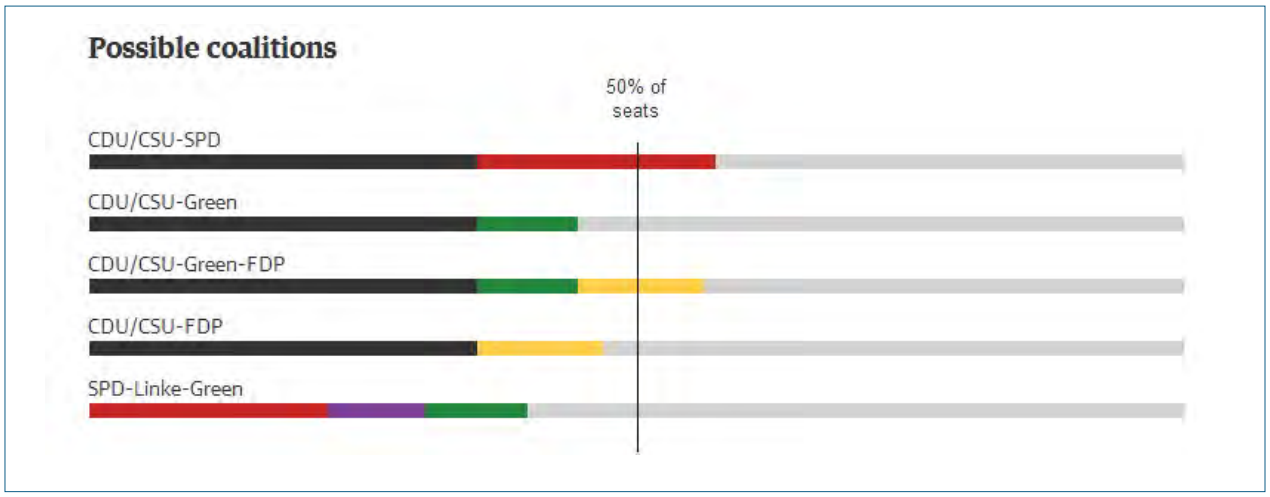
The result is unfavourable for Angela Merkel who did not get the expected majority after winning 41.5% in the 2013 elections. Although she hoped to achieve a better outcome, Merkel was still happy to achieve the main objectives of the campaign, and pledged to win over voters who voted for the Alternative for Germany party.

The Free Democratic Party won fourth place with 10.5% of the votes, followed by the Green Party with 9.5% and the Left Party with 9%.

According to the electoral system in Germany, the federal parliament must be convened within 30 days, but it may take up to 100 days for the government to be formed. If Merkel succeeds in forming a successful coalition, she will be elected as an adviser by an absolute majority of parliamentarians later. The candidate for the position of Chancellor must be from the party that has won most of the votes.



The following chart illustrates the possible coalitions of the new government formation:



In the previous election in 2013, Merkel entered into a big coalition with the second largest party, which was the Social Democratic Party (SDP), but this time it may have another option which is the Free Democratic Party (FDP) and the Greens.

Greece - the endless crisis in Europe

On June 15, Greece's creditors agreed to release €8.5 billion in new loans, out of a €86 billion bailout plan, but they said a final decision on Athens' debt relief may only come in August 2018. The agreement reached by the eurozone finance ministers capped a key chapter in the country's crisis and brought Greece closer to ending an 8-year saga. But with uncertainty surrouding creditors abilitiy to take measures to ease its debt burden, the country is still at risk of another bailout.

Markets remain worried as the bloc fails to root out the underlying problems that have threatened its fragile economy for five years. Greek PM Alexis Tsipras' government has passed unpopular austerity measures in an attempt to persuade creditors to release the bailout package and restructure Greece's debt.

Greece hoped to obtain debt relief to allow the ECB to include its bonds within its massive bond purchase program, which would give a boost to investor confidence. This is what already happened in July and allowed Greece to put its toe back into the European bond market for the first time in three years. The move also could help the country avoid the need for further financial assistance in the future.

Greece has sucessfuly sold 5-year bonds and the Greek government is now seeking a way to exit the current rescue program, which expires in August 2018.

After two years of speculation, the International Monetary Fund (IMF) has tentatively approved a new conditional bailout for Greece which includes a $1.8 billion loan. However, the international lender will only release the money if the country gets debt relief from its European creditors.

"As we have said many times, even with full program implementation, Greece will not be able to restore debt sustainability and needs further debt relief from its European partners," IMF Managing Director Christine Lagarde said in a statement.

UK Economy

UK Economy

Brexit weighs on UK economy

Brexit talks are still the hot topic in both the UK and the EU since the referendum results were announced back in June 2016. With the uncertainty surrounding Britain's future relationship with the bloc, the pound has tumbled to its lowest point since October 2016, at 1.1986. British Prime Minister Theresa May has outlined her plans to withdraw from the European Union, and she stressed that the UK will not seek to retain access to the single market. Instead, the country will try to conclude a favourable trade agreement with the European Union.

"We leave the European Union, but not Europe," said May.

The most important feature of the EU exit plan was that it would restore democracy back to parliament and make Britain more open to the world. The plan also covered the most important factor that made Britain consider leaving the EU, i.e the migration, which will be restricted under the new trade deals with the EU and the rest of the world. Ultimately, all these consdierations will be included in the final plan that will be voted on in parliament.

Let's recall that the Supreme Court has ruled that the British government must seek parliamentary approval to trigger Article 50. The Court considers Parliament responsible for enacting laws and issuing legislation that concerns Britain's exit from the European Union. The House of Commons has already activated Article 50 which was followed by the approval of the House of Lords.

"According to Article 50 of the EU Treaty, the referendum is not legally binding for the British government unless it notifies the European council of its intention, and thus negotiates a deal on its withdrawal."

What happens after triggering Article 50?

By the end of Q1 2017 and activation of Article 50, we entered a prolonged period of uncertainty that is due to continue for more than two years. The negotiations process to establish legal grounds for future relationship with the EU has already started but it is not believed to be smooth. European leaders don't want Britain's divorce from the EU to be an easy process, as this may encourage other countries that blame the eurozone for their troubled economies to take the same step.

So these negotiations are not just about defining the shape of Britain's future relationship with the EU, but also something that Europeans are using to save the euro's fate itself since the collapse would be an unimaginable disaster.

On March 29, the British government triggered Article 50 to kick off formal negotiations with the European Union. Theresa May sent a letter to the European Council and confirmed that until reaching a final agreement, the United Kingdom will remain subject to EU law.

Below is an excerpt from the text of the letter that Prime Minister Theresa May sent to Donald Tusk, president of the European Council.

"On 23 June last year, the people of the United Kingdom voted to leave the European Union. As I have said before, that decision was no rejection of the values we share as fellow Europeans. Nor was it an attempt to do harm to the European Union or any of the remaining member states. On the contrary, the United Kingdom wants the European Union to succeed and prosper."

Last April, Theresa May stunned the UK political world by calling for a snap general election, seeking a stronger mandate in talks over leaving the European Union. Ahead of potentially disruptive divorce negotiations, the British PM wanted to bolster her majority in Parliament to strengthen the government's position for at least the next two years. As the campaign begun, opinion polls showed that the gap had narrowed between the Conservative Party and the opposition Labour Party.

After weeks of fierce campaigning, in an unexpected twist the Tories failed to win the majority and finished 16 seats down from the previous election. The Labor Party managed to secure 29 additional seats, prompting the ruling party to consider forming a coalition to handle the upcoming Brexit talks. This prompted Labor Party leader Jeremy Corbyn to call Theresa May to resign after losing voter confidence. Having faced similar calls to resign, May said she had no intention to step down but instead would form the new government.

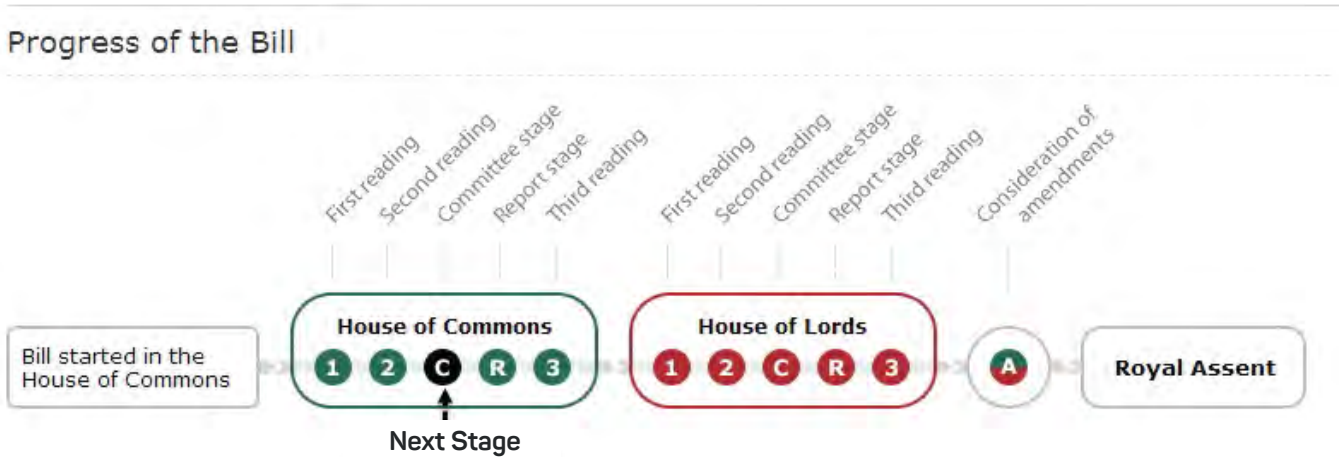
Britain planned to wait to form its new government before resuming Brexit talks, and with the German elections on the horizon, this phase of divorce negotiations was postponed until December. The decsion was a relative blow to the process course which should be finaliazed by 2019. Of course, May's government was concerned by this postponement but some analysts believed that Merkel's possible loss in the German election could have made the negotiations more smooth. Of course, we now know what happened.

The government's attempt to release the UK from under EU law passed the first parliamentary test on September 11, when the House of Commons voted in favor of Brexit by 326 votes against 290 votes after the second reading of the law, despite criticisms of the law that it gives more power to the government. This gives it the power to scrutinise Britain's exit legislation from the European Union without greater parliamentary interference, thus passing the law to the next parliamentary stage.

A proposal was approved allowing governors to obtain a majority in the important legislative committees that lead the House of Commons agenda, and allows Prime Minister Theresa May to pass the legislation without fear of opposition, prompting Labour leader Jeremy Corbyn to accuse the government of rigging the parliamentary system in its favor and trying to seize power through law to give themselves the majority that the people have not given them.

The Law of Withdrawal from the EU:

"This EU withdrawal law will repeal the 1972 European Community Act, which introduced Britain into the European Union, which means that European law takes precedence over laws passed in the British Parliament, it also terminates the jurisdiction of the European Court of Justice. All existing EU legislation will be copied into UK domestic law to ensure smooth transition the day after Britain leaves the EU. The British parliament can amend or repeal laws as necessary."



British Prime Minister Theresa May made a speech in Florence, Italy, on September 23rd in an effort to break the deadlock in talks which have taken place over the past three months, where she said there should be a transition period of about two years after Britain's exit from the European Union with the continuation of current trade conditions. She also proposed a new security agreement, pointing out that the UK will be the strongest partner and friend of the European Union, and that the UK will fulfill its commitments as a member of the European Union.

May did not mention how much the UK would be willing to pay to the EU within two years after leaving the EU in March 2019, but it was estimated that it would not be less than 20 billion euros, or about 18 billion pounds.

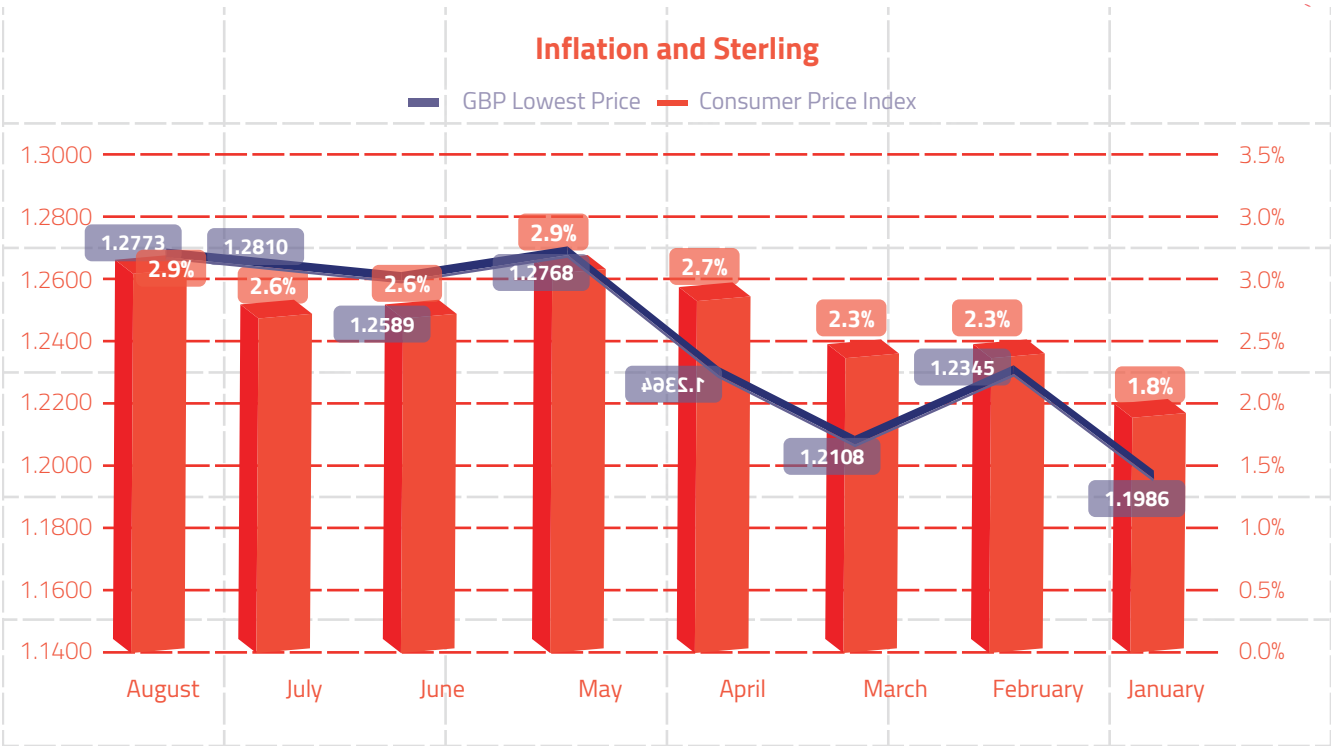
Chronology of events since voting for Brexit:

Events	Date
June 23, 2016	UK votes for Brexit by 51.9%
July 2016	Theresa May takes office
August 2016	BoE cuts interest rate to 0.25% for the first time in 7 years
September 2016	David Cameron resigns
October 7, 2016	The British pound hits its lowest level in 31 years
November 2016	UK government discusses the public budget
December 6, 2016	EU chief negotiator identifies the negotiation process
January 2017	PM outlines Brexit plan and its 12 objectives
February 2017	The government discusses the 12 objectives in more detail
March 29, 2017	Triggering the Article 50
April 2017	May calls for snap elections
May 2017	Election campaigns kick off
June 8, 2017	Theresa May loses majority
July 2017	The Bank of England cuts growth and inflation forecasts
September 11, 2017	Voting for Brexit after the second reading

U.K. inflation rises to pressure Bank of England

The drop in the pound following UK's vote to leave the European Union has hit British household budgets and its overall negative impact was evident. The devaluation was reflected in inflation figures, which have since risen to a four-year high at 2.9% during May and August. At the time of the Brexit vote in June 2016, the inflation rate was hovering around 0.6% but the figure steadily shot up due to higher oil prices. In addition, imported goods became more expensive following the pound devaluation as the currency lost nearly 12% over 12 months through to June 2017.

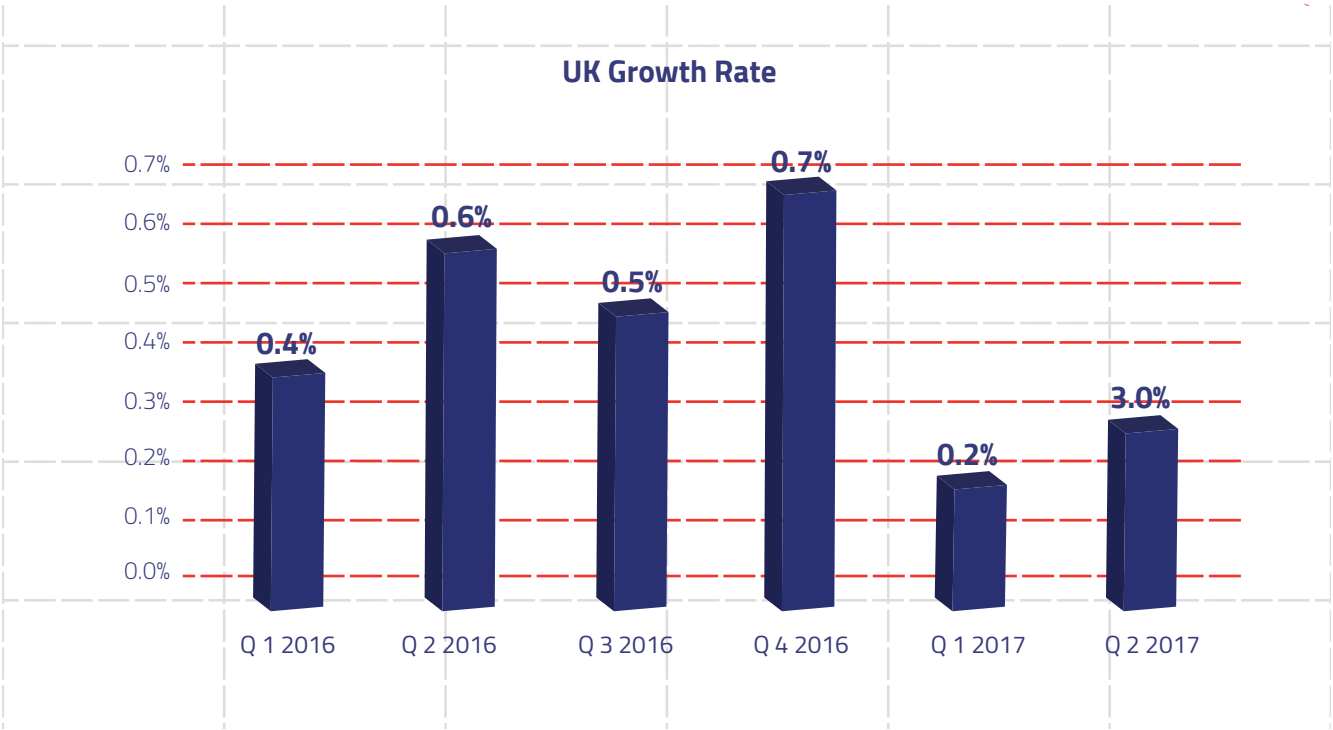
Decent consumer spending helped the UK economy grow strongly in the six months following the vote. The growth rate, however, slowed back in the first quarter of this year, and inflation is currently stabilising at the Bank of England's 2% target. But if the CPI crossed the 3% threshold it could push the Bank of England to raise rates and mark a shift to tightening its monetary policy. The recent slowdown in inflation has played a role in undermining supporters of an immediate rate hike. However, interest rates rose again after the CPI rose in August.



Bad start of the British economy in 2017

The UK economy had a slow pace of growth within the EU during the first quarter of 2017. It is considered one of the worst performing economies in the quarter, where GDP grew by only 0.2%, down sharply from the growth rate of 0.7% in the last quarter of 2016. The slowdown is largely due to higher prices following the Brexit vote, which has affected consumer spending. These figures confirm that the flexibility of the economy has begun to fade with rising inflation, putting consumers under pressure.

During the second quarter of 2017, private consumption recorded a stronger slowdown than expected after its contribution to support economic growth at the end of last year, with the economy registering only 0.3% growth. The weakening consumption may be due to the weak pound, which has had a significant impact on household budgets.
The National Institute for Economic and Social Research (NIESR) expects that the economy will grow by 1.7% in 2017, with the economy slowing after 1.8% growth in 2016 to reflect the sharp rise in inflation figures since Brexit.



Will Brexit affect UK business?

UK will seek to persuade many trading partners within the EU and others to set business deals for a limited period of time while negotiating their future trade relations with the EU, according to Prime Minister Theresa May, who is trying to get initial trade deals.

These trends come at a time when UK and the European Union are participating in the third round of negotiations. At an event attended by a Japanese delegation headed by the country's International Trade Minister, British PM May reassured investors that the British economy would flourish after Brexit.

"The first step to restore Britain as a global leader in free trade is to copy trade agreements of the European Union," Theresa May said.

In 2016, about 44% of British goods and service exports to EU countries were estimated at £240 billion out of £550 billion, while about 53% of imports come from countries within the European Union.

Liam Fox, UK's International Trade Secretary, has drawn up a list of three countries that are in the forefront of the waiting list for talks regarding a free trade agreement within a year of leaving the union, which are South Korea, the United States, and Brazil.

The labour market continues to improve and the only obstacle is weak wage growth

The UK labour market continues to improve as unemployment fell to a 42-year low of 4.3%. However, the real wage growth is still weak due to higher inflation after the Brexit vote, which was reflected in the UK households spending.

Average weekly earnings including or excluding bonuses rose by 2.1% compared to last year. The inflation rate is currently 2.9%, which means that the growth of real wages fell by 0.8%, hence earnings do not keep pace with rising prices.

The following chart shows the relationship between inflation rates and wages during the last 10 years:

Source: ONS - Earnings figures are three month averages excluding bonuses

The number of employed persons was at its highest again during the three months from April to June 2017, reaching about 32.14 million people, or 57.3%.

The following chart shows the relationship between employment levels and unemployment rates:

Figure 1: Employment (16 to 64) and unemployment rate (16 and over)

UK, seasonally adjusted, Quarter 2 (April to June) 1995 to Quarter 2 (April to June) 2017

Source: Office for National Statistics, Labour Force Survey

Where does the Bank of England move?

In its latest meeting, the Bank of England warned that economic growth will remain slow as it kept interest rates unchanged for the ninth straight session at 0.25% - an all-time-low. The decision to hold the interest rate resulted in a vote of 7 against 2, contrary to a June meeting in which three members voted to raise interest rates. Also, the bank kept the asset purchase program unchanged at £435 billion a month. However, the bank noted that there is a high probability that interest rates will be raised by the end of this year. It is worth mentioning that the last time the BoE raised interest rates was in July 2007.

The central bank stressed that any raising of interest rates will be gradual and limited, and pointed out that withdrawing some monetary stimulus is likely to be appropriate in the coming months to push inflation to its target at 2% and ease the pressure on consumer spending.

The Bank of England has lowered its expectations regarding growth in the quarterly inflation report to 1.7% in 2017 and 1.6% in 2018, with a warning of an increase in pressure on households due to the rise in inflation to nearly 3%, noting that there is a need to raise the interest rate throughout the coming year to counteract inflation.

Japanese Economy

Japanese Economy

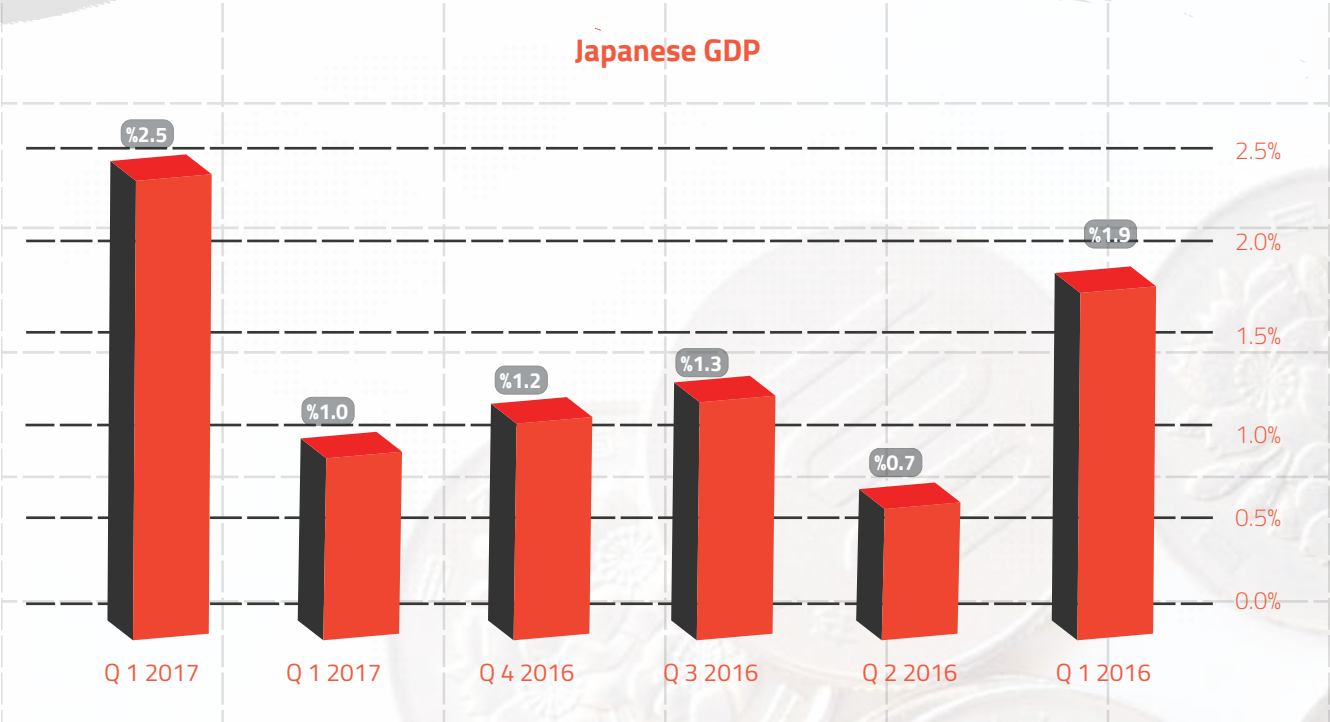
Economy growth determines fate of the massive stimulus program

Japan's economy expanded at the fastest pace in more than two years in Q2 2017, making the country the fastest-growing of the G7 wealthy nations. The GDP figure recorded an expansion at an annualised rate of 4%, as the pace of consumer spending accelerated considerably, while low unemployment helped investments to grow faster, and this was before it was revised down to 2.5% as a result of private capital expenditure.

Japan is shrugging off a long period of sluggish growth that it has been attempting to counter with a massive money printing program championed by prime minister Shinzo Abe. The stimulus scheme aims to motivate bank lending, company investment and consumer spending.

Japan's economy grew for the sixth consecutive quarter, which would mark the longest expansion since the turn of the century. Faster growth prompted the Bank of Japan to consider ending its ¥80-trillion bond buying program. But the stimulus package is not expected to be stopped entirely until the economy achieves sustainable levels of growth.

Abe has pledged to reignite Japan's economy with a plan dubbed "Abenomics" - a package of reforms and government spending coupled with loose monetary policy from the BoJ. The efforts are aimed at defeating deflation and sluggish growth that followed a stock market collapse and property market bubble in the early 1990s.



Robust economy forces the BoJ to maintain policy

The Bank of Japan kept its monetary policy steady since the beginning of the year as the economic situation improved and data continued to show positive signs. The BoJ maintained its short-term interest rate target at -0.1% and its 10-year government bond yield target of around zero.

The central bank has repeatedly affirmed its commitment to the inflation target and has therefore kept its loose policy on hold. But in a surprise move, the BoJ slashed its consumer inflation forecasts for 2017 from 1.4% to 1.1%, and to 1.8% from 1.9% in fiscal year 2018. The BoJ has also pushed back the price target timeframe to 2019 in a July meeting, and raised its growth forecast for the current fiscal year to 1.8% from 1.6% and from 1.3% to 1.4% in 2018.

The BoJ now expects the economy to continue to grow moderately, noting that domestic demand will further expand. According to the policymakers, this will be followed by higher income and spending, which in turn will have a positive impact on the growth of the household and corporate sector. Central bank officials attributed the anticipated improvement to the massive monetary stimulus program. The BoJ keeps its policy unchanged whilst other major central banks around the world tighten their monetary policy.

The following table shows the BoJ's forecast for growth and inflation

.y/y % chg

	Real GDP	CPI (all items less fresh food)	Excluding the effects of the consumption tax hike
Fiscal 2017	+1.5 to +1.8 [+1.8]	+0.5 to +1.3 [+1.1]	
Forecasts made in April 2017	+1.4 to +1.6 [+1.6]	+0.6 to +1.6 [+1.4]	
Fiscal 2018	+1.1 to +1.5 [+1.4]	+0.8 to +1.6 [+1.5]	
Forecasts made in April 2017	+1.1 to +1.3 [+1.3]	+0.8 to +1.9 [+1.7]	
Fiscal 2019	+0.7 to +0.8 [+0.7]	+1.4 to +2.5 [+2.3]	+0.9 to +2.0 [+1.8]
Forecasts made in April 2017	+0.6 to +0.7 [+0.7]	+1.4 to +2.5 [+2.4]	+0.9 to +2.0 [+1.9]

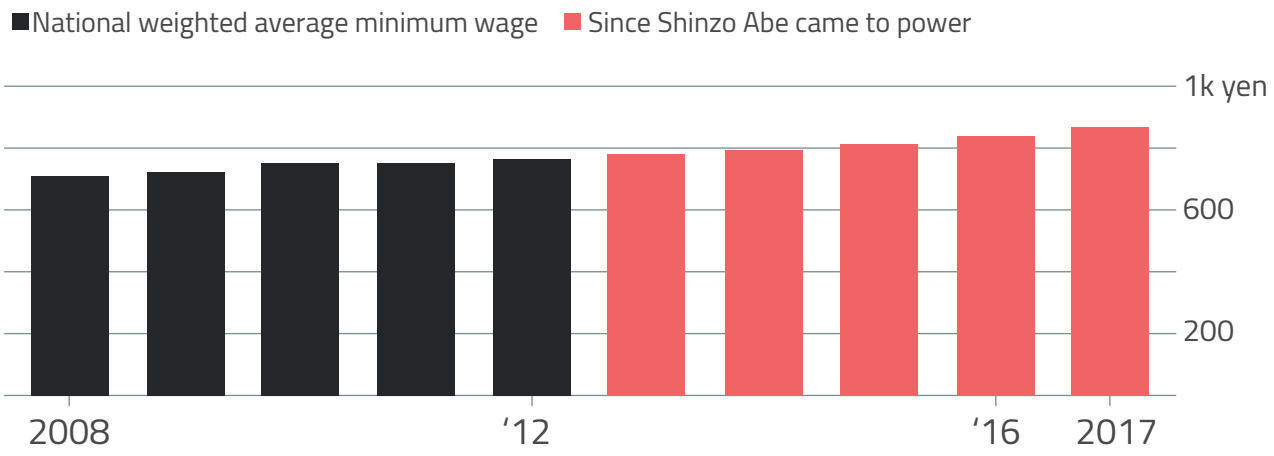
Robust labour demand sparks turnaround in consumer spending and inflation

Japan's core consumer prices rose 0.5 percent in July, marking the seventh straight month of gains. The positive development offers some hope that a strengthening economy will gradually lift prices for the first time in two years, even though inflation is still quite a ways away from BoJ's ambitious 2 percent target.

Data on consumer spending played a role in this rise, given private consumption accounts for nearly 60% of the Japanese economy. Household spending in June hit a 43-year high, coming in at 2.3% - the fastest pace since 2015. The less tight labour market helps improve wages and household incomes, which boosts consumer spending. Confirming the trend, the unemployment rate dropped to historic lows at 2.8%. While most of Japan's economic data improved, overall wages are still stagnant and even suffered a 0.3% drop in July. This was the first slide in 14 months to an average of 371.808 Yen in an hour, which came mostly as Japanese companies cut bonus payments in the summer, leading to a surprise drop in total pay for workers.

The Japanese government recommended this year's minimum wage be increased by 3 percent to 848 yen per hour ($7.64), the same amount that it was raised last year. Prime Minister Shinzo Abe's government and the central bank want wages in Japan to rise in hopes that it will fuel consumer spending and spur inflation.

The following chart shows the rise in the minimum wage since 2008 passing through the beginning of Abe's term:



Source: Ministry of Health, Labour and Welfare

Bloomberg

Political tension poses threat to Abenomics

The Japanese government is fighting for its future as prime minister Shinzo Abe is embroiled in scandals alleging that he used his powers for personal purposes. These accusations have weighed on the popularity of the ruling Liberal Party a year before the general election. Abe reshuffled his cabinet in an attempt to restore lost confidence.

Since his accession to power, Abe's three-pronged approach, dubbed "Abenomics," combined fiscal expansion, monetary easing, and structural reforms. As the fiscal and monetary stimulus were already implemented, the long-delayed program of structural reform needs to be voted upon before it comes into force. But as scandals drag on his government's popularity, support for the action may have dropped.

In a surprise move, the cabinet formally announced the ruling coalition's plan for an extraordinary session of parliament on September 28. Shinzo Abe is likely to dissolve the House of Representatives and hold early elections. This move was severely criticised by opposition parties, and the Democratic Party refused to attend the steering committees in the House of Representatives and the Senate in protest against the ruling coalition's plan to dissolve the House of Representatives, threatening not to attend the plenary session, pointing out that this step violates the Constitution.

The possible early election in October will be a referendum on the popularity of the five-year-old Shinzo Abe administration in power, which has been marked by economic growth. Parliament dissolution will be for the second time since Abe took office in December 2012. Abe's Democratic Liberal Party is likely to benefit from the weakness of its fractured main rival - the Democratic Party, which has suffered more splits since July.

Abe's early election plans are an unprecedented scenario. Of the 23 early elections since World War II, three were called at the start of the parliamentary session and two were held at the request of lawmakers.

The Japanese economy continues to grow after decades of slowdown but inflation is still far from the Bank of Japan's target. Are you expecting to see any move from the Bank of Japan whether to reduce the massive stimulus program or perhaps delaying the projected timing for reaching its target of 2%? In your opinion, after five years of Abe's stimulus policies, known as Abenomics, did it play a role in achieving the Japanese economy's fastest pace of growth since the early 1990s? And how do you see Abe's move to dissolve parliament and hold a snap election?

There were many reports and remarks by the Bank of Japan over the past few months that the current policy should change at some point. However, the government keeps on introducing further stimulus packages.

Shenzo Abe is likely to stay in power for another term. And he stressed that another sales tax hike is coming later next year. Such policy is likely to keep the Bank of Japan on hold for now with no change, to assess the impact on the economy.

Will they reach the 2% target anytime soon? I don't think they will, QE has been there forever and it failed to do so, they need to use new tools other than QE's to push inflation higher

Nour Eldeen Al-Hammoury
Independent Market Strategist & Business at
Skynews Arabia

USD / JPY: we noticed an accelerating in USDJPY moving recently reaching highest levels since more than one month at levels of 112 because of several factors. How would you expect the pair to move during the coming period?

I would say that the Japanese yen would stay within the same range between 114.0 and 112.0 until the end of this year, unless if the Bank of Japan decided to increase its asset purchases. By then, 116 and 117.0 might be the next levels to watch

Nour Eldeen Al-Hammoury
Independent Market Strategist & Business at
Skynews Arabia


Chinese economy
July
10,23
25,19
25,63
17,81
14,47
18,04

Chinese economy

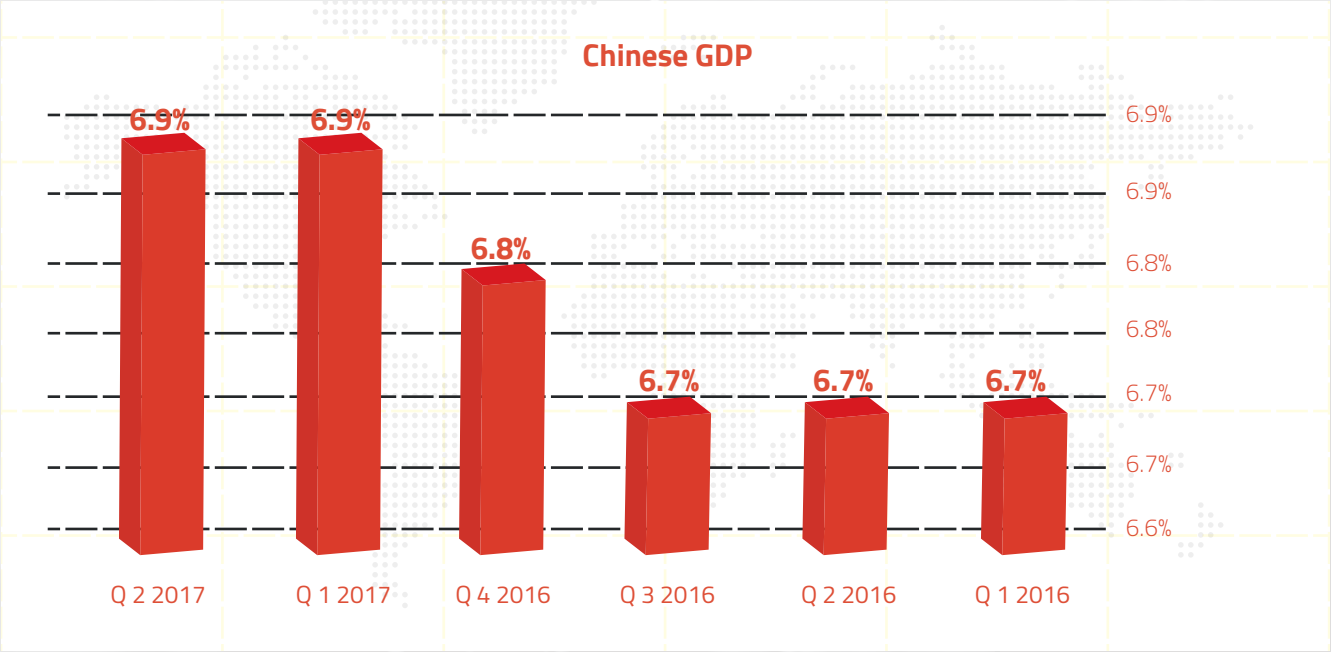
The economy improves amid fears over debt build-up

Strong economic performance during the first half of this year may allow the Chinese government to move forward with its structural reforms. Although such measures may have some negative effects in the short term, it remains essential to ensure sustained growth.

As economic expansion exceeded market expectations in Q2 2017, and with the pace of growth easily hovering around the government's target, policy makers will have more space to contain risk, ensure stability and reduce excessive borrowing.

Investor concerns about the Chinese economy have emerged after private credit loans reached nearly 201 percent of GDP. At some point, the Chinese authorities will have to intervene to address these accumulated debts, which could ultimately slow growth in China.

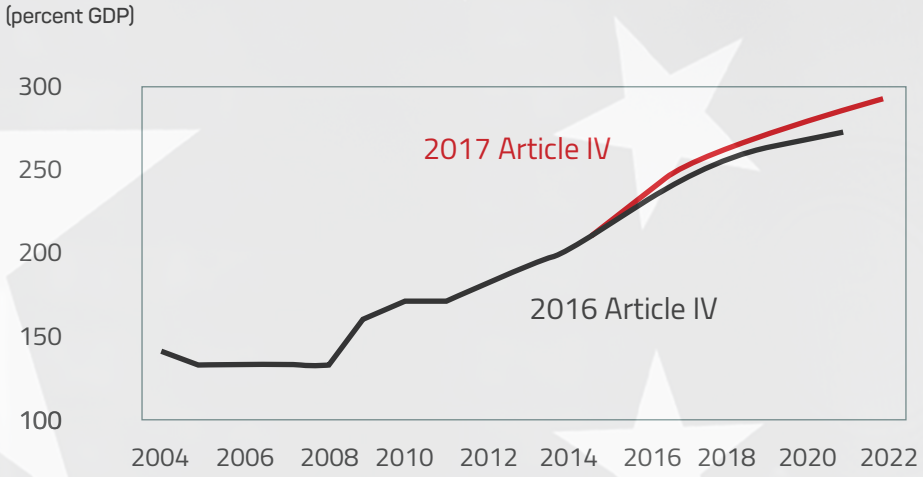
Gross Domestic Product (GDP) grew by 6.9% in the second quarter of 2017, unchanged from Q1 growth. However, it remains within the Chinese government's target range of 6.5% - 7%. During the past year, China's economy relied on public spending and cheap credit to yield better-than-expected growth.



According to the International Monetary Fund, China's credit growth is on a dangerous trajectory as rising debt costs will increase risk. In turn, the non-financial sector's debt, which includes household, corporate and government debt, is expected to rise rapidly to nearly 300 percent by 2022. This raises concerns of a marked growth slowdown over the medium term.

Debt: Trending Up

China's non-financial debt is now projected to rise even more strongly.



Sources: Haver analytics and IMF staff estimates.

INTERNATIONAL MONETARY FUND

In May, Moody's downgraded China's credit rating for the first time in nearly 30 years, amid concerns over sluggish growth and rising debt that could weigh on the world's second-largest economy. The agency downgraded the country's rating from A1 to Aa3 but also changed its future outlook from negative to stable. This was Moody's first cut for China's credit rating since 1989.

Moody's said it expects the financial strength of the economy to erode in coming years as growth slows and debt continues to rise. The Chinese government responded to Moody's by saying the agency has overestimated the difficulties faced by China's economy and underestimated the government's ability to deepen reforms.
The rating agency added that China's planned economic reforms would not prevent a further material rise in economy-wide debt.

Chinese trade well on track despite challenges

The relationship between the U.S. and China is getting less friendly since Trump came to office. As the new president seeks to narrow the trade gap between the two countries, he called China the "grand champions" of currency manipulation in attracting foreign investment and dominating global trade.

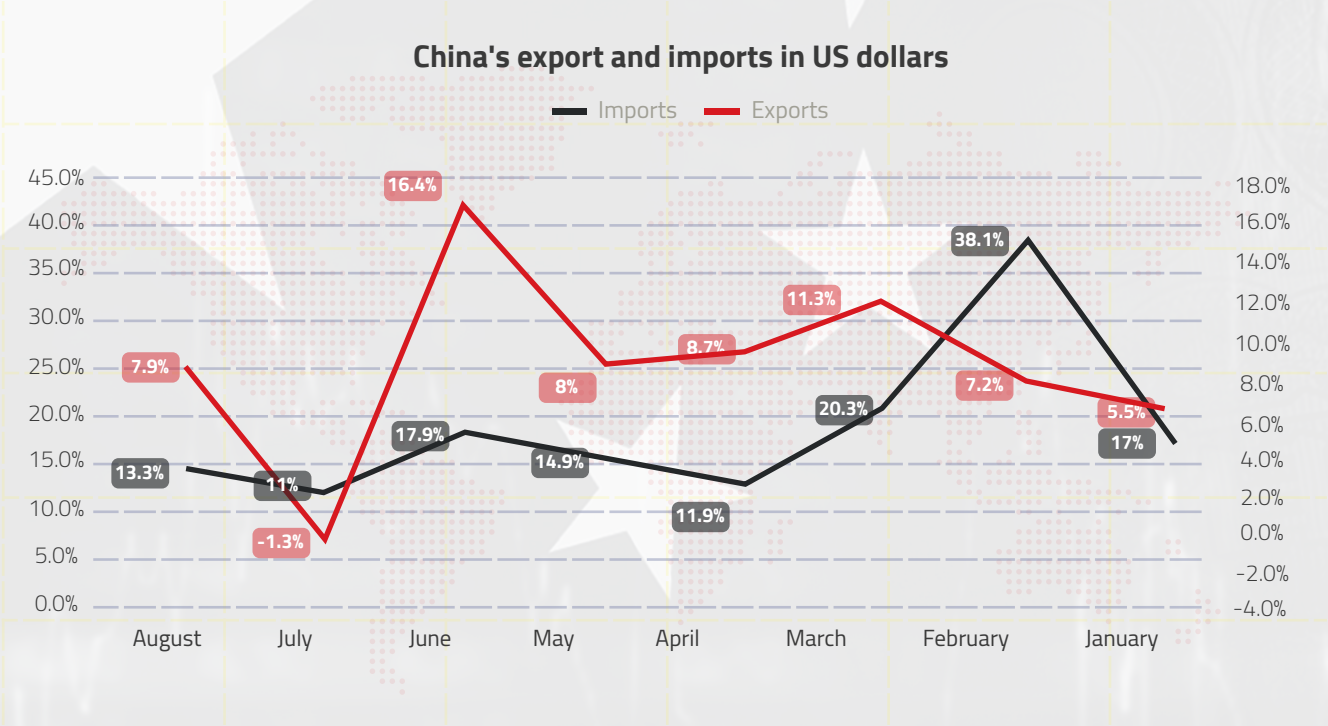
However, tensions have eased after the US Treasury countered the claims, and after the two countries' leaders met and confirmed their desire to strengthen trade relations.

China's trade surplus widened in July for the fifth month in a row with exports and imports rising. The country recorded a surplus of $ 46.7 billion, as exports rose 7.2%, while imports ticked up 11%. In addition, China's shipments to the United States increased only 8.9% compared to 19.8% in June, which caused trade surplus with the US to shrink slightly to $25.2 billion.

As the United States sought to close its trade deficit gap with China, it signed an interim agreement in May aimed at reducing the estimated deficit by $347 billion. US exports to China totaled $116 billion, while imports amounted to nearly $463 billion.

During September, Standard & Poor's also downgraded China's sovereign debt rating for the first time since 1999 to A + from AA- in light of the risk of rising debt, and adjusted its outlook from negative to stable.

Once again, China rejected the move, calling it the wrong decision that ignores sound economic fundamentals and prospects for development. The Chinese government said it was able to maintain financial stability, adding that the decision was puzzling as the Chinese economy stood firm.



The conflict between the two countries appears to be continuing as Donald Trump announced hostile trade measures aimed at China getting hold of American intellectual property and its unfair business practices. On the other hand, the Chinese government has already stated its intention to do whatever it takes to protect the country's interests should the U.S. take any step detrimental to its interests, rejecting the idea that it did not do enough to protect intellectual property.

On August 18, the US government launched a trade probe into China's intellectual property practices under Section 301 of the Trade Act. The American move comes at an important time since the US administration is still unable to deal with the huge trade deficit with China.

What causes the trade deficit?

China built its economic growth on low-cost exports relative to other countries. And of course, these cheap goods lure overseas consumers including the Americans. Most economists agree that competitive prices from China are based on two main factors:

- Low standard of living that allows companies in China to pay their workers low wages
- Fixed exchange rate against the US dollar.

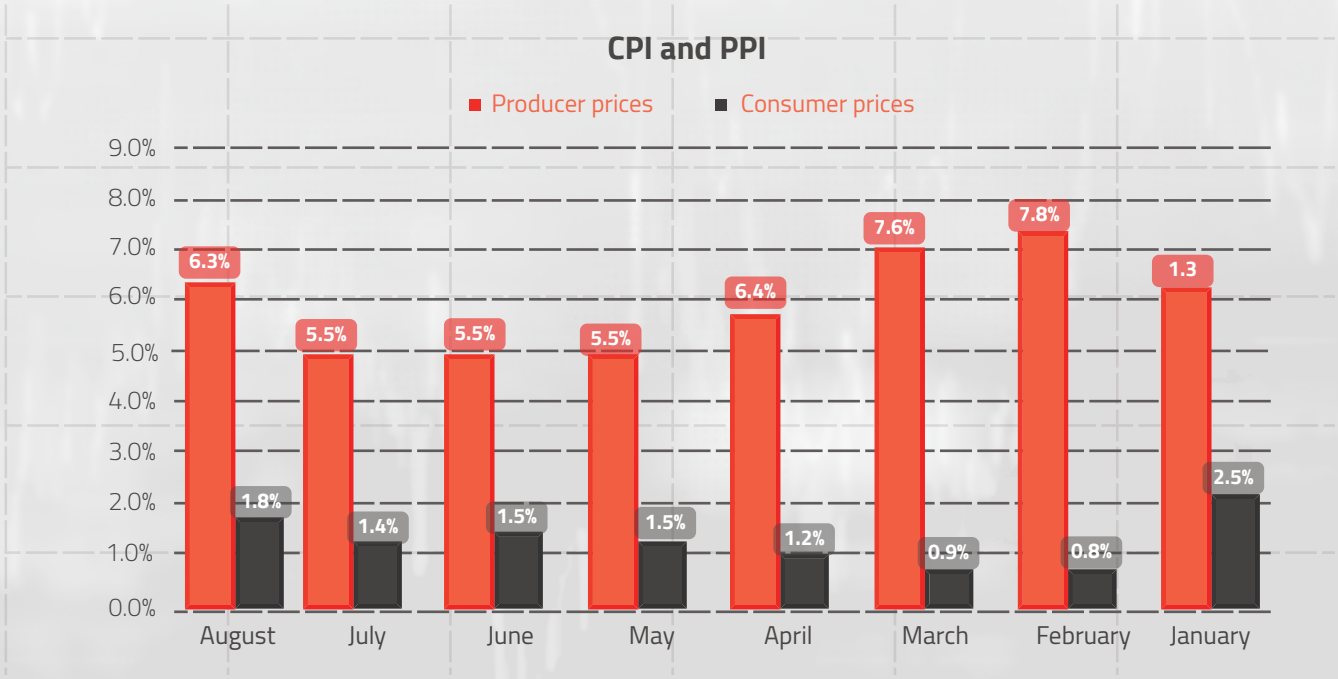
Chinese inflation misses the target

In January, the CPI index hit its highest level in more than 3 years at 2.5%, but slowed in subsequent months before rising back to 1.8% in August. However, the consumer inflation index is still much lower than the producer price index (PPI) which rose 6.3% in August. The PPI gained 7.8% earlier in January - its highest level in more than 9 years.

While the Chinese government is tightening monetary policy to control the debt bubble, core inflation is noticeably falling. Inflation is closely monitored as an indicator of how the central bank should manage monetary policy. The inflation target was set at 3% back in 2017.

Recent economic data out of China indicates that growth in the world's No.2 economy peaked in the first half of 2017, although efforts to restrain debt growth and surplus of energy sources are weighing. Industrial production slowed to only 6% in August from 6.4% in July, while retail sales growth dropped to 10.1% after expanding 11% and 10.4% during June and July accordingly. Infrastructure spending rose 7.8% in August after gaining 8.3% in the month prior. The slowdown is likely to be temporary due to adverse weather conditions and is expected to subsequently recover, supported by the mining and manufacturing sectors.

Meanwhile, the manufacturing sector continues to expand for the 13th consecutive month, and together with the economy as a whole is likely to continue to grow as conditions improve and market demand recovers. The PMI manufacturing index for large state-owned companies continues to record fresh highs above at the 50th level, which indicates expansion in the sector since September 2016.



There is a strong economic conflict between Washington and Beijing that led to a description by one of Trump's assistants that the US is in an "economic war" with China. Do you think that the recent North Korean crisis could fuel this conflict, especially after Trump threatened to stop all trade with any country that doing business with North Korea? And how far do you think this conflict might go?

It may be obvious to everyone that the Chinese giant is moving towards globalization with more rapid and flexible steps than before. Such a clash in the struggle for economic control must emerge as we see now. This isn't without the use of political tools such as the Korean-American threat and China's support for North Korea. Trump's approach, however, is moving away from the practical implementation of threats to a large trading partner such as China. We must see an understanding of Trump's current visit to Asia.

The United States is the world's largest economic power, but many see China as a leading economic power that can't be underestimated. Together, the two economies represent about 36% of the global economy. China wants to take the place of the United States as the largest economy in the world, and this could happen within the next 10 years if China succeeds in transforming the current economic model run by the government into a market-driven model where services and consumption play a bigger role.

If the US and Chinese economies remain at the same pace of growth (the United States is approaching 2.5% annually and China is approaching 7% annually), the Chinese economy would surpass its US counterpart by 2027. The US economy is now about one and a half times the Chinese economy. But China is the world's largest trading giant with a trade volume of nearly 4$ trillion. Which was the point of contention between the two countries after China received many charges from Trump about it.

Raed Alkhedr

Head of market Research & Analysis at Equiti Group

Australian Economy

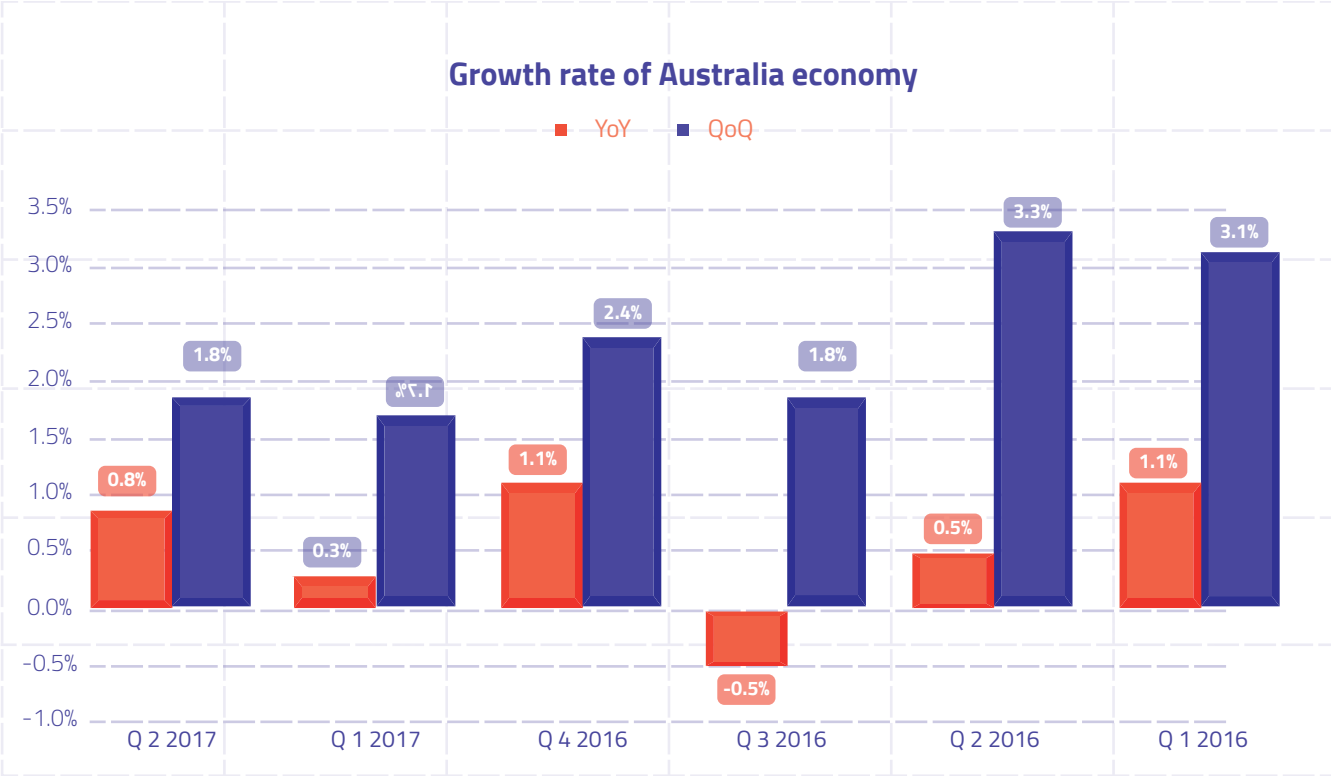
Australian Economy

A sluggish start for Australia's economy

The Australian economy had a disappointing start to 2017 after the GDP growth rate slowed significantly during the first quarter to only 0.3% QoQ, compared with 1.1% in Q4 2016. On an annualised basis, the economy expanded at a pace of 1.7%, the worst since the global financial crisis in 2009. However, it showed some improvement during the second quarter of 2017 as the economy grew 0.8% QoQ and 1.8% YoY.

On a positive note, the economy hit a record of 26 years without a recession, which means that Australia has now enjoyed 104 successive quarters of growth exceeding the Dutch economy. The second quarter is the 19th consecutive quarter in which the economy is growing below 3%. Household consumption, which accounts for about 60% of the Australian economy, grew by 0.5% in the first quarter of this year after growing by 2.3% during the same period last year.

One of the main reasons for the rise in consumption, despite its underlying weakness, was the decline in the savings rate of Australian households to 4.6%, the lowest throughout nine years from 5.3%. This occurred for the fourth quarter in a row and was largely due to rising costs and weak growth of Australian household incomes.



The trade surplus continued to shrink in July as commodity exports fell in conjunction with a drop in imports. The trade balance recorded a surplus of $460 million in July, after a surplus of $888 million in June. Exports of goods and services fell by 2% to $31 billion. While imports also fell 1% to $30 billion as consumer goods fell 2% to $8.4 billion.

The Aussie dollar's strength remains the main concern, as highlighted by Reserve Bank of Australia policymakers several times, noting that the AUD appreciation will have a negative impact on growth and the export sector. In fact, the tight trade surplus was driven by lower prices of coal and iron ore exports.

The Reserve Bank of Australia sticks to its policy

The Reserve Bank of Australia (RBA) has recently maintained a neutral tone in its policy statements. The central bank considers the current monetary policy as appropriate for the time being and that expectations are consistent with its policy, which may stay on hold until the end of 2017. The RBA expects the headline inflation rate to reach close to 2% in the second half of this year.

In its latest monetary policy statement, the RBA didn't change its previous forecasts as it expects the economy to grow by 3% over the next two years. Jobless rate is also estimated to fall to its lowest level. Currently, the headline inflation is higher than the figure of late last year and is expected to reach 2% in H2 2017. The Reserve Bank of Australia seems satisfied with the recent positive data on the labour market, and expects this robust performance to extend into the second half of 2017.

Interest rates are expected to remain unchanged through the end of 2017 and until the central bank sees a sustained positive trend for growth rates and core inflation. This forecast could be a bit elusive as it will force the RBA to maintain its current monetary policy until the end of next year.

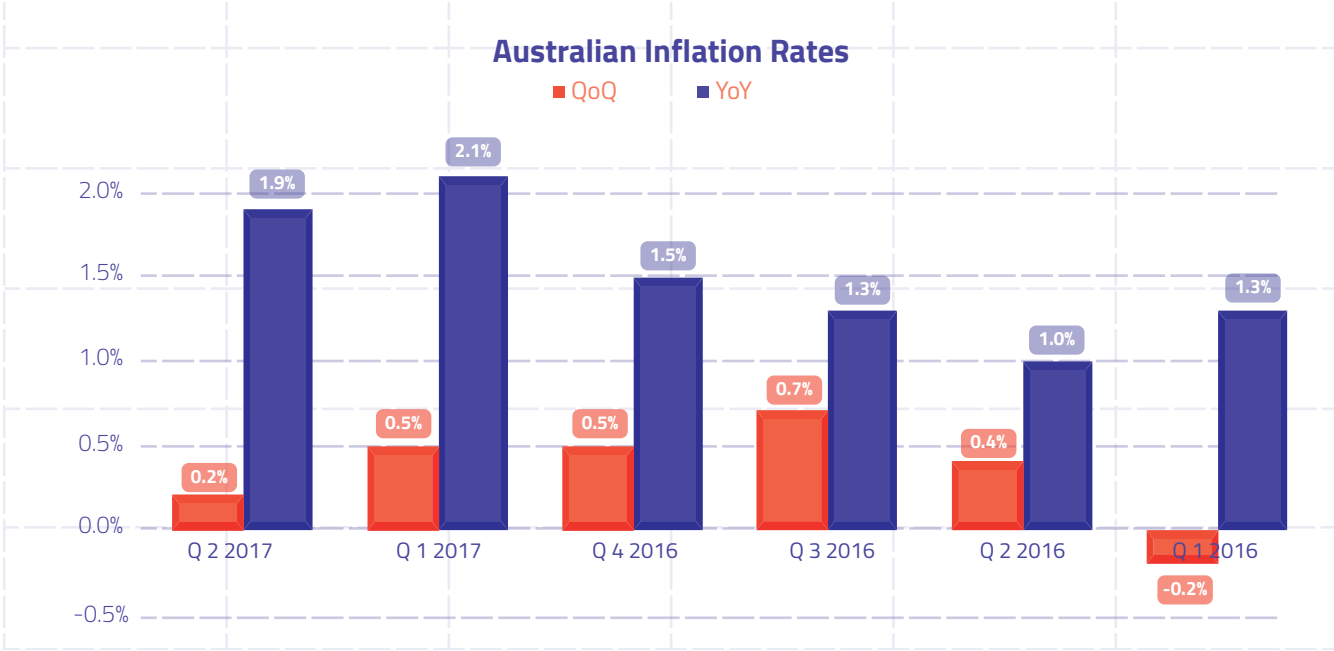
Inflation's role in keeping the RBA policy on hold

Inflation figures are one of the most closely watched data indicators coming of out Australia, as they have direct impact on interest rate expectations. The RBA wants annual inflation to reach 23%- on average. The Q2 2017 metrics came slightly below the target range as oil prices fell, suggesting that policymakers may keep interest rates unchanged as long as possible.

In addition, the consumer price index slowed to 0.2% QoQ from the previous reading of 0.5%, and year-over-year, the figure faltered to 1.9% in the second quarter from 2.1% a year ago. RBA's key inflation index also lagged to 1.8%.

The central bank doubts that inflation could exceed 2% for another year or more, but also warned against another rate cut on fears of triggering a debt-driven bubble in the housing market. Officials also are in no rush to raise rates, as they have no reason to follow suit of other central banks in tightening monetary policy.

RBA Governor Philip Lowe noted in a previous speech that he is confident of a gradual recovery in core inflation as the economy improves and recent CPI data were consistent with that view.

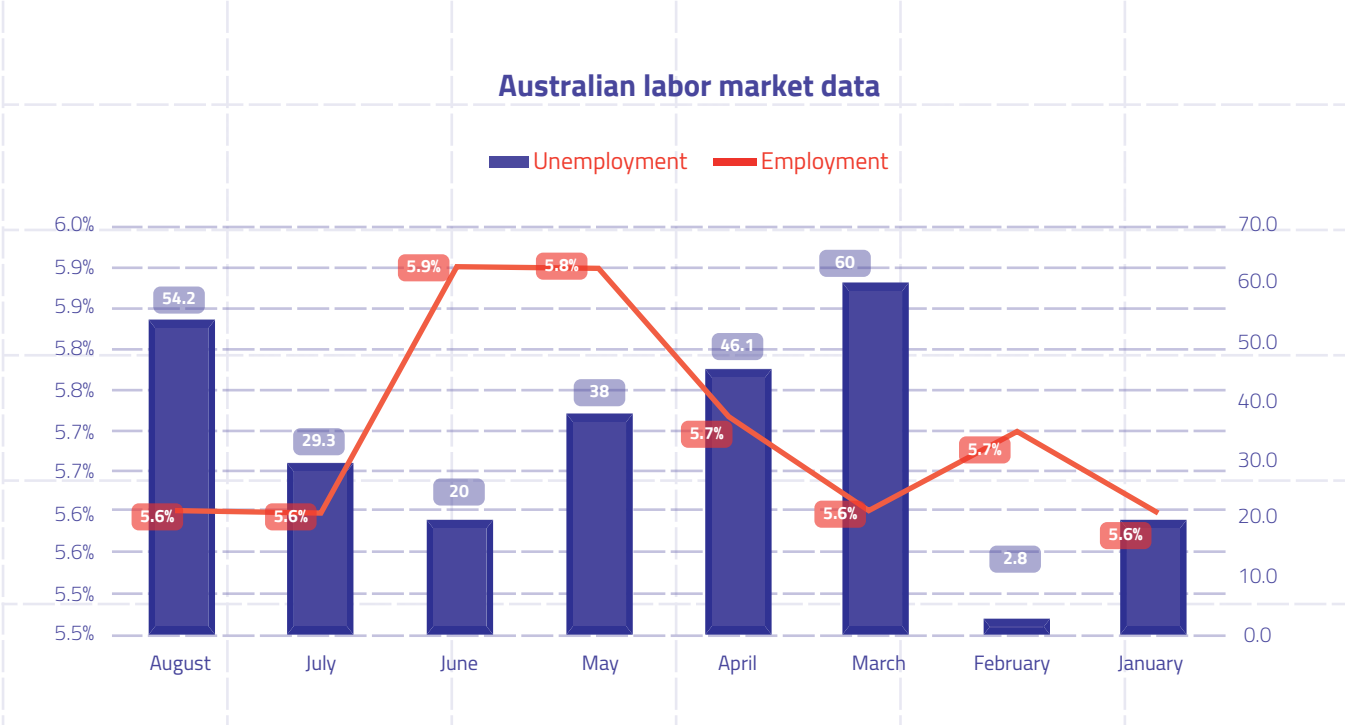


Australian labour market is steadily improving

The economy extended its winning streak in August after adding 54.2 thousand jobs, posting its eleventh consecutive month of job growth. This was done by increasing part-time jobs by 14.1 thousand jobs, while full-time jobs increased by about 40.1 thousand jobs. Unemployment rates fell to 5.6%.

According to the Australian Bureau of Statistics, the pace of employment rose 2.2% over the past year, exceeding the average of the past two decades by 1.9%, which indicated a more robust trend for the labour market conditions. Furthermore, the rate of employment growth relative to working-age population was the best in 4 years, coming in at 61.4%.

Australia's labour market has been a bright spot most of this year, where the creation of full-time jobs has accelerated the pace of employment and reduced unemployment rates. However, Australia still faces a major problem of disguised unemployment and wage growth, which affects consumer confidence, and the economy is still far from achieving full employment levels estimated by the Reserve Bank of Australia at about 5%.



AUDUSD: After breaking above some important technical levels, the upper resistance was formed at the 50 month moving average, at more than two year highs. What are your expectations for the next move?

Technically the prospects for the AUDUSD cross don't look very favorable through the end of this year. The weekly chart sees resistance forming at the convergence of the 50 week and 100 week moving average at 0.7700 levels. And as mentioned earlier, due to the aforementioned fundamental factors, the AUDUSD could test 0.7475 in maximum extension which also represents the Kijun-sen level on the monthly chart.

Gaurav Kashyap

Head of Futures at Equiti Group

Since August last year and the Reserve Bank of Australia has kept interest rates at 1.5% at historic lows, what do you think prevents the Australian Reserve from hiking the interest rate and when do you think they should do it? How do you see the impact of the rise of the Australian dollar on the economy?

The key factors which have led to extended low interest rates is subdued inflation. Australian inflation has been on a downtrend since Q3 of last year; during this time, quarter on quarter inflation has dropped from 0.7% in Q3 2016 to 0.2% in Q2 2017.

Until there is some upside traction in the CPI print towards the RBA's target 2% band it proves difficult for the central bank to increase rates. A rising Australian Dollar won't help inflation prospects, and with the AUD breaking below 0.79 against the US Dollar, this should see inflation forecasts improve. From a more macro perspective, despite improving employment figures, wage growth hasn't been able to keep up.

And when you couple this with falling commodity prices, particularly in the metals segment, it is unlikely we would see an upward shifts in Australian rates until late 2018. The Australian Dollar will remain anemic through the end of the year due to a combination of external and internal factors, Australian inflation being the main internal concern as discussed. Externally, the performance of the US Dollar should also keep the Australian Dollar under pressure. The US Dollar ended Q3 2017 on a positive note following the long anticipated Trump tax fiscal reforms, and with the US Dollar Index bouncing off historic lows, we can expect to see continued consolidation in that Index above 92.50 levels. This should keep the Australian Dollar shorts interested, and opens the door towards 0.7475 levels in the AUDUSD pair through the end of this year. Again, the key for the RBA to trigger a rate hike cycle is growing inflation, and a weaker Australian Dollar will be key in achieving this goal.

The next Australian inflation print is due out at the end of October, watch for an expanding figure to raise optimism around the RBA which will ultimately benefit the Australian Dollar. A figure lower than expected will continue to hurt the Australian Dollar prospects.

Gaurav Kashyap

Head of Futures at Equiti Group

New Zealand economy

New Zealand economy

7 years of growth for the New Zealand economy

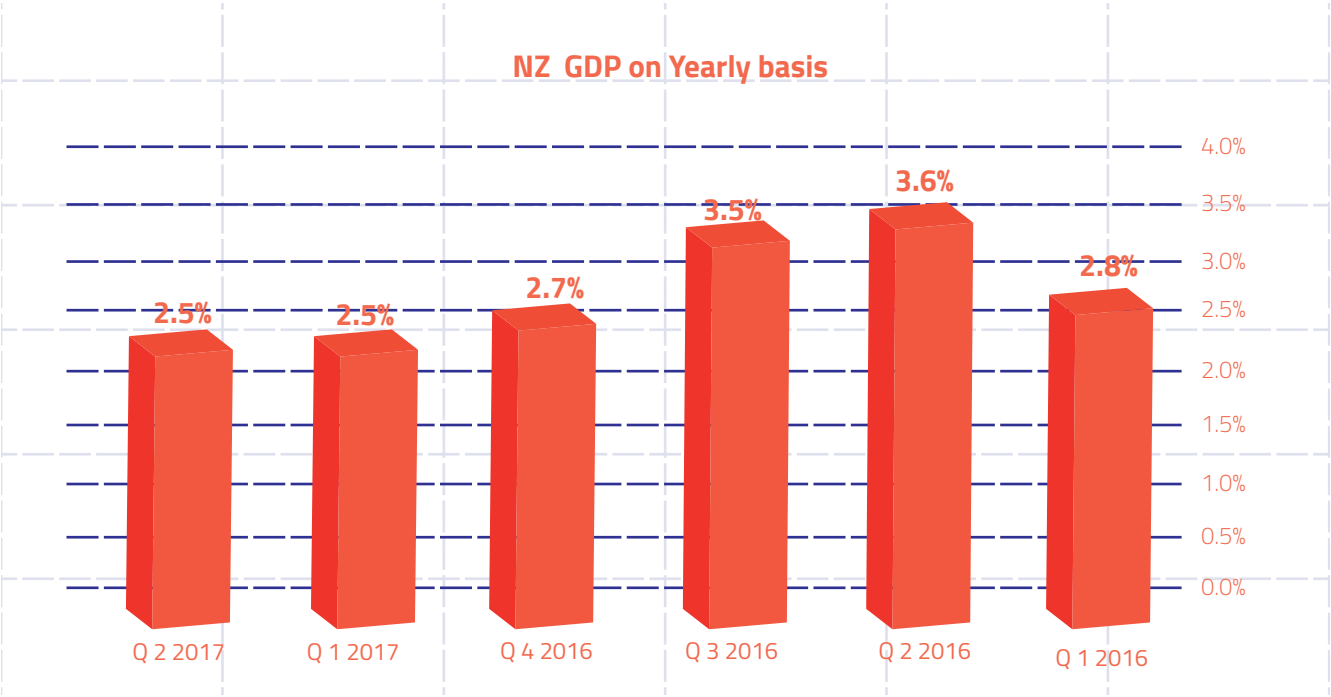
New Zealand's economic growth accelerated in the second quarter of 2017 after GDP rose by 0.8% quarterly, while the first quarter reading was revised up to 0.6%. The rise is largely due to increased spending from tourists who came to the country during this period for the Lions Rugby team tour and the World Masters Games. On a yearly basis, Q2 GDP reading didn't differ from the first quarter reading, with the economy growing by 2.5%.

Retail and accommodation rose by 2.8% as a result of the increase in tourism spending on accommodation, food and beverages. In light of this, manufacturing industries grew by 1.8%, while the transport, post and storage sector increased by 3.5%. During the first quarter by 2.1%. Overall, 11 out of 16 New Zealand sectors are expanding.

Although there was acceleration of GDP growth on a quarterly basis, economic growth in the 12 months to June slowed to 2.7% from 2.9% in the 12 months to March.

The New Zealand economy is entering its seventh year of growth and is expected to continue to grow next year due to strong population growth and increased spending, alongside the Reserve Bank of New Zealand easing policy and the country's exports growing strongly. However, a large part of the increase in domestic demand in recent years is due to the rise in household debt, which is not a sustainable source of growth.

The economy is likely to continue to grow at a moderate pace and the strength of tourism and net migration rates will provide further momentum for the economy. However, inflation expectations remain low and therefore interest rates may not rise any time soon.

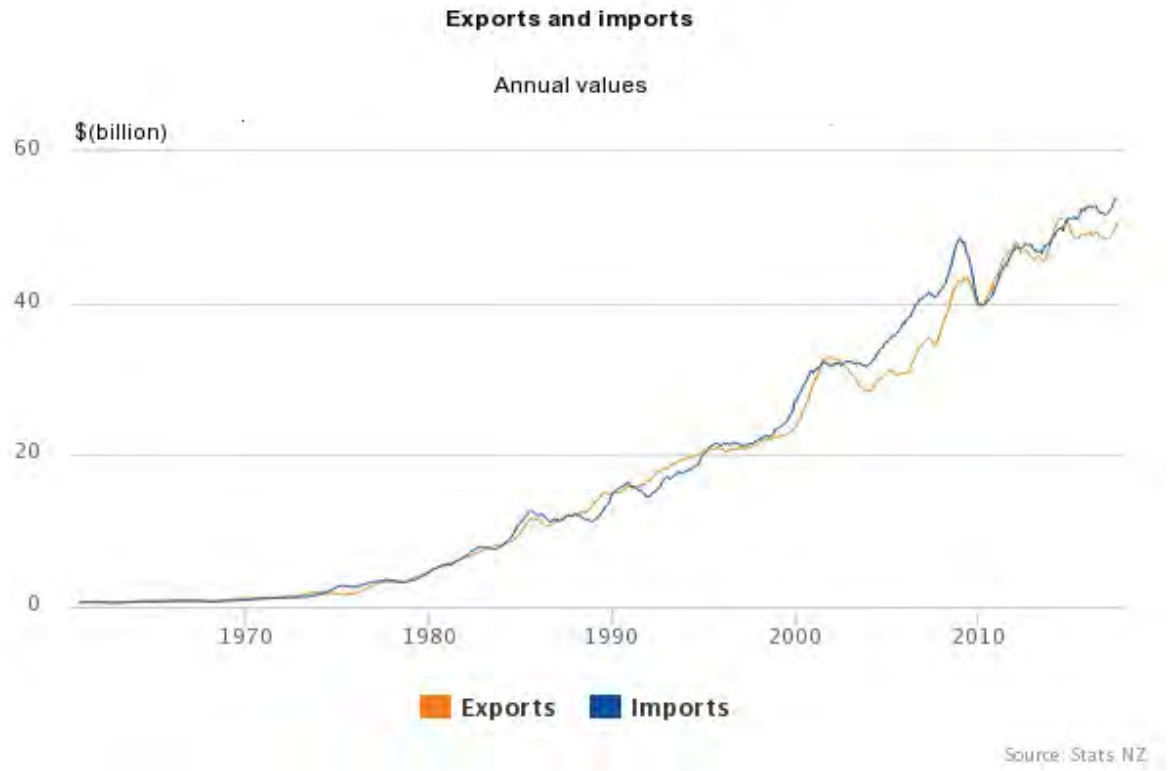


Trade balance surges for first time in July since 2012

The trade balance in New Zealand managed to achieve a surplus in July for the fifth month in a row, helped by the recovery of exports of dairy products, with a surplus of 85 million NZ$. This is the first time a surplus was achieved in July since 2012, and for only the 11th time since 1960. Compared to July last year, the trade balance deficit was about 351 million dollars.

Exports rose by about 668 million dollars in July, or about 17% compared to July 2016. The biggest contributors to this increase were exports of dairy products, which saw the largest increase since March 2014, estimated at 426 million dollars of total exports, or 51% . While imports rose by about 232 million dollars and the largest contributor was imports of cars and spare parts, accounting for about 25% of total imports.

During the second quarter of 2017, exports rose by 5.2%, driven by an increase in commodity exports, which recorded the largest rise in 20 years.



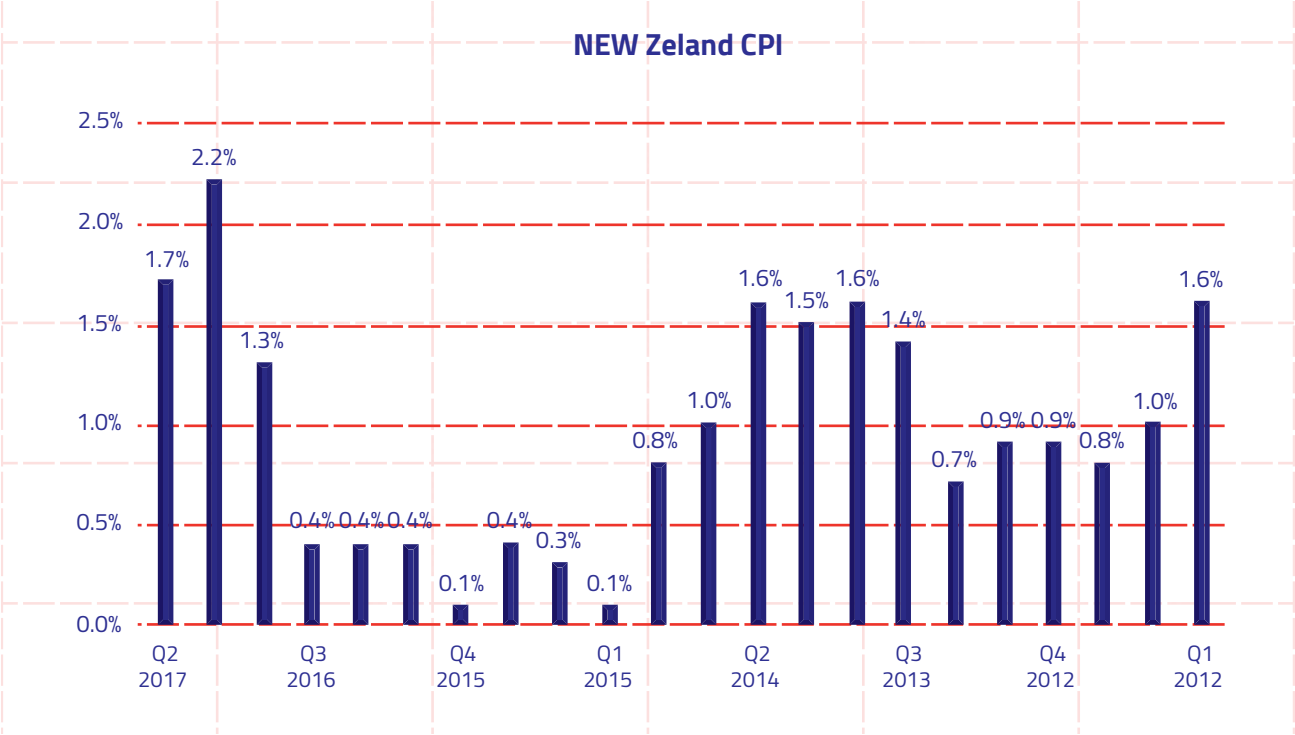
Inflation slows any deflation of interest rates

New Zealand's inflation rate slowed more than expected in the second quarter of 2017 to boost the Reserve Bank of New Zealand's intention to keep rates unchanged at historic lows. The Consumer Price Index (CPI) was steady at 0.0%, falling sharply from 1% in the first quarter of the same year.

On a yearly basis, the consumer price index rose by 1.7% in the second quarter after rising by 2.2% in the previous quarter. The RBNZ remained adhering to the neutral approach, although New Zealand growth is growing stronger among developed economies as well as inflation, which reached the highest levels in 5 years during the first quarter.

The New Zealand Reserve Bank's survey of corporate managers on their inflation expectations over the next two years also confirmed the view that interest rate hikes wouldn't be occurring anytime soon. In the opinion of respondents, annual inflation is to reach 1.77% in one year compared to 1.92% during the previous survey. In two years, inflation is to reach 2.1%, compared to 2.2% in the previous survey.

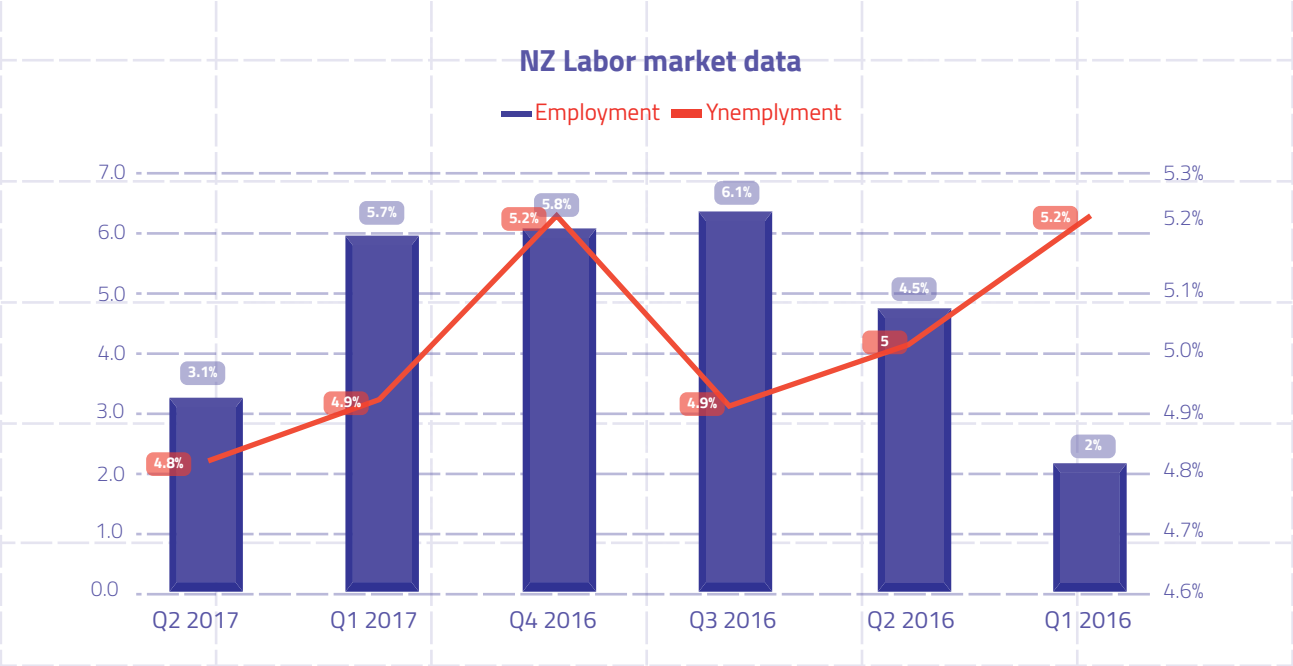
RBNZ seeks to maintain annual inflation of 1% to 3% with a mid-range focus. Also, respondents lowered their GDP growth forecast to 2.75% in one year from 2.81%, and in two years to 2.64% from 2.58%.



Labour market reflects the strength of the New Zealand economy despite slowing in the second quarter of 2017

The labour market strengthened during the first half of 2017 as unemployment fell to its lowest level in more than eight years to 4.8% in the second quarter, despite a sudden drop in the number of workers for the first time in two years by 0.2% on a yearly basis, following a 1.1% rise in the previous quarter

The decline in unemployment was driven by a sharp fall in labour market participation to 70% from 70.6% in the first quarter of the year, resulting in an unexpected drop in job growth, but on an annualised basis the second quarter of 2017 was the seventh consecutive quarter achieving employment levels growth, indicating the strength of the New Zealand economy, where employment rates have been rising a year ago by a strong 3.1%.



Monetary policy and fiscal policy will remain supportive of the current situation

RBNZ is likely to keep its monetary policy accommodative for some time and will wait for the economy to overcome its low inflation rates in recent years that required interest rate cuts. Interest rates may remain unchanged for a long period of time. At its most recent meeting, the bank kept its interest rate at 1.75% - a historic low since the November 2016 meeting.

RBNZ confirmed its approach at the meeting that "monetary policy will remain accommodative for a long time" and believes that a rate hike is not appropriate at the moment.

Economic activity is expected to accelerate as a result of the government's fiscal expansion measures. The fiscal policy is likely to remain more expansive, and its visibility will be clearer after the formation of a new government following the September elections, which could include more spending on infrastructure over the coming years, as well as tax cuts.

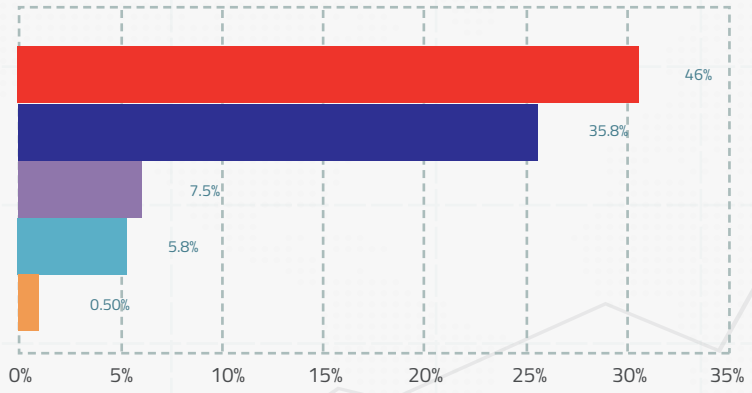
New Zealand Elections: A New State under the National Party

After a somewhat promising campaign for the centre left party, voters in New Zealand chose to remain under the umbrella of the ruling Conservative Party for the fourth term and for three more years. The final result of the election was that the ruling National Party led by Bill English won 44.4% of the vote compared to the 2014 elections in which the party won 47% of the vote.

The opposition Labour Party, led by young Jacinda Ardren, won 36.9% of the vote, while the nationalist New Zealand First won 7.2%, which will now have the balance of power to form the next government. The Green Party won 6.2% of the vote and the ACT party 0.5%.

The leader of the New Zealand First party didn't announce which party he preferred as a coalition partner to form the government, although he had previously supported the party with the largest number of votes. In the coming weeks, many talks will be held to try to get Winston Peters, the leader of the New Zealand first party, on their side.

New Zealand uses the relative representation system, which needs a party or a group of parties to win 61 of the 120 seats in parliament, or about 48% of the vote, to form the government. The results secured 56 seats for the National Party in parliament and 46 seats for the Labour Party. New Zealand first won 9 seats and the Greens 8, while ACT had one seat.



NZ elections results

National Labour NZ first Greens ACT

The New Zealand Prime Minister said that the success of the opposition Labor Party could destroy 9 years of economic success, how do you evaluate the New Zealand economy at the moment and does the success of National party win would affect its performance? Do you see the rise in house prices as a factor in economic performance?

The prospects for the New Zealand economy look pretty sound. The tiny island nation has largely outpaced most other developed nations in terms of growth in recent years. Growth in New Zealand has been on the uptick since Q4 2016, during this period output as increased from 0.4% to 0.8% quarter on quarter through Q2 of 2017. Despite surging growth on the back of increased consumption and manufacturing, the Reserve Bank of New Zealand has maintained to hold rates through at least 2019. We saw a surge in the performance of the New Zealand Dollar following the election outcome in September, however the Reserve Bank of New Zealand has lobbied for a weaker NZD which will keep any gains in the currency in check. Housing prices have remained in check through Q3 of this year, largely to navigate through the political uncertainty from the recent elections, we would expect this to bounce back through the end of the year which would also have a positive impact on the overall New Zealand macro data points.

Gaurav Kashyap
Head of Futures

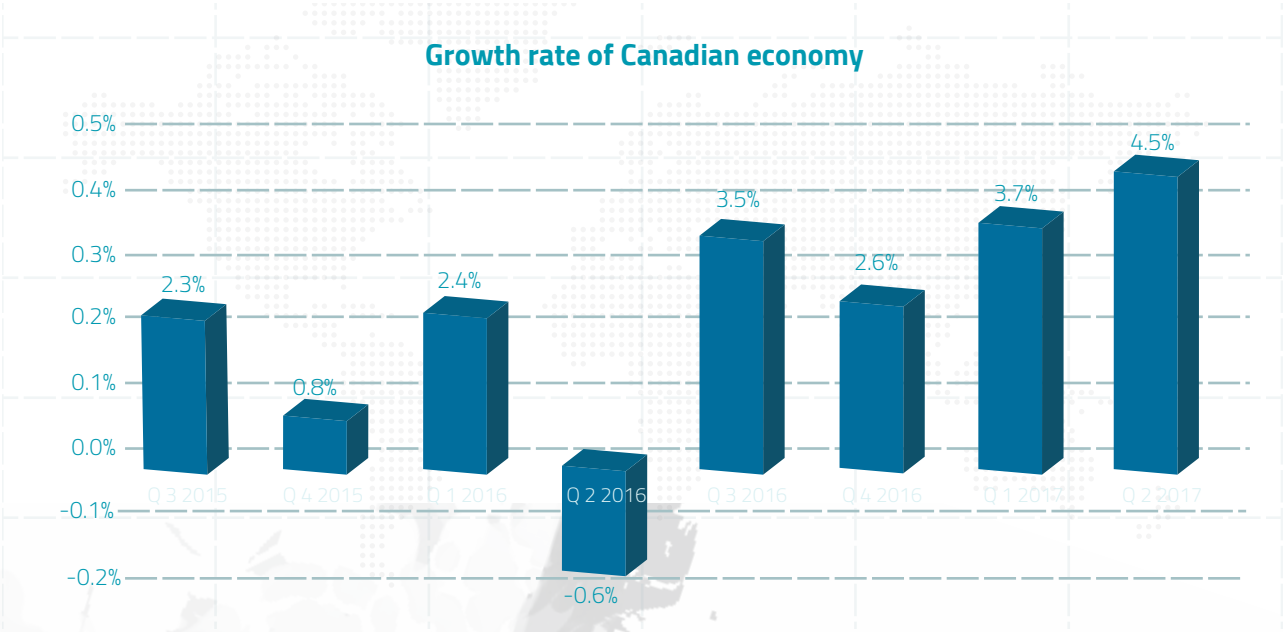
Canadian Economy

Canadian Economy

Strong growth encourages further rise in interest rate

Canada's economic growth accelerated unexpectedly in the second quarter of 2017. GDP grew by 4.5% YoY, the fastest pace of growth in six years, as household spending reached its highest level since before the global financial crisis in 2008 / 2009.

This has helped the Bank of Canada to raise interest rates for the second time this year to 1%, while the economy is nearing its maximum potential. The bank's expectation in July was that excess capacity would be eliminated by the end of this year, based on expectations of 3% growth of the economy during the second quarter of this year.



The Canadian trade deficit contracted to $3 billion in July, due to increasing value of the Canadian dollar, which contributed to the reduction of imports and helped to also reduce exports. This comes after an expansion in June by about $3.8 billion, the worst reading since September 2016, due to a sharp drop in exports by 4.3% and a slight increase in imports by 0.3%. On the positive side, exports rose by 11.1% in the second quarter on an annualised basis, the biggest rise in a quarter since 2011.

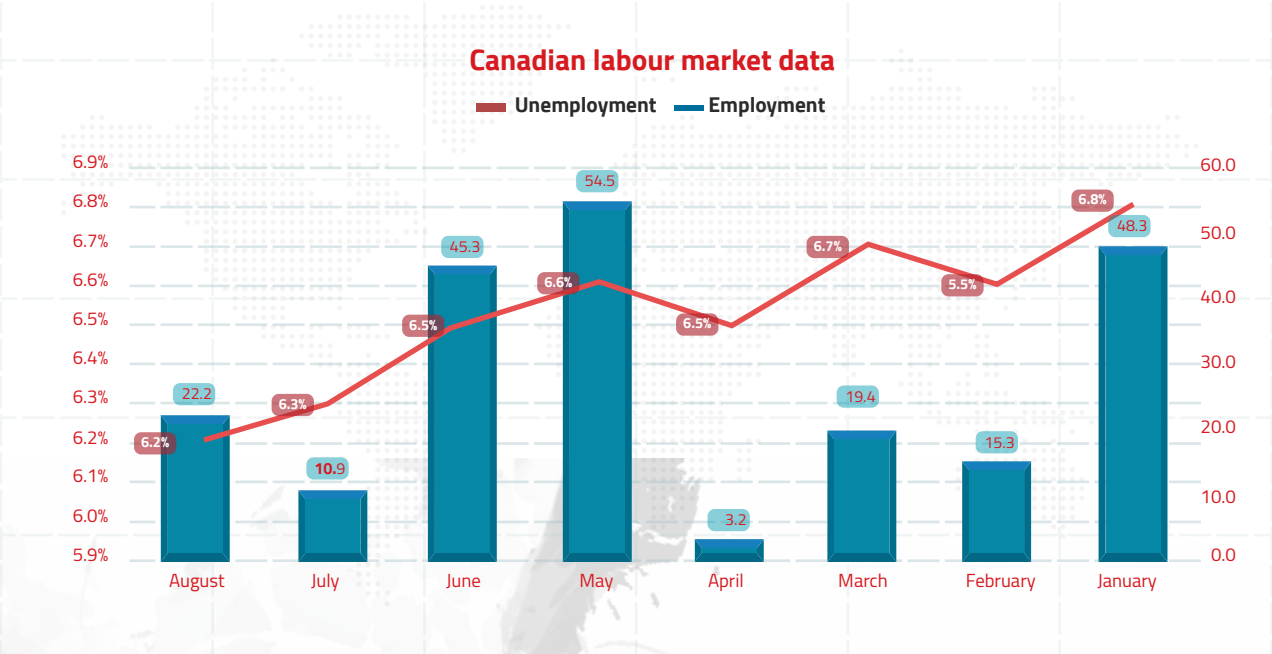
Of course, in the coming periods, attention will be paid to the United States' desire to renegotiate the terms of NAFTA. Canada's foreign trade accounts for about 53% of GDP. On August 16, representatives of the United States, Canada and Mexico met in Washington to renegotiate new terms of the agreement that Donald Trump has long described as a disaster, considering it responsible for the loss of many jobs in the United States.

The Canadian labour market is recovering

The Canadian labour market continued to improve in August, posting the longest growth in employment since the global financial crisis in 20082009/, with signs that the current wage slowdown is on the rise. This is in addition to the drop in unemployment rates to 6.2% - the lowest level since the peak of the global financial crisis.

The economy added 22.2 thousand jobs in August, following the addition of 10.9 thousand jobs in July. The strong labour market performance is expected to boost confidence in the Canadian economy and make the Bank of Canada continue its path of further tightening its monetary policy.

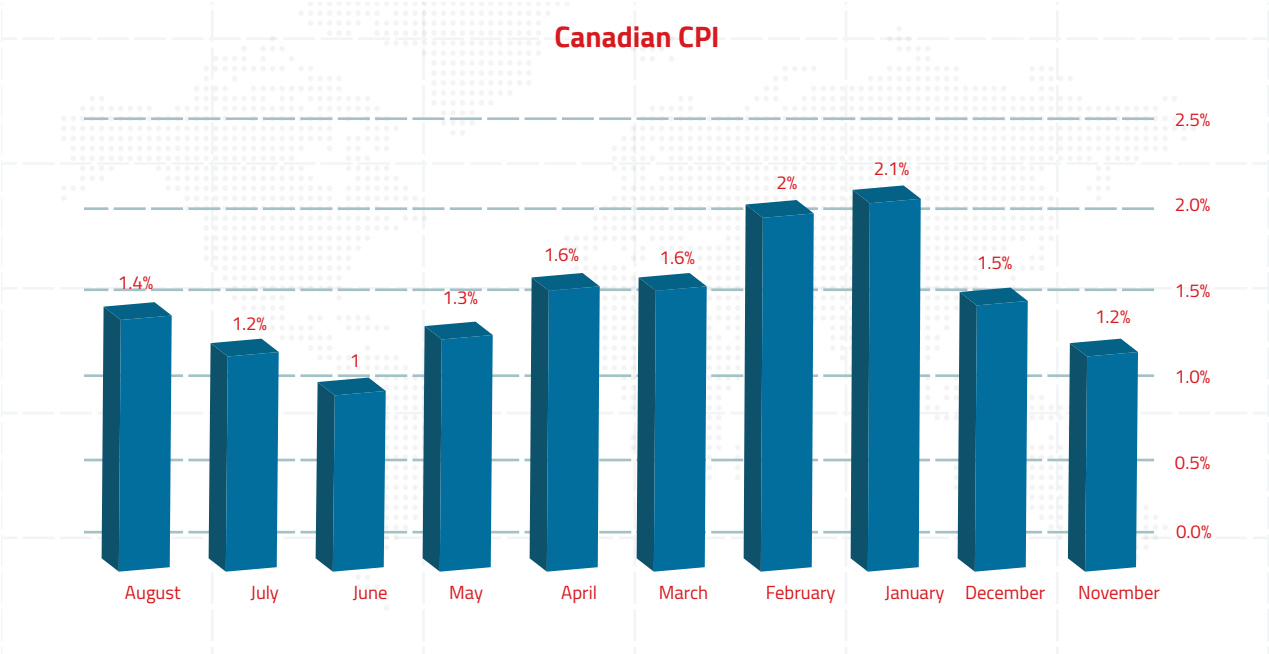
August data shows that the Canadian labour market has added nearly 400,000 jobs in the last 12 months, the strongest figure in 10 years. More than 90% of added jobs over the past 12 months are full-time jobs, which means higher pay and fixed benefits.



Inflation completes series of positive data in the economy

The Canadian Consumer Price Index (CPI) accelerated for the second consecutive month, hitting a four-month high in August by 1.4%. This confirms a series of positive data emerging from the Canadian economy recently that prompted the Bank of Canada to raise interest rates for the first time in 7 years to 1%, and give another chance of an interest rate hike this year. But inflation remains below the Bank of Canada target of 2%.

The Bank of Canada believes price pressures are rising as expected, and the dissolution of the temporary factors hindering them and strong economic growth will eliminate excess labour and unlock untapped productive capacity.



Will the Bank of Canada raise interest rates for the third time this year?

The Bank of Canada unexpectedly raised interest rates for the second time this year at the September meeting to 1%, after raising it for the first time since 2010 during the July meeting to 0.75%. In an interest rate statement, the bank said that the latest economic data was stronger than expected and supported the bank's view that the Canadian economy is becoming more broad and self-sustaining.

What worries the markets is that raising interest rates could have an impact on consumer spending and lead to higher borrowing costs and burden the export sector. Stephen Poloz , Bank of Canada Governor, justified the rate rise by saying that the Canadian economy is turning to the right track after a series of erroneous beginnings, including falling oil prices in 2014 and 2015. He added that the economy continues to grow among different sectors and is more sustainable.

Canada is currently experiencing a strong growth period, the strongest since 2008-2009 as economic growth accelerates more than 3% in the last 4 quarters. It is also one of the fastest growing economies among the G7 countries, which prepares the economy for further interest rate increases before the end of 2017.

Gold

Gold

Gold Remains Steady Amid Growing Tensions

Gold has recorded a strong gain in the first half of 2017, with prices for the precious metal rising around 8 percent as geopolitical turmoil hit the world. These gains were helped by investor rush towards asset classes viewed as safe havens, including gold, amid growing uncertainty.

As Trump's policy agenda has been thrown off course and delayed, there were many other factors to fuel market unrest including the tense relations between the United States and Russia, Brexit rumblings and growing terrorist risks.

Among the factors lifting gold were the strong physical demand, especially in China and India. This helped offset the slowdown in US sales over the first half of the year as Indians bought around 23 tonnes of gold in a single day in April. During the first half of 2017, India's imports of gold amounted to $22 billion compared to $23 billion dollars in 2016.

In the second quarter, gold prices halted their rise as concerns over geopolitical tensions eased. The US interest rate hike also had a significant impact and pushed the metal lower by 0.4%, albeit still 8% higher in the first half.

Some analysts believe that gold prices will continue to rise in the second half of the year, supported by further geopolitical tensions against the background of North Korean threats and uncertainty surrounding Trump's policy.

Over the first six months of 2017, gold continued to climb except for a single drop in June after the Federal Reserve raised interest rates, pushing the prices away from a 7-month $1296 an ounce high reached earlier.

During the second half of 2017, investors will be watching a number of factors that may have a powerful impact on the metal trends. The most important factor is the expectation that the Fed will likely continue tightening policy by reducing its balance sheet.

Additionally, key political events in Europe will be closely watched, in particular the Brexit talks, which will be resumed after it was left stuck in the mud over the summer.

Looking at gold's monthly chart, we can see prices are still testing the strong resistance handle at $1296 after rebounding off the rising trend line within a rising wedge pattern. If the price manages to break through this level, we expect the metal to march higher to target the upper border of the wedge at levels of 1391/1435 per ounce. Otherwise, gold may return to the levels around $1230 or even extend lower to $1140 per ounce.

OIL

Oil

Output-Cut Deal Not Enough to Bolster Teetering Prices

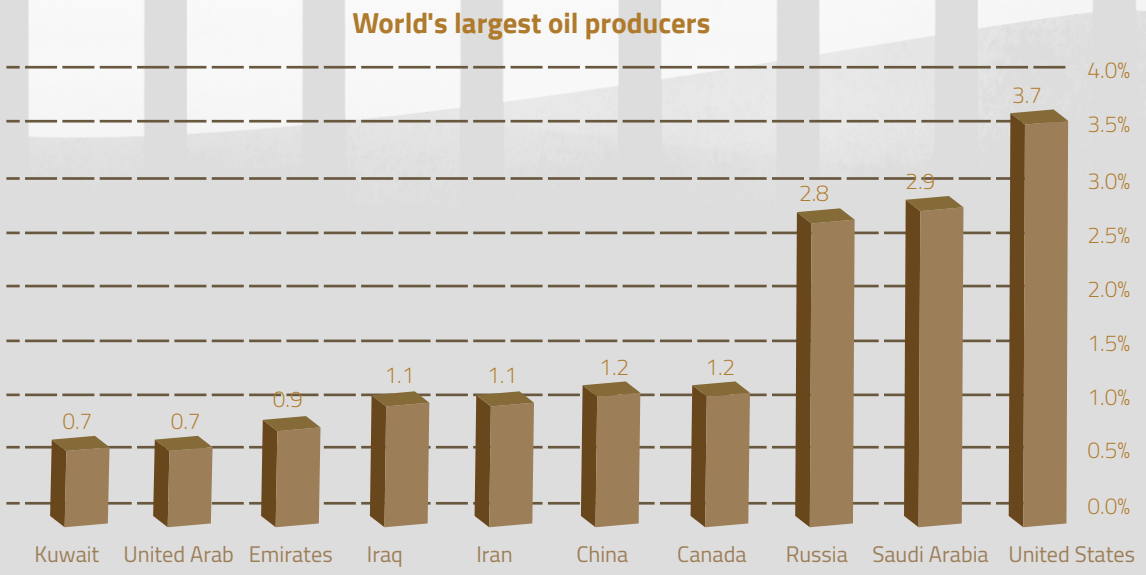
Oil prices turned lower in the first half of 2017 after the US crude hit its highest point in more than two years at $55.22 a barrel. Brent also climbed to $58.36, following the implementation of an OPEC-led deal in January. The cartel members and 11 non-OPEC countries agreed last year to reduce oil output by 1.2 million barrels, from 33.8 million barrels per day to 32.5 million barrels. This was in addition to the agreed production cuts from non-OPEC countries by 600 thousand barrels per day, bringing the collective reduction to nearly 2% of global supply.

However, the agreement did not provide sufficient support for crude prices, which steadily declined until reaching their lowest levels in the first half of 2017 at $42.03 a barrel, the weakest since August 2016. Brent crude shed 20% to $44.34, the worst performance since the first half of 1997.

On May 25, OPEC decided with a number of non-member countries, led by Russia, to extend cuts in oil output by nine months to March 2018 as they battle a global glut of crude after seeing prices halve and revenues drop sharply in the past three years.

With these attempts to rebalance oil markets, the price rise this year has spurred growth in the U.S. shale industry, which is not participating in the output deal, thus slowing the process. OPEC's effort to end the worldwide glut seems to be flagging as the deal failed to push the prices higher enough. Further, the early positive impact was already eroded by surging U.S. shale production. The United States is the world's largest oil consumer, while both Saudi Arabia and Russia are competing for increasing production.

The following chart shows the world's largest oil producers in million barrels per day:



OPEC and IEA optimistic about the oil market

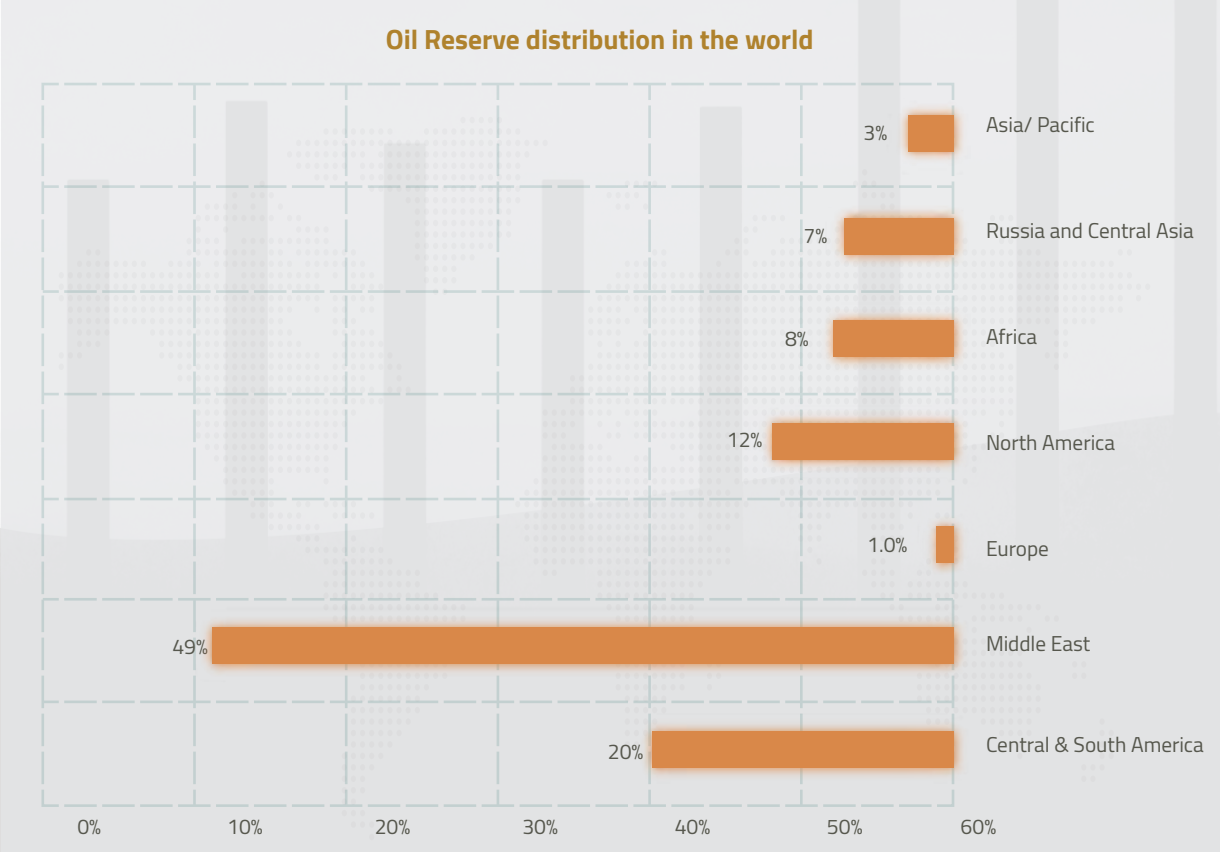
OPEC's crude production rose to the highest level this year in July as 8 member nations pumped more, bringing the total production to 32.9 million barrels per day. Libya topped the list of countries whose output increased after pumping an additional 154.3 thousand bpd in July.

In its latest monthly report, OPEC said that it expects global oil demand to grow in 2017 by 1.4 million bpd to an average 96.49 million barrels. Furthermore, the cartel slightly lifted its demand forecast in 2018 by 1.3 million barrels as it expected global consumption to average 97.77 million barrels per day.

OPEC noted that non-member countries' compliance to the supply cut deal was 94 percent in July, the lowest since the deal to reduce a global glut, lift prices and rebalance the market came into effect. OPEC left the door open to the possibility of deeper cuts or a longer extension beyond March 2018.

Elsewhere, the International Energy Agency (IEA) amended its demand forecasts as it now expects global demand for crude to jump by 1.5 million barrels a day to a total of 97.6 million barrels. However, the Paris-based agency expects crude demand to slow in 2018 by 1.4 million barrels per day, bringing the global demand to nearly 99 million barrels.

For its part, Saudi Arabia, the largest oil producer within OPEC, pledged to reduce its oil exports to help accelerate market rebalancing. Saudi officials added that OPEC will address weak compliance with output cuts by some member states. Saudi Arabia's oil and energy minister, Khalid al-Falih, said the kingdom would cut its exports to 6.6 million bpd in August from 7.1 million bpd in July.



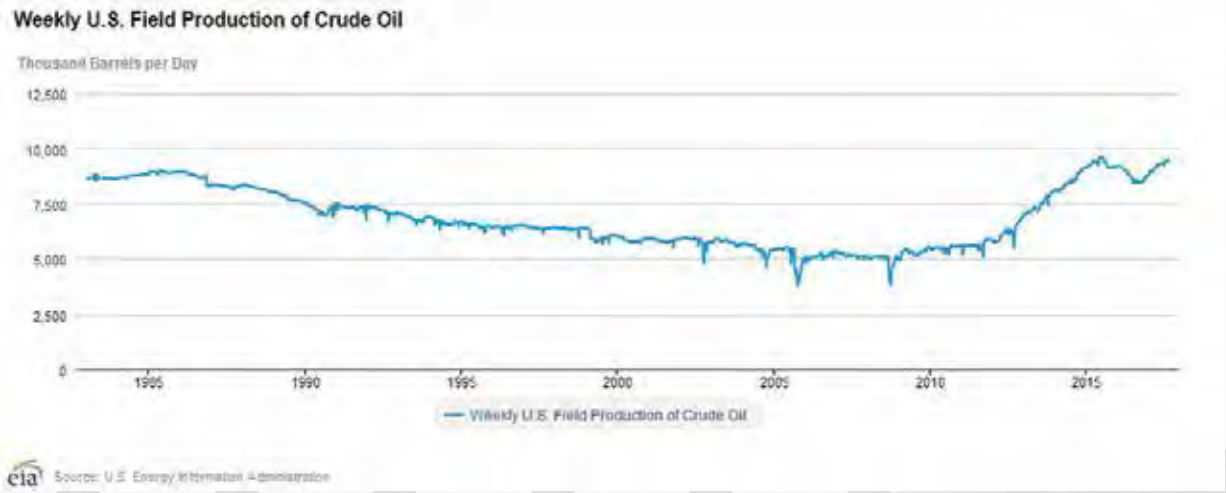
Pulling the oil market back into balance is taking longer than expected as production from Nigeria and Libya accelerates, complicating OPEC's supply cut plans. Nigeria's output returned to its highest level in 17 months, while Libyan production nearly tripled from last year

US oil output continues to rise

US oil production continues to surge and already hit its highest level since July 2015 at 9.53 million barrels per day. Shale-oil production is also expected to rise further. The EIA forecasts that oil output from US shale regions will reach 6.1 million barrels per day in August and poised to hit 9 million barrels a day next year.

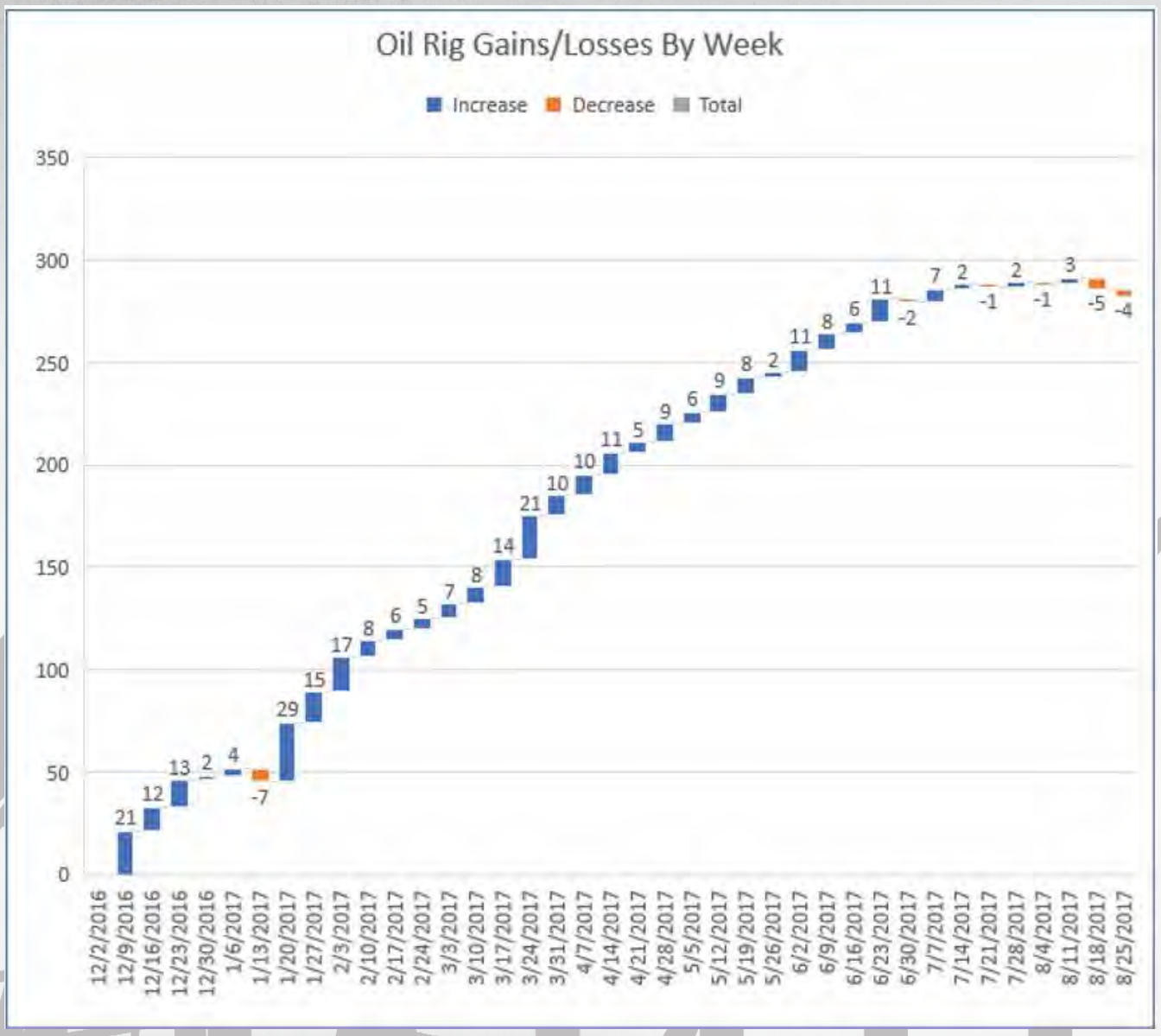
Meanwhile, crude oil inventories dropped for the eighth week in a row by 3.3 million barrels to 436.2 million barrels, the lowest level since January 2016. The U.S. stockpiles are now down 6% year on year, and 14% off the highest levels reported back at the end of March at 535.5 million barrels. Oil inventories continue their downward trend, which supports market sentiment and thus indicates that the rebalancing of the market is underway, but at a slower pace, given the production increases.

The following chart shows the weekly production of crude oil in the United States:



Oil prices have recovered significantly since late June due to slowdown in the number of rigs drilling for oil in the United States, which fell by 4 in the week ended August 25, bringing the count to 759. Compared to last year, the number increased by 353. Active rigs fell for the second consecutive week, which supports the rise in oil prices together with the halt of crude drilling in Texas caused by Hurricane Harvey, the biggest storm to hit the US coast in more than 10 years.

The chart below shows the number of oil rigs added since 2016 until the last week of August:



CRYPTOCURRENCIES AND FINANCIAL TECHNOLOGY

Cryptocurrencies- The Black Horse of 2017

Since the beginning of the year, the Bitcoin has risen by more than 300% and reached its historic highs of about 5000$. How do you see this rise? With increasing demands, would we see the digital currency legalized by governments around the world?

The rise of Bitcoin prices stems from two main points:

1. Media attention or hype
2. New use cases (where bitcoin fills a gap in the market) which creates natural demand.

Media attention and hype is easy to follow. The currency is getting huge airtime across the globe, and is getting more mainstream despite early setbacks. In the early days of bitcoin the criminal element was highlighted, and of course that's not fair. For example, just because drug dealers favorite currency was USD in the 70s (until now), doesn't mean the Federal reserve is responsible for the world's drug problems. The same thing is happening with Bitcoin. The fact that it was taking the lead as favorite currency of criminals, doesn't make bitcoin guilty of a crime. It's the same argument for internet crime as a whole and cryptocurrency and crypto-instant messaging specifically. The technology can't be blamed, and the media attention for bitcoin is now moving towards real stories of growth and more positive hype than negative.

New use cases, where there is genuine need for Bitcoin in the market, is another reason for the rise of bitcoin and it's price. Every time bitcoin captures a unique market segment, it seems to increase in value. Whether it's a void bitcoin fills with regards to payment solutions, or micro-lending etc, it seems to increase in demand constantly. This is causing the rise of prices.

I personally believe that it's more likely that Bitcoin will be banned rather than legalized at government level, especially once more organized government sponsored alternatives become available

Hormoz Faryar
Global Head - Institutional Sales

How do you see the future of cryptocurrencies in general, and do you see it as the next safe haven for markets? Will it have a role to play in threatening the global banking system?

The technology genie is out of the bottle. Technology is challenging every single concept we have across the board. It means that nothing remains unchallenged by new technology.

Global banking system continues to be challenged by new technology, and in many cases it is also re-shaped by technology. In the case of cryptocurrencies, it may unfortunately try to re-shape the very foundation of global banking system, the base currency.

Hormoz Faryar

Global Head - Institutional Sales

Financial Technology

We have seen the thrive in the fintech industry over the past few years. It has received about $ 18 billion as investments over the past year alone. In your opinion, how does this thrive effect on the investor in general and in the foreign exchange market in particular?

The financial technology industry is a vital sector that depends on the new link between the financial services sector and modern technology companies.

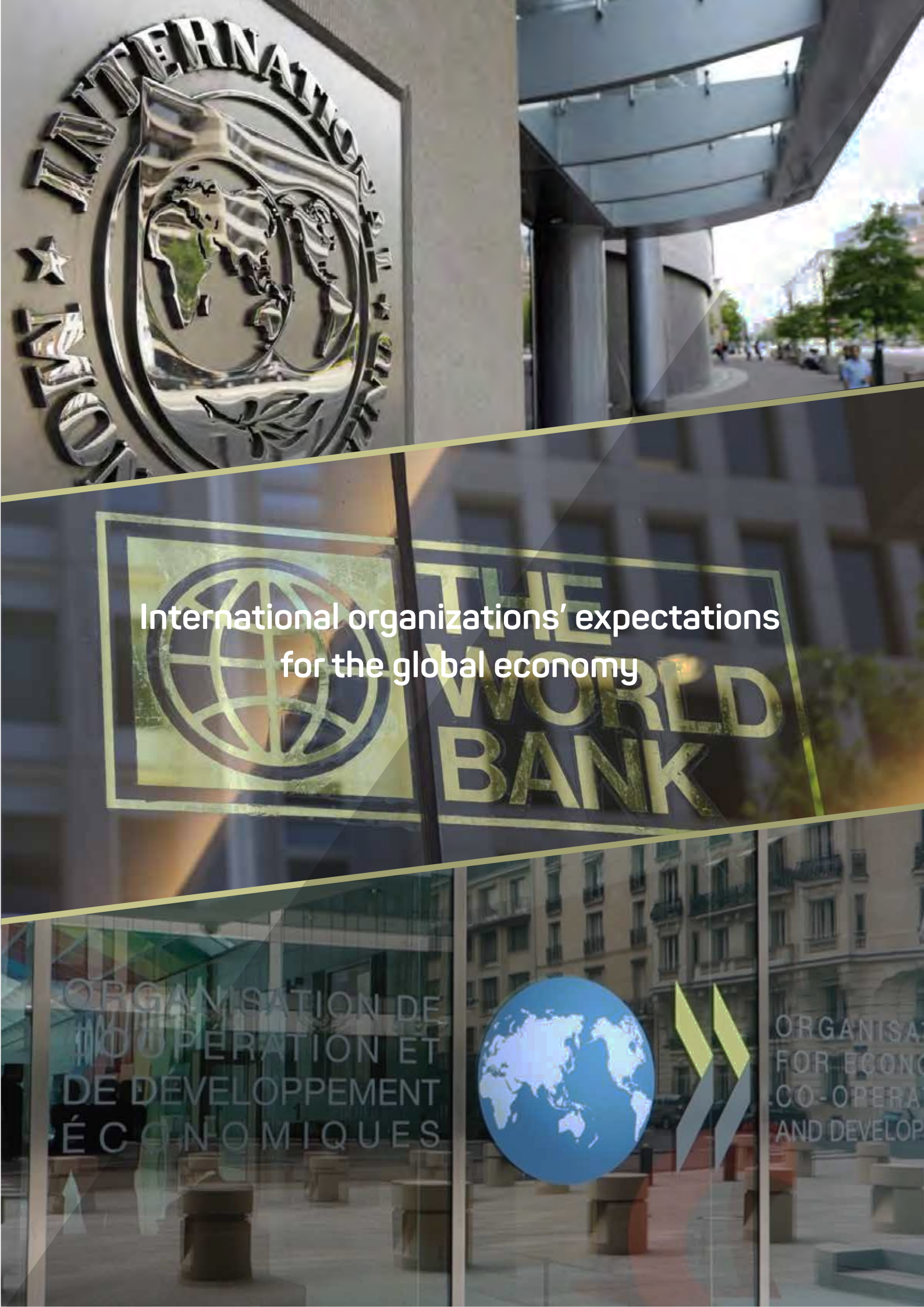
With the multiplicity of financial products and increased investment, and the introduction of completely new products such as encrypted digital currencies, the risks associated with trading these products and the requirements for trading and investment have increased. This has additionally raised a need for an advanced technical environment that is appropriate for the new trading conditions, magnifying the importance of the financial technology industry, which has recently began to make a strong appearance on the scene.

This relatively new industry has attracted more than 18 billion dollars in investments over the past year. It is a clear indication of the seriousness of the challenges, and opportunities, ahead. This has already begun to reshape the modern financial system, if not to change it completely. Today there are financial companies and banks that operate completely online without any physical presence on the ground.

The fact that some countries are enabling and legitimizing digital currencies gives hope for a fast-approaching financial revolution based on new-age technologies, and this is exactly what the financial technology companies are doing. It is not unthinkable for the parallel financial system to eventually replace existing systems entirely.
The abundance of financial investment opportunities between the traditional and modern innovations is positive for investors, especially those in the foreign exchange market. We have all followed the positive momentum in the exchange rates of encrypted currencies, especially the formative Bitcoin, which has witnessed unprecedented levels, as we saw recently at 6571 US dollars.

Financial technology companies have been able to enter most countries and acquire a large market share by relying on revolutionary innovations and new solutions to meet the needs of the young new generation that will actually be the next consumer of the services the financial technology industry will provide.

Mohamad Alkhedr
Regional Head Market Strategy
and Content at Equiti Group



International organizations' expectations for the global economy

International Monetary Fund (IMF)

The International Monetary Fund (IMF) expects economic growth to accelerate in 2017 in developed economies by 2%, emerging and developing economies by 4.6% and global growth by 3.5%. As for the 2018 outlook, the International Monetary Fund sees developed economies growing by 1.9% and emerging and developing economies by 4.8%, to reach a global growth rate of 3.6% in 2018.

IMF confirmed that global economic growth had improved better than expected in the first quarter of 2017, and that preliminary indicators for the second quarter indicated continued improvement in global economic growth.

The uncertainty about the timing and nature of the changes in US fiscal policy has largely contributed to the growth outlook of the US economy, down from 2.3% to 2.1% in 2017 and from 2.5% to 2.1% in 2018.

Growth in the UK was also revised downwards in 2017. Growth in 2017 was highly revised for a number of Eurozone countries including France, Germany, Italy and Spain, where growth was higher than expected in the first quarter of this year. In Japan, private consumption, investment and exports contributed to growth in the first quarter of 2017.

IMF expected economic growth in China to stabilise at 6.7% in 2017, unchanged from 2016, and slow down slightly in 2018 to 6.4%. The 2017 forecast was revised upward due to the supply-side reforms, including efforts to reduce excess energy usage in the industrial sector.

The IMF noted that inflation in developed economies is still weak and below set targets and is declining in many emerging economies such as Brazil, India and Russia. Tightening monetary policy in some advanced economies, especially the United States, could lead to faster than expected tightening of global financial conditions.

IMF also pointed out, however, that there were a number of risks surrounding the outlook for global economic growth and stressed that they remained balanced in the short term but tended to be negative in the medium term.

The most prominent of these risks is the continued uncertainty on policies for a long time, especially the US fiscal policies that are difficult to predict in addition to Brexit negotiations. Also, China's financial tensions and excessive credit growth jeopardise economic growth and threaten negative repercussions for other countries.

The International Monetary Fund's report also noted the policies of obstruction and protectionism that hinder reforms and their impact on low-income families. Also among the dangers are the constraints posed by rising political tensions.

Year over Year									
					Difference from April 2017		Q4 over Q4 2/		
	Estimate		Projections		WEO Projection 1/		Estimate	Projections	
World Output	2015	2016	2017	2018	2017	2018	2016	2017	2018
Advanced Economies	3.4	3.2	3.5	3.6	0.0	0.0	3.2	3.5	3.7
United States	2.1	1.7	2.0	1.9	0.0	-0.1	2.0	1.9	1.9
Euro Area	2.6	1.6	2.1	2.1	-0.2	-0.4	2.0	2.0	2.3
Germany	2.0	1.8	1.9	1.7	0.2	0.1	1.8	1.9	1.7
France	1.1	1.2	1.5	1.7	0.1	0.1	1.2	1.7	1.5
Italy	0.8	0.9	1.3	1.0	0.5	0.2	1.1	1.1	1.0
Spain	3.2	3.2	3.1	2.4	0.5	0.3	3.0	3.0	2.1
Japan	1.1	1.0	1.3	0.6	0.1	0.0	1.6	1.2	0.5
United Kingdom	2.2	1.8	1.7	1.5	-0.3	0.0	1.9	1.4	1.4
Canada	0.9	1.5	2.5	1.9	0.6	-0.1	2.0	2.3	2.0
China	6.9	6.7	6.7	6.4	0.1	0.2	6.8	6.4	6.4

World Bank (WB)

The World Bank expects global economic growth in 2017 to rise to 2.7% and 2.9% in 2018 and 2019 as a result of the recovery of manufacturing and trade and improved market confidence in emerging markets and developing economies.

The Bank expects developed economies to record a rapid growth rate of 1.9% in 2017, while emerging markets and developing economies could grow in 2017 to 4.1% from 3.5% in 2016. The WB is expecting growth to increase at an average of 4.6% in the two years 2018 and 2019, driven by reduced constraints in commodity exporting countries and strong growth of importing countries.

The World Bank has identified several risks that may weigh on the prospects of global economic growth, as new trade restrictions may hinder the recovery of global trade, and a state of policy uncertainty can weaken market and investment confidence. On the other hand, the return of the pace of monetary policy to its normality may lead to financial turmoil, and in the long run with productivity and investment levels remaining weak, the impact on global growth prospects will be negative.

Also, one of the highlighted points by the World Bank is increasing debt burdens in developing economies and with any sudden increase in interest rates, it could result in significant damage. With confidence in the beginning of global trade recovery, with world trade growth rising to 4% from the low level of 2.5% after the global financial crisis, the main concern is weak investment.

Table 1.1 Real GDP[1]
(percent change from previous year)

			Estimate	Projections			Percentage point differences from January 2017 projections			
World	2014	2015	2016	2017	2018	2019	2016	2017	2018	2019
Advanced Economies	2.8	2.7	2.4	2.7	2.9	2.9	0.1	0.0	0.0	0.0
United States	1.9	2.1	1.7	1.6	1.8	1.7	0.1	0.1	0.0	0.0
Euro Area	2.4	2.6	1.6	2.1	2.2	1.9	0.0	-0.1	0.1	0.0
Japan	1.2	2.0	1.8	1.7	1.5	1.5	0.2	0.2	0.1	0.1
Emerging Market and Developing Economies (EMDE)	0.3	1.1	1.0	1.5	1.0	0.6	0.0	0.6	0.2	0.2
China	4.3	3.6	3.5	4.1	4.5	4.7	0.1	-0.1	-0.1	0.0
	7.3	6.9	6.7	6.5	6.3	6.3	0.0	0.0	0.0	0.0

Organisation for Economic Co-operation and Development (OECD)

Under the expectations of a better economic situation (but still not good enough), the Organisation for Economic Co-operation and Development (OECD) expects that on average the world economy will recover and is on track to achieve its fastest growth in six years, but warned that countries need to do better. The OECD forecast that the world economy will grow by 3.5% in 2017 and 3.6% in 2018 as confidence, investment recovery and trade grow.

Although the organisation raised its growth forecast for the global economy in 2017, it lowered its estimate for the United States to 2.1% from 2.4% this year and to 2.4% from 2.8% in 2018 due to the delay in US President Donald Trump's plans for reducing taxes and spending on infrastructure.

At the same time, the organisation has raised its Eurozone forecasts to 1.8% in 2017 and 2018 from 1.6% amid high expectations for the Eurozone economy boosted by the strong growth of Germany, Europe's largest economy.

Year on year, %

	2015	2016	2017	2018
World[1]	3.1	3.0	3.5	3.6
United States	2.6	1.6	2.1	2.4
Euro Area[1]	1.5	1.7	1.8	1.8
Germany	1.5	1.8	2.0	2.0
France	1.2	1.1	1.3	1.5
Italy	0.7	1.0	1.0	0.8
Japan	1.1	1.0	2.8	1.0
Canada	0.9	1.4	1.6	2.3
United Kingdon	2.2	1.8	6.6	1.0
China	6.9	6.7	6.9	6.4
India[2]	7.9	7.1	7.3	7.7
Brazil	-3.8	-3.6	0.7	1.6

Technical View
EURUSD

Product Name	Uptrend signal	Downtrend signal	Summary
EURUSD	Stable above 1.1450	Breaking support level 1.1450	The target in case of achieving uptrend condition is 1.27 then 1.32 The target in case of achieving downtrend condition is 1.11 then 1.0800

Supports	1.1720 – 1.1450 – 1.12
Resistances	1.2170 – 1.26 -1.27 – 1.28

GBPUSD

Product Name	Uptrend signal	Downtrend signal	Summary
GBPUSD	Stable above 1.2750	Breaking support level 1.2750	The target in case of achieving uptrend condition is 1.3450 – 1.3850 The target in case of achieving downtrend condition is 1.2550 – 1.21

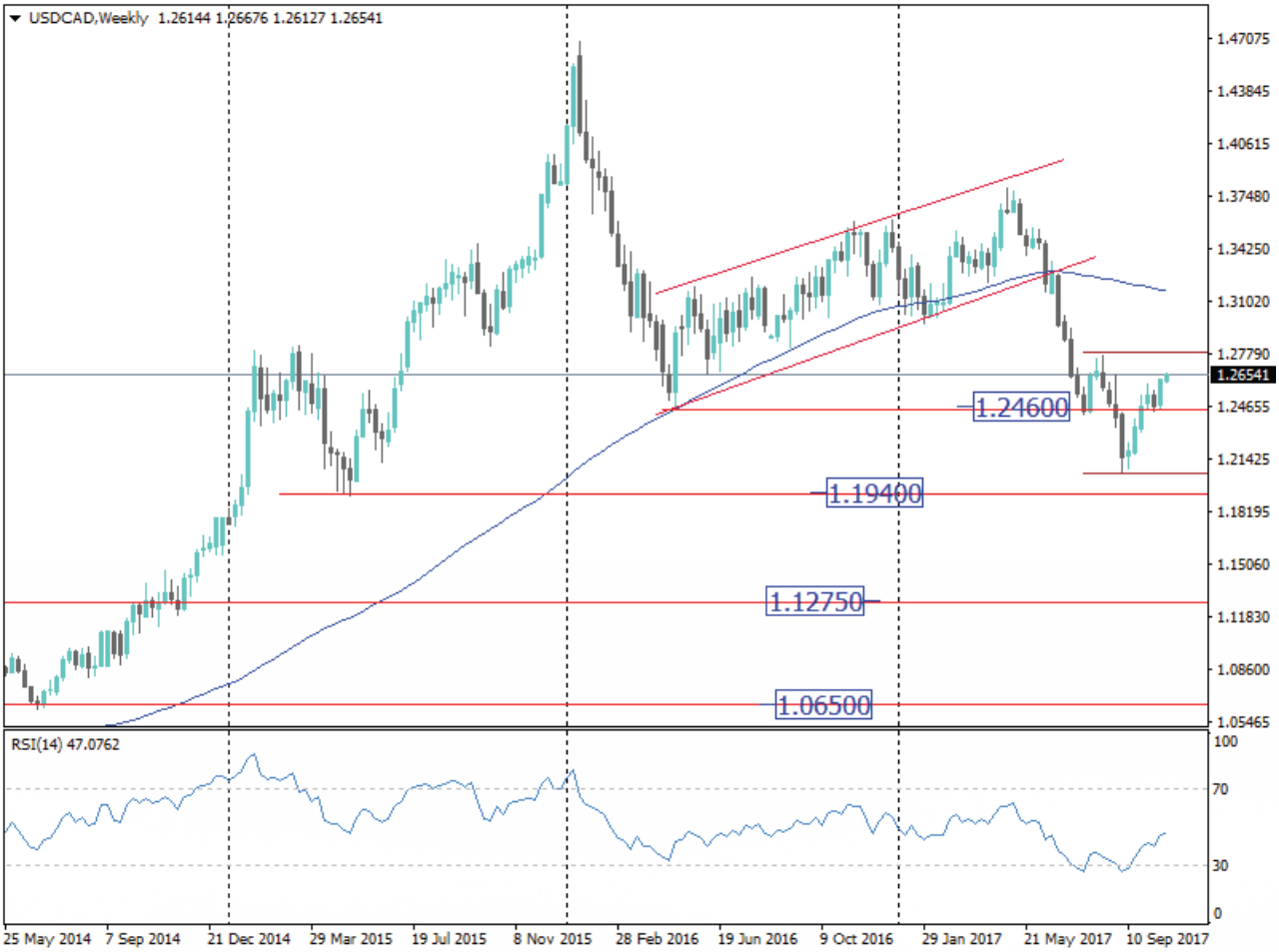
Supports	1.2750 – 1.2560
Resistances	1.33 – 1.3450

USDJPY

Product Name	Uptrend signal	Downtrend signal	Summary
USDJPY	Breaking through above 114.50	Breaking support level 108	The target in case of achieving uptrend condition is 118.50 - 123 The target in case of achieving downtrend condition is 100

Supports	108 – 104.50 - 100
Resistances	111.80 – 113 – 114.50

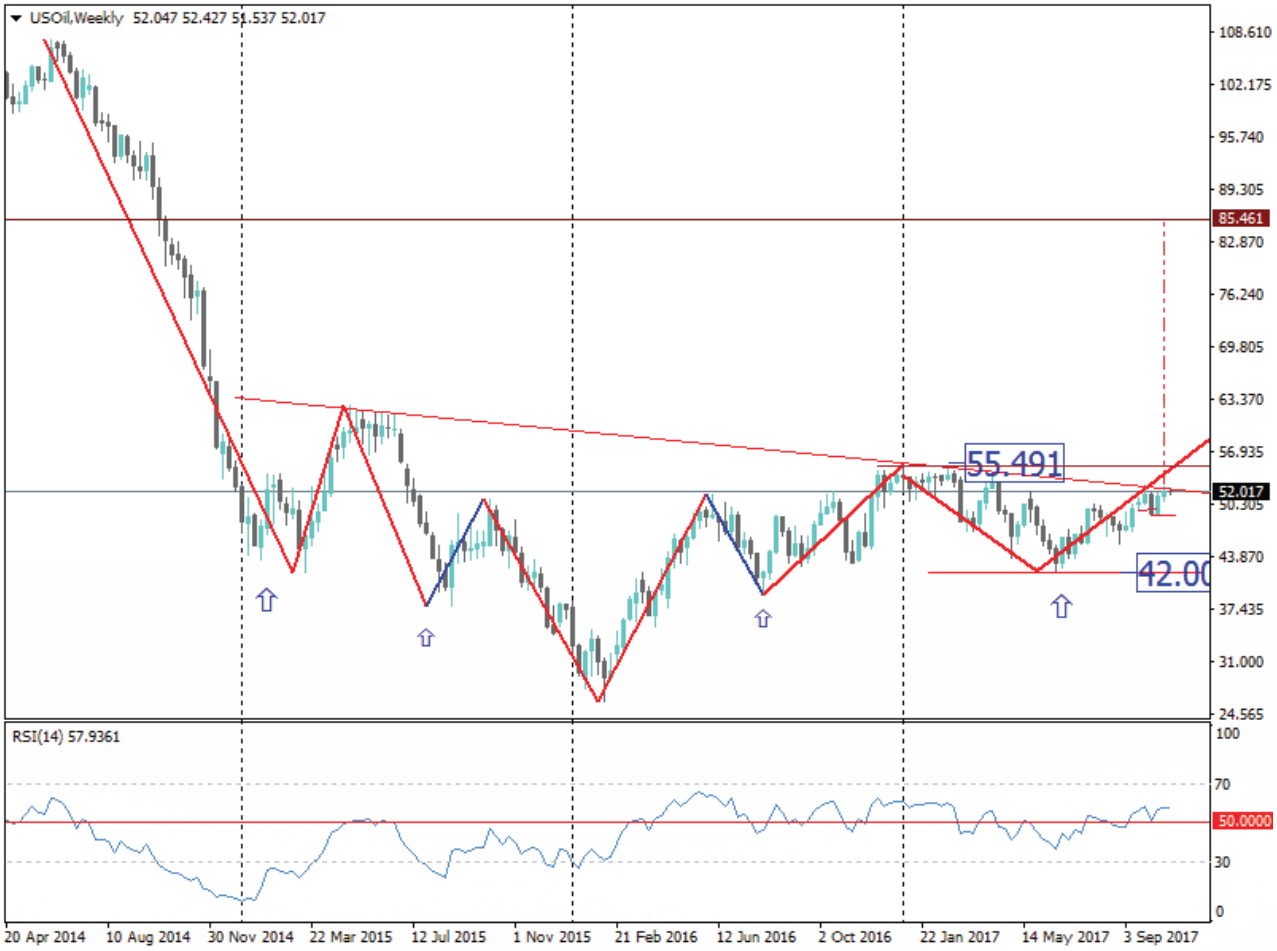
USDCAD



Product Name	Uptrend signal	Downtrend signal	Summary
USDCAD	Rising again above 1.2450	Stable below 1.2460	The target in case of achieving uptrend condition is 1.28 – 1.3050 The target in case of achieving downtrend condition is 1.1940 – 1.1275

Supports	1.1940 – 1.1275
Resistances	1.2450 - 128

USOIL



Product Name	Uptrend signal	Downtrend signal	Summary
USOIL	Breaking through resistance 50.50	As long it is below 50.50 it is downtrend signal and confirmed by breaking 45.50	The target in case of achieving uptrend condition is 55 then 62 The target in case of achieving downtrend condition is 42 then 37

Supports	45.50 – 42 - 37
Resistances	50.50 – 52 – 55 - 62

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