

HEADLINES



- The IMF has raised the world GDP outlook for 2024, based on better than expected expansion in the U.S. and proposed fiscal stimulus in China. However, it continues to highlight the overall risks of war and inflation. The forecast is 3.1% growth in 2024, up from 2.9% estimated in October 2023. Growth forecast for 2025 has been kept unchanged at 3.2%. “The global economy continues to display remarkable resilience, and we are now in the final descent toward a soft landing with inflation declining steadily and growth holding up,” IMF Chief Economist Pierre-Olivier Gourinchas said in a briefing. “But the pace of expansion remains on the slow side, and there might be turbulence ahead.” The IMF has also raised its 2024 growth forecast for the U.S. from 1.5% to 2.1%, supported by higher than expected consumer spending at the end of last year.
- The EU narrowly missed a recession in Q4’23, with GDP remaining stagnant. Economists had forecasted another drop, but data still suggests that growth in the bloc remains relatively weak for the beginning of 2024, especially in Germany.
- Saudi Aramco has dropped expansion plans which were to boost its oil capacity. Such a decision is now raising questions on oil demand, after the world’s biggest oil exporter said in November that it was progressing “very well” with a multibillion-dollar project to boost capacity to 13 million barrels per day by 2027. The change of plan, ordered by the Saudi government will impact a significant portion of the supply buffer that was being factored in by traders. Aramco is expected to update its capital spending plans when it releases its 2023 financials in March.
- Closing a 2-year hiatus of the Northern Irish Government, newly appointed First Minister of Northern Ireland Michelle O’Neill was sworn in on Saturday. U.K. PM Rishi Sunak will meet with O’Neill today at a gathering of the assembly, and funding for the region is expected to be top of the agenda. O’Neill has criticised Sunak’s government for “starving” Northern Ireland of funds. “This place has been starved of public services funding for over a decade, we can do much better than that,” O’Neill said. The Democratic Unionist party reached a deal last week with Sunak’s government for GBP3.3 billion in funding, enabling the restoration of a devolved government. Sunak on Sunday said, that the government funding offer represents “a generous and fair settlement.”
- Projections from the U.K.’s Office for National Statistics has forecasted the U.K. population to increase by 9.9% or 6.6 million between mid-2021 to mid-2036. The population is estimated to reach 70 million by the middle of 2026, driven primarily by strong immigration numbers. The population itself is also expected to age, with the proportion of people aged 85 years old and over increasing from 2.5% to 3.5%.

COMMODITIES



- Chinese investors and households are buying gold as a safe haven asset, due to local property prices and stock market havoc. As per the World Gold Council’s quarterly report, China was a key contributor globally for gold jewellery and investment flows in 2023. Chinese demand for gold inclusive of bars and coins increased by 28% to 280 tonnes, offsetting a drop in Europe. If we incorporate OTC and stock flows as well as changes in exchange inventories, annual demand was at its highest on record last year at 4,899 tonnes. This record level of demand came despite a rise in interest rates last year.
- The world’s largest producer of nickel, Indonesia, is flooding the market with low-cost supplies forcing rivals to shut unprofitable mines. Panic is brewing in Washington and Paris that this upheaval will give China more control over the resource. Production expanded by 30% last year to 1.9mm tonnes, although the global demand for the base metal, which is used in electric car batteries and stainless steel was stagnant. Indonesia’s strong push has boosted its global market share to 55% causing a 43% drop in global prices of the metal.

Commodities USD	Last Price	29.12.23	% 1w	% 3m
ENERGY				
ICE Brent	77.54	76.91	-5.24	-7.13
NYMEX WTI	72.38	71.84	-5.73	-8.91
METALS				
Spot Gold	2029.3	2062.98	-0.20	1.84
LME Copper	8482.00	8559.00	-0.89	3.75
DCE Iron Ore	946.50	918.00	-5.07	8.79
LME Aluminium	2233.50	2384.00	-1.37	-0.91
LME Nickel	16235.00	16603.00	-1.24	-10.91
AGRICULTURE				
ICE Cotton	87.09	81	3.36	6.05
ICE Sugar	23.89	20.58	1.53	-13.97
CBT Soyabean	1191.75	1298	-0.21	-12.79
CBT SRW Wheat	595	628	0.25	-0.71

EQUITIES



- Meta shares jumped as it will give investors its first ever dividend and an additional \$50bn in share buybacks on release of its Q4'23 results. The share price rose by more than 14% on Thursday. Meta's parent company Facebook and Instagram authorised the quarterly dividend of 50 cents per share, which ranks it 31st in the S&P 500 by the total amount paid each year. Zuckerberg had declared a "year of efficiency" in 2023 with cuts in jobs & operational costs, to rescue the company from slow growth & in response to investors' dissatisfaction over unprofitable bets on metaverse. Meta is currently working on rolling out AI assistants for users, content creators and advertisers across the platform.
- Shell reported annual profits for 2023 of more than \$28bn raising dividends and sustaining a further \$3.5bn of share buybacks. Shell's \$54.2bn in cash flow from operations, was the second highest in the company's history. Shell is monitoring the situation in the Red Sea as companies have diverted shipments following the attacks. Chief Executive Wael Sawan mentioned that its easier to reroute crude and LNG as they are able to tap into various supply points to cater for customer demand, however, tough for refined oil products as the flow typically is from east to west which gets impacted.

UAE Stock Market AED	Last Price	29.12.23	% 1w	% 3m
BOS	0.60	0.66	-1.64	-7.55
ENBD	17.95	17.30	-1.37	1.99
FAB	14.12	13.96	-3.29	6.81
ADCB	8.75	9.18	-3.31	5.17
EMAAR	7.56	7.92	1.61	10.69
AirArabia	2.98	2.82	2.05	15.06
Aramex	2.08	2.29	-1.42	-11.11
Etisalat	19.04	19.64	-3.84	-2.36
DEWA	2.50	2.46	-0.79	4.17
DU	5.74	5.19	1.23	7.09

Equities	Last Price	29.12.23	% 1w	% 3m
NASDAQ	15628.95	15011.35	0.01	15.96
S&P 500	4958.61	4769.83	0.62	13.77
EURO STOXX 50	4654.55	4521.44	0.33	11.50
FTSE100	7615.54	7733.24	-0.23	2.67
DAX	16918.21	16751.64	-0.14	11.38
NIKKEI	36354.16	33464.17	0.91	13.78
ADX	9459.88	9577.85	-0.95	-0.53
DFM	4231.49	4059.8	1.46	7.68

RATES



- Hawkish comments from Fed Chair Jerome Powell, where he has indicated the central bank is likely to wait beyond March to cut interest rates, led to a rise in Treasury yields. 2-year Treasuries rose by 5bps to 4.42%, whilst 10-year yields increased by 4bps to 4.06%. Yields were also supported by stronger than expected Non-Farm Payrolls released on Friday.
- HSBC Holdings PLC has been fined GBP57 million by the U.K. Watchdog, for failing to properly comply with deposit protection rules under the Financial Services Compensation Scheme. Apparently, the bank wrongly identified deposits eligible for the deposit protection program, resulting in their exclusion. The years in question are 2015-2022. The size of the fine is second only to the GBP87 million levied on Credit Suisse in July 2023 over its involvement in the collapse of Archegos Capital Management.
- U.K. Mortgage approvals rose to their highest level in 6 months, further signalling that falling borrowing costs are enticing buyers back into the property market. U.K. banks and building societies approved 50,459 home loans in December Vs 49,313 in November. The cheaper mortgages are being fuelled by a price war amongst lenders.

Interest Rates	Last Rate	29.12.23	bp 1w	bp 3m
3m EIBOR	5.129	5.327	-0.022	4.099
3m LIBOR	5.552	5.593	-0.022	4.591
6m EIBOR	5.222	5.271	-0.067	3.675
6m LIBOR	5.524	5.586	-0.057	4.055
5Y AED swap	4.058	3.951	0.056	1.271
5Y USD Swap	3.754	3.478	0.062	1.696
10Y AED Swap	4.142	4.050	-0.011	1.186
10Y USD Swap	3.662	3.417	-0.008	1.454

CURRENCIES



- The BOE decided to leave rates on hold at their MPC meeting on Thursday, in line with expectations. However, the voting split was of interest: 6 voted to keep rates unchanged; 1 voted for a rate cut and 2 voted for a rate hike. The pound rose after the decision was announced and is currently the best performing G10 currency YTD. The Central Bank accompanied its decision with less dovish commentary than was expected, revising its inflation expectations upwards for the next 2 years. Traders believe this could support the currency going forward.
- Bitcoin miners in the U.S. are consuming the same amount of electricity as the entire state of Utah, according to an analysis by the U.S. Energy Information Administration (EIA). The mining activity has created mounting concerns from policymakers and electric grid planners about straining the grid during periods of peak demand, energy costs and carbon dioxide emissions.
- The Nigerian Naira plunged to a record low against the USD, depreciating by 31% last Monday in the NAFEX fixing. The NAFEX fixing is the official foreign exchange window. The drop came after Central Bankers accused traders of manipulating the exchange rate by under reporting transaction rates. This depreciation brings the official exchange rate closer to its "street" rate of USDNGN 1450. In June 2023, the currency regime was liberalised in a bid to attract foreign flows and liquidity. The central bank is blaming lack of USD liquidity, promising to boost supply to clear a backlog of forex demand.

Currencies	Last Price	29.12.23	% 1w	% 3m
EURUSD	1.0775	1.1039	-0.54	0.41
GBPUSD	1.2613	1.2731	-0.76	1.88
AUDUSD	0.6514	0.6812	-1.47	0.02
USDSGD	1.3441	0.6812	-1.47	0.02
USDCHF	0.8683	0.8414	0.81	-3.39
USDJPY	148.38	141.04	0.59	-0.68
USDCAD	1.3475	1.3243	0.45	-1.34
USDINR	83.04	83.21	-0.12	-0.29
USDTRY	30.5518	29.5280	0.67	7.56
DXY Index	104.06	101.33	0.44	-0.91

Key Economic Events For The Week Ahead

- 05.02.24** Jan Japanese Jibun Bank Japan Composite & Services PMI; Jan Chinese Caixin Composite & Services PMI; Jan Indian HSBC India Composite & Services PMI; Jan Turkish Inflation Rate; Jan Eurozone, Italian, French & German HCOB Composite & Services PMI; Jan Canadian, U.K. & U.S. S&P Global Composite & Services PMI; Jan U.K. New Car Registrations; Jan U.S. ISM Services Index
- 06.02.24** *RBA Interest Rate Decision*; Dec Japanese Household Spending; Eurozone, Italian & German HCOB Construction PMI; Eurozone & Australian Retail Sales; Dec German Factory Orders; Jan Italian Business & Consumer Confidence; Jan Russian Vehicle Sales; Dec Canadian Building Permits;
- 07.02.24** Dec Japanese Leading Index; Jan Chinese Foreign Exchange Reserves; Dec Russian & Italian Retail Sales; Dec French Balance of Trade; Dec French Current Account; Jan French Exports & Imports; Dec German Industrial Production; Dec Canadian & U.S. Balance of Trade; Dec Canadian & U.S. Exports & Imports; Feb U.S. MBA Mortgage Applications;
- 08.02.24** *RBI Interest Rate Decision*; Dec Japanese Trade Balance; Dec Japanese Current Account; Jan Chinese & Turkish Inflation Rate; Feb Indian Cash Reserve; Jan U.K. RICS House Price Balance; Dec U.S. Consumer Credit; Weekly U.S. Initial Jobless Claims; Dec U.S. Wholesale Inventories;
- 09.02.24** Jan Japanese Money Stock M2 & M3; Dec Turkish & Italian Industrial Production; Feb Indian Foreign Exchange Reserves; Jan German Inflation; Jan Canadian Unemployment Rate;

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