

GOLD PRICE SINKS TO MORE THAN 5-YEAR LOW

LONDON: Gold slumped yesterday to the lowest point in nearly five and a half years, weighed down by reports of massive selling in China, dealers said. The precious metal tumbled to \$1,072.35 in Asian deals, striking the lowest point since February 11, 2010, and breaching the key psychological barrier of \$1,100. "The price slide was triggered by high selling volumes on the gold exchange in Shanghai," said Commerzbank analysts in a research note to clients.

Dealer Nick Rose, at trading firm TradeNext, agreed that the latest price slump was sparked by Chinese sellers offloading large quantities of the metal. Gold had already slid on Friday on the back of the strong dollar, which soared last week after US Federal Reserve

chief Janet Yellen reaffirmed expectations of an interest rate hike by year-end. A stronger greenback makes dollar-denominated commodities more expensive for buyers using weaker currencies. That tends to dent demand and, in turn, pull prices lower.

Prices were hit Friday by news that China's official gold reserves rose almost 60 percent over the past six years, according to the first official data on the subject since 2009. The central People's Bank of China (PBOC) said bullion holdings rose 57 percent to 1,658 tons as of the end of June, from 1,054 tons in April 2009, the last time a figure was released. "Markets have commenced the week with an unexpected start following a spectacular drop in gold during the Asian session that sent the

yellow metal to a new milestone five-year low," added analyst Jameel Ahmad at traders FXMT yesterday.

"Gold dropping so sharply is a surprise and while the reports that China gold reserves were half the expected level might have inspired additional selling pressure, it is the repeated comments of commitment from the Federal Reserve that they will begin raising US interest rates at some point this year that have continuously pressured gold in recent months." Other precious metals also forged multi-year lows yesterday. Silver dived to \$14.54 per ounce, the lowest level in nearly six years. Platinum sank to a six-year trough at \$946.25 an ounce, while sister metal palladium slid to \$603.95 per ounce-last witnessed on November 11, 2012.

China had foreign currency reserves of \$3.69 trillion as of the end of June, the world's largest trove. The PBOC announces those figures on a quarterly basis. The gold reserve figure-announced late Friday-comes as China works to internationalize its tightly controlled yuan currency. Beijing is also seeking to have the yuan included in the basket that makes up the IMF's "special drawing rights" reserve currency. The central bank said it would adjust its gold holdings according to its reserves and investment needs. Zhang Qi, an analyst at Haitong Securities, told AFP on Monday China's gold to foreign currency reserve ratio remained much lower than other countries, adding: "The internationalization of the renminbi is irreversible." —Agencies



ATHENS: Fishmongers man their stalls at Athens' central fish and seafood market yesterday. Greek banks reopened yesterday after a three-week shutdown imposed to stop a run on ATMs from crashing the financial system, but citizens woke up to widespread price hikes as part of a cash-for-reform deal with the country's creditors. —AFP

DOLLAR HITS 3-MONTH HIGH ON RATE VIEW, PANS GOLD

EUROPEAN SHARES RISE, REVERSING FALL IN ASIA

LONDON: The dollar jumped to three-month highs yesterday, extending its recent gains as expectations of rising US interest rates gathered pace, while gold prices plunged to their lowest in more than five years. The greenback posted its best weekly performance in about two months last week, after Federal Reserve Chair Janet Yellen reiterated that US interest rates will probably rise later in the year. Data on Friday showing a pickup in US consumer prices and housing starts also helped the rally. The strength of the dollar weighed on gold, which plunged as much as 4 percent. Platinum fell as much as 5 percent to its lowest since February 2009.

Global equities held close to Friday's three-week highs and European shares approached seven-week peaks. Greece-related fears continued to recede as the country's banks reopened for the first time in three weeks after a deal to start talks on a new international bailout. US stock index futures pointed to a modestly higher open on Wall Street. The dollar reached its

highest since April 23 against a basket of major currencies and was last up 0.1 percent on the day. The euro fell to its lowest since late May on the EBS trading platform but last traded up 0.1 percent at \$1.0840. The yen dropped 0.1 percent to 124.20 to the dollar.

Gold dived, touching a five-year low as the US interest rate outlook and its consequences for the dollar led sellers in China dumped the metal. "The Asian market missed the action on Friday when US players were already attempting a break of \$1,130, a major support level, and has pushed prices much lower today," ABN Amro analyst Georgette Boele said. "Last week was an important week: you got Yellen, a three-month high in the dollar and good US economic data ... there is a chance that we see more downside in coming days." Spot gold last traded at \$1,112.30 an ounce, having fallen as far as \$1,088.05, its weakest since March 2010. The pan-European FTSEurofirst 300 equity index rose 0.5 percent to its highest since late May. Amsterdam-listed chemicals company OCL rose

17 percent on merger talk.

Euro-zone banks up

In Asia, MSCI's broadest index of Asia-Pacific shares outside Japan slipped 0.5 percent. Japan's stock market was closed for a holiday. Yields on southern euro zone government bonds - those considered most vulnerable to the Greece crisis - fell on signs of a return to normality as investor appetite for riskier assets grew. Spanish and Italian 10-year yields both rose about 7 basis points, to 1.89 and 1.87 percent respectively. German 10-year yields, which usually rise on increased appetite for risk, fell on the prospect of hefty redemptions and bond coupon payments by month-end. Crude oil prices edged lower after posting their third consecutive weekly loss last week on expectations of increased oil exports from Iran after a deal to ease sanctions on Tehran. Brent crude was last down 38 cents a barrel at \$56.72 as lower Saudi exports and slower US rig activity did little to ease concern about oversupply. —Reuters

GREECE PARLIAMENT PASSES TOUGH AUSTERITY MEASURES

NBK Weekly Money Market Report

KUWAIT: The market focus is gradually turning back from risk events, like Greece and China, to policy divergence between major central banks. This week, the US dollar received a major boost from Fed chair Janet Yellen's upbeat comments in her testimony before Congress. While it is still unclear whether the Fed will hike rate in September or December, Yellen's comments confirmed that it would happen this year. Meanwhile, Bank of England's governor Mark Carney also said last week that a rate hike might happen earlier given the performance of the UK economy especially improvement in the labor market and wages.

On the foreign exchange side, the US Dollar started the week on a strong note against its major counterparts as the index rallied to a seven week high of 97.97 supported by a set of positive economic indicators coming out of the US, giving the Fed more room to start raising interest rates this year. The Euro opened this week at 1.1105 and rallied slightly towards 1.1196 where it found major resistance. The currency then started losing steam and dropped sharply reaching a low of 1.0828 towards the end of the week. The drop in the Euro is due to both the strength of the US dollar and at the same time, market participants seem to be using the Euro as a funding currency in carry trades which is putting further downward pressure on the currency.

The pound was also in focus last week, gaining after both the BoE's Carney and Miles sounded more hawkish, reiterating that normalization and rate hikes in the UK should begin 'soon' and saying that waiting too long to tighten would be a mistake. The currency stated the week at 1.5503, moved to a low of 1.5449 and closed for the week near its highs at 1.5608. In Asia, the Japanese Yen

opened the week at the 122.00 level against the US Dollar. The currency weakened, reaching a low of 124.24 supported by the prospects that BOJ would maintain their QE program until they reach their 2% inflation price target. In the commodities world, the big news was the landmark deal reached on Iran nuclear program. This news, along with reports that Saudi Arabia raised their crude output to the highest level on record, caused oil prices to come off.

Yellen: rate rise likely

Last week, the Federal Reserve Board Chairwoman Janet Yellen testified on "Monetary Policy and the State of the Economy." In her semiannual testimony in front of congress, Yellen repeated her view that the Fed will likely hike interest rates later this year if the US economy expands as expected. Meanwhile, she expects economic recovery to strengthen over the remainder of this year and the unemployment rate to decline gradually. In addition, she noted, "economic growth abroad could also pick up more quickly than observers generally anticipate, providing additional support for US economic activity" and, she's optimistic that the US economy also might snap back more quickly as the transitory influences holding down first-half growth fade and the boost to consumer spending from low oil prices shows through more definitively.

US retail sales

US retail sales unexpectedly fell in June as households cut back on purchases of automobiles and a range of other goods, raising concerns the economy might be slowing again. The Commerce Department said retail sales slipped 0.3 percent last month, the weakest reading since February, after May's downwardly

revised 1.0 percent increase. Small business optimism index also suffered coming at 94.1 compared to expectations of 98.5.

US jobless claims drop

The number of Americans filing new applications for unemployment benefits dropped more than expected last week. Initial claims for state unemployment benefits dropped 15,000 to a seasonally adjusted 281,000 for the week ended July 11. It was the 16th straight week that the four-week moving average of claims held below 300,000, a threshold normally associated with a firming labor market.

Europe and UK

The Greek Parliament Passed Tough Austerity Measures: In Europe, the Greek parliament passed austerity measures demanded by lenders to open talks on a third financial rescue package worth up to 86 billion euros to keep Greece in the Euro-zone. In exchange for the multibillion-euro bailout package, Greece has accepted reforms including substantial pension adjustments, increases to value added taxes and tight limits on public spending. It has also agreed to sequester 50 billion euros of public assets in a special privatization fund to act as collateral on the deal. On Thursday, the Euro-zone finance ministers gave a provisional green light to negotiations on a new bailout package for Greece and on how to supply it with quick cash, ahead of a big payment to the European Central Bank due next week. However, several countries still have to take up the agreement in their own parliaments before the go-ahead for negotiations is given.

OIL DROPS ON CONCERNS OF GLUT IN REFINED PRODUCTS

LONDON: Oil dropped yesterday as signs of a growing glut in refined products outweighed a fall in Saudi crude exports and slower US rig activity. Crude prices have fallen for three weeks in a row on expectations of increased oil sales from Iran following a deal to ease sanctions against the OPEC producer. Brent crude for September was down 35 cents at \$56.75 a barrel by 1100 GMT. The benchmark fell nearly 3 percent last week and is down more than 10 percent so far this month. US crude futures for August were down 13 cents at \$50.76 a barrel. The August contract expires today. The dollar's strengthening added further pressure as it makes dollar-priced commodities more expensive for investors using other currencies.

Saudi Arabia's crude exports fell in May to their lowest since December, with official data showing daily shipments at 6.935 million barrels per day

(bpd) compared with 7.737 million bpd in April, despite record-high output of over 10 million bpd. In the United States, drillers cut seven oil rigs last week following two weeks of increases, according to a closely watched report by oil services company Baker Hughes Inc. However, as refineries around the world continue to operate at near maximum levels to benefit from strong profit margins, there are signs a glut in the crude oil market may be shifting to refined products.

"The big fall in US rig counts since last September has not had a negative impact on domestic production and the reduction in Saudi crude oil exports is due to domestic refinery demand as the Kingdom is turning into a significant product exporter," analysts at PVM wrote. Refined product inventories at Europe's Amsterdam-Rotterdam-Antwerp storage hub rose to an all-time record last week. —Reuters



Global Stock Indices						
Index	Previous Close	Last Price	Change	Daily Performance %	Yearly Performance %	
Dow Jones	18,120.25	18,086.45	-33.80	▼	-0.19	2.14
NASDAQ	5,163.18	5,210.14	46.96	▲	0.91	7.81
SP 500	2,124.29	2,126.64	2.35	▲	0.11	3.18
Financial Times	6,796.45	6,775.08	-21.37	▼	-0.31	3.51
DAX	11,673.42	11,781.88	108.46	▲	0.93	19.05
CAC 40	5,124.39	5,166.52	42.13	▲	0.82	19.93
Swiss	9,446.17	9,500.79	54.62	▲	0.58	5.15
Nikkei 225	20,600.12	20,650.92	50.80	▲	0.25	18.05
Topix	1,660.83	1,662.94	2.11	▲	0.13	18.00
Hang Seng	25,415.27	25,404.81	-10.46	▼	-0.04	7.67
Straits Times	3,353.45	3,373.48	20.03	▲	0.60	-0.35

MENA Stock Indices						
Index	Previous Close	Last Price	Change	Daily Performance %	Yearly Performance %	
Kuwait	6,268.41	6,276.39	7.98	▲	0.13	-4.26
Saudi Arabia	9,275.20	9,337.86	62.66	▲	0.68	11.30
Dubai	4,101.90	4,184.05	82.15	▲	2.00	8.69
Abu Dhabi	4,809.85	4,824.03	14.18	▲	0.29	6.20
Bahrain	1,338.05	1,335.00	-3.05	▼	-0.23	-6.21
Qatar	12,020.73	12,009.54	-11.19	▼	-0.09	-2.16
Oman	6,534.55	6,543.87	9.32	▲	0.14	3.02
Lebanon	1,183.79	1,186.14	2.35	▲	0.20	-0.01
Jordan	2,116.16	2,132.19	16.03	▲	0.76	-2.28
Egypt	7,882.62	8,022.91	140.29	▲	1.78	-11.69
Morocco	9,676.99	9,666.95	-10.04	▼	-0.10	0.59
Tunisia	5,660.68	5,677.44	16.76	▲	0.30	11.21

Global Currencies Exchange Rate								
Currency	Kuwaiti Dinar	Saudi Riyal	US Dollar	Euro	Sterling Pound	Swiss Franc	Japanese Yen	Australian Dollar
Kuwait Dinar		12.2664	3.2846	3.0301	2.1123	3.1641	408.01	4.4531
Saudi Riyal	0.08152		0.2678	0.2470	0.1722	0.2579	33.26	0.3630
US Dollar	0.30445	3.7345		0.9225	0.6431	0.9633	124.22	1.3557
Euro	0.33002	4.0482	1.0840		0.6978	1.0441	134.66	1.4693
Sterling Pound	0.47342	5.8071	1.5550	1.4331		1.4982	193.19	2.1089
Swiss Franc	0.31605	3.8768	1.0381	0.9578	0.6675		129.01	1.4074
Japanese Yen	0.00245	0.0301	0.0081	0.0074	0.0052	0.0078		0.0109
Australian Dollar	0.22456	2.7546	0.7376	0.6806	0.4742	0.7105	91.62	

MENA Currencies Exchange Rate								
Currency	US Dollar	Kuwaiti Dollar	Saudi Riyal	Bahraini Dinar	Qatari Riyal	Omani Riyal	Emirates Dirham	Egyptian Pound
US Dollar		0.3045	3.7345	0.3741	3.6265	0.3832	3.6571	7.7201
Kuwaiti Dinar	3.2846		12.2664	1.2287	11.9116	1.2585	12.0122	25.3575
Saudi Riyal	0.2678	0.0815		0.1002	0.9711	0.1026	0.9793	2.0672
Bahraini Dinar	2.6732	0.8139	9.9832		9.6945	1.0242	9.7763	20.6376
Qatari Riyal	0.2757	0.0840	1.0298	0.1032		0.1057	1.0084	2.1288
Omani Riyal	2.6099	0.7946	9.7468	0.9763	9.4650		9.5448	20.1490
Emirates Dirham	0.2734	0.0832	1.0212	0.1023	0.9916	0.1048		2.1110
Egyptian Pound	0.1295	0.0394	0.4837	0.0485	0.4697	0.0496	0.4737	

Global Interest Rates					
Currency	1-Week	1-Month	3-Month	6-Month	1-Year
Kuwaiti Dinar	0.00	0.75	1.00	1.19	1.44
US Dollar	0.15	0.18	0.29	0.46	0.79
Euro	-0.15	-0.07	-0.01	0.05	0.16
Sterling Pound	0.48	0.51	0.58	0.75	1.07
Swiss Franc	-0.80	-0.78	-0.74	-0.69	-0.59
Australian Dollar	2.05	2.09	2.04	2.01	1.99
Canadian Dollar	0.00	0.73	0.74	0.78	0.81

Global Bond Yields				
Country	2-Year	5-Year	10-Year	30-Year
United States	0.68	1.68	2.35	3.07
Europe	-0.23	0.09	0.74	1.40
United Kingdom	0.60	1.54	2.04	2.76

Commodities						
Index	Previous Close	Last Price	Change	Daily Performance %	Yearly Performance %	
Kuwait Oil	54.25	54.03	-0.22	▲	-0.41	5.75
Brent	56.44	56.34	-0.10	▼	-0.18	1.72
West Texas	50.93	50.83	-0.10	▼	-0.20	-4.95
Gold	1133.60	1115.13	-18.47	▼	-1.63	-4.44
Silver	14.86	14.80	-0.06	▼	-0.40	-5.72

Source: National Bank of Kuwait