



Robust U.S. jobs report pushes dollar and Treasury yields higher

Financial Markets

The dollar strengthened against most major currencies, and *U.S.* government bond yields soared on Friday as stronger-than forecast jobs data bolstered the prospect of a Fed's rate hike in September. The greenback was up 1.3 percent against the euro to \$1.1096 and 1 percent versus the yen to 125.58 yen, a new 12-year high. Yields on 10-year U.S. Treasuries climbed as much as 13 basis points (bps) to 2.44 percent, their highest levels since October. U.S. bond traders increased their expectations for a rate hike in September, assigning better than even odds of a move compared to a 46 percent probability on Thursday.

The government of *Egypt* sold its first international bond in 5 years. The country raised \$1.5 billion with a 10-year dollar-denominated bonds at a yield of 6 percent, tighter than initial pricing guidance of 6.25 percent area. The country has not managed to access international debt market since the Arab Spring uprising and the topping of Egyptian president Hosni Mubarak. The sovereign's last issue was a \$1.5 billion bond sold in 2010 through two tranches.

High Income Economies

The *U.S.* jobs report shows robust growth in May, with total nonfarm payroll employment rising by 280,000, leaving the unemployment rate broadly unchanged at 5.5 percent. The gains centered on professional and business services, leisure and hospitality, and health care. The mining sector, which includes the oil and gas industry, lost 17,000 jobs in May, for a total of 68,000 jobs shed so far this year.

In its semi-annual report on the *German* economy, the Bundesbank revised projected GDP growth upwards to 1.7 percent in 2015, from 1.0 percent previously. For 2016, growth is forecast at 1.8 percent, compared to earlier expectations of 1.6 percent. Factory orders are growing, underpinned by foreign demand and the weaker euro.

Industrial production in *Spain* rose 1.8 percent in April (y/y, seasonally adjusted), following a revised 3.2 percent increase seen in March. Month-on-month, Spain's industrial output grew only 0.1 percent after rising 1.2 percent a previous month. Spain is returning to growth, but unemployment remains a major problem.

Developing Economies

East Asia and Pacific

Philippines consumer price inflation slowed for the third consecutive month in May and came in softer than expected, figures from the National Statistical Office showed Friday. The consumer price index

increased 1.6 percent (y/y) in May, slower than April's 2.2 percent increase. Economists expected an annual inflation of 1.9 percent. The slowdown reflected smaller increases in prices of food and non-alcoholic beverages, while utility costs fell. Excluding food and energy, core inflation eased to 2.2 percent in May from 2.5 percent in April.

Europe and Central Asia

Hungary's economic growth in Q1 accelerated more-than-initially estimated, latest figures from the Hungarian Central Statistical Office showed Friday. Gross domestic product advanced 3.5 percent (y/y), revised from a 3.4 percent growth initially estimated. In Q4 2014, the economy expanded at 3.3 percent, which was also revised from a 3.4 percent increase. The latest increase was due to output expansion in the industrial and service sectors, while agricultural output declined. The result is easing concerns about possible deflation associated with the fall in oil prices, low inflation in the rest of Central and Western Europe, and a strengthening forint as investors move in to Hungarian bonds in the search for yield.

Sub-Saharan Africa

Sub-Saharan Africa is on course to become the only region of the world where the number of people without modern supplies of power is growing. About 600 million sub-Saharan Africans lack access to electricity, a number that will grow by 45 million over the next 15 years, according to the new Africa Progress Report 2015. Based on current trends, it will take until 2080 for all Africans to have electricity, and the middle of the next century before clean, smokeless cooking stoves are universally available, the study said.

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