



# Daily Outlook

UK Prime Minister Theresa May emerged from a seven-hour cabinet meeting yesterday to tell waiting reporters that she would ask the EU for a short extension to the Brexit process. During this time she plans to enter into talks with Labour Party opposition leader Jeremy Corbyn in order to find a position upon which both leaders can whip their parties to vote. If this fails, she will put a number of agreed options to parliament, pledging to follow through on whatever the lawmakers decide. With the Brexit stance of both the Labour Party, and parliament more generally, being towards maintaining closer ties with the EU, the greater likelihood is now for a softer Brexit, but there remain significant risks. There is vehement opposition to the development from within May's Conservative Party, and while the EU has signalled it may acquiesce to an extension, its accepting whatever is eventually proposed is far from guaranteed.

India's manufacturing PMI data showed a loss of momentum in economic output. The reading of 52.6 for March 2019 was the lowest in six months. The sub-components showed weakness as well with output and new orders reading also coming in at six-month lows. The data reaffirms our view that the Reserve Bank of India is likely to cut interest rates by at least 25 bps when it meets later this week. The RBI is expected to focus firmly on growth as inflation continues to remain benign. The central bank could take additional liquidity measures too.

Speaking in Washington yesterday, IMF Managing Director Christine Lagarde talked of a slowdown in economic growth across the world, saying that the global economy was in a 'precarious' position. While growth is slowing, with Europe in particular looking fairly weak, stronger-than-expected data in the US and China this week alongside new positive reports regarding their trade talks makes us think that the risks of a recession are overblown.

Following weeks of escalating street protests, and the gradual erosion of his support among powermakers – cumulating with calls to go from army chief of staff and former ally Ahmed Gaid Salah last week – Algerian President Abdelaziz Bouteflika has resigned. The ailing 82-year old had planned to stand for a fifth term in scheduled April elections, prompting the outpouring of people onto the streets.

## India manufacturing activity falls to six-month low



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
Eurozone services PMI	12:00	52.7	U.S. ISM non-manufacturing	18:00	58.0

Source: Bloomberg, Emirates NBD Research.

## Fixed Income

Despite the increasing optimism on US-China trade talks, risk appetite remained muted as world financial leaders, including the IMF, cited fears of synchronized deceleration of economic growth around the world. Yield on 2yr, 5yr and 10yr USTs closed at 2.30% (-3bps), 2.29% (-3bps) and 2.47% (-3bps) respectively yesterday. Across the pond, yields on sovereign bonds in Europe also closed lower with 10yr Gilts and Bunds closing down to 1.00% (-4bps) and -0.05% (-2bps) respectively. CDS spreads on US IG and Euro Main inched up a bp to close higher at 62bps and 63 bps respectively.

Locally GCC bonds had little idiosyncratic events to trade on and largely moved in sync with the benchmark yield movements. Average yield on Bloomberg Barclays GCC index closed lower at 4.05% (-3bps) while credit spreads remained mostly unchanged at 168bps.

In the primary market, FAB raised \$1.1 billion in 3yr floating rate notes and the National Bank of Ras Al Khaima priced \$ 500 million in 5yr Reg S bonds at MS + 185bps, circa 10bps inside the initial guidance against orders worth over \$1.6 billion.

## FX

Sterling moves continue to be driven by the Brexit process, as Theresa May's announcement that she would seek an extension and adopt a compromise approach – making a softer Brexit more likely – saw the pound erase earlier losses and close up 0.2% on the day, and 0.9% on earlier intraday lows. It's currently at the 1.3138 level.

In other currencies, the more positive outlook for US-China trade talks is driving the moves, with risk-on assets like the AUD gaining at the cost of the JPY this morning.

## Equities

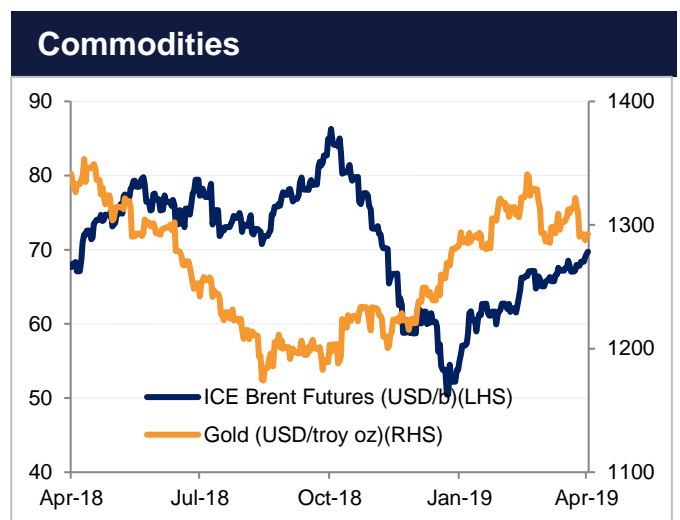
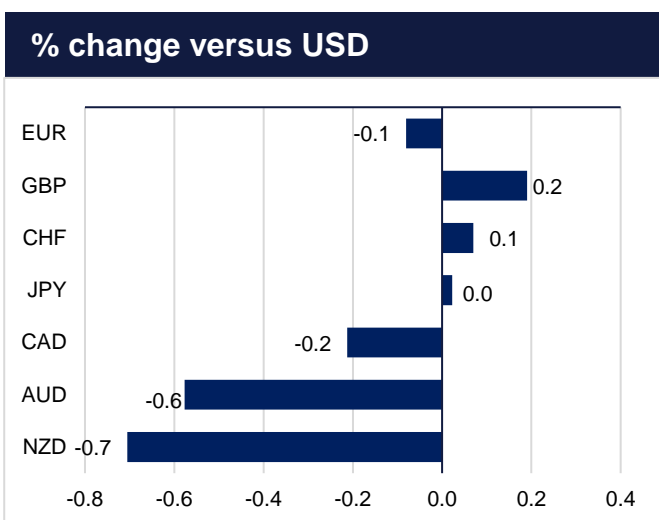
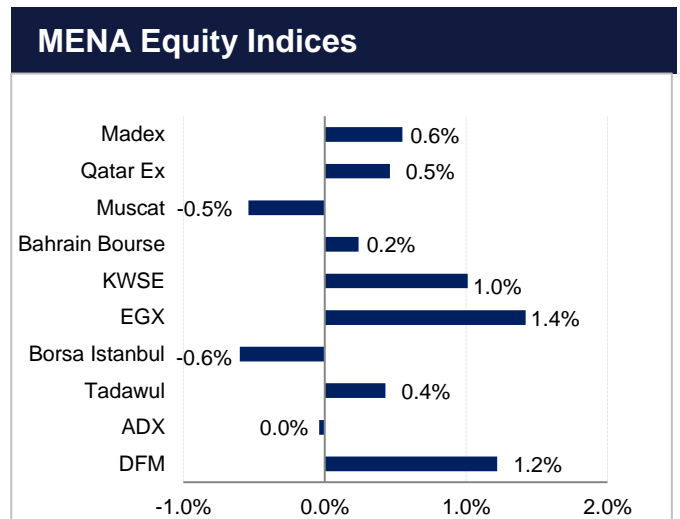
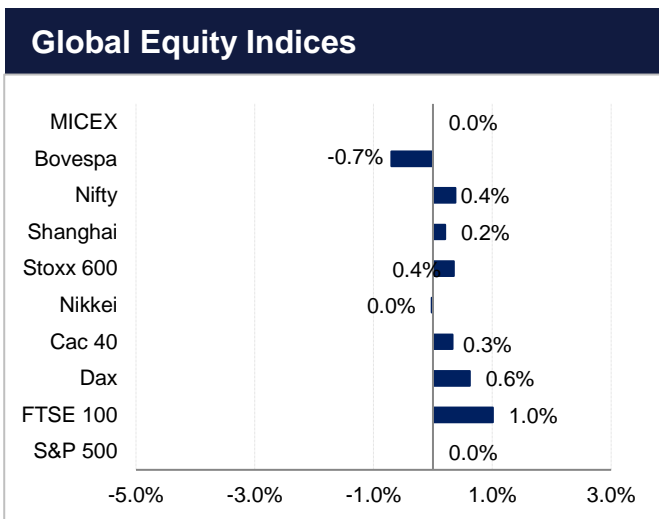
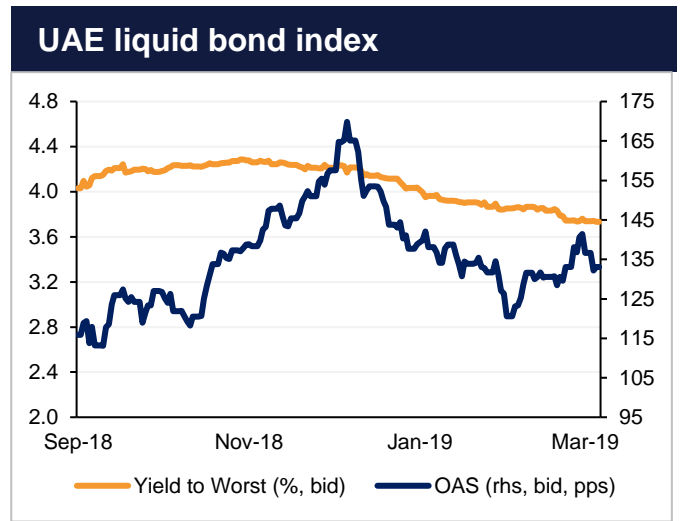
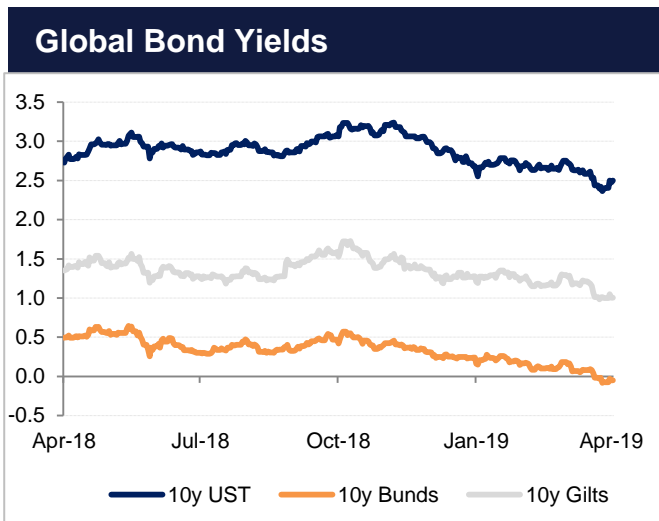
Economic growth fears kept US stock exchanges under pressure yesterday with S&P 500 closing flat and Dow Jones closing down by -0.30%, however, rising optimism on trade talks between the US and China is seeing a bounce in Asian indices. Hang Seng is up 0.80% and Nikkei is trailing higher by 0.9% in early morning trades today.

Regional equities had a day of mixed trading. Saudi Tadawul (+0.43%), UAE DFM (+1.22%) and Qatar (+0.46%) exchanges closed higher in the face of stable oil prices while Oman (-0.54%) and Abu Dhabi's ADX (-0.04%) closed lower.

## Commodities

Brent crude closed up 0.5% to USD 69.37/b overnight, while WTI gained 1.6% to USD 62.58/b. The strong rally seen since in both international benchmarks since the start of the year is being driven by both the demand and supply sides. There has been continued positive news regarding the trade talks between the US and China –a resolution would likely be positive for demand – while supply is being constrained by ongoing cutting by OPEC members.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1204	-0.08	1.1547	USDTRY	5.6093	+2.20	EURAED	4.1150	-0.08
GBPUSD	1.3128	+0.19	1.3355	USDEGP	17.3234	-0.01	GBPAED	4.8234	+0.21
USDJPY	111.32	-0.03	108.16	USDSAR	3.7505	+0.00	JPYAED	0.0330	+0.04
USDCAD	1.3337	+0.23	1.3231	USDQAR	3.6800	+1.09	CADAED	2.7546	-0.19
AUDUSD	0.7071	-0.58	0.7125	USDKWD	0.3044	+0.05	AUDAED	2.5969	-0.58
USDCHF	0.9979	-0.08	0.9645	USDBHD	0.3770	--	CHFAED	3.6797	+0.08
EURGBP	0.8532	-0.31	0.8643	USDOMR	0.3850	--	TRYAED	0.6500	-2.86
USDAED	3.6729	+0.00	3.6761	USDINR	70.7225	-0.64	INRAED	0.0552	+4.10

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.6113	2.8600	3.0656	3.2602	USD 2 yr	2.424	-3
USD LIBOR	2.4934	2.5955	2.6691	2.7300	USD 5 yr	2.335	-4
GBP LIBOR	0.7294	0.8409	0.9534	1.0560	USD 10 yr	2.464	-4
JPY LIBOR	-0.1037	-0.0617	0.0032	0.0903	EUR 2 yr	-0.205	-0
CHF LIBOR	-0.7898	-0.7132	-0.6548	-0.4978	EUR 5 yr	0.017	-1
					EUR 10 yr	0.484	-2

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1292.46	+0.37	ADGB 6.75 19	2.42	--	Abu Dhabi	61	-1
Silver	15.12	+0.11	DUGB 7.75 20	3.14	-1	Bahrain	253	-2
Oil (WTI)	62.58	+1.61	QATAR 6.55 19	-13.15	-672	Dubai	132	--
Aluminium	1862.50	-0.72	US Tsy 2 yr	2.30	-3	Oman	331	--
Copper	6413.50	-0.80	US Tsy 10 yr	2.47	-3	Qatar	70	-2
						Saudi Arabia	83	-1

Source: Bloomberg, Emirates NBD Research

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