



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

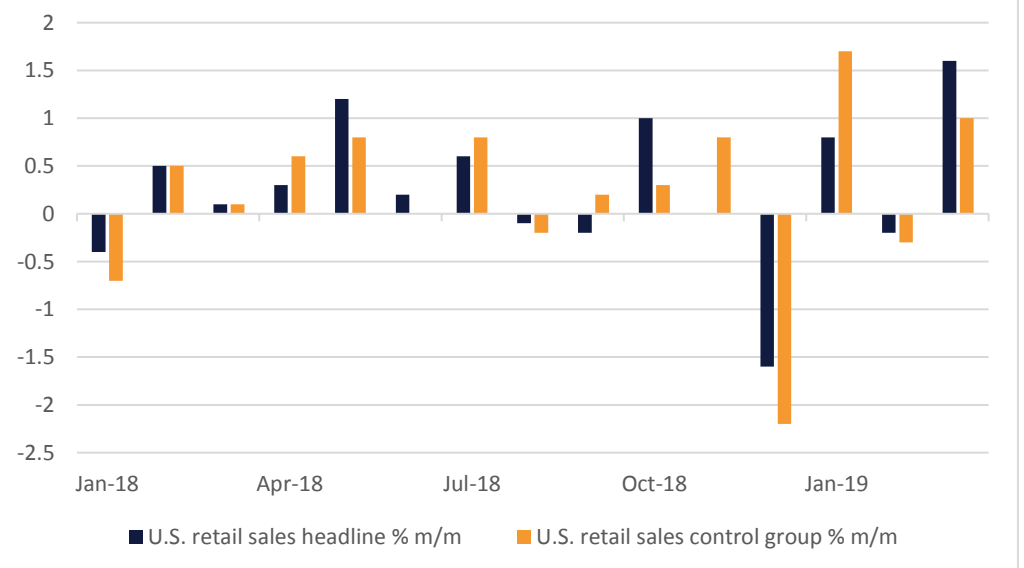
The holiday shortened week will give investors some time to reflect about where things stand looking ahead towards the middle of the year. Certainly there is a much better mood compared to the start of the year, with concerns about global recession having faded as growth appears to have stabilised in the U.S. and China in particular. Dovish messages from central banks have obviously played their part here, so much so that we would not be surprised if markets begin to think that policymakers might have been premature in reversing their earlier hawkishness by so much. Some of the gains in equities and bond yields also reflect the markets discounting that a trade deal will be completed between the U.S. and China. Q1 earnings data which are now in full swing will also play a role in whether market rallies will extend. The early indications paint a mixed picture. With nearly 15% of S&P 500 companies having reported earnings, the blended Q1 2019 earnings, according to FactSet, have dropped -3.9%.

In the coming week the first estimate of Q1 U.S. GDP will likely take center stage on Friday. Growth estimates have improved substantially through Q1 following the soft patch over the turn of the year. Retail sales which rose by 1.6% in March lend further support to these more positive expectations, with the consensus expectation now seeing growth of 2.2%, following the same growth rate in Q4. Furthermore the increase in activity through Q1 will likely provide a strong start for Q2.

Dubai's Economic Department is forecasting GDP growth of 2.1% in the emirate this year following growth of 1.9% last year, with growth accelerating further to 3.8% in 2020. **We share the department's optimism that the Dubai economy will expand faster this year than last year,** and we have actually had a more positive forecast for this year than the DED driven by Expo projects being completed and on the back of increased government spending. However, our 3.1% forecast is probably a bit on the high side and may be subject to a downward revision pending the release of full UAE GDP data for 2018.

The latest data from STR global show that hotel occupancy in Dubai eased to 83.1% in Q1 2019, lower than the 85.9% recorded in Q1 2018. Revenue per available room declined -15.8% y/y in Q1 2019, as supply growth of nearly 10% y/y exceeded demand growth.

US retail sales rise strongly in March



Source: EIKON, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
US Chicago Fed Nat Activity	16:30	-0.3%	US Existing home sales	18.00	5.30m

Source: Bloomberg, Emirates NBD Research.

Fixed Income

US treasuries spent the last week in a tight range. Yields on 2yr, 5yr, 10yr and 30yrs USTs closed the at 2.38% (-1bp, w/w), 2.37% (unchg), 2.56% (+1bp) and 2.96% (-1bp) respectively. Across the Atlantic, sovereign bonds added to their previous gains with yield on 10yr Gilts and Bunds closing the week lower at 1.20% (-2bps) and 0.02% (-3bps) respectively. Credit spreads inched a bp up on both US IG as well as the Euro Mian to 58bps each respectively.

There was no catalyst for GCC bonds to change. Yield on Barclays GCC index was unchanged at 4.05% on and credit spreads closed at their opening level of 159bps.

Adding to the continuing negative sentiment, S&P changed the outlook on Oman's BB rating to negative from stable. On the positive front, Moody's upgraded Egypt to B2/stable.

FX

The dollar was firmer last week rising against most major currencies with the exception of the JPY and the CAD. Further signs of recovery in the US economy helped to buoy the USD, where concerns about a recession have faded whilst worries about the other economies remain. Strong retail sales and low jobless claims figures supported the USD, following weaker EU PMI figures which weighed on the Euro. USDJPY was supported by risk-on conditions, though continued to struggle over the 112 mark.

Equities

Global equity markets saw a mixed performance with gains in the US offset by declines in the UK. The S&P 500 added 0.2% thanks to solid result announcements while in the UK FTSE 100 fell by -0.15%. Euro Stoxx remained in the green adding 0.6% on Friday. Early this morning, shares in Asia are fluctuating sideways with Nikkei up 0.1% and Shanghai composite down 0.5%.

Regionally markets were mostly positive yesterday. Abu Dhabi exchange gained over 1% on the back of rising banking sector shares, Tadawul was up 0.43% and Dubai Exchange added 0.23%.

Commodities

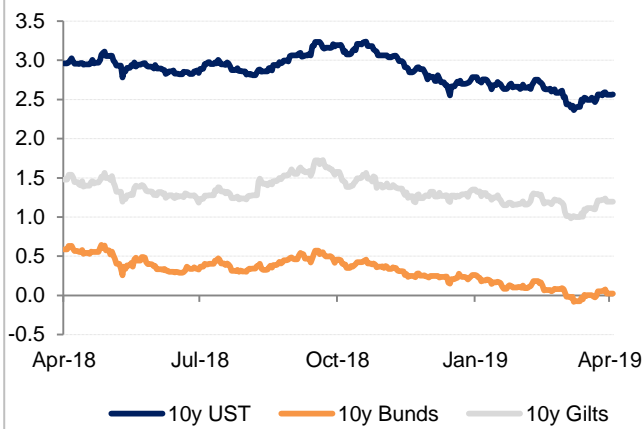
Oil markets extended their gains last week. Brent futures rose 0.6% to close the week just below USD 72/b while WTI was marginally higher and closed at USD 64/b, its seventh week in a row of gains. With few negative surprises from major economies demand concerns are receding and helping with supply constraints to propel oil higher. Brent is up 31% ytd while WTI is nearly 41% higher since the start of the year.

Reports that the US will not extend waivers to importers of Iranian crude next month have pushed prices up strongly in early trading today. Brent is up 2.5% while WTI has gained 2.3%. If confirmed by the US State department, the full enforcement of sanctions on Iran would tighten markets more considerably over the next few months.

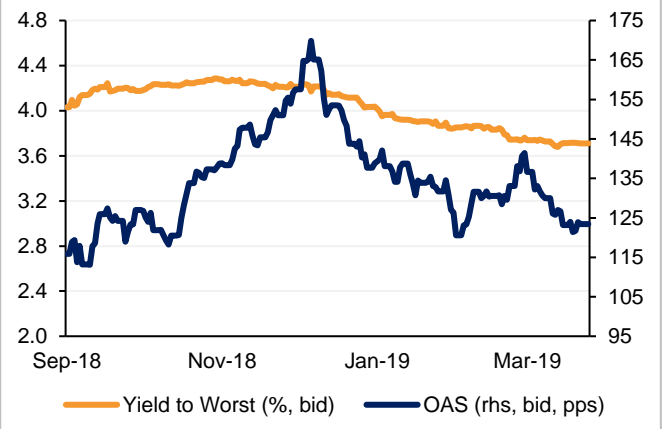
Tightening supplies are still very much a story for Brent curves rather than WTI. Spreads in front month (1-2 month) Brent widened their backwardation last week, closing at USD 0.54/b while the same spread in WTI closed at just under neutral but still in contango. Longer spreads reflect a generally tighter market with Dec backwardated spreads in both contracts widening last week.

Markets in Charts

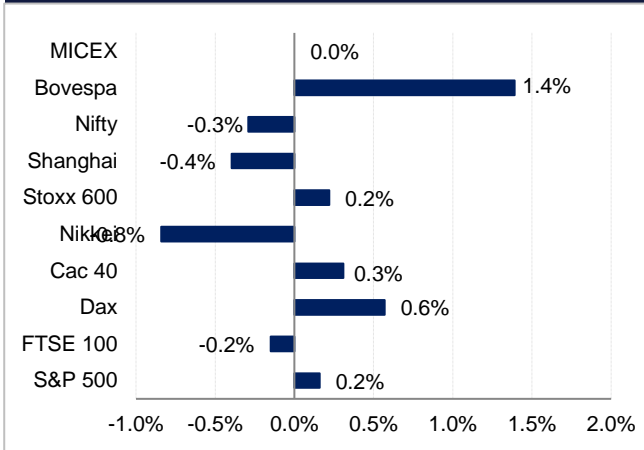
Global Bond Yields



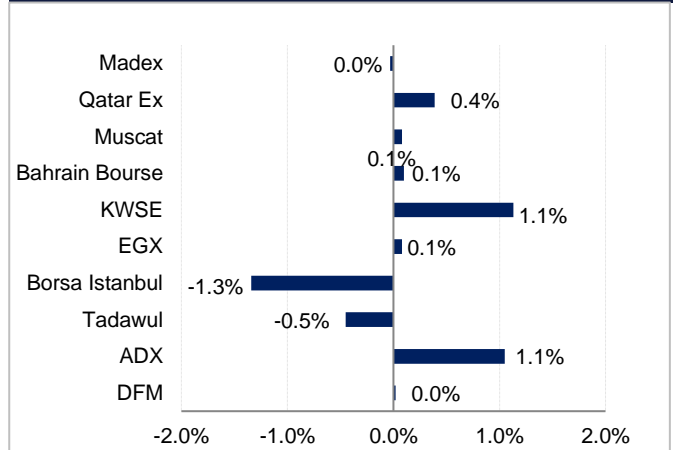
UAE liquid bond index



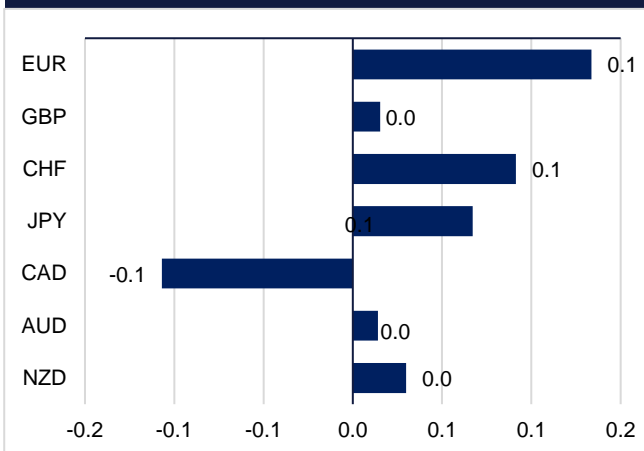
Global Equity Indices



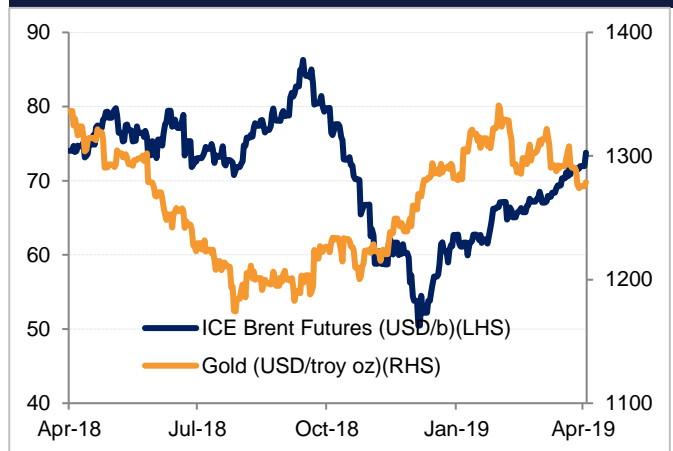
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1245	+0.13	1.1593	USDTRY	5.8110	+0.22	EURAED	4.1297	+0.11
GBPUSD	1.2993	+0.02	1.3216	USDEGP	17.2725	-0.16	GBPAED	4.7709	--
USDJPY	111.92	-0.04	108.68	USDSAR	3.7501	--	JPYAED	0.0328	+0.07
USDCAD	1.3391	+0.11	1.3284	USDQAR	3.6800	+1.07	CADAED	2.7425	-0.11
AUDUSD	0.7152	+0.01	0.7209	USDKWD	0.3040	--	AUDAED	2.6269	+0.03
USDCHF	1.0146	-0.08	0.9804	USDBHD	0.3771	+0.01	CHFAED	3.6193	+0.07
EURGBP	0.8652	+0.06	0.8770	USDOMR	0.3850	--	TRYAED	0.6300	-0.55
USDAED	3.6730	--	3.6765	USDINR	70.7225	-0.64	INRAED	0.0552	+4.41

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.5945	2.8538	2.9835	3.0950	USD 2 yr	2.482	+0
USD LIBOR	2.4809	2.5811	2.6290	2.7464	USD 5 yr	2.407	+0
GBP LIBOR	0.7326	0.8220	0.9413	1.0998	USD 10 yr	2.552	-0
JPY LIBOR	-0.0978	-0.0698	0.0053	0.1012	EUR 2 yr	-0.201	--
CHF LIBOR	-0.7872	-0.7172	-0.6546	-0.5132	EUR 5 yr	0.040	-0
					EUR 10 yr	0.526	+0

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1275.52	-0.02	ADGB 6.75 19	2.42	--	Abu Dhabi	58	-1
Silver	14.98	-0.18	DUGB 7.75 20	3.16	+19	Bahrain	255	-4
Oil (WTI)	63.76	-0.45	QATAR 5.25 20	2.70		Dubai	135	-1
Aluminium	1834.25	-0.19	US Tsy 2 yr	2.38	--	Oman	310	--
Copper	6537.00	+1.05	US Tsy 10 yr	2.56	--	Qatar	63	--
						Saudi Arabia	77	--

Source: Bloomberg, Emirates NBD Research

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