



# Daily Outlook

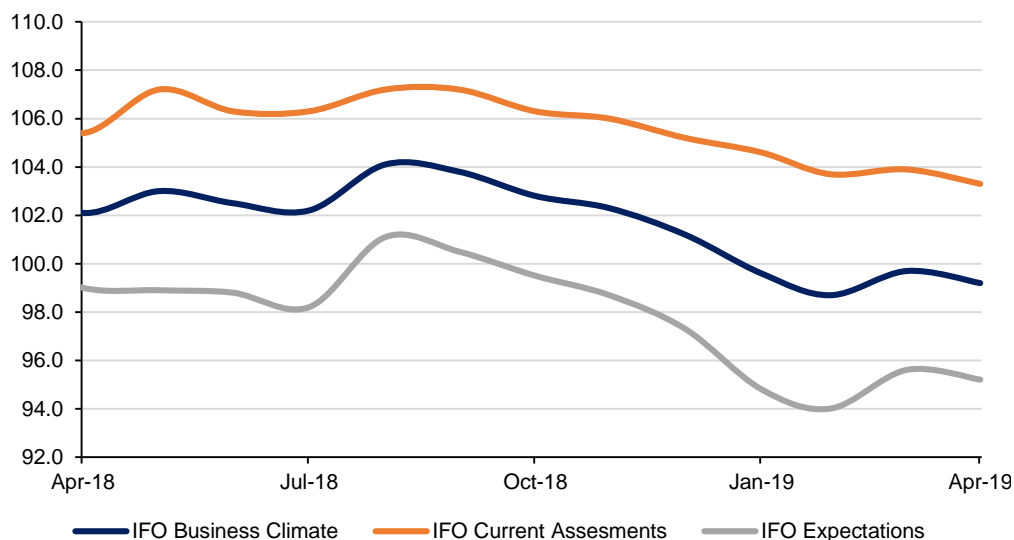
In contrast to expectations for a modest improvement, Germany's IFO's Business Climate survey dropped to 99.2 in April from 99.7 the previous month. Accompanied with declines in Expectations (95.2 vs 95.6) and Current Assessment (103.3 vs 103.9), the survey shows that weakness in German production has persisted past the first quarter. Coupled with weak Eurozone PMI data as well as data showing that French manufacturing confidence has slumped to a near four-year low, the reports highlight that a rebound in Eurozone recovery may be some way off and reduce the chances of any normalization of monetary policy from the ECB in 2019.

The Bank of Canada left interest rates unchanged at 1.75% at its policy meeting yesterday, having raised them five times since 2017. It also abandoned guidance that the next policy move would be a rate increase, adopting a balanced approach that would appear to open the door to a rate cut if necessary. The BOJ also left its monetary policy unchanged this morning and signalled that rates will be kept extremely low at least through spring 2020.

Saudi Arabia recorded its first quarterly budget surplus since 2014, posting a surplus of around SAR 28bn in Q1 2019. Although spending was up 8% y/y, both oil and non-oil revenue increased by more than 45% y/y. That oil revenue was so much higher in Q1 2019 was surprising, as average oil prices were lower than a year ago, and oil production was up only 1.4% y/y in the first quarter of 2019. We currently project a budget deficit of around SAR 164bn for 2019, or -5.5% of GDP. While oil revenues are expected to be higher this year, expenditure is forecast to rise as well.

Saudi Arabia's energy minister, Khalid al Falih, gave his first official commentary on oil markets since the US announced it would fully enforce sanctions on Iran. Al Falih said he saw no need to immediately increase production but would be ready to meet demand if called upon by customers. The minister indicated that any output increase would be in line with the current OPEC+ production targets which would imply an increase of around 510k b/d (roughly 5%) from March levels of below 10m b/d.

## German IFO business index signals weaker growth



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
UK CBI Trends Total Orders	14:00	2	US Initial Claims	16:30	200k
TU One-Week Repo Rate	15:00	24.0%	US Durable Goods Or	16:30	0.8%

Source: Bloomberg, Emirates NBD Research.

## Fixed Income

Treasuries closed higher in line with moves in other government bonds. Yields were lower across the curve with 2y UST, 5y UST and 10y UST closing at 2.31% (-5 bps), 2.31% (-4 bps) and 2.51% (-5 bps) respectively.

Regional bonds moved in line with the benchmark. The YTW on the Bloomberg Barclays GCC Credit and High Yield index closed below 4.0% at 3.99% while credit spreads remained flat at 158 bps.

## FX

The EUR fell sharply overnight following weak Eurozone economic data earlier in the day. The EURUSD hit a low of 1.1141 in Asia before recovering a little, with EUR crosses also pressured by the weak German IFO data.

The AUD also continued to be pressured by the soft Australian inflation data released yesterday, with GBPAUD being one of the biggest movers rising by 1.2% yesterday.

## Equities

Developed market equities closed lower amid mixed corporate earnings. The S&P 500 index and the Euro Stoxx 600 index dropped -0.2% and -0.1% respectively.

Regional markets, too, remained mixed. The DFM index dropped -0.3% while the Tadawul gained +0.1%. DP World was a notable exception with gains of +3.7%. Al Rajhi Bank gained +1.6% after reporting better than expected Q1 2019 earnings.

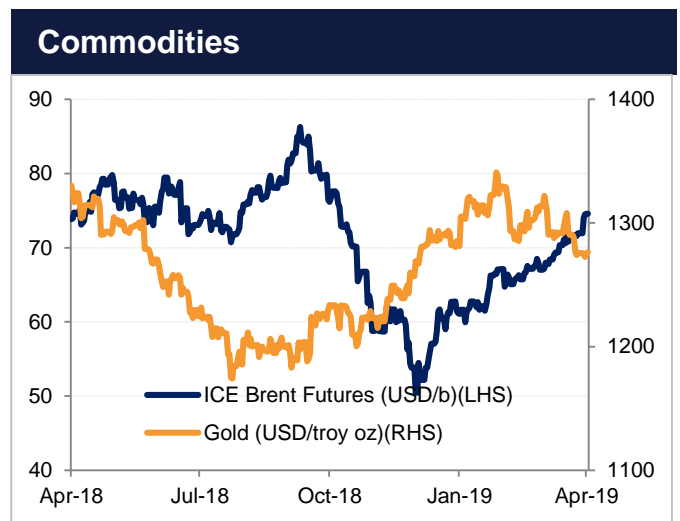
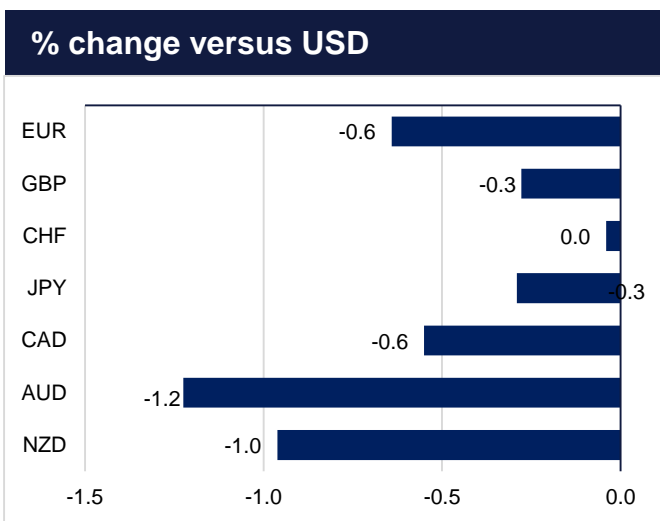
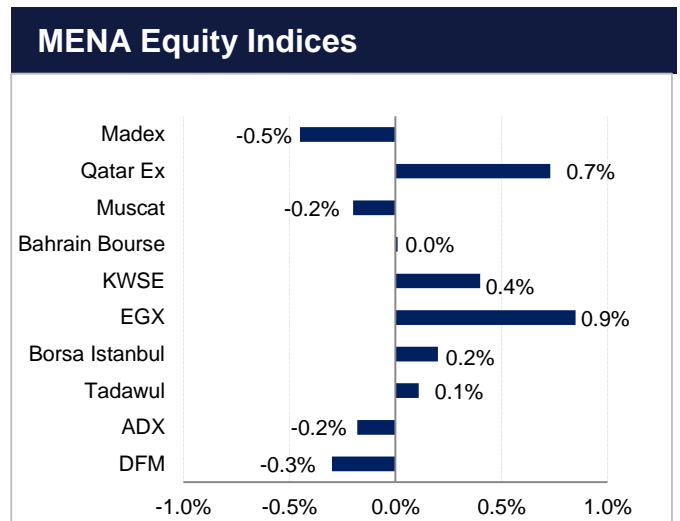
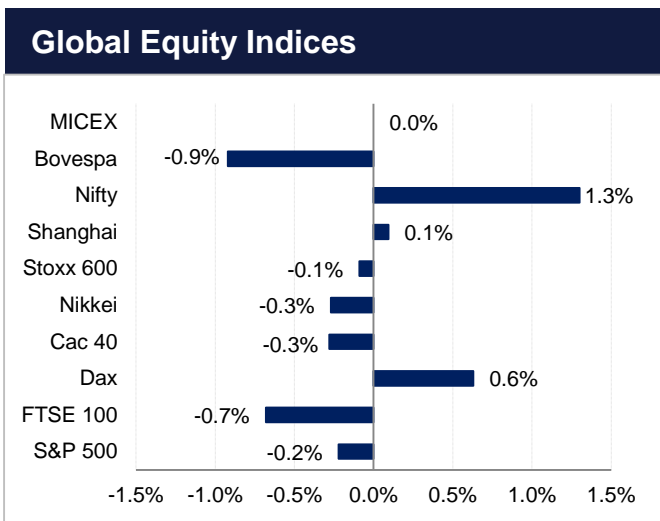
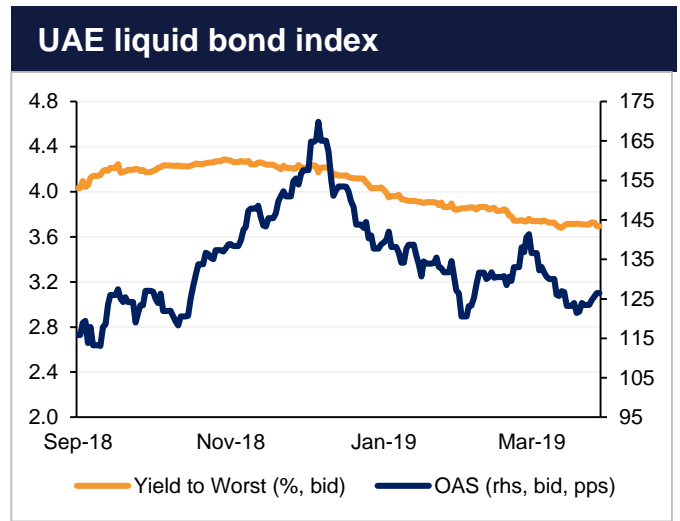
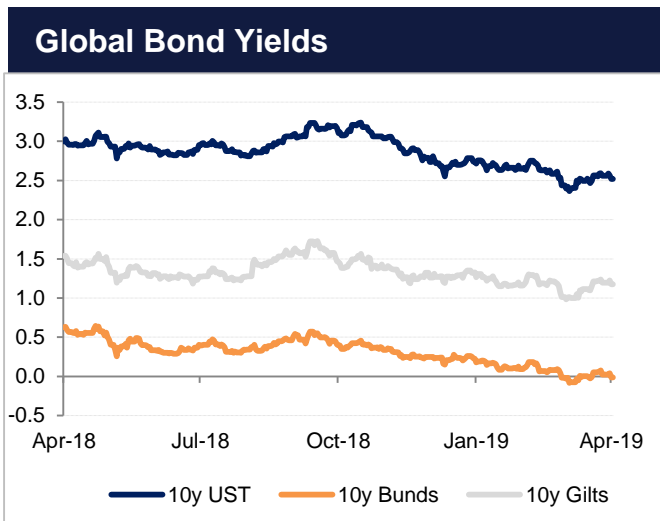
## Commodities

Oil markets were mixed overnight as an increase in US inventories weighed on WTI while uncertainty over how much Saudi Arabia will increase production kept a bid under Brent. WTI closed down 0.6% at USD 65.89/b while Brent was little changed at USD 74.57/b.

Crude stocks in the US rose by 5.5m bbl last week and have so far risen by around 19m bbl since the start of the year. Production increased to 12.2m b/d while exports rose by 280k b/d to hit 2.7m b/d.

Algeria has appointed a new CEO of Sonatrach, the state oil and gas company, and he has pledged to increase production and exports. Oil output has been in long-term decline in Algeria as gas has received more priority for investment. The country remains in the middle of political flux, however, so major investments into the oil and gas industry may be on hold.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1155	-0.64	1.1495	USDTRY	5.8734	+0.77	EURAED	4.0976	-0.64
GBPUSD	1.2902	-0.28	1.3118	USDEGP	17.1756	+0.04	GBPAED	4.7392	-0.27
USDJPY	112.19	+0.30	108.96	USDSAR	3.7501	-0.00	JPYAED	0.0327	-0.30
USDCAD	1.3493	+0.52	1.3383	USDQAR	3.6800	+1.05	CADAED	2.7213	-0.55
AUDUSD	0.7015	-1.23	0.7079	USDKWD	0.3043	+0.05	AUDAED	2.5764	-1.25
USDCHF	1.0204	+0.01	0.9863	USDBHD	0.3771	--	CHFAED	3.5990	-0.05
EURGBP	0.8644	-0.39	0.8762	USDOMR	0.3850	--	TRYAED	0.6200	-1.62
USDAED	3.6730	--	3.6761	USDINR	70.7225	-0.64	INRAED	0.0552	+4.86

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.5745	2.8722	2.9650	3.2615	USD 2 yr	2.411	-4
USD LIBOR	2.4766	2.5803	2.6199	2.7356	USD 5 yr	2.345	-5
GBP LIBOR	0.7330	0.8228	0.9448	1.0930	USD 10 yr	2.504	-4
JPY LIBOR	-0.1008	-0.0600	0.0050	0.1053	EUR 2 yr	-0.203	-1
CHF LIBOR	-0.7914	-0.7168	-0.6530	-0.5120	EUR 5 yr	0.019	-3
					EUR 10 yr	0.493	-5

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1275.76	+0.26	ADGB 6.75 19	2.42	--	Abu Dhabi	57	-1
Silver	14.94	+0.66	DUGB 7.75 20	2.88	-5	Bahrain	252	+2
Oil (WTI)	65.89	-0.62	QATAR 5.25 20	2.70		Dubai	136	+1
Aluminium	1857.00	+0.35	US Tsy 2 yr	2.32	-5	Oman	310	--
Copper	6444.75	+0.79	US Tsy 10 yr	2.52	-5	Qatar	62	-1
						Saudi Arabia	76	--

Source: Bloomberg, Emirates NBD Research

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