



بنك الإمارات دبي الوطني  
Emirates NBD

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www.emiratesnbdresearch.com

# Daily Outlook

The U.S. proposed imposing 25% tariffs on about \$50 billion worth of 1,300 Chinese products, focusing on high-tech items from semiconductors to lithium batteries. China condemned the move and plans to immediately bring this to the dispute settlement body of the WTO. The 25% tariffs come on top of any existing levies and will likely increase the price paid by the US consumer on several daily-use items. Some business groups and trade associations in the US immediately denounced the proposed tariffs. The release of the list leads into a roughly 60-day period when the public can provide feedback and the government holds hearings on this on May 15 in Washington. The final level of tariffs imposed is expected to be lower than the current proposal.

The aggregate Eurozone Manufacturing PMI was confirmed at 56.6 in March, a slowdown from 58.6 the previous month. While this figure still supports robust growth, it is the weakest data point in eight months, caused by delayed factory production due to capacity issues. In the UK, the data was more encouraging with Markit UK PMI Manufacturing rising to 55.1 in March from 55.0 in February, maintaining a strong pace of expansion. This is despite a slowdown in new orders and disruption caused by the storm during the month, as output and employment increased. In the east, the Caixin Composite China PMI index fell to 51.8 from 53.3 in the previous month. The softness was broadly spread with a fall in new orders as well as input prices.

Regionally, the Emirates NBD Purchasing Managers' Index for the UAE declined to a 10-month low of 54.8 in March, from 55.1 in February. The decline in March can be attributed mainly to a slowdown in output, which fell to 57.1, the lowest level since February 2016. Emirates NBD Saudi Arabia PMI index also fell to 52.8 in March from 53.2 in the previous month. New orders in particular weighed on the headline figure, standing at just 50.5, while new export orders fell to 49.8, below the neutral 50.0 level. A number of respondent firms cited VAT as dampening consumer demand last month.

In line with market expectations, the Reserve Bank of Australia left interest rates unchanged at the record low of 1.50% yesterday, with policy makers signalling concerns over the recent increases in short-term borrowing rates and the growing trade disagreements between the U.S and China.

## Eurozone Manufacturing PMI reaches 8 month low



Source: Bloomberg, Emirates NBD Research

## Day's Economic Data and Events

	Time	Cons		Time	Cons
EZ Unemployment Rate	13:00	8.5%	ADP Employment Change	16:15	210k
EZ CPI Estimate YoY	13:00	1.4%	US ISM Non-Manf. Composite	18:00	59.0

Source: Bloomberg

## Fixed Income

US treasuries closed lower as strength in US equities filtered through other asset classes. Yields were higher across the curve with yields on the 2y UST, 5y UST and 10y UST closing at 2.27% (+3 bps), 2.59% (+5 bps) and 2.77% (+5 bps).

Regional bond market continue to remain in a tight range amid a strong pipeline of new issuances. The YTW on the Bloomberg Barclays GCC Credit and High Yield index dropped 1bp to 4.26% and credit spreads tightened by 6 bps to 170 bps.

Investment Corporation of Dubai raised a USD 1.2bn loan needed to refinance existing debt.

The new issue pipeline continues to build with Sharjah Islamic Bank hiring banks for sukuk meetings. Elsewhere, S&P gave a preliminary rating of BB to Damac's proposed new sukuk issuance.

Fitch downgraded Ooredoo to A- with stable outlook. The rating agency attributed the downgrade to a change in methodology and noted the improvement in credit profile of the company.

## FX

Dollar strengthened marginally against its major trading partners after a further escalation in the U.S.-China trade skirmish. EUR stayed at close to its two week low level of 1.2270 and GBP was slightly up to 1.4057 after solid PMI report. Yen closed marginally lower despite getting safe haven bid at 106.61.

The Aussie and Kiwi both rose as much as 0.5%, as demand from Asian funds triggered momentum buying after retail sales data out of the Australia beat expectations. As we go to print, AUDUSD is trading at 0.7706.

## Equities

Developed market equities ended the trading session on a mixed note with the S&P 500 index adding +1.3% and the Euro Stoxx 600 index losing -0.5%. A report from Bloomberg suggesting that the US government is not actively looking to challenge Amazon's business boost tech stocks.

It was a sluggish day of trading for regional equities with most markets trading in a tight range. Global Telecom Holding dropped -14.7% after the Veon tender offer was suddenly pulled. Emaar Properties dropped -1.1% to close at new 2-year lows.

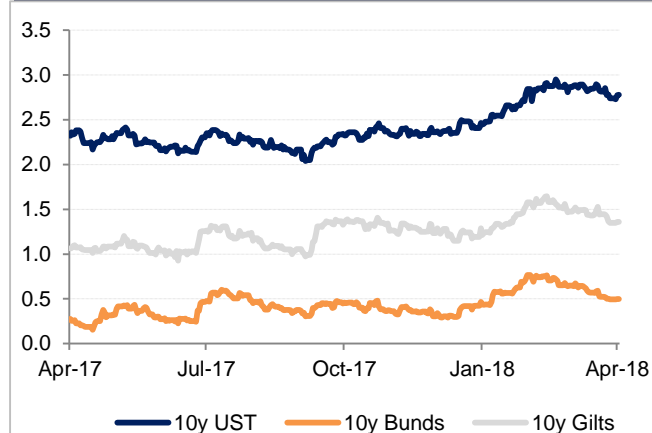
## Commodities

Oil markets recovered some ground yesterday but failed to make up for the heavy losses on Monday. WTI futures gained 0.8% while Brent was up more than 0.7%. A partial recovery in risk assets, led by US equities, was the main catalyst behind the move while comments from Russia's energy minister, Alexander Novak, in favour of a permanent monitoring committee between OPEC and non-OPEC countries also helped support markets.

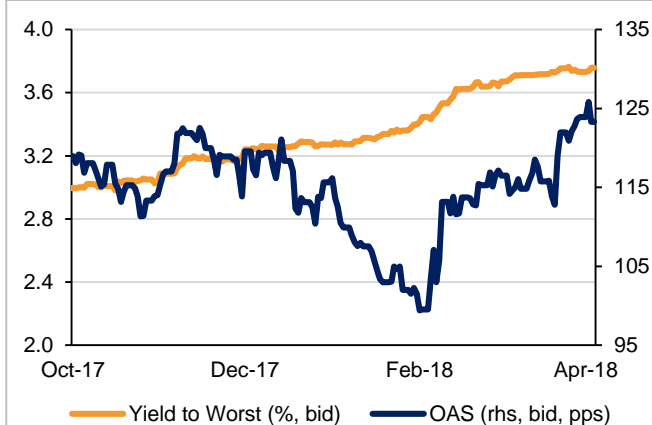
Futures curves continued to show some flattening in near-dated spreads with the 1-2 month spread in WTI hovering above neutral and the same spread in Brent below USD 0.5/b. Oil market volatility has turned up sharply over the last few weeks which considering the balance between bullish and bearish factors in the market could see more whipsawing in the weeks ahead.

## Markets in Charts

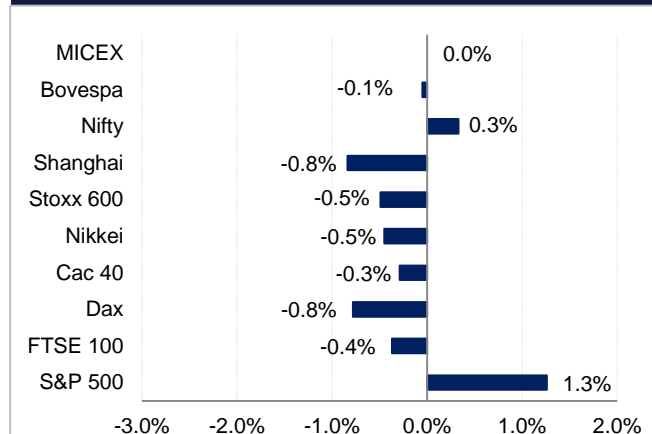
### Global Bond Yields



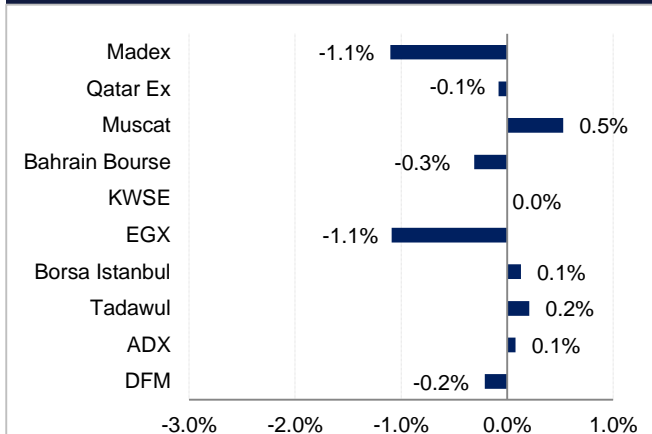
### UAE liquid bond index



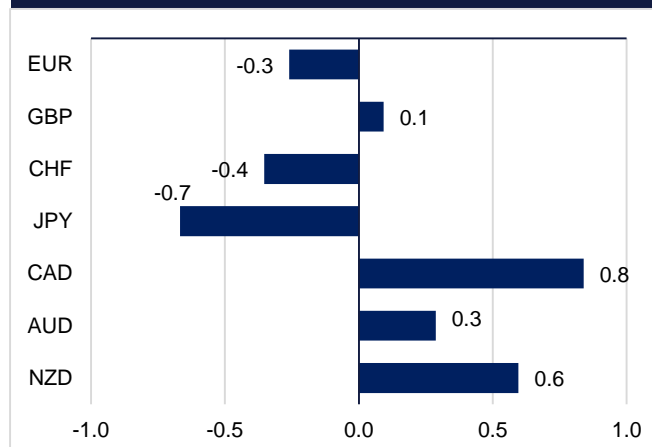
### Global Equity Indices



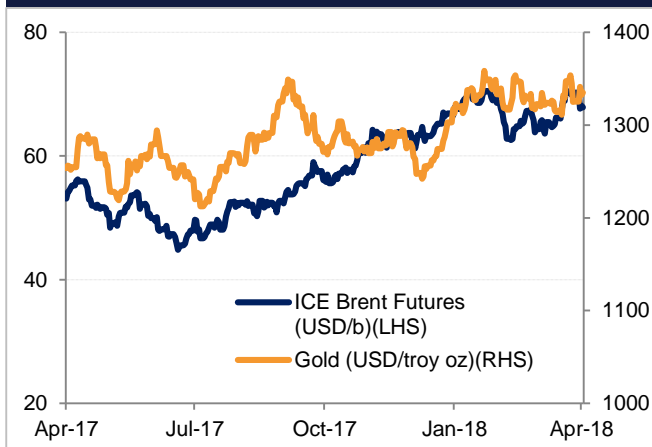
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2270	-0.26	1.2645	USDTRY	3.9885	+0.40	EURAUD	4.5068	-0.25
GBPUSD	1.4057	+0.09	1.4282	USDEGP	17.6541	+0.05	GBPAED	5.1640	+0.11
USDJPY	106.61	+0.68	103.70	USDSAR	3.7502	--	JPYAED	0.0345	-0.67
USDCAD	1.2807	-0.82	1.2726	USDQAR	3.6800	+1.06	CADAED	2.8681	+0.84
AUDUSD	0.7685	+0.29	0.7703	USDKWD	0.2999	+0.06	AUDAED	2.8223	+0.30
USDCHF	0.9589	+0.40	0.9268	USDBHD	0.3771	--	CHFAED	3.8310	-0.36
EURGBP	0.8728	-0.35	0.8853	USDOMR	0.3850	--	TRYAED	0.9200	-0.50
USDAED	3.6730	+0.00	3.6766	USDINR	64.9400		INRAED	0.0566	+0.35

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.9105	2.3913	2.6003	2.8375	USD 2 yr	2.592	+3
USD LIBOR	1.8831	2.3118	2.4524	2.6626	USD 5 yr	2.731	+4
GBP LIBOR	0.5113	0.7118	0.8293	1.0026	USD 10 yr	2.807	+4
JPY LIBOR	-0.0415	-0.0313	0.0232	0.1192	EUR 2 yr	-0.155	
CHF LIBOR	-0.7856	-0.7354	-0.6508	-0.5232	EUR 5 yr	0.371	-1
					EUR 10 yr	0.958	

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1332.74	-0.64	ADGB 6.75 19	2.42	--	Abu Dhabi	56	--
Silver	16.41	-1.10	DUGB 7.75 20	3.10	#VALUE!	Dubai	104	+1
Oil (WTI)	63.51	+0.79	QATAR 6.55 19	2.68	#VALUE!	Qatar	87	-1
Aluminium	1960.25		US Tsy 2 yr	2.28	+3	Saudi Arabia	85	--
Copper	6762.25		US Tsy 10 yr	2.78	+5	Bahrain	289	+2

Source: Bloomberg, Emirates NBD Research

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