



Daily Outlook

The Eurozone economy grew at a faster than expected 0.4% q/q (1.2% y/y) in Q1 2019 according to preliminary estimates. Italy is no longer in recession, registering modest growth of 0.1% q/q, while GDP in France grew 0.3% q/q. Unemployment in the Eurozone also declined to 7.7% in March from 7.8% in February, with German unemployment falling much more than had been forecast.

US data was better than expected with **pending home sales rose by 3.8% m/m in March** after declining in February. The market had been expected a much more modest 1.5% rise. On an annual basis however, pending home sales were down -3.2%. The **Consumer Board Consumer Confidence index rose by more than expected to 129.2 in April**, reversing most of the decline in March.

The focus today will be on the Fed as it concludes a 2-day monetary policy meeting. Rates are expected to remain on hold, despite continued pressure from the president for easier monetary policy. Despite stronger than expected Q1 GDP growth and signs that a trade deal between the US and China is close to being finalised, core inflation has softened in recent months and remains well below the 2% the Fed would like to see. We expect the Fed to maintain its "patient" stance.

Eurozone growth stabilises in Q1 2019



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
Markit US Manufacturing PMI April (F)	17:45	52.4	US ISM Manufacturing	18:00	55.0
US FOMC Rate Decision (Upper Bound)	22:00	2.50%	US FOMC Rate Decision (Lower Bound)	22:00	2.25%

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries held onto gains even as equities continued to drift higher. Comments from the US President that the Fed should cut rates by 100 bps had little impact on the market. Yields on the 2y UST, 5y UST and 10y UST were at 2.26%, 2.27% and 2.50% at the time of this writing.

Regional bonds continue to drift higher. The YTW on the Bloomberg Barclays GCC Credit and High Yield index closed at 3.97% while credit spreads remained flat around 158 bps.

In terms of rating action, Moody's affirmed KIPCO's Baa3 ratings with stable outlook.

FX

Currencies generally had a steady day ahead of FOMC meeting today which is expected to reflect no change in interest rates or Fed's view on the economy. Dollar spot index closed 0.1% up amid little changed Euro at 1.1215. Pound was up a fraction at 1.3042 as there is less time pressure to find a Brexit deal while Kiwi slid 0.3% to 66.53 in response to soft jobs report which augurs for higher possibility of rate cuts by the RBNZ. Yen and Yuan were steady around 111.45 and 6.7391 respectively against the dollar.

Equities

Developed market equities closed marginally higher amidst mixed corporate earnings. Investors' also appeared wary ahead of the US-China trade talks and the Federal Reserve meeting. The S&P 500 index added +0.1% while the Euro Stoxx 50 index gained +0.3%.

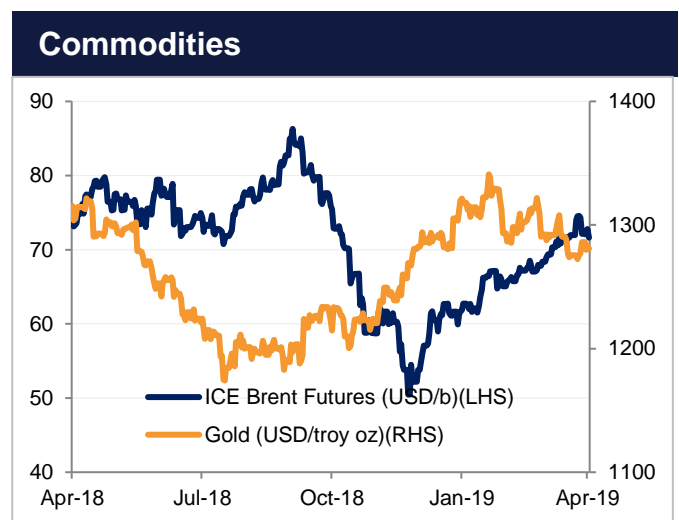
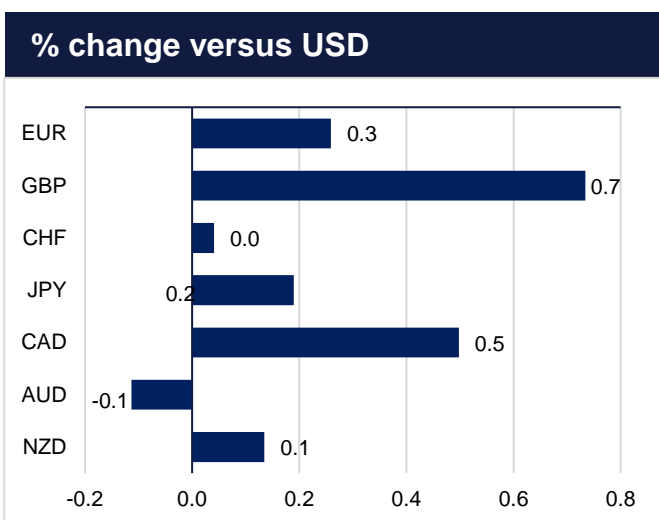
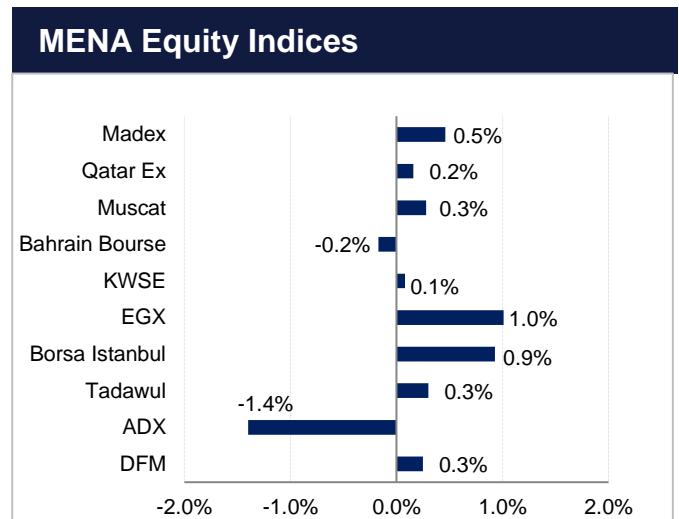
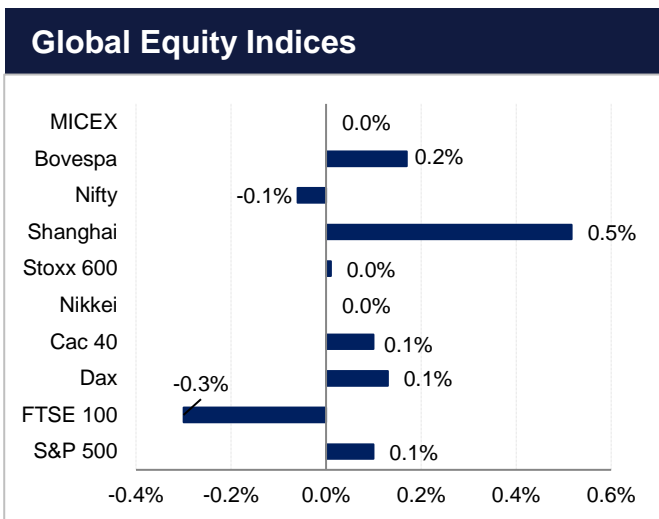
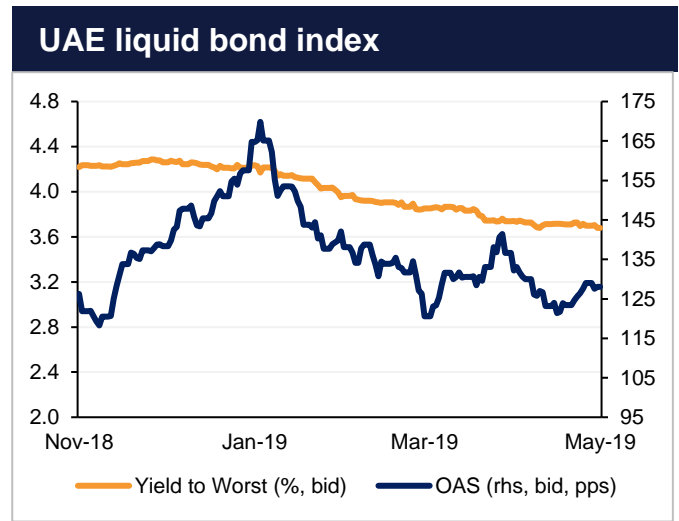
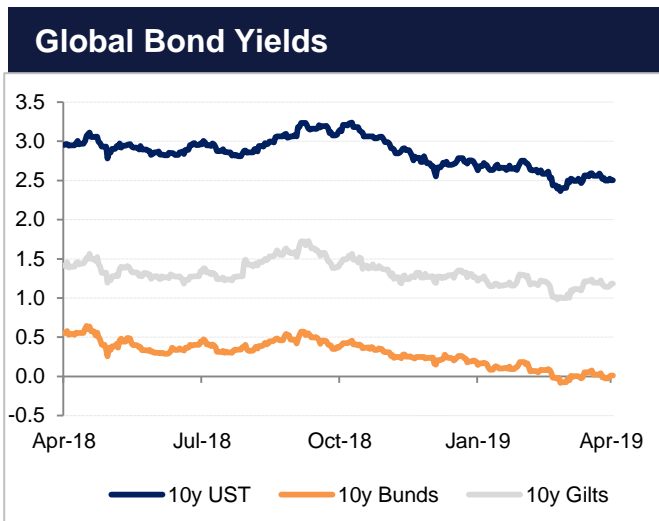
Regional markets were largely positive. Flows were dominated by UNB delisting and rebalancing of indices. The Tadawul (+0.3%) closed higher ahead of Phase 2 implementation of inclusion in the FTSE Russell EM index. The rally was sustained by gains in market heavyweights. Elsewhere, GISS added +2.7% after reporting better than expected corporate earnings.

Commodities

Brent oil futures were down this morning on higher US oil stocks. US crude inventories rose by 6.8mn barrels in the week to 26 April, following a draw-down the week before, according to API data. EIA data on inventories is due later today, with the market expecting a 1.49mn barrel increased.

The inventories data overshadowed earlier comments by Saudi oil minister Khalid Al Falih that OPEC could extend the current cuts through the end of this year as it remains focused on reducing oil global inventories.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1215	+0.26	1.1557	USDTRY	5.9661	+0.30	EURAED	4.1196	+0.27
GBPUSD	1.3032	+0.73	1.3248	USDEGP	17.1942		GBPAED	4.7867	+0.76
USDJPY	111.42	-0.21	108.26	USDSAR	3.7502	--	JPYAED	0.0330	+0.20
USDCAD	1.3388	-0.52	1.3284	USDQAR	3.6800	+1.06	CADAED	2.7433	+0.51
AUDUSD	0.7048	-0.11	0.7112	USDKWD	0.3042	-0.07	AUDAED	2.5897	-0.07
USDCHF	1.0193	-0.04	0.9853	USDBHD	0.3770	--	CHFAED	3.6037	+0.04
EURGBP	0.8604	-0.49	0.8723	USDOMR	0.3845	--	TRYAED	0.6200	+0.41
USDAED	3.6730	--	3.6764	USDINR	70.7225	-0.64	INRAED	0.0552	+4.98

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.6013	2.8820	3.0117	3.2265	USD 2 yr	2.381	-2
USD LIBOR	2.4859	2.5790	2.6120	2.7130	USD 5 yr	2.322	-2
GBP LIBOR	0.7309	0.8188	0.9394	1.0910	USD 10 yr	2.490	-2
JPY LIBOR	-0.1103	-0.0658	0.0048	0.0928	EUR 2 yr	-0.192	+0
CHF LIBOR	-0.7920	-0.7128	-0.6466	-0.5122	EUR 5 yr	0.038	+0
					EUR 10 yr	0.512	+0

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1283.53	+0.28	ADGB 6.75 19	2.42	--	Abu Dhabi	57	--
Silver	14.95	+0.22	DUGB 7.75 20	2.73	-1	Bahrain	260	0
Oil (WTI)	63.91	+0.65	QATAR 5.25 20	2.70		Dubai	137	+1
Aluminium	1783.00	-1.70	US Tsy 2 yr	2.27	-3	Oman	310	--
Copper	6426.75	+0.38	US Tsy 10 yr	2.50	-2	Qatar	64	+1
						Saudi Arabia	77	--

Source: Bloomberg, Emirates NBD Research

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Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O.Box 777
Dubai

Jonathan Morris
General Manager Wholesale Banking
JonathanM@emiratesnbd.com

Aazar Ali Khwaja
Senior Executive Vice President
Global Markets & Treasury
+971 4 609 3000
aazark@emiratesnbd.com

Tim Fox
Head of Research &
Chief Economist
+9714 230 7800
timothyf@emiratesnbd.com

Research

Khatija Haque
Head of MENA Research
+9714 230 7803
khatijah@emiratesnbd.com

Anita Yadav
Head of Fixed Income Research
+9714 230 7630
anitay@emiratesnbd.com

Aditya Pugalia
Financial Markets Research
+9714 230 7802
adityap@emiratesnbd.com

Daniel Richards
MENA Economist
+9714 609 3032
danielricha@emiratesnbd.com

Edward Bell
Commodity Analyst
+9714 230 7701
edwardpb@emiratesnbd.com

Mohammed Altajir
FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

Hessa Al Khawaja
Research Associate
+9714 609 3015
hessaalkh@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
Tariq Chaudhary
+971 4 230 7777
tariqmc@emiratesnbd.com

Saudi Arabia Sales
Numair Attiyah
+966 11 282 5656
numaira@emiratesnbd.com

Singapore Sales
Supriyakumar Sakhalkar
+65 65785 627
supriyakumars@emiratesnbd.com

London Sales
+44 (0) 20 7838 2241

Egypt
Gary Boon
+20 22 726 5040
garyboon@emiratesnbd.com

Emirates NBD Capital

Hitesh Asarpota
Head of Debt Capital Markets.
+971 50 4529515
asarpotah@EmiratesNBD.com

Investor Relations

Patrick Clerkin
+9714 230 7805
patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com