



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

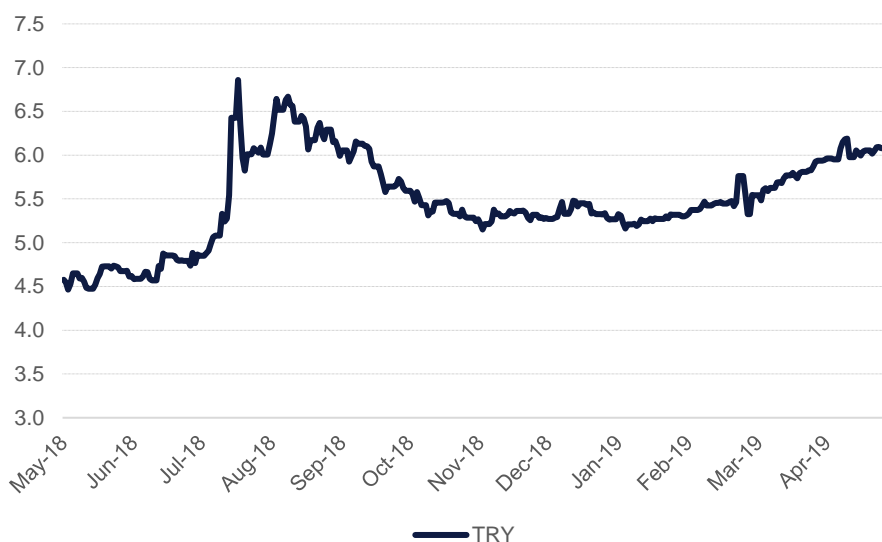
Markets were reasonably quiet to start the week as public holidays in the UK and US dimmed trading activity. Fallout from Theresa May's decision to resign as prime minister continues to hit markets while EU parliamentary elections returned a legislative body with a more positive EU bias than had been anticipated. Centrist parties did see some loss of support but mainly to green and liberal groups who largely support EU institutions. Nationalist and Eurosceptic groups did see some local success, such as the Brexit party outperforming the Conservatives and Labour in the UK.

Corporate profits in China dipped in April by 3.7% year/year, compared with a nearly 14% gain in March. Slowing manufacturing data and exports have been contributing to a poor outlook for industry in China this year and the risk of a trade war with the US escalating further may start to erode confidence further. Nevertheless, Chinese equities performed strongly to start the week as poor data increases expectation that some form of policy support from the government may be forthcoming.

US president Donald Trump said while on his visit to Japan that he expected a deal on trade by August between the US and Japan. Hitting that deadline while already engaged in tense negotiations over trade with China may be ambitious for the US although the scale of disagreement between Japan and the US over trade is more muted. During his trip, Trump also suggested that the US was not ready for a trade agreement with China even as markets continue to roil in the wake of trade uncertainty.

The Turkish central bank yesterday raised its reserve requirement ratios for foreign exchange deposits by 200 basis points 'for all maturity brackets' in a bid to bolster its reserves. According to the TCMB's statement, 'USD 4.2bn of FX liquidity will be withdrawn from the market.' Turkey's net foreign reserves have been dwindling, falling to USD 24.9bn last week – the lowest level since October – as the lira has come under pressure.

Turkish lira continues to drift weaker



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
DE consumer sentiment	10:00	10.4	EZ consumer conf.	13:00	-6.5
US consumer conf.	18:00	130			

Source: EIKON, Emirates NBD Research.

Fixed Income

It was a dull day of trading for regional bonds as US markets were closed. The YTW on Bloomberg Barclays GCC Credit and High Yield index closed flat at 3.95% and credit spreads remained unchanged at 171 bps.

In terms of rating action, S&P upgraded Sharjah Islamic Bank to A- with stable outlook. Elsewhere, Fitch affirmed Qatar's rating at AA- and kept outlook as stable.

FX

The USD corrected modestly yesterday while liquidity was thin amidst holidays in London and New York. Election results in the EU were not as bad as feared for many mainstream political parties prompting the EUR to recover above 1.12 while GBP also continued to recoup a little ground as the Conservative party prepared for elections to replace PM May. The absence of major headlines on the trade war also helped turn USD sentiment slightly and also caused the JPY to ease back a touch. However, overnight has seen the USD recover again, back below 1.12 against the EUR and 1.27 versus the GBP, as profit taking dried up and as President Trump indicated that he was not in a hurry to sign a trade deal with China.

Equities

It was a truncated day of trading for developed market equities. European equities drifted higher with the Euro Stoxx 600 index gaining +0.2%.

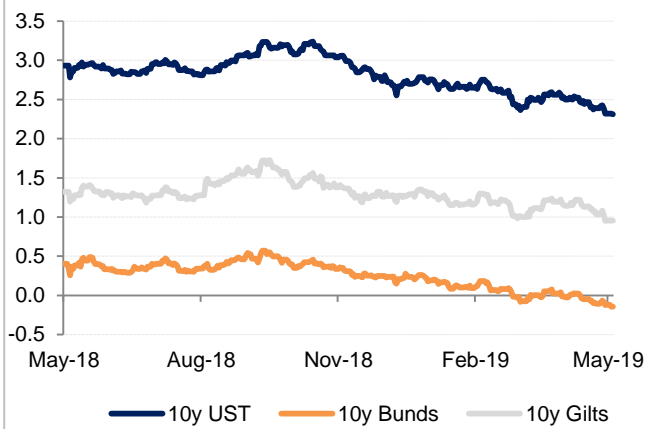
Regional equities closed mixed. The DFM index lost -0.3% while the Qatar Exchange gained +0.9%. The focus continues to remain on the inclusion of Saudi equities into the MSCI EM index. The index provider will include stocks based on Tuesday's closing prices.

Commodities

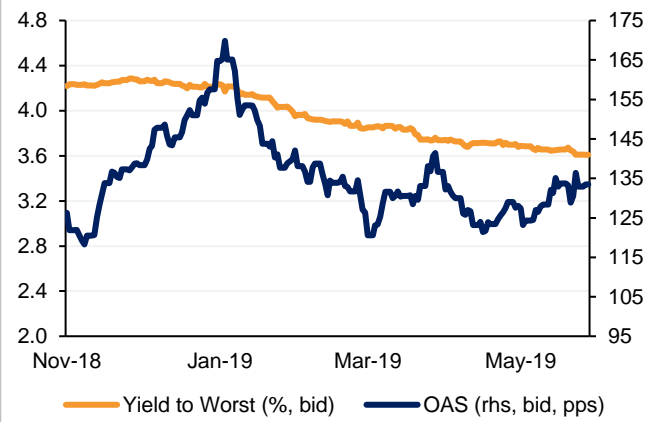
Oil markets managed to recover some ground at the start of the week with Brent regaining a USD 70/b handle. There were few specific catalysts to shift markets in a holiday-limited trading day. Kuwait's oil minister said he expected oil balances to be balanced by the end of 2019 but noted that OPEC still had "more work to do" to try and encourage a faster rebalancing of markets.

Markets in Charts

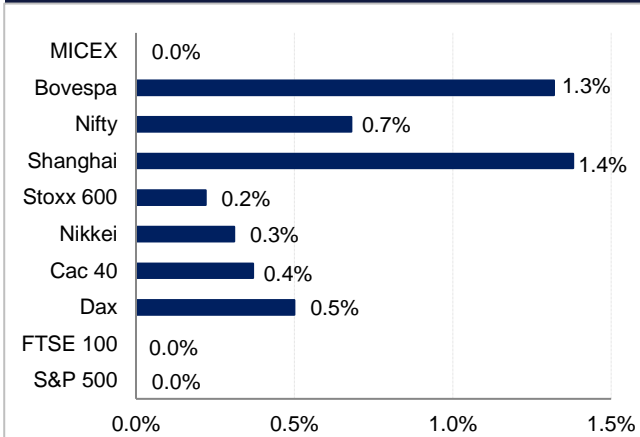
Global Bond Yields



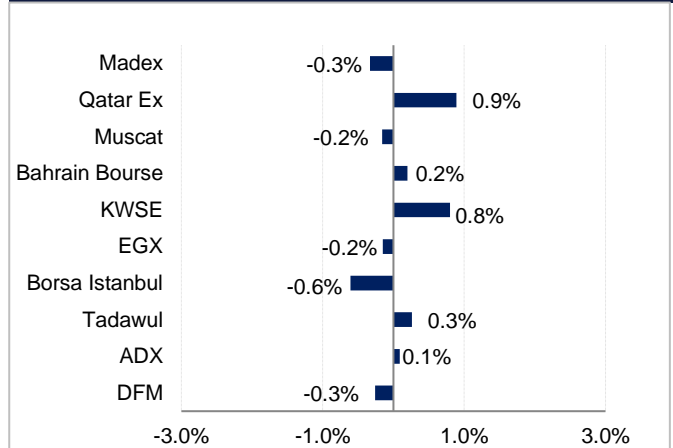
UAE liquid bond index



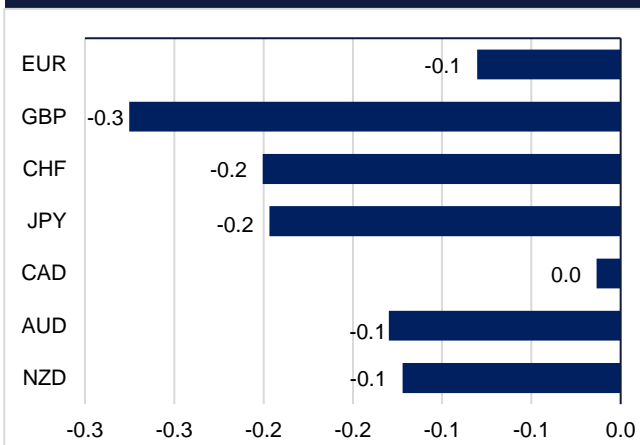
Global Equity Indices



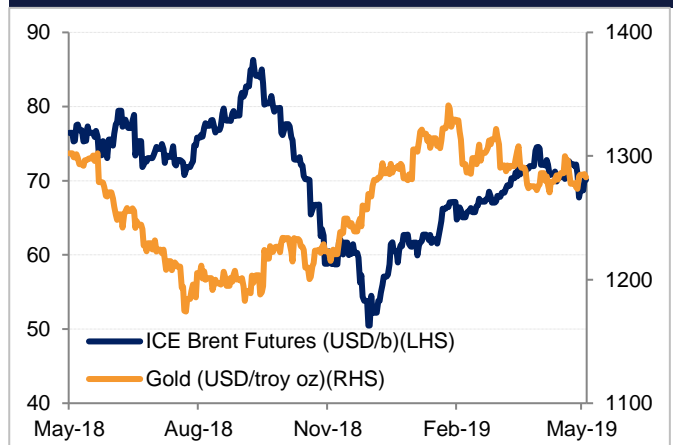
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1194	-0.08	1.1526	USDTRY	6.0612	-0.34	EURAUD	4.1111	-0.13
GBPUSD	1.2679	-0.28	1.2886	USDEGP	16.7957	-0.41	GBPAED	4.6571	-0.27
USDJPY	109.51	+0.18	106.50	USDSAR	3.7501	+0.00	JPYAED	0.0335	-0.19
USDCAD	1.3444	+0.05	1.3354	USDQAR	3.6800	+0.56	CADAED	2.7319	-0.05
AUDUSD	0.6918	-0.13	0.6984	USDKWD	0.3043	+0.03	AUDAED	2.5407	-0.13
USDCHF	1.0038	+0.16	0.9712	USDBHD	0.3770	--	CHFAED	3.6587	-0.20
EURGBP	0.8828	+0.16	0.8944	USDOMR	0.3848	--	TRYAED	0.6100	+1.02
USDAED	3.6728	+0.00	3.6767	USDINR	70.7225	-0.64	INRAED	0.0552	+4.32

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.6168	2.7267	2.9525	3.0999	USD 2 yr	2.203	+0
USD LIBOR	2.4281	2.5249	2.5486	2.6190	USD 5 yr	2.116	-0
GBP LIBOR	0.7300	0.7956	0.8936	1.0220	USD 10 yr	2.269	+0
JPY LIBOR	-0.1205	-0.0642	0.0043	0.0883	EUR 2 yr	-0.251	-0
CHF LIBOR	-0.7900	-0.7116	-0.6576	-0.5212	EUR 5 yr	-0.056	-1
					EUR 10 yr	0.385	-2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1285.36	+0.03	ADGB 6.75 19	2.42	--	Abu Dhabi	62	-
Silver	14.60	+0.22	DUGB 7.75 20	2.78	-3	Bahrain	270	-
Oil (WTI)	-	-	QATAR 5.25 20	2.70		Dubai	144	-
Aluminium	-	-	US Tsy 2 yr	2.16	--	Oman	310	-
Copper	-	-	US Tsy 10 yr	2.32	--	Qatar	69	-
						Saudi Arabia	91	-

Source: Bloomberg, Emirates NBD Research

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