



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

Rhetoric from official Chinese press agencies suggests the country is not prepared to back down on its trade dispute with the US. Domestic government-controlled media suggested the country could use its predominance in the supply of rare earth metals, used extensively in communications technology, to leverage the US into adopting a less confrontational stance on trade. China's vice foreign minister said that while the country opposed a trade war it was not afraid of engaging in one. With no direct communication between senior Chinese or US leaders at the moment, markets will be left reeling in the wake of hostile headlines.

On the back of a softening in consumer sentiment, Germany's labour market softened in May as the level of jobless rose by 60k that month. The headline unemployment rate rose to 5%. Weaker economic growth is contributing to the weaker jobs numbers in Europe's biggest economy and the potential of a trade war spiraling out of control could threaten employment levels further, particularly in manufacturing.

The Bank of Canada left rates on hold at its latest meeting, citing rising risks to global trade and a momentary slowdown in the domestic economy. Base rates in Canada remain at 1.75% while the bank said China's restrictions on trade in Canadian agricultural products having a "direct effect" on exports. The relatively cautious tone from the BoC saw the loonie weaken to above 1.35 against the USD but it has now stabilized around that level.

Trade war rhetoric roiling markets



Source: EIKON, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
US Q1 GDP 2 nd estimate	16:30	3.1%	US initial jobless claims	16:30	215k

Source: EIKON, Emirates NBD Research.

Fixed Income

Treasuries continued their positive run as investors remain cautious in light of concerns over global growth and lack of progress between the US and China on the trade front. The gains, however, were at the front end of the curve. Yields on the 2y UST, 5y UST and 10y UST closed at 2.10% (-2 bps), 2.06% (flat) and 2.26% (flat) respectively.

Regional bonds saw a bit of an uplift. The YTW on Bloomberg Barclays GCC Credit and High Yield index dropped 3 bps to 3.90% while credit spreads rose 1 bps to 175 bps.

FX

The dollar remains in demand, with safe haven buying the dominating factor, and with the JPY also benefiting on crosses. Trade and geopolitical concerns continue to erode investor confidence, while the risk of a no-deal Brexit and concerns about Italian budget responsibility are also high on the market's mind. Yield differentials are having little influence on currency fluctuations in this environment, with the re-inversion of the U.S. yield curve causing worries about the likelihood of recession. Currently trading at 98.128, while the price of the Dollar Index remains above the 50-day moving average 97.467, further gains seem likely.

Equities

Developed market equities closed lower as the rhetoric between China and the US continued unabated. The S&P 500 index and the Euro Stoxx 600 index dropped -0.7% and -1.4% respectively.

Most regional markets closed higher. However, the Tadawul dropped -1.6% following the inclusion of Saudi stocks into the MSCI EM index. At the moment, it appears that local institutional investors are using the opportunity to pare some of their positions

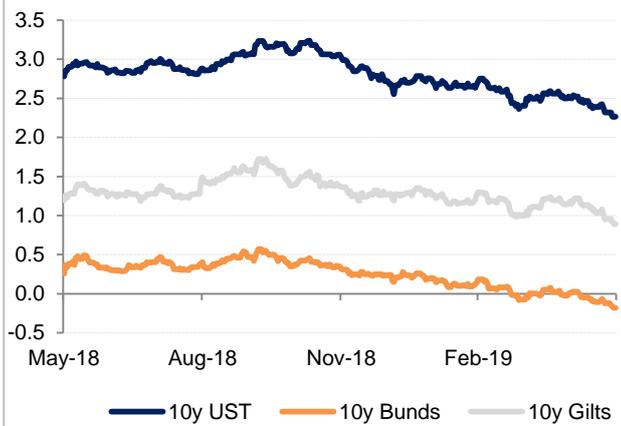
Commodities

Oil markets are recouping some ground in early trade today after falling as much as 0.9% in Brent futures overnight. The API reported a drop in US inventories of 5.3m bbl last week, helping markets to recover. Official data from the EIA has been delayed thanks to the US public holiday at the start of the week.

Crude exports from Iran have reportedly fallen to just 400k b/d in May, an effective collapse as importers shun the country's crude for fear of falling foul of US sanctions. Iran was exporting as much as 2.5m b/d as recently as April last year so the utter collapse in exports will help to keep a floor under crude prices as other producers have yet to step in to replace the scale of decline.

Markets in Charts

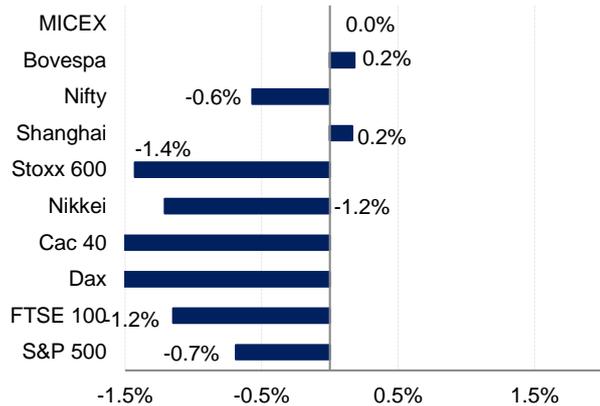
Global Bond Yields



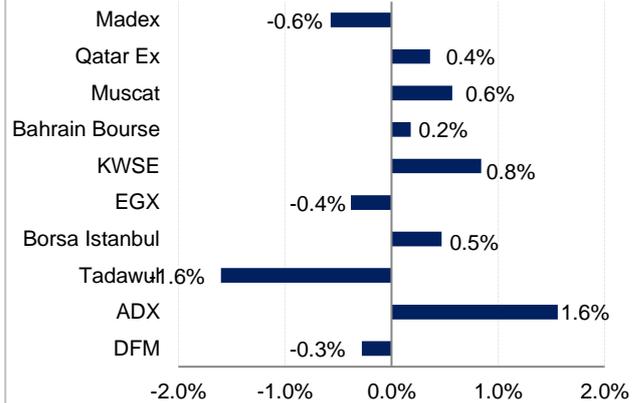
UAE liquid bond index



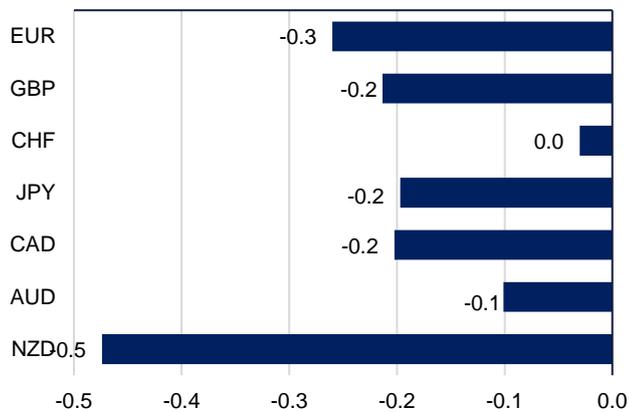
Global Equity Indices



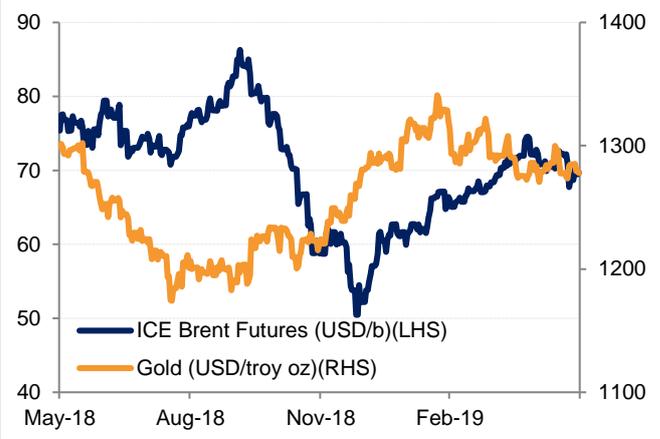
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1131	-0.26	1.1457	USDTRY	6.0121	-0.32	EURAED	4.0918	-0.17
GBPUSD	1.2626	-0.21	1.2828	USDEGP	16.8240	+0.01	GBPAED	4.6384	-0.19
USDJPY	109.59	+0.19	106.62	USDSAR	3.7503	+0.01	JPYAED	0.0335	-0.21
USDCAD	1.3519	+0.19	1.3429	USDQAR	3.6800	+1.06	CADAED	2.7165	-0.19
AUDUSD	0.6917	-0.10	0.6982	USDKWD	0.3039	--	AUDAED	2.5409	-0.06
USDCHF	1.0079	+0.02	0.9754	USDBHD	0.3770	--	CHFAED	3.6434	-0.03
EURGBP	0.8816	-0.05	0.8931	USDOMR	0.3850	+0.01	TRYAED	0.6100	+0.18
USDAED	3.6729	+0.00	3.6767	USDINR	70.7225	-0.64	INRAED	0.0552	+4.73

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.6176	2.7206	2.9250	3.0968	USD 2 yr	2.154	-0
USD LIBOR	2.4294	2.5238	2.5413	2.5999	USD 5 yr	2.069	+0
GBP LIBOR	0.7263	0.7945	0.8919	1.0130	USD 10 yr	2.216	-0
JPY LIBOR	-0.1163	-0.0625	0.0068	0.0908	EUR 2 yr	-0.261	-1
CHF LIBOR	-0.7946	-0.7118	-0.6610	-0.5222	EUR 5 yr	-0.081	-1
					EUR 10 yr	0.355	-2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1279.78	+0.04	ADGB 6.75 19	2.42	--	Abu Dhabi	61	+1
Silver	14.43	+0.49	DUGB 7.75 20	2.79	--	Bahrain	284	4
Oil (WTI)	58.81	-0.56	QATAR 5.25 20	2.70		Dubai	138	-1
Aluminium	1766.25	-0.66	US Tsy 2 yr	2.11	-2	Oman	310	--
Copper	5854.00	-1.46	US Tsy 10 yr	2.26	-1	Qatar	69	+1
						Saudi Arabia	94	1

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