



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

In a world where upside inflation surprises have become rare, the annualised inflation rate in the Euro-area rose to 1.4% in March from 1.1% in February (revised down from 1.2%), though the core CPI was unchanged from the previous month at an annualized rate of 1%. Services inflation, which provides the best read for home-grown price increases, climbed to 1.5% from 1.3% in the earlier month. **The unemployment rate for the euro area reached a nine-year low of 8.5% in February from 8.6% in the previous month** and eventually is expected to fuel wage growth and inflation going forward. The current uptick in inflation augurs well for ECB's bond buying program to end by Q4 this year and the first interest rate increase to arrive by mid next year.

China has retaliated to further US tariffs by imposing reciprocal tariffs of 25% on 106 US products, including agricultural produce such as soybeans, wheat and corn. US soybean exports have accounted for nearly 40% of China's total oilseed imports in the last five years. Soybeans production in the US is concentrated in the Midwest, which heavily favoured Trump in the 2016 presidential election. The direct targeting of soybeans may make the region a challenge for Republican candidates in this year's upcoming midterm elections and may incentivise the President to be more open to negotiations with China. The Chinese tariffs would be implemented once any US tariffs, which are subject to a 60-day consultation period, are imposed. As such, there is yet scope for both parties to reach agreement and avert an all-out trade war which is likely to be negative for both economies.

Bahrain provided further update on its recent find of large hydrocarbon reserves. The field is believed to contain circa 80 billion barrels of oil and also about 14 tcf of gas. Agreement is believed to have been reached with Halliburton to further evaluate reservoir potential, optimise completion and initiate long term production. Officials expect new reserves to be 'on production' within five years. If all goes to plan, it will provide a significant boost to Bahrain's economy and government budget.

Eurozone CPI inflation y/y



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
Markit/CIPS UK Composite PMI	12:30	54.0	RBI Repurchase Rate	13:00	6.00%
EZ Retail Sales YoY	13:00	2.2%	US Trade Balance	16:30	-\$56.8b

Source: Bloomberg

Fixed Income

Receding fears of trade wars caused reduction in safe haven bid which in turn saw US treasury yield curve to rise. Yields on 2yr, 5y and 10y UST closed at 2.29% (+2 bps), 2.62% (+2 bps) and 2.80% (+2 bps) respectively. Risk-on sentiment saw credit spreads to tighten with CDS levels on US IG closing 3bps lower at 64bps though those on Euro Main remained unchanged at 60bps.

In the region, GCC bonds were range bound with minimal idiosyncratic developments. Yield on Bloomberg Barclays GCC bond index fell a bp to 4.26% on the back of reduction in option adjusted credit spreads by a bp to 169bps.

Primary market awaits launch of new deals from SIB, DAMAC, Noor Bank etc.

FX

Dollar index softened slightly against its major trading partners. A surprise increase in Eurozone inflation in March to 1.4% from 1.1% in February boosted EUR to 1.2278 and GBP also closed up stronger at 1.4079. Yen held steady at 106.78 though AUD and CNY closed slightly lower at .7710 and 6.3033 against the dollar respectively.

INR remained range bound at 65.14 with slight bias towards weakness in response to nil expectations of a rate hike at the RBI meeting today.

Equities

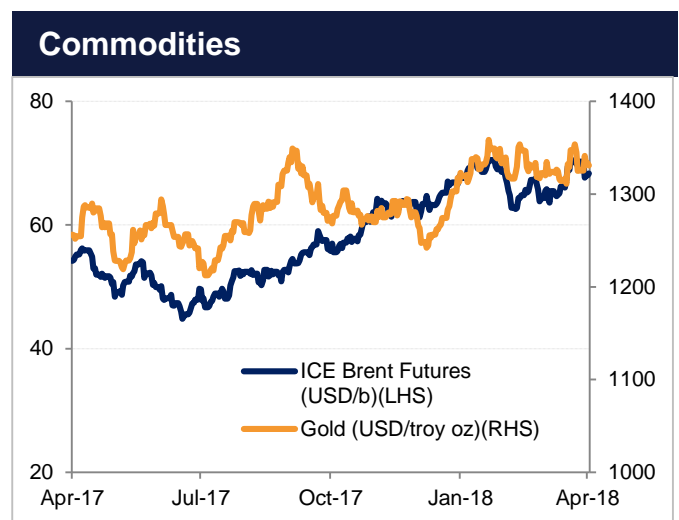
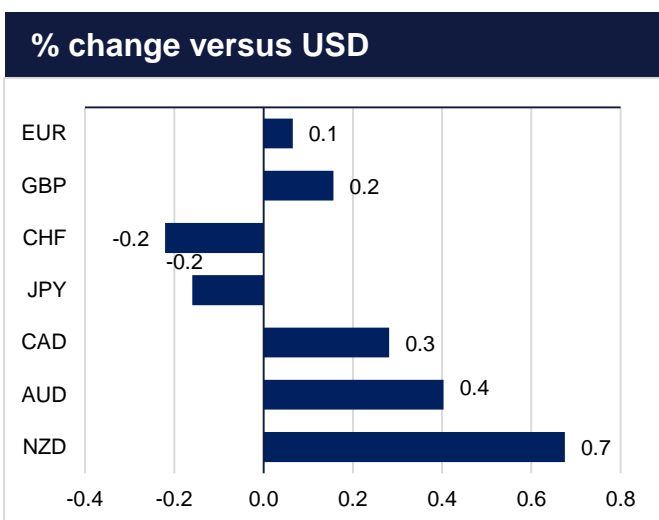
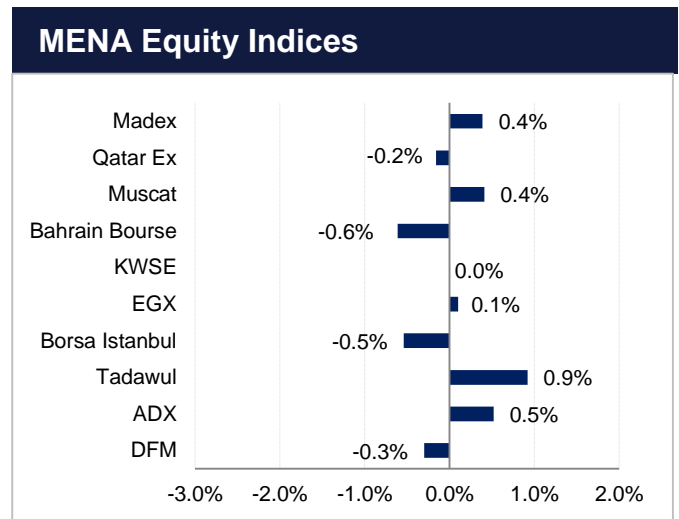
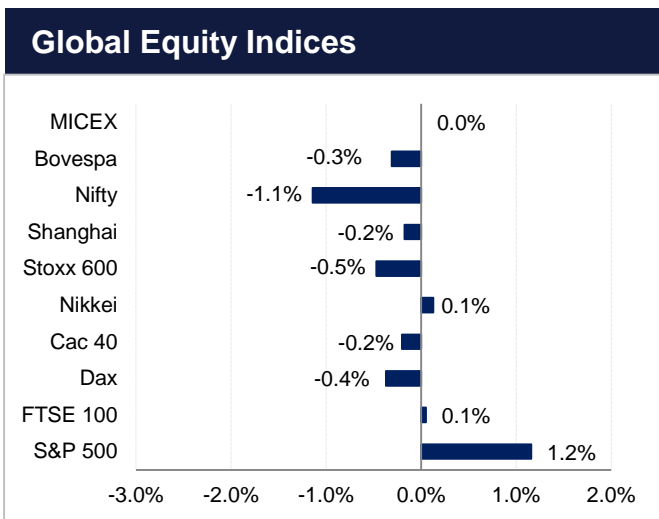
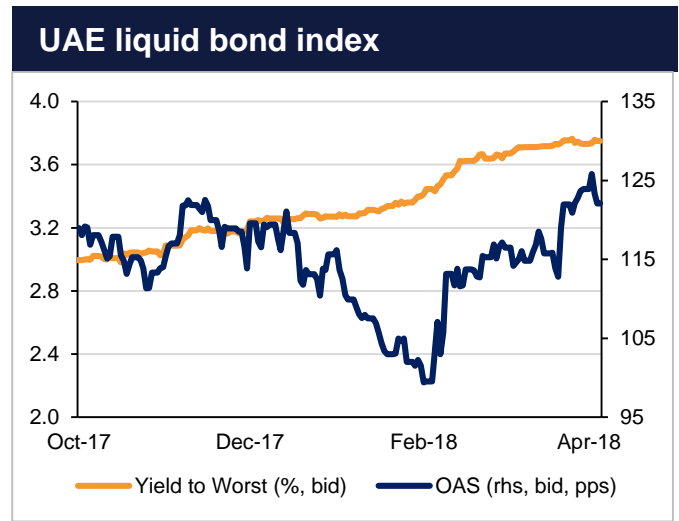
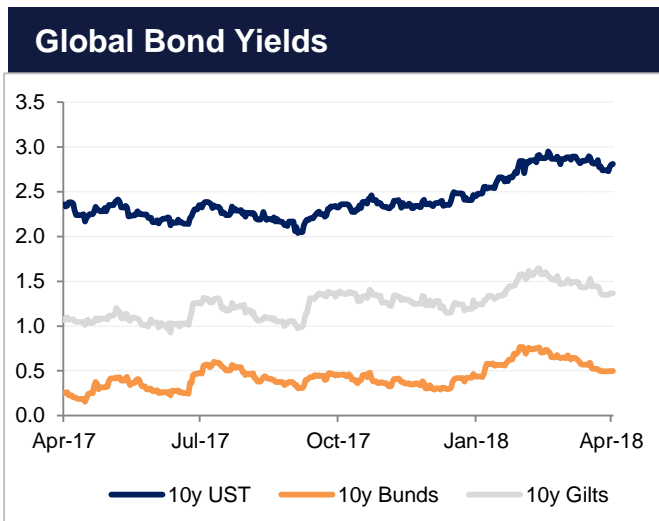
Developed market equities recovered from the lows of the day as investors pinned their hopes on probable negotiations on trade tariffs which could lead to a resolution amid announcement of measures and countermeasures by China and the US. The S&P 500 index added +1.2% while the Euro Stoxx 50 index dropped -0.2%.

The Tadawul with gain of +0.9% led regional markets higher as foreign investors continued to put money into play. There was nothing specific in terms of stock movements.

Commodities

Oil markets were spooked by an escalation of the trade dispute between the US and China and closed lower on the day. Brent gave up 0.15% while WTI fell 0.2%. However, both contracts were down more than USD 1/b during the day in immediate response to China's retaliatory tariffs on US goods. The market was supported later in the day by a surprise decline in US inventories of more than 4.6m bbl (although Cushing stocks did increase) and market surveys of OPEC production showing March at new low levels. Reuters estimated total compliance with the production cuts at 158% in March thanks to further collapses in output from Venezuela (more than 500% compliant in March).

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2278	+0.07	1.2658	USDTRY	3.9992	+0.27	EURAED	4.5098	+0.07
GBPUSD	1.4079	+0.16	1.4310	USDEGP	17.6683	+0.08	GBPAED	5.1714	+0.14
USDJPY	106.78	+0.16	103.81	USDSAR	3.7503	+0.00	JPYAED	0.0344	-0.15
USDCAD	1.2770	-0.29	1.2688	USDQAR	3.6800	+1.06	CADAED	2.8763	+0.29
AUDUSD	0.7716	+0.40	0.7735	USDKWD	0.2999	-0.01	AUDAED	2.8344	+0.43
USDCHF	0.9608	+0.20	0.9282	USDBHD	0.3771	-0.01	CHFAED	3.8228	-0.21
EURGBP	0.8721	-0.08	0.8846	USDOMR	0.3850	--	TRYAED	0.9200	-0.10
USDAED	3.6730	--	3.6767	USDINR	65.0225	+0.02	INRAED	0.0565	-0.12

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.9093	2.3947	2.5678	2.9223	USD 2 yr	2.604	+1
USD LIBOR	1.8775	2.3208	2.4599	2.6700	USD 5 yr	2.760	+3
GBP LIBOR	0.5141	0.7229	0.8404	1.0114	USD 10 yr	2.837	+3
JPY LIBOR	-0.0440	-0.0380	0.0198	0.1150	EUR 2 yr	-0.154	+0
CHF LIBOR	-0.7864	-0.7360	-0.6508	-0.5232	EUR 5 yr	0.364	-1
					EUR 10 yr	0.952	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1333.19	+0.03	ADGB 6.75 19	2.42	--	Abu Dhabi	56	--
Silver	16.31	-0.65	DUGB 7.75 20	3.07	-3	Dubai	103	-1
Oil (WTI)	63.37	-0.22	QATAR 6.55 19	2.66	-1	Qatar	86	-1
Aluminium	1969.25	+0.46	US Tsy 2 yr	2.29	+1	Saudi Arabia	86	+1
Copper	6690.75	-1.06	US Tsy 10 yr	2.80	+3	Bahrain	288	-1

Source: Bloomberg, Emirates NBD Research

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