



بنك الإمارات دبي الوطني
Emirates NBD

Daily

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Daily Outlook

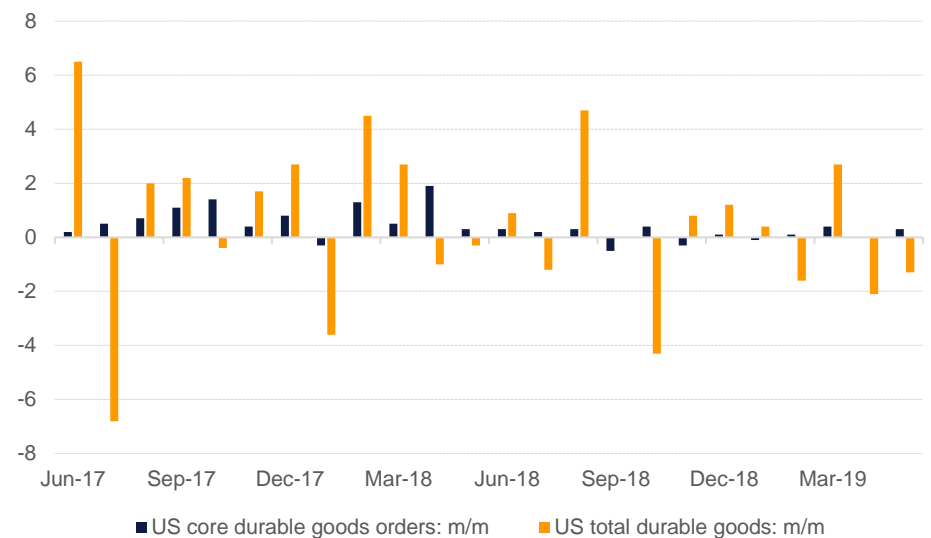
US president Donald Trump said overnight that a trade deal with China was possible while holding out the option of using more tariffs to coerce Chinese authorities into changing policy. The US could impose tariffs of 25% on USD 300bn of Chinese imports shortly after this week's G20 meeting but Trump noted he may apply a tariff rate of 10%. While there have been some signs of positivity and dialogue ahead of the meeting issues over Chinese state involvement in the economy remain an issue for US negotiators and may be another stumbling block on the way to an all-encompassing trade deal.

US durable goods orders for May declined by 1.3% month on month thanks to fewer shipments of Boeing aircraft out of the US. Leaving aircraft out of the measure, durable goods orders ticked higher m/m, up 0.3% for core orders. While not a blistering pace of underlying business investment, durable goods orders have managed to stage something of a comeback in recent months after a soft patch at the end of 2018 and earlier this year. Should the Federal Reserve follow the market and lower rates later this year then the investment appetite among businesses should pick up and allow for industry and investment to remain positive contributors to US GDP growth.

Saudi Arabia's Capital Market Authority has revised foreign ownership rules for listed companies, removing the 49% cap on buying shares in the Kingdom's equity market. There will be no direct limit on ownership but buyers must own the shares for at least two years before they sell them. The move is an effort to encourage more tent pole foreign investors into the market particularly after the local markets were included in benchmark emerging market indices earlier this year.

Deposits at UAE banks declined -0.8% m/m in May, with annual growth slowing to 5.2% y/y. Residents' deposits fell -1.1% m/m and posted the slowest annual growth since May 2018. However, non-residents' deposits grew 9.1% y/y in May. Gross credit growth slowed to 4.0% y/y in May, the softest growth in lending since November 2018. Individuals continued to deleverage, while government borrowing increased 1.7% m/m (12.8% y/y).

US core durable goods holding steady



Source EIKON, Emirates NBD Research

www.emiratesnbdresearch.com

Today's Economic Data and Events

| | Time | Cons | | Time | Cons |
|------------------------|-------|------|------------------------|-------|------|
| EZ consumer confidence | 13:00 | -72 | GE CPI m/m | 16:00 | 0.1% |
| US GDP final Q1 | 16:30 | 3.1% | US initial jobless cl. | 16:30 | 220k |

Fixed Income

Treasuries closed lower following a weak 5-year auction. Yields on the 2y UST, 5y UST and 10y UST closed at 1.76% (+3 bps), 1.79% (+7 bps) and 2.04% (+6 bps) respectively.

Regional bonds continued to trade in a tight range despite move in benchmark yields. The YTW on Bloomberg Barclays GCC Credit and High Yield index closed flat at 3.62% while credit spreads tightened 5 bps to 167 bps.

FX

JPY is trading softer this morning amid boosted risk appetite that has been triggered by reports that the U.S. and China had reached a tentative truce before President Trump and President Xi meet at the G-20 summit in Osaka. As we go to print, USDJPY is trading 0.30% higher at 108.12 and is on target for a second day of gains after finding support at the 23.6% one-year Fibonacci retracement on Wednesday.

Elsewhere for similar reasons, AUD has outperformed and gained on all the other major currencies. As we go to print, AUDUSD is trading 0.11% higher at 0.69927 and as of Wednesday has broken back above the 50-day moving average (0.6964). In order to hold onto these gains and recover further, AUDUSD needs to realize a close above the 38.2% one-year Fibonacci retracement (0.7025).

Equities

Developed market equities were in a holding pattern ahead of the G-20 meeting. The S&P 500 index and the Euro Stoxx 50 index closed -0.1% and flat respectively.

Regional equities closed mixed. The Tadawul continued its positive streak with gains of +0.4% while the ADX lost -0.7%. In terms of stocks, Shuaa Capital added +3.3% after the company confirmed its merger with ADFG. Elsewhere, the KWSE PM index dropped -0.6% even as MSCI confirmed that it will add Kuwaiti stocks into the MSCI EM index. The move was highly anticipated and hence possibly resulted in profit booking following the confirmation.

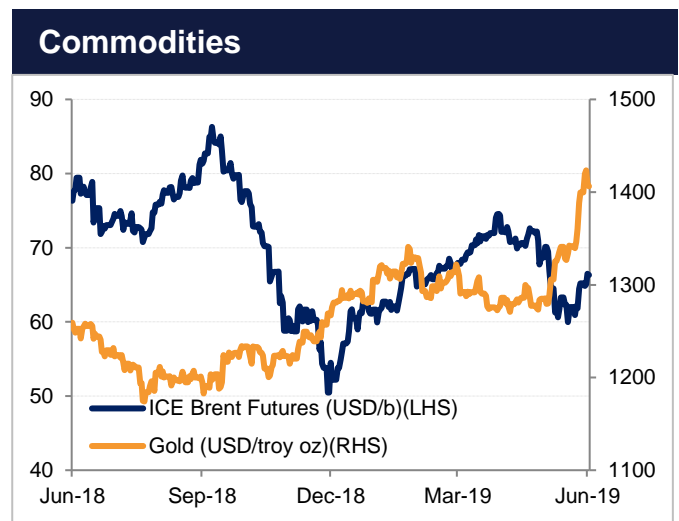
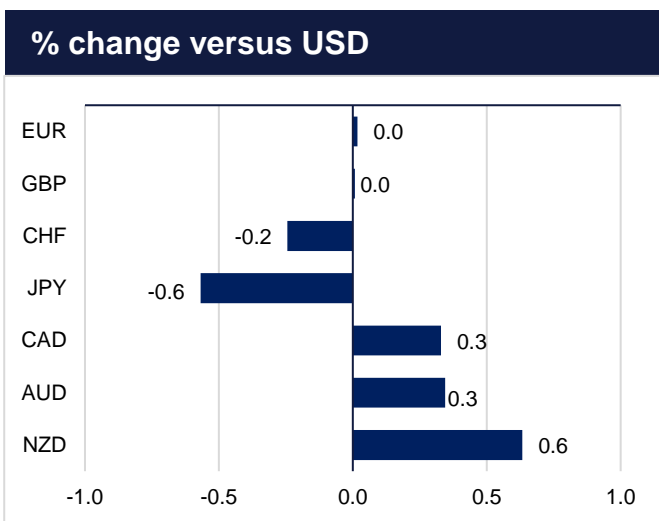
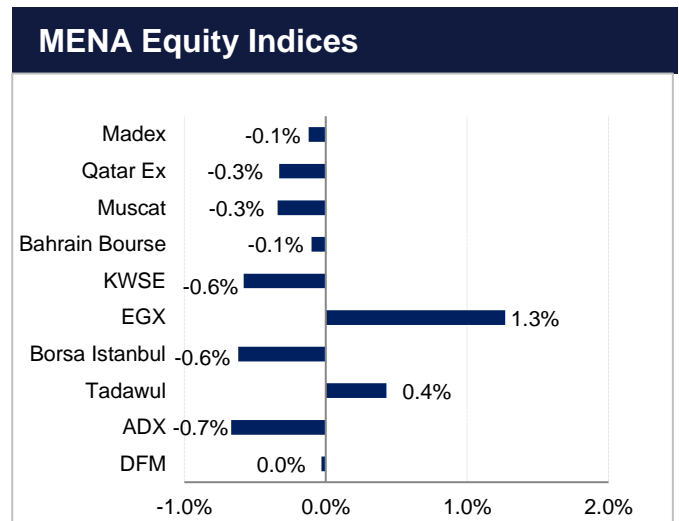
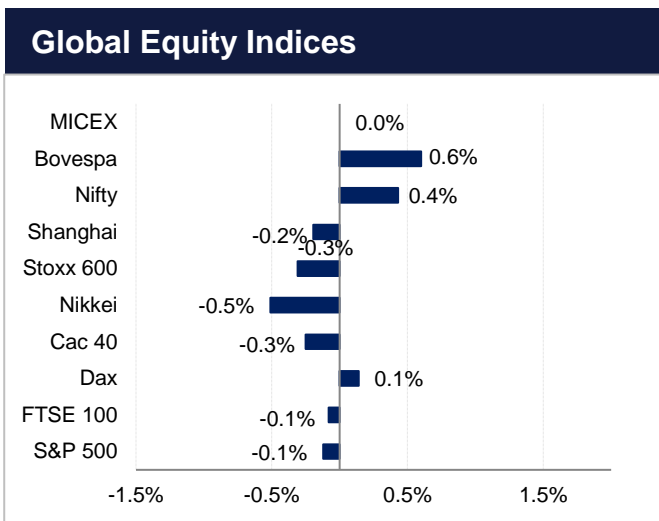
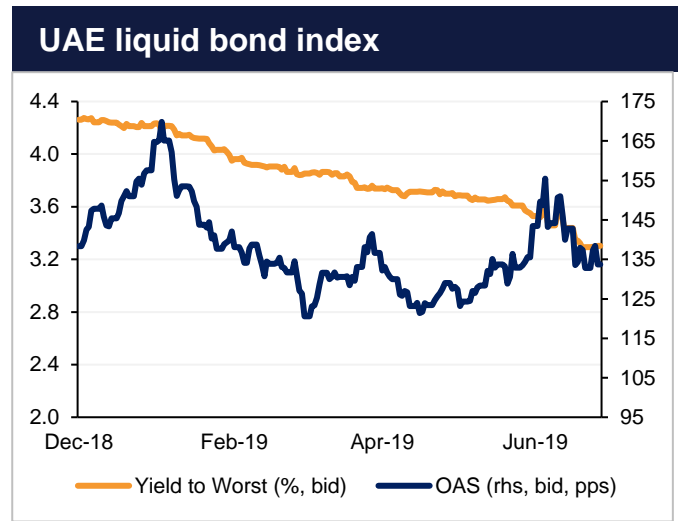
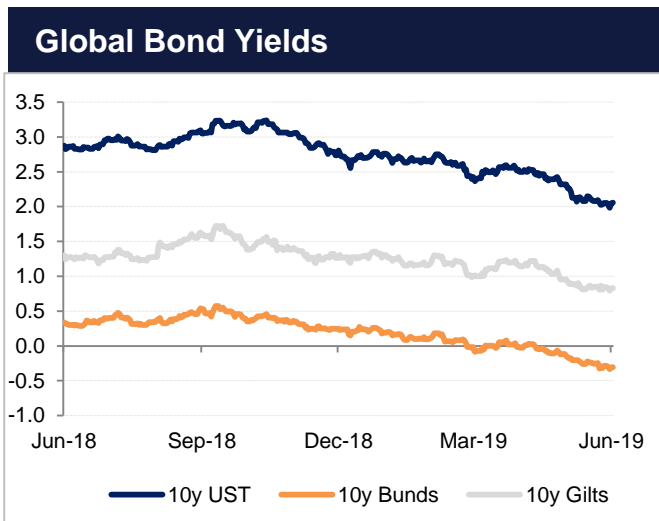
Commodities

Crude futures jumped overnight thanks to a large drop in US crude stocks. WTI futures ended the day up 2.7% while Brent added more than 2.2%. Crude inventories in the US fell by 12.8m bbl last week and were accompanied by drops across nearly the entire barrel. Exports rose by 350k b/d to hit 3.8m b/d a new record high and making the US a net petroleum exporter of almost 700k b/d last week.

Oil market attention will now shift to the G20 meeting and the upcoming OPEC+ meeting at the start of next week where the production cut deal is most likely to be rolled over. However, based on commentary coming out of regional NOCs and current pricing we would expect to see monthly increases in production in relatively short order.

The Dallas Fed's Q2 energy survey gave a subdued picture of oil and gas activity in Texas. Overall activity was negative compared with Q1. The impact of tariffs (higher steel costs) was noted as a drag on the sector while tight cash flow thanks to weak pricing in Q2 and higher rates are weighing on sentiment.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

| | Close | %1D chg | 1 yr fwd | | Close | %1D chg | | Close | %1D chg |
|--------|--------|---------|----------|--------|---------|---------|--------|--------|---------|
| EURUSD | 1.1369 | +0.02 | 1.1669 | USDTRY | 5.7742 | -0.36 | EURAED | 4.1763 | +0.04 |
| GBPUSD | 1.2690 | +0.01 | 1.2848 | USDEGP | 16.7050 | -0.01 | GBPAED | 4.6604 | -- |
| USDJPY | 107.79 | +0.55 | 105.19 | USDSAR | 3.7503 | -0.01 | JPYAED | 0.0341 | -0.56 |
| USDCAD | 1.3127 | -0.32 | 1.3082 | USDQAR | 3.6800 | +1.05 | CADAED | 2.7980 | +0.32 |
| AUDUSD | 0.6985 | +0.34 | 0.7041 | USDKWD | 0.3032 | +0.08 | AUDAED | 2.5657 | +0.35 |
| USDCHF | 0.9780 | +0.26 | 0.9489 | USDBHD | 0.3770 | -- | CHFAED | 3.7557 | -0.25 |
| EURGBP | 0.8960 | +0.04 | 0.9083 | USDOMR | 0.3845 | -- | TRYAED | 0.6300 | -0.60 |
| USDAED | 3.6730 | +0.00 | 3.6779 | USDINR | 70.7225 | -0.64 | INRAED | 0.0552 | +4.26 |

Rates

| Interbank | 1 mo | 3mo | 6 mo | 1 yr | Swaps | Close | 1D chg (bps) |
|-----------|---------|---------|---------|---------|-----------|--------|--------------|
| EIBOR | 2.5385 | 2.6313 | 2.8464 | 3.1049 | USD 2 yr | 1.774 | +5 |
| USD LIBOR | 2.4041 | 2.3113 | 2.1828 | 2.1474 | USD 5 yr | 1.735 | +3 |
| GBP LIBOR | 0.7218 | 0.7720 | 0.8581 | 0.9584 | USD 10 yr | 1.946 | +2 |
| JPY LIBOR | -0.1402 | -0.0662 | -0.0153 | 0.0448 | EUR 2 yr | -0.371 | -0 |
| CHF LIBOR | -0.8092 | -0.7274 | -0.6854 | -0.5862 | EUR 5 yr | -0.210 | +0 |
| | | | | | EUR 10 yr | 0.196 | -0 |

Commodities & Fixed Income

| Commodities | Close | %1D chg | Bonds/Sukuk | YTM | 1D chg (bps) | CDS | Close | 1D chg (bps) |
|-------------|---------|---------|---------------|------|--------------|--------------|-------|--------------|
| Gold | 1409.00 | -1.01 | ADGB 6.75 19 | 2.42 | -- | Abu Dhabi | 61 | -- |
| Silver | 15.29 | -0.96 | DUGB 7.75 20 | 2.51 | -1 | Bahrain | 271 | -- |
| Oil (WTI) | 59.38 | +2.68 | QATAR 5.25 20 | 2.70 | | Dubai | 139 | -1 |
| Aluminium | 1795.25 | +0.22 | US Tsy 2 yr | 1.77 | +4 | Oman | 335 | -- |
| Copper | 5971.00 | -0.90 | US Tsy 10 yr | 2.05 | +6 | Qatar | 65 | -- |
| | | | | | | Saudi Arabia | 86 | -- |

Source: Bloomberg, Emirates NBD Research

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