



Daily Outlook

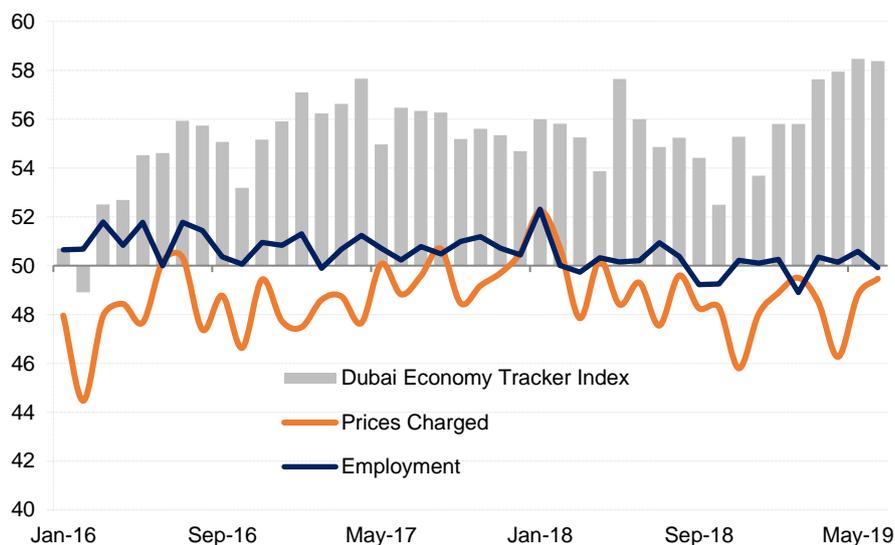
German industrial production rose by a weaker than expected 0.3% m/m in May, while the April reading was revised lower to -2.0% m/m. The improvement in May was due to a rise in capital and consumer goods. Construction output declined -2.4% m/m, the third consecutive contraction in the sector. German exports rose 1.1% in May, following a decline in April, while imports fell -0.5% m/m.

There is little on the data front to move markets today, and **the focus is likely to be on Fed Chairman Powells speech at the Boston Fed conference today**. While the topic is stress testing, his comments will be closely watched for hints about the future direction of monetary policy.

In the UK, efforts to prevent a no-deal Brexit continue with Dominic Grieve, the former attorney general, proposing an amendment on the Northern Ireland Bill that would prevent a new Prime Minister dissolving parliament in October to push through a no-deal Brexit. The amendment will be debated today, although there is no guarantee that it will go to a vote.

The **Dubai Economy Tracker Index remained near a four-year high in June**, with the average Q2 index pointing to the fastest growth in the emirate since 2015. However, as has been the case with the broader UAE PMI, the reported growth in output and new orders in the non-oil sector has not translated into faster job growth. In fact, the employment component of the Dubai Economy Tracker survey dipped below the neutral 50.0 level in June. Firms remain reluctant to boost headcount in the face of continued margin compression.

Dubai Economy Tracker Index broadly unchanged in June



Source: IHS Markit, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
US JOLTS Job Openings	18:00	7473			

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Benchmark yields were little changed at the start of the trading week as the market waits for Fed Chair Jerome Powell to give testimony to Congress and the minutes of the FOMC out later this week. Yields on 10yr USTs were flat at 2.034% while 2yr yields pushed slightly higher to 1.88%. Markets are still anticipating a 25bps cut at the end of July (97.5% as implied by Fed funds futures).

Yields on Turkish bonds jumped after the dismissal of the central bank governor. Yields on 10yr Turkish bonds rose to 16.46%, up 74bps as markets reacted to the news.

In the GCC, the primary market remains quiet.

FX

The USD continues to hold on to gains realized last week following the stronger than expected June employment data and in advance of the Federal Reserve's Chairman Jerome Powell's two day testimony to congress. As we go to print, the Dollar Index is currently trading at 97.402, above the 50-day moving average (97.259) and 76.4% one-year Fibonacci retracement (97.275). A daily close above these levels could trigger further gains towards the 98 level.

Equities

Equity markets were broadly weaker to start trading as the market discounts the support of deep Fed rate cuts this month. The S&P 500 gave up 0.48% while losses in Europe were more muted. The Shanghai index is on track for another day of losses (down 2.6% yesterday) as trade concerns have not dissipated.

Regional markets were largely positive. The DFM added 0.29% while the ADX was up 0.15% and the Tadawul up by 0.18%.

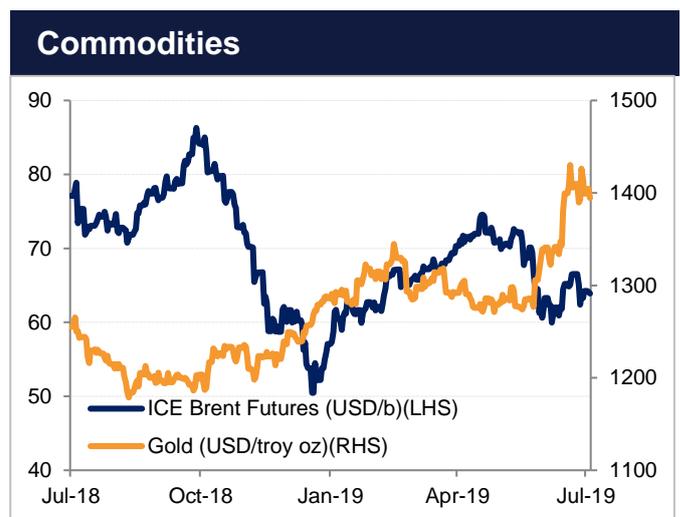
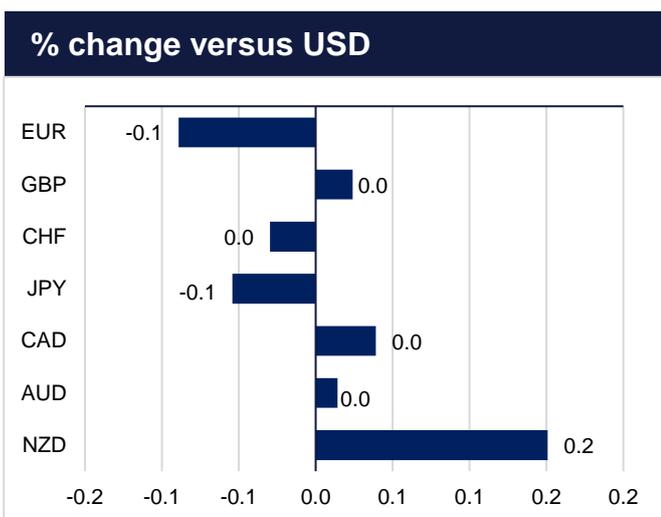
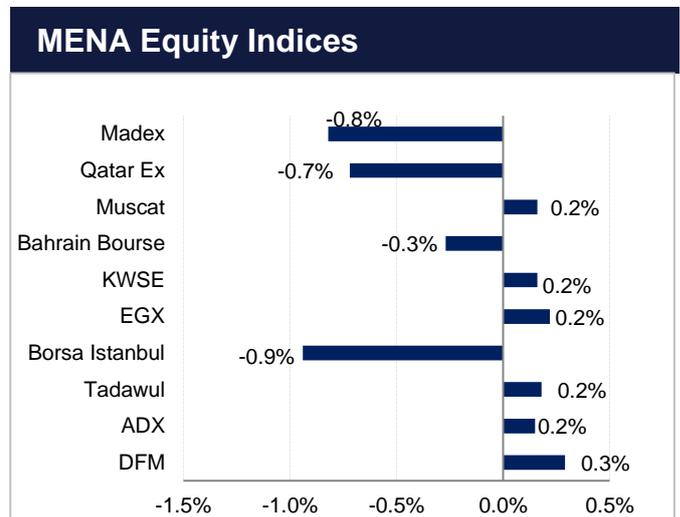
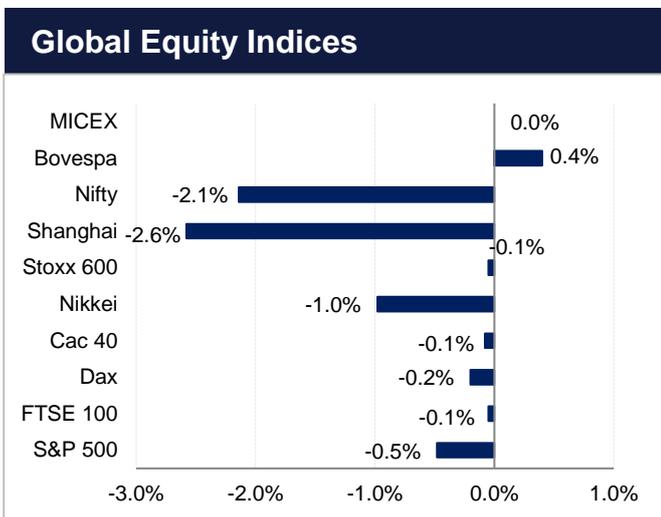
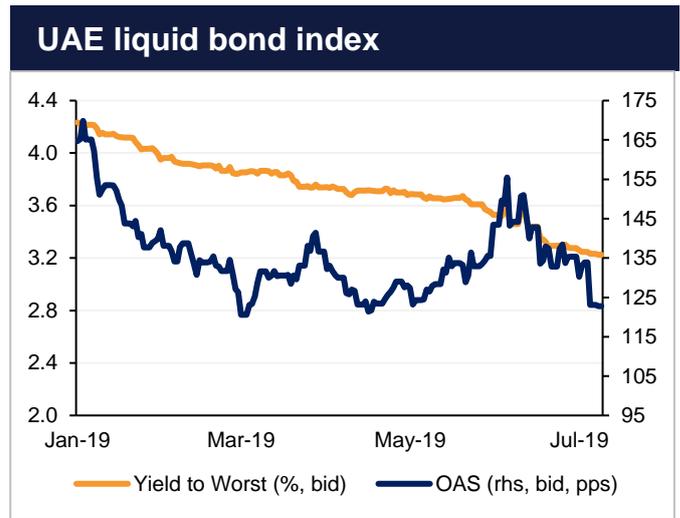
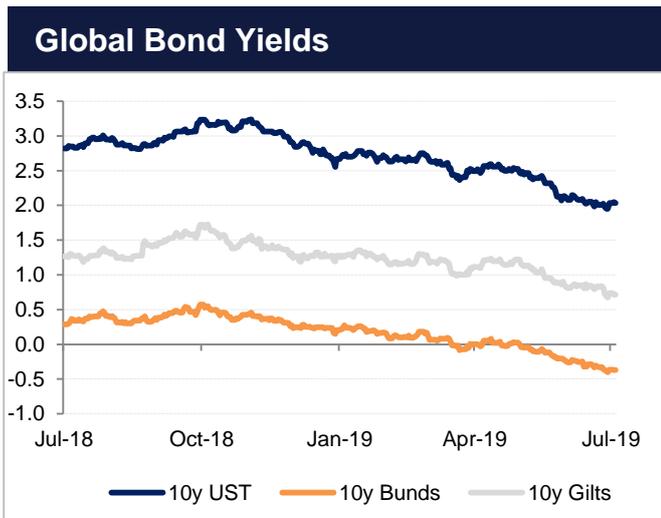
Commodities

Oil markets had a quiet start to the week with few fundamental catalysts to support a move in either direction. Today, both Brent and WTI are edging lower in early trading as trade war concerns overcome geopolitical anxieties centred on the Middle East.

Iran has breached the uranium enrichment levels agreed in the JCPOA and the EU signatories are evaluating what response is necessary. EU sanctions on Iran would largely be superfluous at this stage as US sanctions have already pushed Iranian exports down dramatically, estimated at down 1.8m b/d year on year as of May.

The Brent curve is continuing to weaken as prices linger. Time spreads at the front of the curve closed at a backwardation of just USD 0.29/b overnight, their lowest level since March. WTI spreads remain in contango and it has resumed widening again to USD 0.11/b today.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1215	-0.09	1.1527	USDTRY	5.7248	+1.72	EURAED	4.1192	-0.42
GBPUSD	1.2524	+0.02	1.2705	USDEGP	16.6203	-0.03	GBPAED	4.6010	-0.16
USDJPY	108.53	+0.06	105.75	USDSAR	3.7505	+0.00	JPYAED	0.0338	-0.45
USDCAD	1.3074	-0.05	1.3025	USDQAR	3.6800	+0.57	CADAED	2.8095	-0.06
AUDUSD	0.6981	+0.01	0.7044	USDKWD	0.3043	+0.07	AUDAED	2.5643	-0.49
USDCHF	0.9920	+0.04	0.9613	USDBHD	0.3770	--	CHFAED	3.7027	-0.44
EURGBP	0.8955	-0.09	0.9073	USDOMR	0.3850	--	TRYAED	0.6400	-1.94
USDAED	3.6730	--	3.6788	USDINR	70.7225	-0.64	INRAED	0.0552	+3.04

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.5158	2.5685	2.8824	2.9850	USD 2 yr	1.907	+0
USD LIBOR	2.3794	2.3378	2.2565	2.2615	USD 5 yr	1.815	-0
GBP LIBOR	0.7215	0.7626	0.8223	0.8830	USD 10 yr	1.982	-0
JPY LIBOR	-0.1208	-0.0745	-0.0343	0.0467	EUR 2 yr	-0.401	+0
CHF LIBOR	-0.8126	-0.7484	-0.7058	-0.5950	EUR 5 yr	-0.273	-0
					EUR 10 yr	0.096	-2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1395.53	-0.28	ADGB 6.75 19	2.42	--	Abu Dhabi	58	-1
Silver	15.06	-0.95	DUGB 7.75 20	2.44	+0	Bahrain	246	--
Oil (WTI)	57.66	+0.26	QATAR 5.25 20	2.70		Dubai	132	+2
Aluminium	1790.00	+0.34	US Tsy 2 yr	1.89	+3	Oman	309	--
Copper	5873.25	-0.29	US Tsy 10 yr	2.05	+1	Qatar	58	--
						Saudi Arabia	79	--

Source: Bloomberg, Emirates NBD Research

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