



بنك الإمارات دبي الوطني
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Daily Outlook

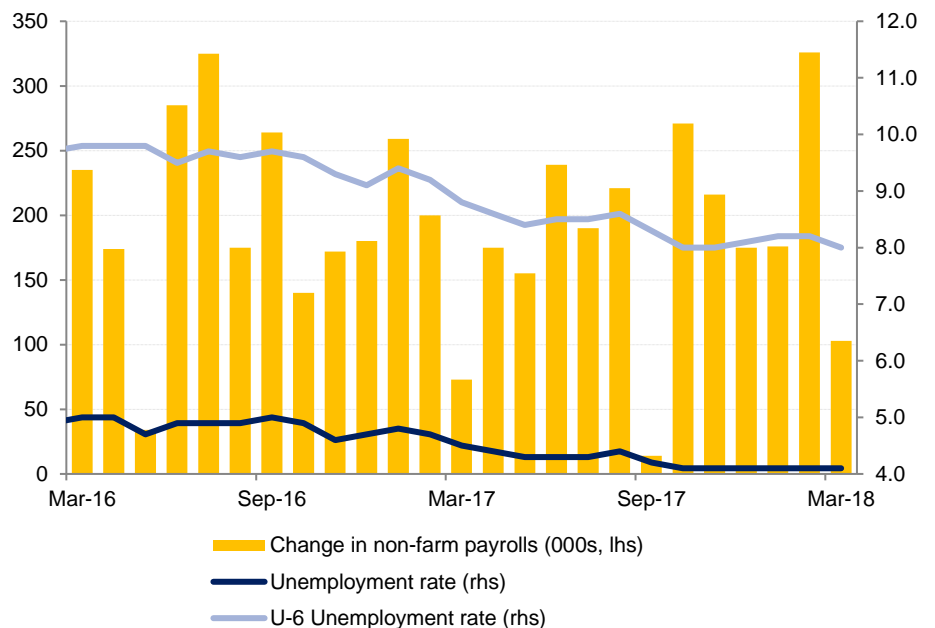
President Trump escalated the risk of a trade war with China on Thursday, announcing a further USD 100bn of tariffs on Chinese goods, after China's retaliatory USD 50bn target list on the US earlier in the week. Stocks fell on the news but both sides maintained the rhetoric. No tariffs will be implemented until after the end of the US's 60-day public consultation period, meaning that there is still time for negotiations.

Federal Reserve chair Jerome Powell gave his first speech on the outlook for the US economy on Friday, reiterating that the risks were 'evenly balanced' and that 'further gradual rate increases' would best promote the Fed's goals of economic expansion, 2% inflation and a strong labour market. He made no mention of the risk of a trade war in the speech, although he has said separately that it is too soon to know if it will make any impact on the economy. Despite Powell's positive talk on the labour market, non-farm payroll numbers in the US disappointed to the downside last week, coming in at 103,000 in March, compared to consensus expectations of 193,000 and 326,000 in February. This marked the lowest level in six months, with bad weather being cited as a likely cause – the construction sector was one of the worst-performing. Wages rose 2.7% y/y, while unemployment was 4.1%, just missing expectations of 4.0%.

Qatar is reportedly meeting with investors this week ahead of a prospective bond issue, which would be the first international debt issuance in two years. Separately, S&P re-affirmed its A- sovereign credit rating on Saudi Arabia, and maintained a stable outlook. Growth is expected to recover modestly this year after contracting in 2017.

France is facing major rail strikes as President Emmanuel Macron looks to implement reforms, opening up the state-run SNCF to competition and relieving its debt burden. The strike is a major litmus test for Macron's reform agenda, who currently enjoys broad support for the action. Air France unions have also been carrying out strikes, with the transport sector potentially significantly disrupted when they overlap with the rail workers.

US Non-Farm Payrolls show 103,000 jobs added in March



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
EZ Sentix Investor Confidence	12:30	20.8	Bank of Canada Surveys	18:30	N/A

Source: Bloomberg

Fixed Income

US treasuries closed marginally lower for the week despite gains towards the end of the week. Renewed sell-off in stocks as trade tensions between the US and China escalated reignited risk-off mood. It appears that at the moment stock movements are driving treasuries with muted reaction to the Fed Chairman Powell's speech in which he reiterated gradual rate increases. Yields on the 2y UST, 5y UST and 10y UST closed at 2.26% (flat w/w), 2.58% (+2 bps w/w) and 2.77% (+4 bps).

Regional bond market continue to remain in a tight range amid a strong pipeline of new issuances. The YTW on the Bloomberg Barclays GCC Credit and High Yield index dropped 1bp to 4.25% and credit spreads tightened by 1 bps to 171 bps.

Kingdom of Bahrain bonds gained sharply as they announced the discovery of new oil field which is said to be significantly bigger in size than current reserves. Bahrain 29s rose 2.3% to close at USD 95.6 and yield 7.3% (-30 bps w/w).

S&P affirmed Saudi Arabia's ratings at A- with stable outlook. The rating agency said that it expects modest economic growth from 2018 supported by rising government investment.

Qatar has started the process to issue its first USD-denominated bonds in more than two years. The country which last sold bonds internationally in 2016 when it raised USD 9bn has sought meetings with fixed income investors in the US and UK.

FX

The Dollar Index firmed 0.18% last week, reaching 90.132 and remaining above the 50 day moving average (89.795) and testing the former daily downtrend that has been in effect since November 2017. However, despite these modest gains, while the price remains below the 100 day moving average (91.116) the index remains vulnerable to further declines and a break of the 50 day moving average can result in a retest of the 38.2% five year Fibonacci retracement of 88.423.

EURUSD fell by 0.35% last week, closing at 1.2282. Of note is that over the course of the week, there was constant resistance encountered near the 50 day moving average (1.2337). The price action remains sideways on the daily candle chart with support likely to be found near the 100 day moving average of 1.2152.

Equities

Regional markets closed mixed with the ADX index losing -1.8% and the Kuwait Premier Market index adding +0.9%. The market breadth for the DFM index (-0.4%) remained weak with 21 stocks closing in negative territory and only 4 stocks rising.

Dana Gas closed -1.0% lower after the company informed that it had received a new injunction from the English High Court restricting its ability to pay dividends or increase its debt. Almarai rallied +3.4% after the company reported Q1 2018 earnings of SAR 344mn, ahead of analysts' estimates of SAR 312mn.

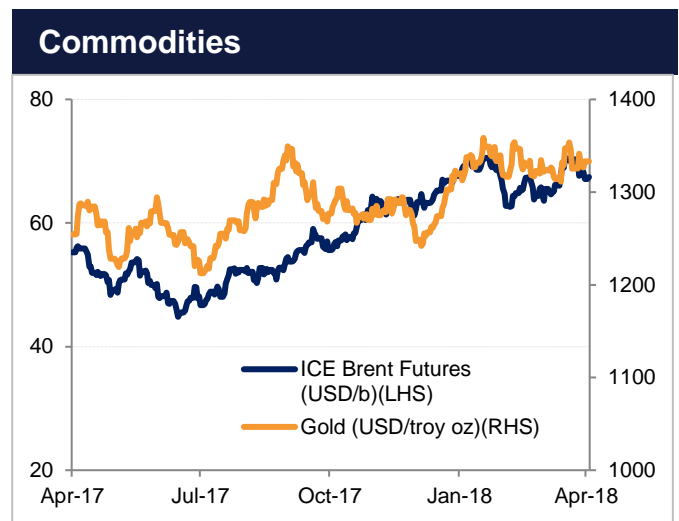
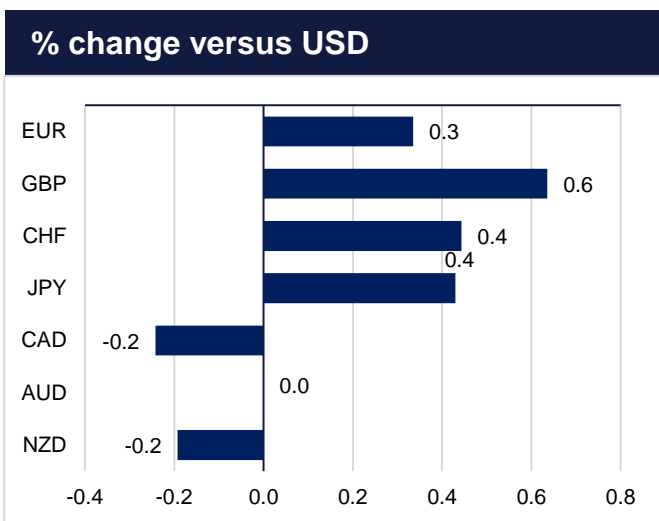
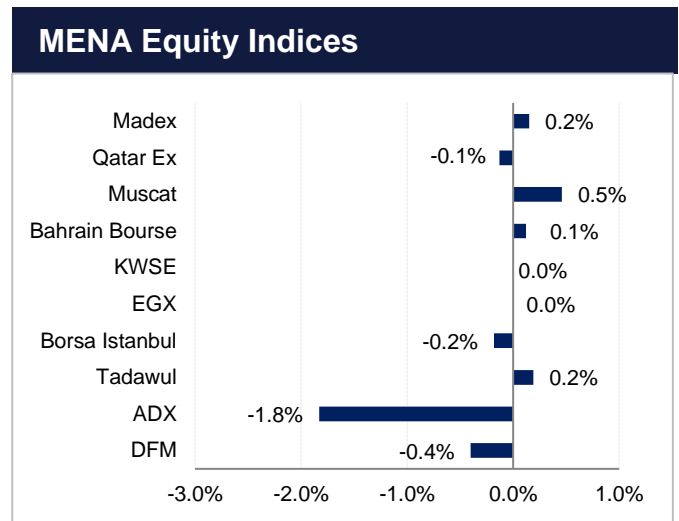
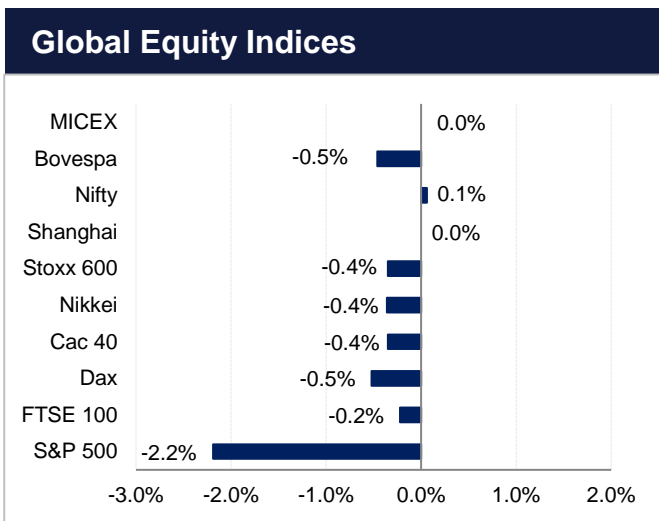
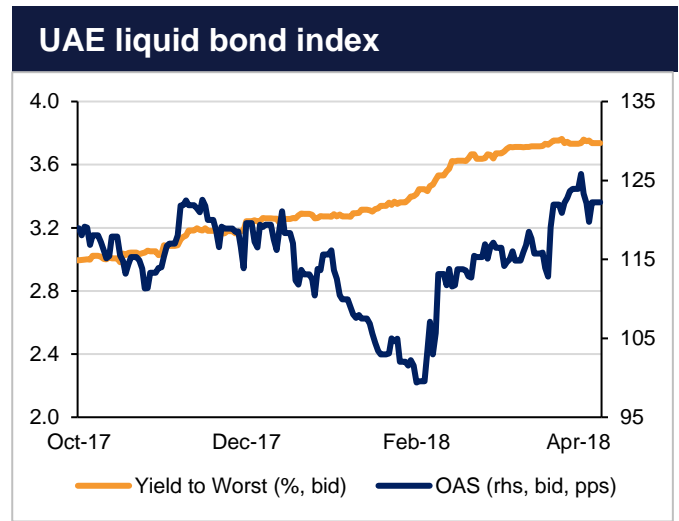
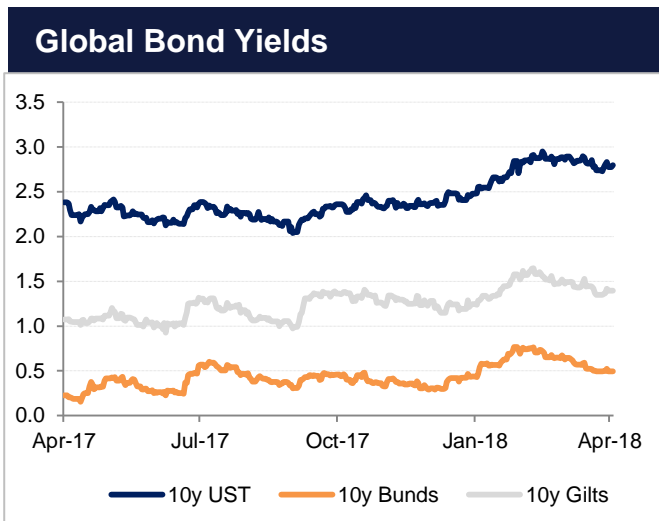
Commodities

Oil prices closed the week lower, down 4.4% for WTI futures and 4.5% for Brent. Market anxiety about a pending trade war between the US and China is overwhelming fundamental issues in the near term and dragging risk assets lower generally. In crude markets this is playing out with a marked uptick in volatility, at its highest level since Q3 2017.

The US drilling rig count recovered ground last week, adding 11 oil focused rigs to take the total back up above 800. The total count looks to be levelling off which likely reflects constraints in accessing rig crews and equipment more than a lack of desire by oil companies to carry on with new work. Speculators are closing out some long positions in both WTI and Brent futures with net length declining by more than 51k contracts in total last week, including more than 8.5k new short positions in WTI.

The WTI curve sank back into contango in the 1-2 month spread as trade war anxiety hangs on futures. Unlike the previous dip into contango in the middle of March which related to expiring contracts this flipping looks to be more related to a worried outlook for oil in the near term.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2281	+0.33	1.2655	USDTRY	4.0455	-0.15	EURAED	4.5108	+0.33
GBPUSD	1.4092	+0.64	1.4318	USDEGP	#N/A N/A	#VALUE!	GBPAED	5.1760	+0.64
USDJPY	106.93	-0.43	104.00	USDSAR	3.7503	+0.00	JPYAED	0.0344	+0.43
USDCAD	1.2782	+0.25	1.2698	USDQAR	3.6800	+1.06	CADAED	2.8729	-0.26
AUDUSD	0.7684	--	0.7704	USDKWD	0.3002	--	AUDAED	2.8190	-0.13
USDCHF	0.9591	-0.46	0.9271	USDBHD	0.3771	--	CHFAED	3.8292	+0.44
EURGBP	0.8714	-0.29	0.8838	USDOMR	0.3850	--	TRYAED	0.9100	+0.38
USDAED	3.6730	--	3.6767	USDINR	64.8775	-0.13	INRAED	0.0566	-0.07

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.8825	2.3797	2.5343	2.8512	USD 2 yr	2.587	-3
USD LIBOR	1.8971	2.3375	2.4722	2.7083	USD 5 yr	2.727	-5
GBP LIBOR	0.5126	0.7566	0.8758	1.0376	USD 10 yr	2.805	-6
JPY LIBOR	-0.0487	-0.0352	0.0197	0.1143	EUR 2 yr	-0.152	-0
CHF LIBOR	-0.7884	-0.7350	-0.6498	-0.5232	EUR 5 yr	0.366	-1
					EUR 10 yr	0.954	-2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1333.03	+0.49	ADGB 6.75 19	2.42	--	Abu Dhabi	56	--
Silver	16.39	-0.03	DUGB 7.75 20	3.09	-2	Dubai	102	-1
Oil (WTI)	62.06	-2.33	QATAR 6.55 19	2.76	+7	Qatar	86	--
Aluminium	2021.50	+1.76	US Tsy 2 yr	2.27	-4	Saudi Arabia	85	-1
Copper	6729.50	-0.76	US Tsy 10 yr	2.77	-6	Bahrain	286	-2

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
Director, Financial Markets Research
+9714 609 3027
adityap@emiratesnbd.com

Athanasios Tsetsonis
Sector Economist
+9714 230 7629
athanasiost@emiratesnbd.com

Edward Bell
Commodity Analyst
+9714 230 7701
edwardpb@emiratesnbd.com

Daniel Richards
MENA Economist
+9714 609 3032
danielricha@emiratesnbd.com

Mohammed Altajir
FX Analytics and Product Development
+9714 609 3005
mohammedtaj@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
vallancel@emiratesnbd.com

Egypt
Gary Boon
+20 22 726 5040
garyboon@emiratesnbd.com

Emirates NBD Capital

Ahmed Al Qassim
CEO- Emirates NBD Capital
AhmedAQ@emiratesnbd.com

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