



بنك الإمارات دبي الوطني
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Daily Outlook

Chinese President Xi Jinping offered some conciliatory measures in terms of trade when speaking at the Boao Forum for Asia in Hainan this morning. The speech came in the midst of the escalating risk of a trade war with the US, and Xi's pledges to significantly lower import tariffs for vehicles and strengthen property rights protection – particular issues for US President Donald Trump – will help cool this down. Xi said that it was a new phase of increased openness for China, and greater inward investment into sectors such as shipping, automotives, aviation and financial services would be encouraged. Asian markets rallied on the back of the speech, erasing losses earlier in the day.

According to a US Congressional Budget Office (CBO) report issued yesterday, the US budget deficit will exceed USD1tn by 2020. This is two years earlier than the CBO's previous report, released in June, anticipated. The faster expected growth in the deficit was attributed to the 'cut taxes and boost spending' approach of the Trump administration. The report claimed that the measures would have little effect in the way of boosting GDP growth, meaning that the budget shortfall would continue to rise sharply, and that the national debt would reach 100% of GDP by 2028. The CBO also noted that the tax cuts and spending boost would 'exert upward pressure on interest rates and prices.'

Halifax house prices data for the UK was released yesterday, showing a m/m growth of 1.5% in March, to an average GBP227,871. This far exceeded the 0.1% analysts were expecting, and the 0.4% growth recorded in February, and was the fastest growth since August. This has led UK home prices to rise to a record level, but the reality of a slowdown in the UK property market is unchanged. Q1 was actually down 0.1% on the previous quarter, the second consecutive q/q decline. Although mortgages are most affordable in 10 years, according to Halifax, approvals are weak, down 7% y/y. Looking ahead, with interest rates set to rise, albeit slowly, and household spending power under pressure as real incomes fall, a further slowdown in mortgage approvals, and house prices, is likely.

UK Halifax House Prices, % m/m



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
US small business optimism	14:00	107	Canada building permits m/m	16:30	N/A
US PPI final demand m/m	16:30	0.10%	US wholesale trade sales m/m	18:00	N/A

Source: Bloomberg

Fixed Income

The trend of stocks leading US treasuries continued. Yields on the US treasuries closed at their lowest point of the session as stocks pared gains in the final hour of trading. The raids on the office of Donald Trump's personal lawyer by the FBI weighed on broader markets. Yields on the 2y UST, 5y UST and 10y UST closed at 2.27% (+1 bps), 2.59% (+1 bps) and 2.77% (flat) respectively.

Regional bonds closed lower with the YTW on the Bloomberg Barclays GCC Credit and High Yield index rising 2bps to 4.27% and credit spreads widening by 2 bps to 173bps.

FX

It was another day of dollar weakness to the start the week as markets responded to the potential of a deepening trade dispute between China and the US. CAD was a major gainer against the greenback thanks to a jump in oil prices. The dollar is a little firmer this morning thanks to reassuring comments coming out of China's president at an economic forum with both JPY and CHF losing some ground against the greenback.

Equities

Global equities closed higher as start of the earnings season pushed concerns over trade war into the background. However, markets closed off the highs as geopolitical risks rose and US domestic politics concerns resurfaced. The S&P 500 index and the Euro Stoxx 50 index added +0.3% and +0.2% respectively. Russia's RTS index closed -11.4% lower as investors' assessed the impact of the US sanctions.

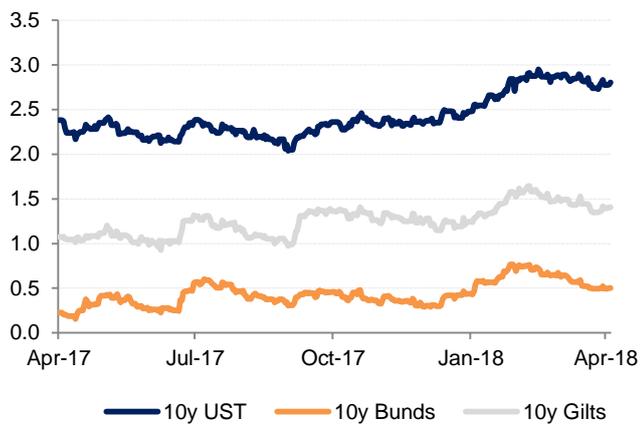
The trend in regional markets remained similar to that of in recent weeks. The Qatar Exchange gained +1.8% as several companies raised their foreign ownership limits in time to be eligible ahead of the MSCI review in May 2018. Elsewhere, the Tadawul added +0.1% with United Electronics adding +3.1% following a better than expected earnings.

Commodities

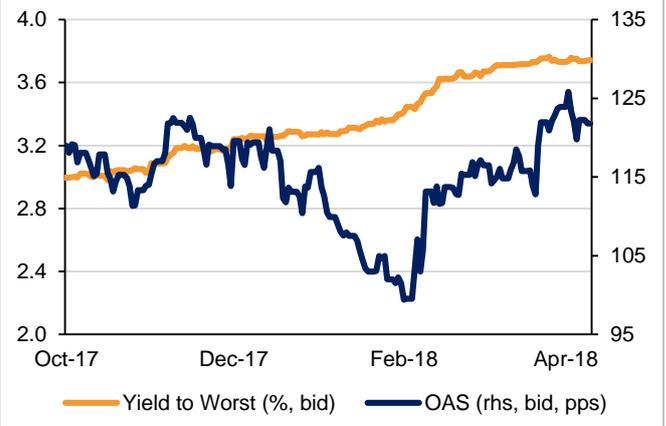
Oil prices bounced sharply on Monday, up more than 2% in both contracts, as markets shifted to a risk-on mode on the expectation that the US and China would be able to negotiate a settlement ahead of their pending trade war. Brent futures are just shy of USD 69/b this morning while WTI is holding on a little below USD 64/b.

Markets in Charts

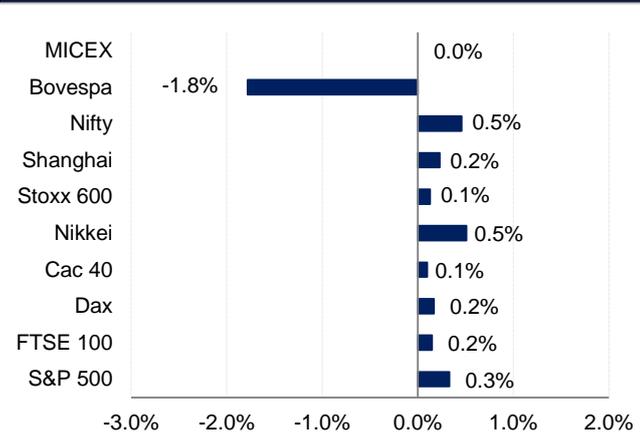
Global Bond Yields



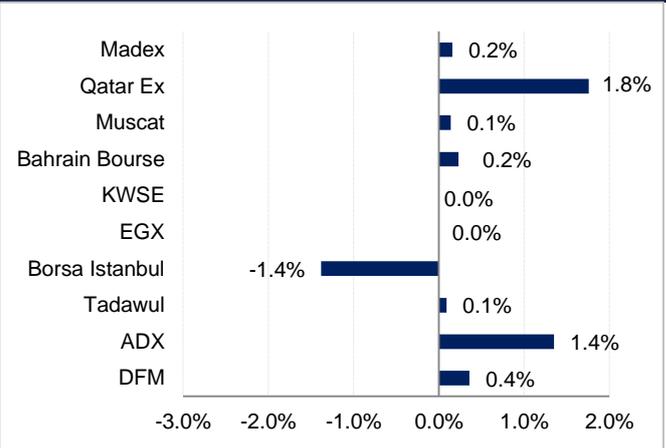
UAE liquid bond index



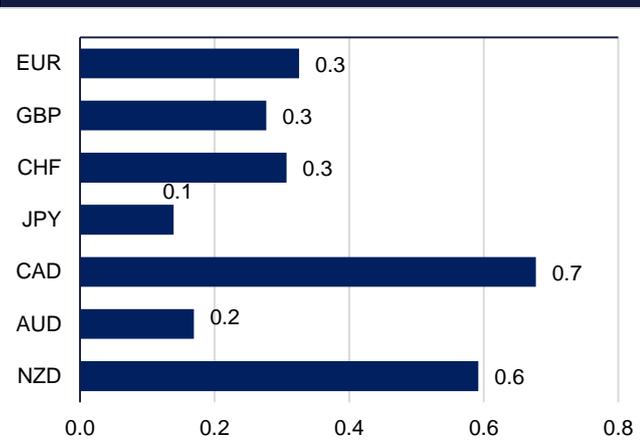
Global Equity Indices



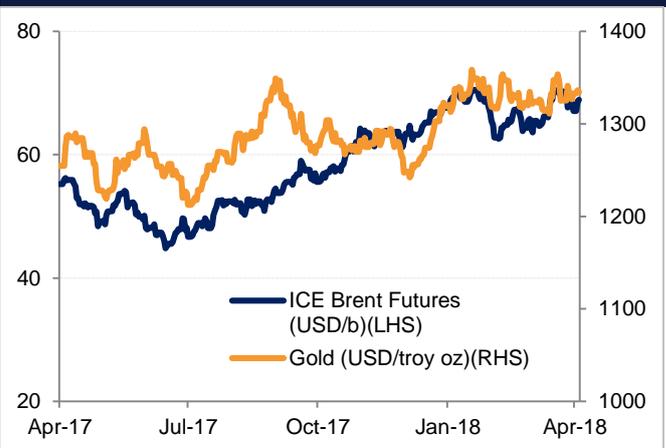
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2321	+0.33	1.2695	USDTRY	4.0725	+0.67	EURAED	4.5255	+0.33
GBPUSD	1.4131	+0.28	1.4357	USDEGP	#N/A N/A	#VALUE!	GBPAED	5.1903	+0.28
USDJPY	106.77	-0.15	103.84	USDSAR	3.7503	--	JPYAED	0.0344	+0.15
USDCAD	1.2697	-0.66	1.2614	USDQAR	3.6800	+1.06	CADAED	2.8926	+0.69
AUDUSD	0.7697	+0.17	0.7718	USDKWD	0.3000	-0.06	AUDAED	2.8277	+0.31
USDCHF	0.9562	-0.30	0.9244	USDBHD	0.3771	--	CHFAED	3.8412	+0.31
EURGBP	0.8719	+0.05	0.8842	USDOMR	0.3850	--	TRYAED	0.9000	-0.87
USDAED	3.6730	--	3.6768	USDINR	64.9125	-0.10	INRAED	0.0566	+0.01

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.8825	2.4623	2.5157	2.8473	USD 2 yr	2.592	+1
USD LIBOR	1.8971	2.3375	2.4722	2.7083	USD 5 yr	2.730	+0
GBP LIBOR	0.5126	0.7566	0.8758	1.0376	USD 10 yr	2.806	+0
JPY LIBOR	-0.0487	-0.0352	0.0197	0.1143	EUR 2 yr	-0.148	+0
CHF LIBOR	-0.7884	-0.7350	-0.6498	-0.5232	EUR 5 yr	0.358	-1
					EUR 10 yr	0.955	+0

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1336.35	+0.25	ADGB 6.75 19	2.42	--	Abu Dhabi	56	--
Silver	16.49	+0.65	DUGB 7.75 20	3.11	+2	Dubai	106	+4
Oil (WTI)	63.42	+2.19	QATAR 6.55 19	2.83	+7	Qatar	90	+4
Aluminium	2155.00	+6.60	US Tsy 2 yr	2.28	+1	Saudi Arabia	90	+5
Copper	6790.25	+0.90	US Tsy 10 yr	2.78	+1	Bahrain	280	-6

Source: Bloomberg, Emirates NBD Research

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