



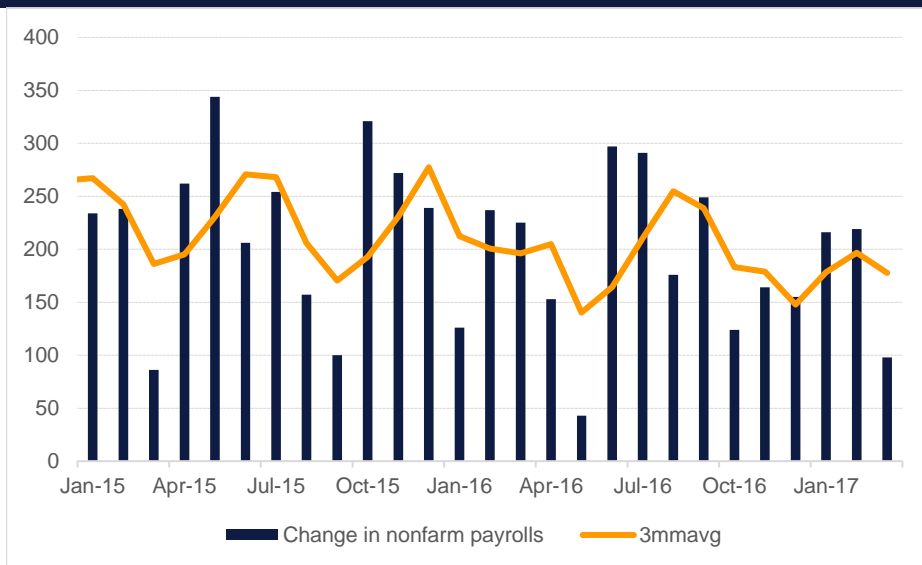
Daily Outlook

Employment growth in the US slowed to just 98,000 new jobs in March according to the latest non-farm payrolls report. Poor performance in retail and construction dragged down the headline figure but weather-related disruptions in March are likely behind the weak data. Looking further into the US employment numbers, however, provides for more sanguine reading. The unemployment rate continues to trend downward, moving to 4.5% from 4.7% a month earlier while the broader measure of unemployment fell to below 9%. Also on the positive side of the ledger, wages continued to expand, rising by 2.7% year on year. **All in all, there is little in the latest NFP report that suggests to us any derailment in the Fed's plan to continue with rate normalization this year.**

Donald Trump and his Chinese counterpart Xi Jinping held their first meeting over the weekend and by all accounts it appears to have gone off with few disruptions. No details on plans to resolve some of the outstanding issues between the US and China—such as trade, North Korea or activities in the South China Sea—were released but both sides did agree to a 100-day plan for future trade talks and an apparent acceptance by China of the need to rebalance its trade relationship with the US. Mr Trump refrained from any severe criticism of China during the visit although we would not rule out more aggressive talk in future related to trade or the CNY and potential damaging impact for global trade.

Safe haven assets spiked briefly over the weekend on news that the US military had launched missiles against a Syrian airbase early on Friday. However, the news was quickly discounted by markets and JPY and 10yr USTs gave up some of their more exuberant moves later on in the day. Syria has little impact on global oil markets given it is an extremely small producer and the likelihood that any conflict will remain contained.

US employment growth surprisingly soft in March



Source: Bloomberg, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
UAE Dubai Economy Tracker	8:15	N/A	Turkey Industrial Production	11:00	2.5%

Source: Bloomberg.

Fixed Income

After a bullish start, US Treasuries drifted lower during the week. Yields on UST shifted upwards across the curve with 2yr, 10 yr and 30yr ending at 1.29% (+6bps), 2.38% (+6bps) and 3.00 (+5bps) respectively as strength of the economic data boosted the prospect of faster pace of rate hikes. Though 10yr Gilt yields were range-bound, sovereign bonds in Eurozone continued to benefit from safe haven bid ensuing from political unrest in Syria, French election, Brexit.

GCC bonds gained support from several factors such as a) 4% increase in oil prices; b) no material negative rating changes, c) increasing liquidity in the GCC banking systems, d) improvement in sentiment as validated by the regional PMI data and e) possible increase in capital flows to the GCC after events such as downgrade of South Africa's rating into the junk category by S&P. Though accurate data for capital inflow into the GCC bonds is difficult to obtain, the multiple times oversubscription to the deals in the primary market is testament to the solid demand for GCC issues.

Liquid UAE bond index closed the week unchanged with yield at 3.09% and credit spreads at 139bps though the wider GCC Barclays bond index recorded a five bps tightening in credit spreads to 131bps during the week. Despite the sizeable new offerings in the sukuk space, GCC sukuk are outperforming their conventional bond counterparts.

Further adding to the skew of sovereign issues dominating the GCC bond universe, investors now have Kingdom of Saudi Arabia and Oman both on the road this week. Emirate of Abu Dhabi which had earlier met investors in Asia is not directly in the market now, however, its investment vehicle, Aa2/AA rated, Mubadala Development Co, is believed to have mandated banks for Reg S offering of 7yr and 12 yr tenures.

FX

CAD outperformed to strengthen against all the other majors on Friday, supported by an increase in oil prices and constructive economic data. While, the unemployment rate ticked up from 6.6% in February to 6.7% in March, there was a net gain of 19,400 jobs compared with expectations for a gain of 5,700. In addition the Ivey PMI was firmer than expected at 61.1 in March compared with market expectations for 56.0. As a result, USDCAD traded 0.11% lower at 1.3398, despite USD strength against the other G10 currencies.

In the aftermath of the US employment data, we saw USD strengthen, with the Dollar Index closing at 101.18. Of note was the movements of USDJPY, which traded as low as 110.18 in the immediate aftermath of the report, to then rebound to 111.09. This close leaves the pair vulnerable to further downside as despite the last minute gains, the pair still depreciated 0.27% over the course of the week and closed below the one year 61.8% Fibonacci retracement of 111.16. While the pair remains below the 50 day moving average (currently 112.75), further declines cannot be ruled out.

Equities

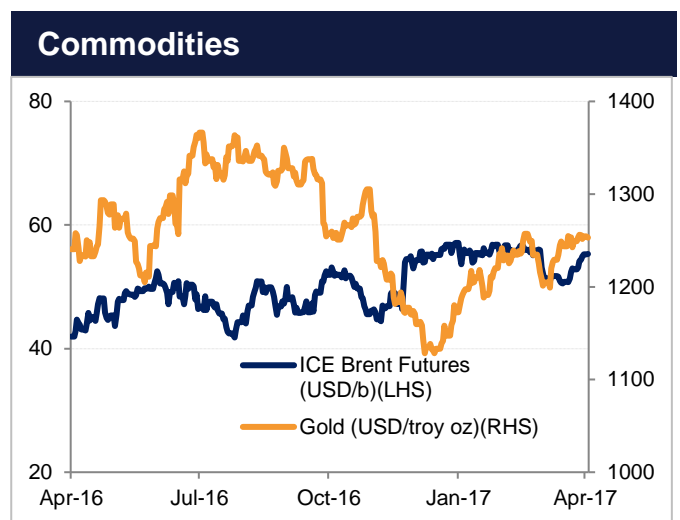
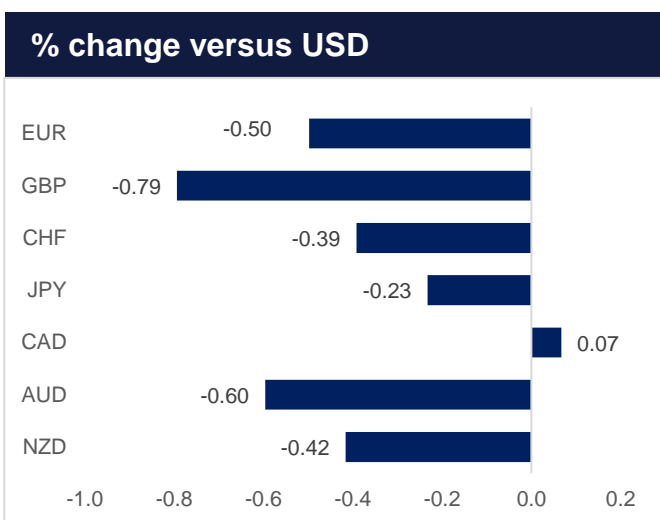
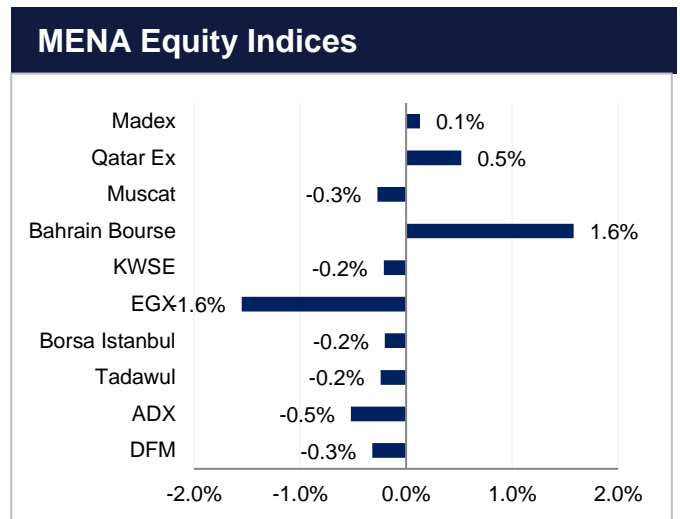
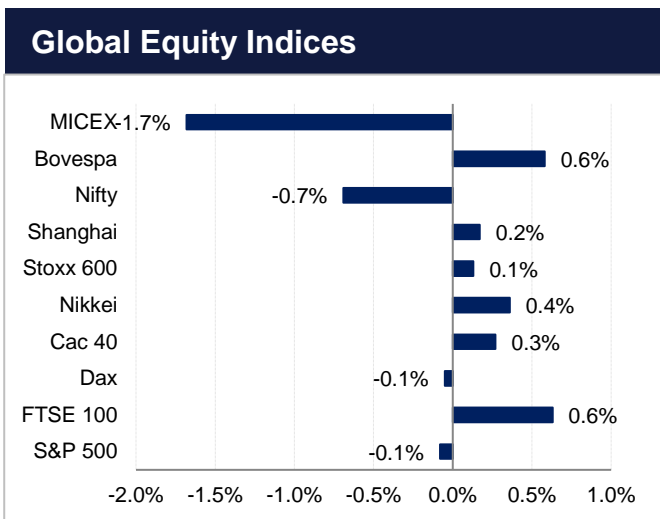
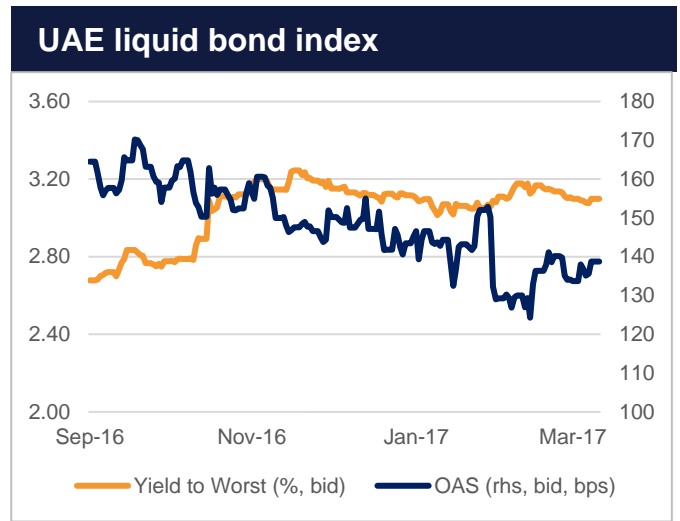
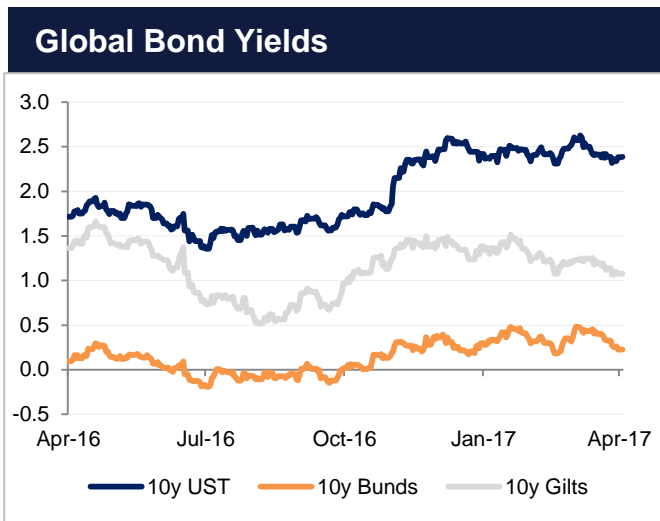
Asian equities are trading higher at the start of the new week. The Topix index was trading +0.7% at the time of this writing as the JPY declined further.

Most regional equity indices lost momentum as the trading session progressed to close in negative territory. The DFM index dropped -0.3% while the Tadawul declined -0.2%.

Commodities

Oil gained the second week running as the US missile barrage on a Syrian airbase pushed geopolitical risks to the fore of markets' minds. After an early surge, prices eventually settled Friday up 1% for WTI and 0.6% for Brent as it appears the political risk will be contained and given Syria's marginal role in global oil markets. Oil exploration continued apace last week with drillers adding another 10 rigs, taking the total to 672 targeting oil. Speculative net length in WTI expanded for the first since mid-February last week as some longs returned to the market while nearly 14k lots of short positions were cut.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0591	-0.50	1.0806	USDTRY	3.7332	+0.65	EURAED	3.8898	-0.51
GBPUSD	1.2371	-0.79	1.2510	USDEGP	18.0476	-0.17	GBPAED	4.5432	-0.80
USDJPY	111.09	+0.25	109.04	USDSAR	3.7504	+0.01	JPYAED	0.0331	-0.25
USDCAD	1.3398	-0.11	1.3319	USDQAR	3.6406	-0.01	CADAED	2.7401	+0.07
AUDUSD	0.7500	-0.60	0.7464	USDKWD	0.3050	+0.02	AUDAED	2.7547	-0.61
USDCHF	1.0091	+0.41	0.9841	USDBHD	0.3770	-0.00	CHFAED	3.6397	-0.42
EURGBP	0.8555	+0.22	0.8632	USDOMR	0.3850	+0.01	TRYAED	0.9800	-1.03
USDAED	3.6729	--	3.6794	USDINR	64.2800	-0.40	INRAED	0.0571	+0.49

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.0600	1.4193	1.6887	2.1665	USD 2 yr	1.616	+4
USD LIBOR	0.9900	1.1576	1.4296	1.7990	USD 5 yr	2.027	+5
GBP LIBOR	0.2555	0.3384	0.4878	0.7044	USD 10 yr	2.356	+4
JPY LIBOR	-0.0003	0.0283	0.0457	0.1453	EUR 2 yr	-0.154	-1
CHF LIBOR	-0.7740	-0.7298	-0.6688	-0.4966	EUR 5 yr	0.155	--
					EUR 10 yr	0.736	+0

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1254.53	+0.23	ADGB 6.75 19	1.69	-1	Abu Dhabi	40	+1
Silver	18.01	-1.44	DUGB 7.75 20	2.72	-0	Dubai	114	+2
Oil (WTI)	52.24	+1.04	QATAR 6.55 19	1.95	+5	Qatar	60	+1
Aluminium	1947.00	+0.37	US Tsy 2 yr	1.29	+5	Saudi Arabia	96	+2
Copper	5798.75	-0.48	US Tsy 10 yr	2.38	+4	Bahrain	223	+1

Source: Bloomberg, Emirates NBD Research

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