



بنك الإمارات دبي الوطني
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Daily Outlook

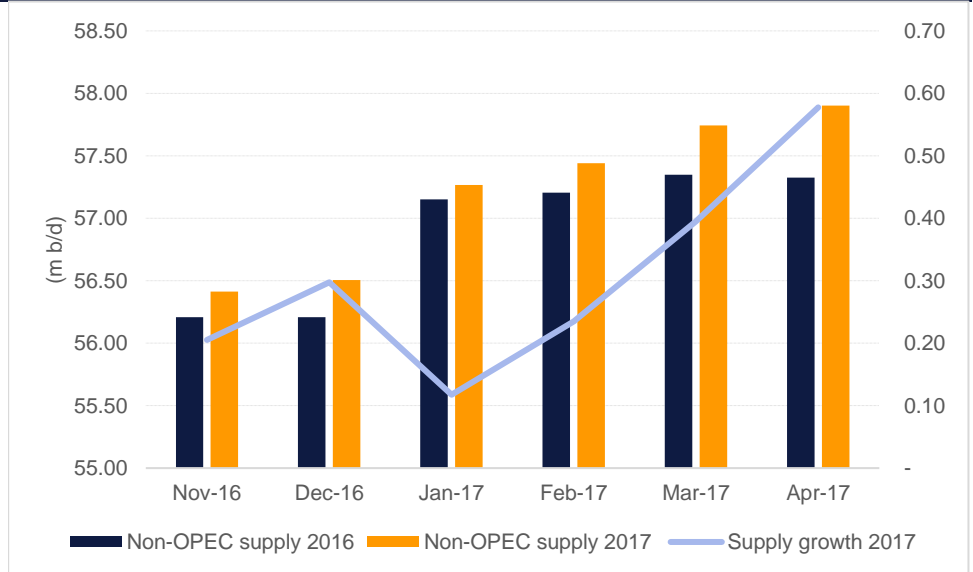
US President Donald Trump signalled that the dollar was 'too strong' in comments overnight and that he wanted interest rates to remain low, prompting a sharp sell-off in the USD against nearly all peers and heaping more downward pressure on US treasuries. **The president said Fed Chair Janet Yellen would not be 'toast' when her term expired in 2018**, reversing market expectations that he would seek to appoint a more aligned leader of the Federal Reserve.

China's trade data for March beat expectations and reversed last month's unusual deficit, as exports rose 16.4% y/y and imports were up 20.3% y/y, both in USD terms. For the first quarter as a whole, China recorded a trade surplus of USD 65.6bn. China's trade surplus with the US rose in March to USD 17.7bn and was nearly USD 50bn for the first quarter as a whole. **President Trump has backtracked recently in his criticism of China over trade issues and said overnight the US would not be labelling China as a currency manipulator** in a report due out later this week.

India's consumer price inflation for March 2017 came in at 3.81% y/y versus 3.65% y/y a month earlier. This was lower than consensus estimates of 3.94%. However, **core inflation continues to remain sticky at 4.7%**. Looking ahead, it is likely that the Reserve Bank of India will remain on a prolonged pause as they watch out for upward pressure on inflation from low base effects, GST-related price adjustment and uncertain monsoon rains.

The latest data from OPEC showed another month of strong compliance with its production cut agreement with total group output falling 155k b/d month on month in March. Most of the compliance with the production cut continues to be carried by Saudi Arabia which has been overcutting while in March the UAE's output actually exceeded its target somewhat. **OPEC has also revised higher its expectation of non-OPEC supply in 2017, now expecting growth of closer to 600k b/d y/y (from 400k b/d in its prior estimate).**

OPEC keeps revising higher estimates of non-OPEC supply



Source: OPEC Monthly Oil Market Reports, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
GE CPI m/m	10:00	0.2%	US U of Mich Sentiment	18:00	96.5
US import price index m/m	16:30	-0.2%			

Source: Bloomberg.

Fixed Income

Sovereign bonds marched higher again, fuelled by safe haven bid ensuing from heightened geopolitical risks. UST curve flattened in response to President Trump's comment about preferring lower interest rates. Yields on 2yr and 10yr treasuries eased several bps to close at 1.20% (-3bps) and 2.24% (-6bps) respectively. Euro area sovereigns yields also narrowed with 10yr Gilt and Bund yields closing the day at 1.05% (-0.3bps) and 0.19% (-0.7bps) respectively.

Global cash bonds were generally in green even though credit spreads had a slight widening bias. CDS levels on US IG and Euro Main closed at 68bps (+1bp) and 77bps (unchanged) respectively. Locally GCC sovereign CDS spreads also had slight widening bias though 5yr CDS on Saudi Arabia remained unchanged at 95bps despite the possibility of higher demand for buying protection after large new debt issue.

Slight softness in oil prices and large new supply put a lid on GCC bond prices which closed a tad softer. Yield and OAS on liquid UAE bonds were 3.09% (+1bp) and 140bps (+2bps) respectively though credit spreads on the wider Barclays GCC bond index tightened a bp to 137bps.

In the primary market, KSA upsized its sukuk offering from initial expectation of \$8 billion to final size of \$9 billion, spread equally across 5yr and 10yr tranches that priced at MS+100bps and MS+140bps respectively.

FX

USD was the worst performing currency yesterday, weighed down by comments from President Trump (see above). As we go to print, the Dollar Index trades at 100.05, representing a 0.66% decline over the last 48 hours. Of note is USDJPY, whose decline was compounded yesterday by safe haven bid, before finding support this morning at the 200 day moving average of 108.75 and rebounding to 108.85. A break through this support sees the pair vulnerable to further declines towards 106.50.

This morning's strongest performer is AUD which has gained on all the other G10 currencies after stronger than expected employment data. While the RBA had shown concern over the labour market at their last meeting, data showed that 60,900 jobs were added in March compared with market expectations for 20,000. Presently AUDUSD is trading 0.80% higher at 0.75822, having broken back above the 100 and 200 day moving averages of 0.7518 and 0.7553 respectively. In addition the break of the one year 61.8% Fibonacci retracement of 0.7571 is supportive of further gains and we see further upside towards the 50 day moving average of 0.7626.

Equities

Developed market equities closed lower as geo-political tensions persisted, Donald Trump provided little clarity on tax overhaul plans and commodity prices weakened. The S&P 500 index lost -0.4% while the Euro Stoxx 600 index closed flat.

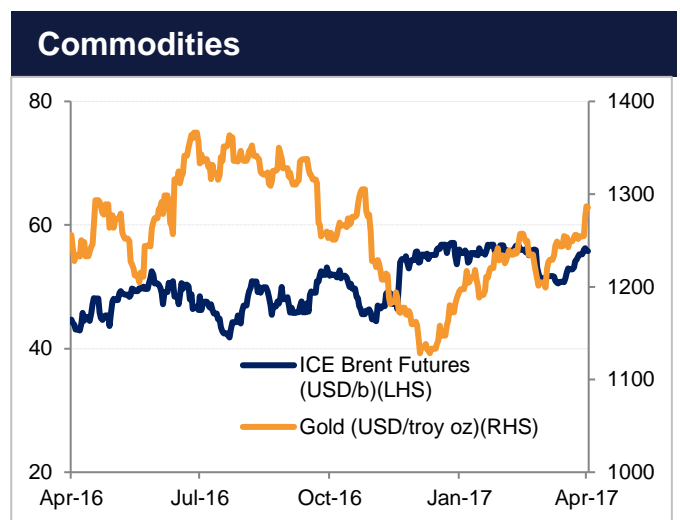
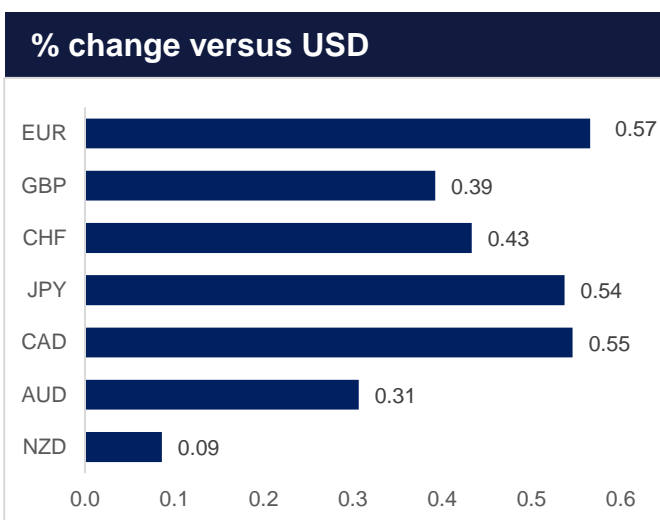
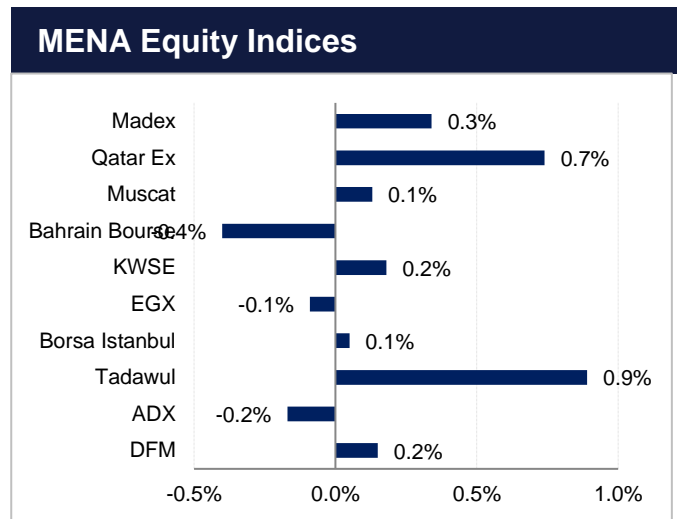
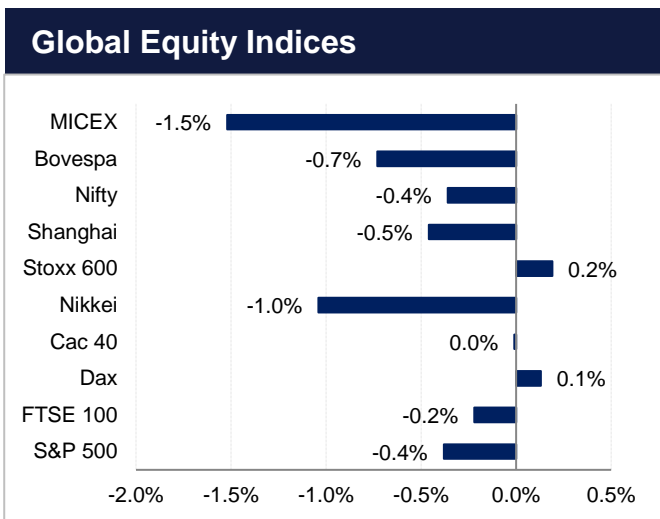
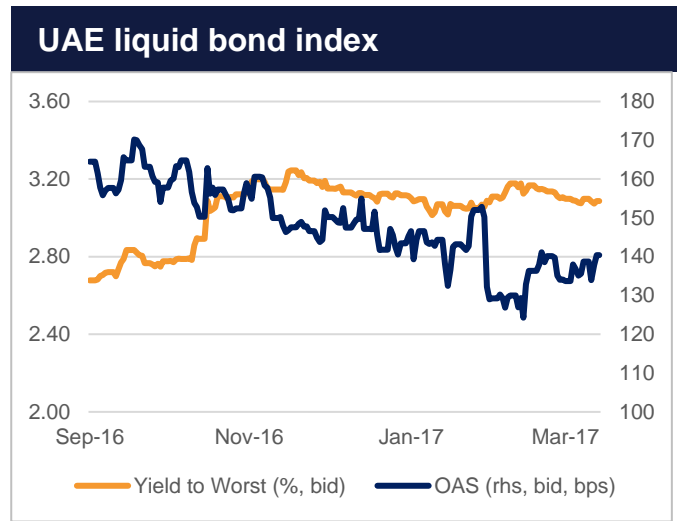
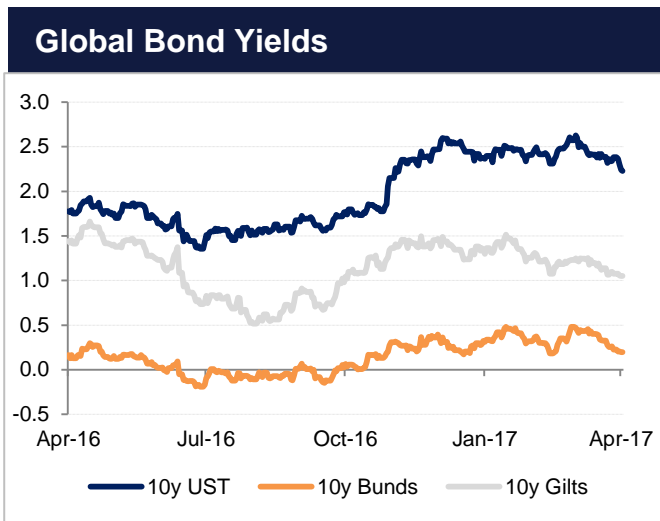
Most regional equity indices closed higher as Q1 2017 earnings season got off to a positive start. The Tadawul and the DFM index added +0.9% and +0.2% respectively.

Dubai Islamic Bank and Qatar National Bank added +1.7% and +1.0% respectively after reporting strong Q1 2017 profits. Zain Saudi rallied +10.0% after the company reported its first ever quarterly net profit since its listing in 2008. The company said it made a profit of SAR 45mn in Q1 2017 compared to a loss of SAR 249.7mn in Q1 2016. Saudi British Bank gained +2.3% after reporting earnings in line with estimates.

Commodities

Oil prices snapped their run of gains overnight thanks to a moderately bearish tone from the EIA's weekly data and upward revisions to OPEC's estimates of non-OPEC supply. Brent closed down around 0.7% while WTI was down close to 0.6% overnight. Total crude inventories in the US were down 2.2m bbl last week although stocks at the Cushing Oklahoma pricing point were higher and production continues to move higher at over 9.2m b/d last week (nearly 260k b/d higher than where it was last year).

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0665	+0.57	1.0879	USDTRY	3.6494	-1.30	EURAED	3.9175	+0.58
GBPUSD	1.2540	+0.39	1.2677	USDEGP	18.0916	+0.01	GBPAED	4.6057	+0.39
USDJPY	109.03	-0.54	107.08	USDSAR	3.7502	-0.01	JPYAED	0.0337	+0.53
USDCAD	1.3254	-0.53	1.3179	USDQAR	3.6403	+0.01	CADAED	2.7714	+0.54
AUDUSD	0.7522	+0.31	0.7485	USDKWD	0.3051	-0.06	AUDAED	2.7630	+0.30
USDCHF	1.0028	-0.47	0.9781	USDBHD	0.3770	--	CHFAED	3.6616	+0.42
EURGBP	0.8506	+0.18	0.8583	USDOMR	0.3850	+0.00	TRYAED	1.0100	+1.68
USDAED	3.6729	--	3.6794	USDINR	64.6725	+0.27	INRAED	0.0569	+0.21

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.0692	1.4688	1.6958	2.1688	USD 2 yr	1.521	-4
USD LIBOR	0.9900	1.1551	1.4154	1.7890	USD 5 yr	1.876	-6
GBP LIBOR	0.2554	0.3398	0.4854	0.7028	USD 10 yr	2.204	-5
JPY LIBOR	-0.0077	0.0189	0.0404	0.1364	EUR 2 yr	-0.154	+1
CHF LIBOR	-0.7740	-0.7332	-0.6758	-0.5110	EUR 5 yr	0.123	--
					EUR 10 yr	0.691	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1286.78	+0.94	ADGB 6.75 19	1.65	-3	Abu Dhabi	41	--
Silver	18.50	+0.87	DUGB 7.75 20	2.69	-1	Dubai	111	--
Oil (WTI)	53.11	-0.54	QATAR 6.55 19	1.88	-3	Qatar	60	--
Aluminium	1884.00	-1.12	US Tsy 2 yr	1.20	-3	Saudi Arabia	95	--
Copper	5601.25	-2.41	US Tsy 10 yr	2.24	-6	Bahrain	219	+1

Source: Bloomberg, Emirates NBD Research

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