



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

US data released on Thursday showed inflation of 2.5% in April, in line with expectations and up marginally on the 2.4% recorded the previous month. Also on Thursday, **the Bank of England held its benchmark interest rate at 0.5%**, as was widely expected – a turnaround from several months ago when a hike appeared the most likely outcome of the May MPC meeting. The communiqué highlighted poor Q1 results (0.1% compared to expectations of 0.4%) and ongoing Brexit uncertainties. After PM Theresa May's EU withdrawal bill suffered another defeat in the upper chamber last week, **there are two Cabinet working groups thrashing out details of two alternative customs plans for the UK post EU** - 'customs partnership' and 'maximum facilitation'. The EU regards PM May's favoured customs partnership plan as 'magical thinking'.

Egyptian headline CPI inflation fell to 13.1% in April, compared to 13.3% in March. Although the pace of the decline has slowed, and there are imminent inflationary pressures in the form of upcoming subsidy cuts, we expect that the Central Bank of Egypt will enact a 100bps cut to its benchmark interest rates at its meeting on Thursday. This would be the third such cut this year, and would take the overnight deposit rate to 15.75%. Reflecting the improving outlook, **S&P on Friday upgraded its Egypt rating from B- to B with a stable outlook**.

Iraq went to the polls on Saturday, in the first election in four years, and the first since the defeat of ISIS. Results are not expected until tomorrow, but turnout has been recorded at only around 44.5%, compared to 60% in 2018 – reportedly down more to apathy than security concerns. No group is expected to win an outright majority in the fragmented political landscape, but early reports suggest Shiite cleric Muqtada al-Sadr has taken the initial lead. Staying in the region, **the UAE's energy minister, Suhail al-Mazrouei, has said that 'OPEC has 'an adequate buffer of potential output' to offset any decline in Iranian crude on the market following the US departure from the Iran deal last week**.

US CPI inflation, % y/y



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
Japan machine tools orders y/y	10:00	NA	Bloomberg Eurozone economic survey	10:00	NA

Source: Bloomberg

Fixed Income

Notwithstanding a subdued inflation print in the US, treasuries closed lower. The curve flattened on the long end with yields on the 2y UST and 5y UST rising 4 bps and 5 bps to 2.53% and 2.83% respectively during the week and dropping 2 bps 5d on the 30y UST to 3.10%. The 5s30s spread narrowed to 26bps, the lowest since August 2007 to keep the prospect of an inverted curve in focus.

Regional bonds closed higher for the first time in five weeks as rising oil prices and no new supply fuelled credit spread tightening. The YTW on the Bloomberg Barclays GCC Credit and High Yield index dropped -2bps to 4.59% and credit spreads tightened by 5 bps to 182 bps.

Dana Gas said it has reached an agreement with key sukuk holders to end the legal battle. The agreed terms include two options for creditors – 1. The first option allows holders to exit their principal and to tender their claims at 90.5cent per USD 1 of the face value of their holdings, including an early participation fee of 2.5 cents, 2. The second option offers holders 20% of the face value of the existing sukuk. The rest will be rolled over into a new Wakala sukuk with a profit rate of 4%. Creditors will be paid accrued profit from May 2017 to October 2017 at the existing rate of 7% and 9% and accrued profit of 4% from November to securities close. The transaction is expected to be completed by July 2018.

FX

This morning the Dollar Index is trading 0.17% lower at 92.408, a one week low, trading just below the 38.2% one year Fibonacci retracement (92.458). In short term, more selling can be expected as the 14-day Relative Strength Index (RSI) shows bearish momentum, however support can be expected at the 200 day moving average (91.945) and this may limit additional losses. On the upside, a close above 92.50 is likely to lead to further gains in the week ahead towards 93.70.

Equities

Regional equity markets started the week on a positive note. The Tadawul (+1.4%) led regional markets higher. It appears to be a case of bottom-fishing following decline last week.

Gains on the Tadawul were led by market heavyweights with Al Rajhi Bank and Sabic adding +1.6% and +1.7% respectively. Elsewhere, Dana Gas added +3.8% after the company said it has reached an agreement with majority of sukuk holders on restructuring (see above).

Commodities

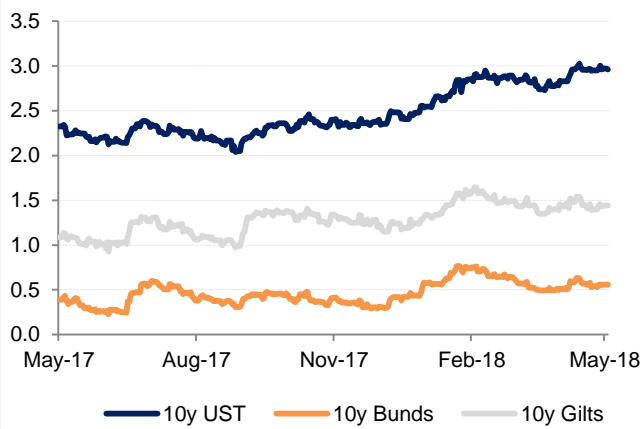
Oil prices ended the week higher thanks to US president Donald Trump's decision to withdraw from the JCPOA and increasing uncertainty about availability of Iranian supplies. Brent futures closed up more than 3% on the week and held above USD 77/b while WTI gained 1.4% on the week, closing above USD 70/b for the first time since November 2014.

Investors closed out long positions, taking profit on the recent rally and in the Brent market have actually added some new short positions. Nevertheless, the market still remains highly skewed to long positions and as a share of open interest, speculative length in Brent is still close to 20%.

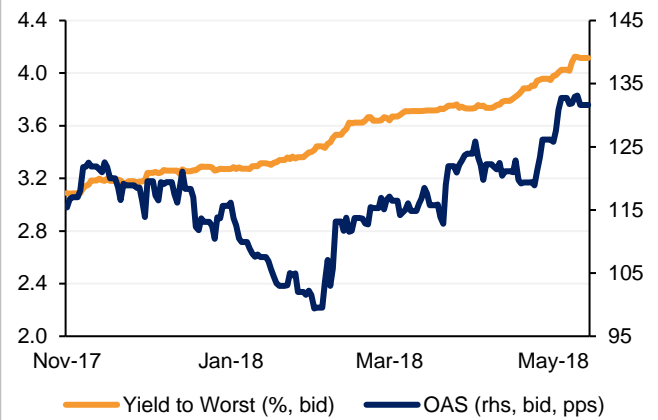
The US drilling rig count continued to rise as exploration companies added 10 rigs last week, taking the total near to 850 in total. Producers in Texas still face a wide discount for WTI at Midland which is trading as much as USD 12/b below WTI futures settled at Cushing.

Markets in Charts

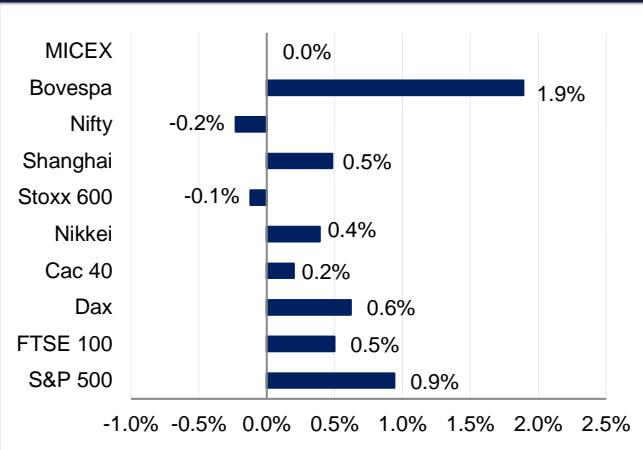
Global Bond Yields



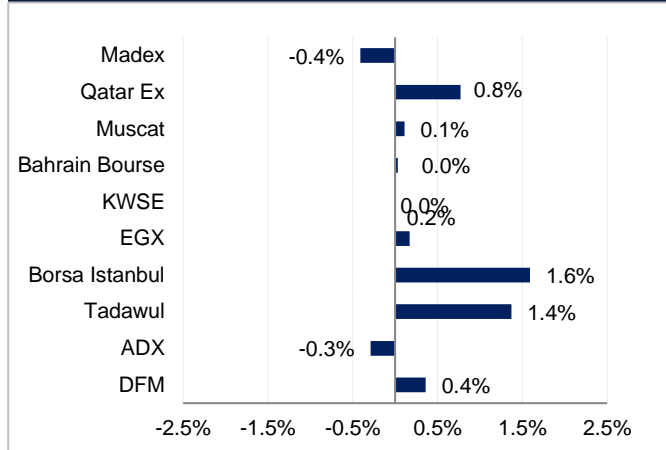
UAE liquid bond index



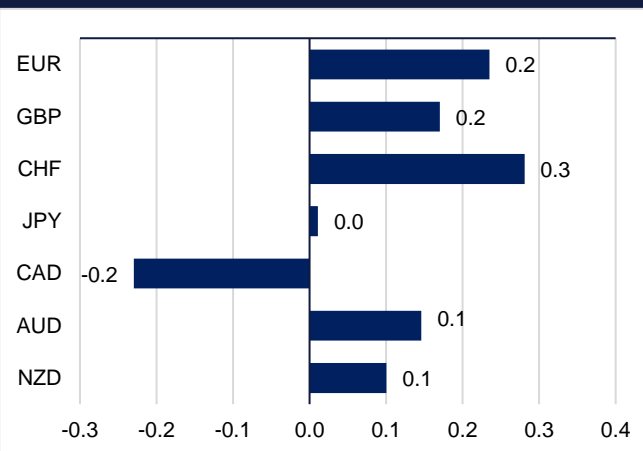
Global Equity Indices



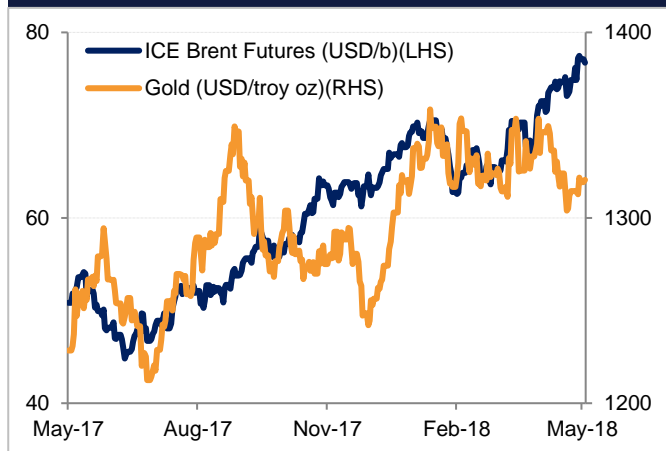
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1943	+0.23	1.2310	USDTRY	4.3157	+1.96	EURAED	4.3861	+0.22
GBPUSD	1.3542	+0.17	1.3790	USDEGP	17.7554	+0.14	GBPAED	4.9732	+0.17
USDJPY	109.39	-0.01	106.31	USDSAR	3.7502	-0.00	JPYAED	0.0336	+0.01
USDCAD	1.2795	+0.22	1.2712	USDQAR	3.6800	+1.07	CADAED	2.8705	-0.22
AUDUSD	0.7543	+0.15	0.7574	USDKWD	0.3080	+0.33	AUDAED	2.7705	+0.13
USDCHF	0.9998	-0.38	0.9664	USDBHD	0.3771	--	CHFAED	3.6717	+0.26
EURGBP	0.8818	+0.04	0.8925	USDOMR	0.3850	--	TRYAED	0.8500	-2.05
USDAED	3.6730	--	3.6757	USDINR	67.2425	-0.11	INRAED	0.0552	+0.88

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.0063	2.4250	2.7850	3.0650	USD 2 yr	2.758	-2
USD LIBOR	1.9187	2.3425	2.5150	2.7658	USD 5 yr	2.930	-1
GBP LIBOR	0.4983	0.6461	0.7563	0.9284	USD 10 yr	3.003	-1
JPY LIBOR	-0.0477	-0.0372	0.0217	0.1120	EUR 2 yr	-0.138	-0
CHF LIBOR	-0.7823	-0.7196	-0.6452	-0.5170	EUR 5 yr	0.400	+1
					EUR 10 yr	1.005	+1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1319.30	-0.17	ADGB 6.75 19	2.42	--	Abu Dhabi	63	+7
Silver	16.67	-0.35	DUGB 7.75 20	3.53	+1	Dubai	113	-2
Oil (WTI)	70.70	-0.92	QATAR 6.55 19	2.87	-1	Qatar	89	-3
Aluminium	2278.00	-2.24	US Tsy 2 yr	2.53	+0	Saudi Arabia	87	-3
Copper	6908.50	+0.36	US Tsy 10 yr	2.97	+1	Bahrain	316	-43

Source: Bloomberg, Emirates NBD Research

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