



بنك الإمارات دبي الوطني  
Emirates NBD

Daily  
15 May 2018

www.emiratesnbdresearch.com

# Daily Outlook

India's CPI inflation for April came in at 4.6% y/y, higher than previous month's reading of 4.3% and consensus expectations of 4.4%. Importantly, core inflation rose to 5.9%. All components of the index showed an uptrend, and the WPI also came in higher than expected at 3.2% y/y. Both the consumer and wholesale inflation prints vindicates the cautious approach of the Reserve Bank of India and reaffirms our view that the next move in interest rate is likely to be higher. Higher oil prices and a stronger dollar will be at the forefront of the MPC's minds. Having said that, we reiterate our view that in the immediate near term, the RBI is expected to remain on hold as it waits for the impact of monsoon rains to filter through prices.

Minutes released from the RBA's May MPC meeting show that while rates were held at 1.5% - the level to which they were cut in August 2016 – the expectation remains that the next move will be upward. That being said, in common with much of the developed world, fairly sluggish data means that there is not a 'strong case' for this in the near term. On a positive note, the RBA observed that household consumption had grown 'solidly' despite earlier fears.

In Italy, the two populist parties involved in trying to form a government – the League and Five Star – have reportedly asked President Mattarella for a few more days. The two have apparently made good progress on policies including pension reform and a citizens' pension, and are rumoured to have two favoured candidates for the position of prime minister. Eurozone investors' fears may be stoked by the prospect of a populist government in the heavily indebted country, but President Materella has pledged not to just rubber stamp any proposals put before him.

## India CPI inflation, % y/y



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
German Q1 2018 GDP SA q/q	10:00	0.4%	ZEW Surveys	13:00	N/A
UK ILO Unemployment Rate 3Mths	12:30	4.2%	US Retail Sales Advance m/m	16:30	0.3%
Eurozone Q1 2018 GDP SA q/q	13:00	0.4%			

Source: Bloomberg

## Fixed Income

Treasuries were led lower by bunds following comments from ECB's Villeroy that rate hike could come in quarters and not years. Yields on the 2y UST, 5y UST and 10y UST closed at 2.54% (+1 bp), 2.86% (+2 bps) and 3.00% (+3 bps). Yield on 10y Bunds jumped +5 bps to 0.61%.

Regional bonds closed marginally higher with the YTW on the Bloomberg Barclays GCC Credit and High Yield index dropping -1 bp to 4.58% and credit spreads tightening by 3 bps to 1.79%.

## FX

NZD underperformed on Monday, losing ground against the other major currencies after softer than expected economic data. A report released by the Bank of New Zealand showed that Performance Services Index showed a slowdown to 55.9 in April from 58.6 the previous month. This selling pressure managed to take the price of NZDUSD below the 23.6% one year Fibonacci retracement (0.6964) during the European session. A daily close below this level is likely to cause further declines towards the one year low of 0.6781. However, the 14 day Relative Strength Indicator (RSI) currently shows that the cross is oversold and this may start a short reprieve.

## Equities

Developed market equities closed flat even as Donald Trump showed signs off backing off in trade war with China. It appears that investors are remaining cautious in a week dominated by Fed speakers.

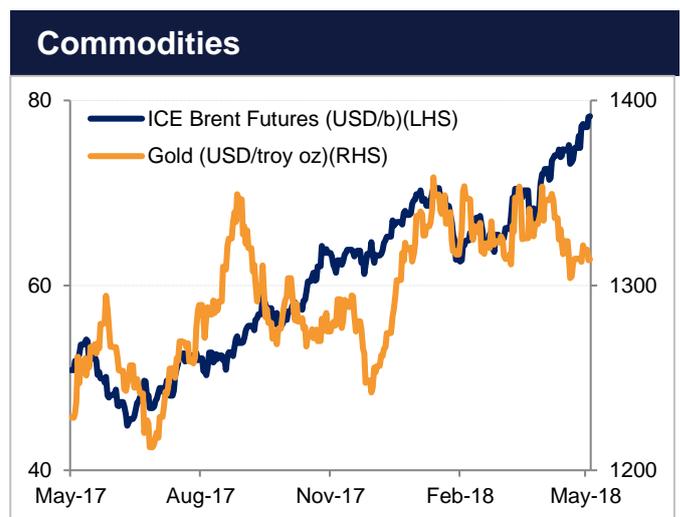
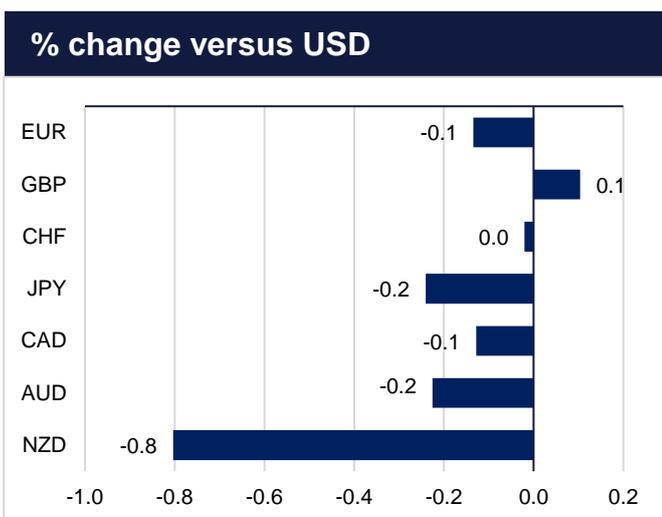
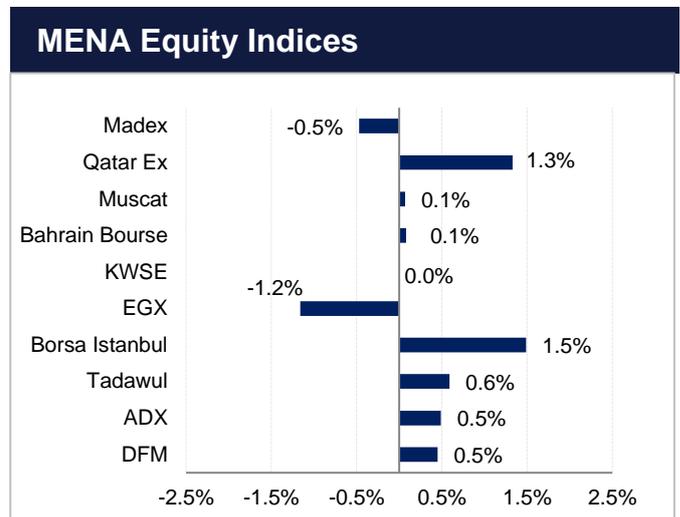
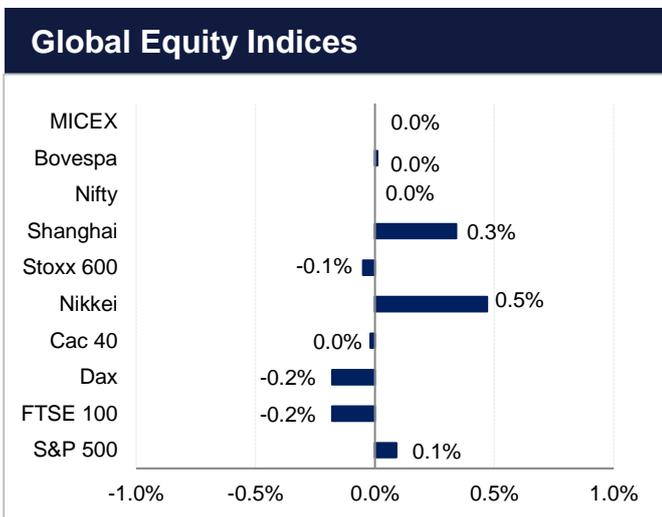
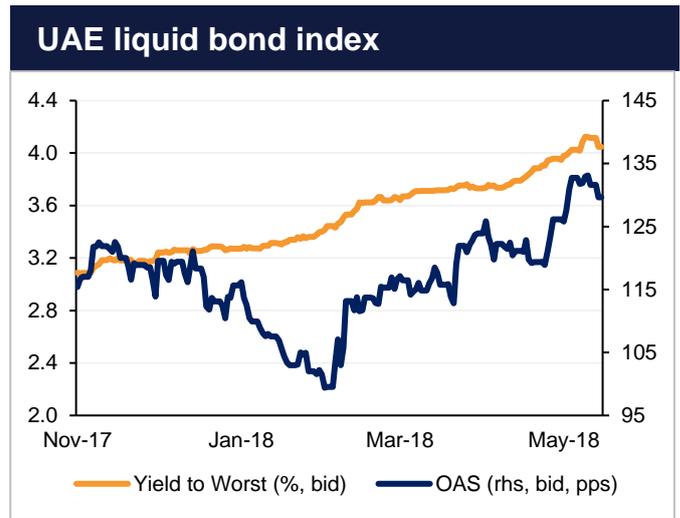
Most regional markets closed higher with the DFM index and the Tadawul adding +0.5% and +0.6%. The Qatar Exchange added +1.3% as investors bought ahead of the MSCI review. Emaar Properties (+1.2%) rebounded from oversold levels to close above AED 5.0 level.

## Commodities

Oil markets traded in a wide range overnight but managed to close higher. Brent futures ended the day at USD 78.23/b, up 1.4%, while WTI gained 0.37% to close just shy of USD 71/b. OPEC reported its publication for April at 31.93m b/d, still far below what OPEC itself estimates global demand requires from the bloc.

The EIA projects more growth from shale regions in June as output will rise by 144k b/d month on month. Most of the output is concentrated in the highly productive Permian basin in Texas where output will increase to 3.28m b/d.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1927	-0.13	1.2291	USDTRY	4.3670	+1.19	EURAED	4.3808	-0.12
GBPUSD	1.3556	+0.10	1.3803	USDEGP	17.8075	+0.49	GBPAED	4.9792	+0.12
USDJPY	109.66	+0.25	106.60	USDSAR	3.7503	+0.00	JPYAED	0.0335	-0.24
USDCAD	1.2813	+0.14	1.2733	USDQAR	3.6800	+1.06	CADAED	2.8668	-0.13
AUDUSD	0.7526	-0.23	0.7557	USDKWD	0.3055	-0.81	AUDAED	2.7641	-0.23
USDCHF	1.0006	+0.08	0.9673	USDBHD	0.3771	--	CHFAED	3.6713	-0.01
EURGBP	0.8799	-0.22	0.8905	USDOMR	0.3850	+0.01	TRYAED	0.8400	-1.30
USDAED	3.6730	--	3.6753	USDINR	67.6963	+0.54	INRAED	0.0552	+1.37

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.0138	2.3375	2.7650	3.0775	USD 2 yr	2.759	+0
USD LIBOR	1.9187	2.3425	2.5150	2.7658	USD 5 yr	2.945	+2
GBP LIBOR	0.4983	0.6461	0.7563	0.9284	USD 10 yr	3.032	+3
JPY LIBOR	-0.0477	-0.0372	0.0217	0.1120	EUR 2 yr	-0.123	+2
CHF LIBOR	-0.7823	-0.7196	-0.6452	-0.5170	EUR 5 yr	0.425	+3
					EUR 10 yr	1.040	+4

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1313.50	-0.44	ADGB 6.75 19	2.42	--	Abu Dhabi	62	-1
Silver	16.52	-0.87	DUGB 7.75 20	3.51	-2	Dubai	114	+1
Oil (WTI)	70.96	+0.37	QATAR 6.55 19	2.87	-1	Qatar	89	--
Aluminium	2316.00	+1.67	US Tsy 2 yr	2.55	+1	Saudi Arabia	87	--
Copper	6856.25	-0.76	US Tsy 10 yr	3.00	+3	Bahrain	318	+2

Source: Bloomberg, Emirates NBD Research

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