



بنك الإمارات دبي الوطني
Emirates NBD

Daily

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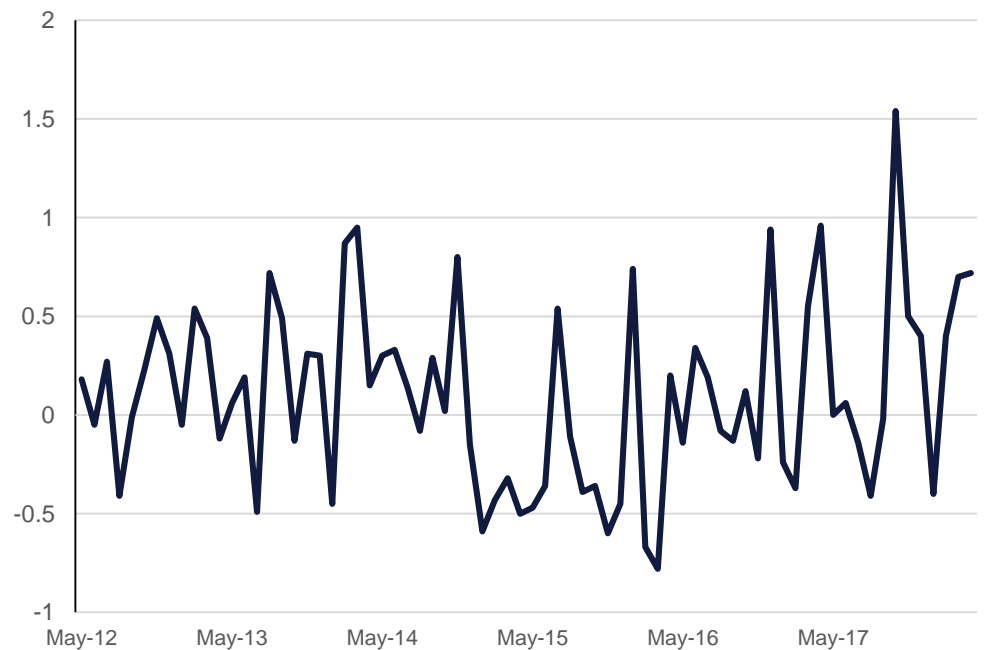
Daily Outlook

US industrial production climbed 0.7% m/m in April, exceeding analyst expectations of 0.6% and in line with the previous month, which was revised up from 0.5% previously. Manufacturing output was a key driver of the increase. This expanded 0.5%, compared to flat growth the previous month, supporting the view that tax cuts are starting to boost household spending. Other notable points include a 1.1% m/m gain in mining output, reflecting the increase in activity in the oil sector as global prices have risen. **Housing starts data were also released, which at 1.29mn were down on the previous month's 1.34mn.** Nevertheless, houses authorised but not yet started came in at 163,000, up 14% y/y, which will support the sector in the coming months. Homebuilders remain positive that tax cuts will translate into solid growth in the industry over the year.

Japanese machinery orders declined 3.9% m/m, compared to expectations of a 3.0% fall. This followed disappointing GDP data released yesterday. However, the outlook for machinery orders in the coming months is brighter, supporting the view that real GDP growth will pick up. The survey done by the Japanese Cabinet Office alongside the data release suggests that machinery orders in the second quarter will be much stronger, with respondents forecasting growth of 7.1% in Q2.

In Turkey, the central bank issued a statement looking to reassure markets after the lira fell to a record low of TRY4.5000/USD in the day. It said is 'is closely monitoring the unhealthy price formations in the markets', adding that 'necessary steps will be taken.' **Tunisia's central bank held its benchmark interest rate at 5.75% yesterday, despite inflation hitting a 25-year high of 7.7% in April.** Growth data was also released, showing a 2.5% rise in Q1 2018, compared to 1.9% in the same period a year earlier.

US industrial production m/m



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
Eurozone construction output, m/m	13:00	NA	US initial jobless claims	16:30	215k
Egypt overnight deposit rate, %	NA	16.75			

Source: Bloomberg

Fixed Income

Treasuries closed marginally lower as economic data continued to remain strong. Yields on the 2y UST, 5y UST and 10y UST closed at 2.58% (+1 bp), 2.93% (flat) and 3.09% (+2bps) respectively. Yields on 10y Italian government bonds jumped +16 bps to 2.11% as Five Star movement and League drew closer to forming a government.

Regional bonds continued to track moves in benchmark yields. The YTW on the Bloomberg Barclays GCC Credit and High Yield index added +1bp to 4.64% and credit spreads remained flat at 177bps.

FX

AUD is trading firmer against the other major currencies in the aftermath of mixed employment data. A report from the Australian Bureau of Statistics showed that 22,600 jobs were added in April compared with a 700 job decline in March, beating market expectations for an increase of 20,300 jobs. The same report showed that 32,700 full-time jobs were added in the same period, compared with a decline of 25,100 the previous month. However, an increase in the participation rate to 65.6% helped the unemployment rate tick back up to 5.6% in April from 5.5% the previous month. AUDUSD is trading higher in the Asia session and is currently trading at 0.7542. In order to hold onto these gains and attempt to reverse the current downturn, there needs to be a daily close above 0.7590.

Equities

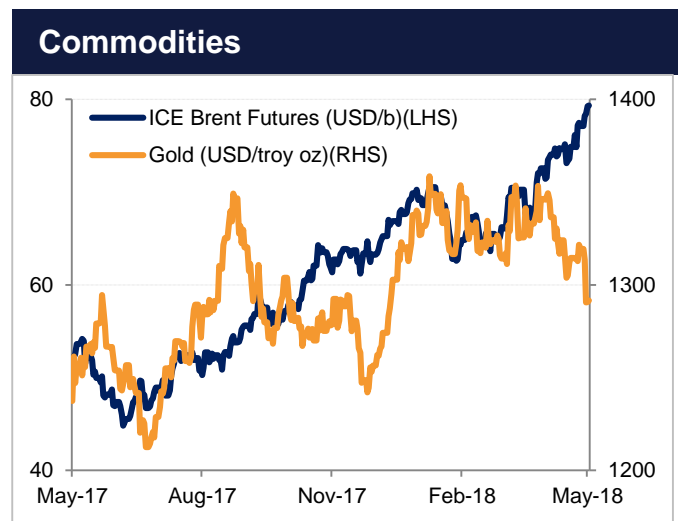
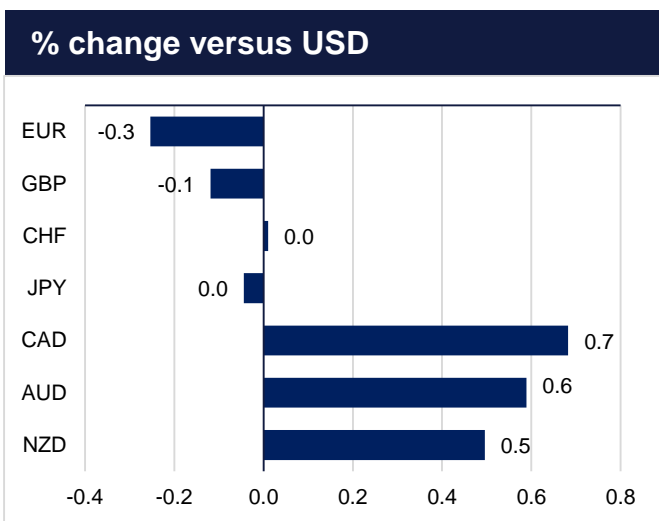
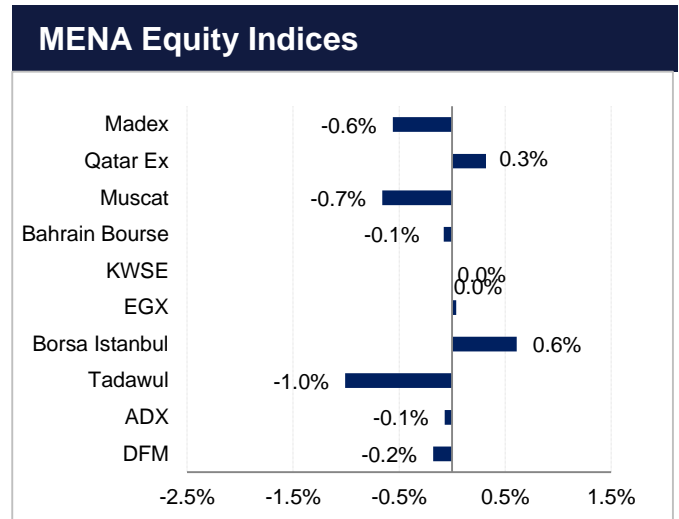
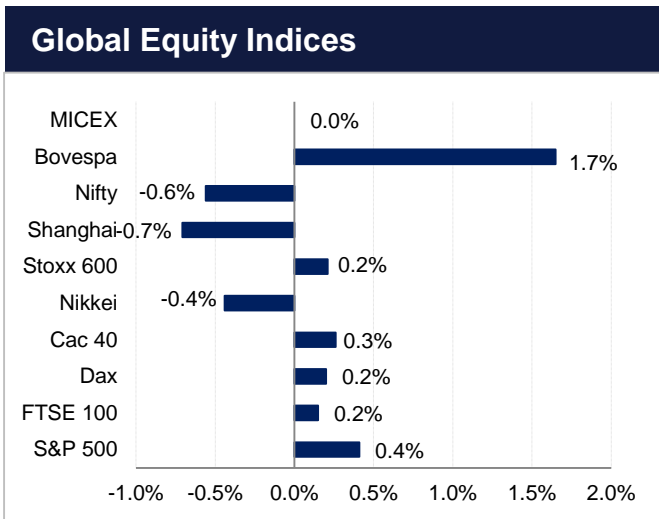
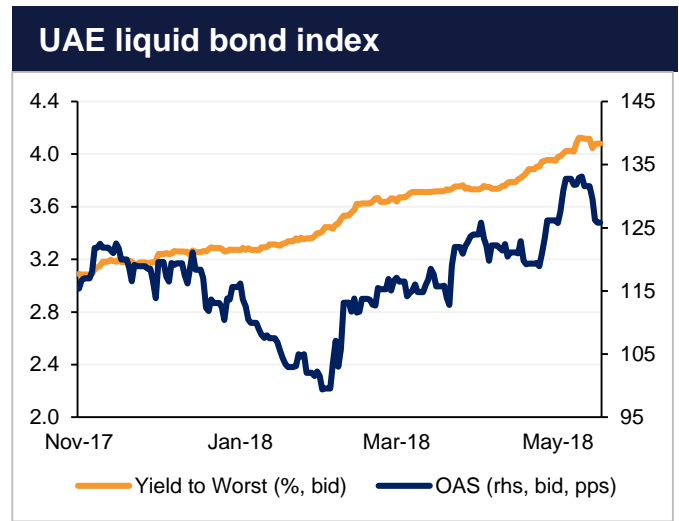
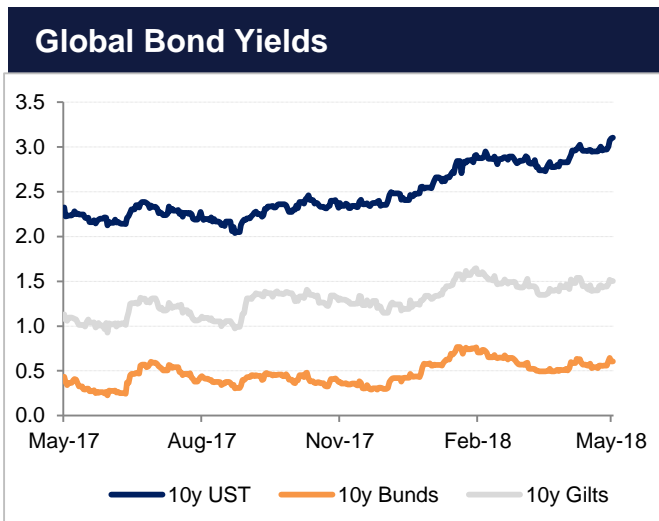
Developed market equities closed higher as economic data remained strong and earnings growth continued to surprise on the upside. The S&P 500 index and the Euro Stoxx 600 index added +0.4% and +0.2% respectively.

Regional markets drifted lower as investors pared position ahead of traditionally slower summer months. The DFM index dropped -0.2% and the Tadawul lost -1.0%. Emaar Properties and Emaar Development continued their positive run with gains of +0.6% and +0.2% respectively.

Commodities

Oil markets are testing higher and sending Brent futures within sight of USD 80/b. Brent closed up more than 1% overnight and is now trading around USD 79.40/b while WTI gained around 0.25% and is pushing close to USD 72/b. US crude inventories fell last week, albeit a relatively small amount at just 1.4m bbl. Production continues to move upward as well, with output now solidly over 10.7m b/d. The major standout from the weekly EIA data, however, was US exports which rose to more than 2.5m b/d, a new record high, as producers seek access to the higher value seaborne market.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1808	-0.25	1.2178	USDTRY	4.4145	-0.72	EURAED	4.3372	-0.25
GBPUSD	1.3486	-0.12	1.3741	USDEGP	17.9254	+0.51	GBPAED	4.9551	-0.12
USDJPY	110.40	+0.05	107.25	USDSAR	3.7503	--	JPYAED	0.0333	-0.05
USDCAD	1.2790	-0.68	1.2707	USDQAR	3.6800	+1.07	CADAED	2.8718	+0.68
AUDUSD	0.7516	+0.59	0.7547	USDKWD	0.3019	+0.00	AUDAED	2.7606	+0.58
USDCHF	1.0012	-0.01	0.9669	USDBHD	0.3775	+0.12	CHFAED	3.6685	+0.01
EURGBP	0.8753	-0.14	0.8860	USDOMR	0.3850	-0.01	TRYAED	0.8300	+0.48
USDAED	3.6730	--	3.6757	USDINR	67.6812	-0.63	INRAED	0.0552	+2.46

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.0050	2.4900	2.6753	3.0687	USD 2 yr	2.820	+3
USD LIBOR	1.9388	2.3206	2.4925	2.7539	USD 5 yr	3.034	+3
GBP LIBOR	0.4999	0.6403	0.7593	0.9299	USD 10 yr	3.133	+3
JPY LIBOR	-0.0402	-0.0282	0.0238	0.1152	EUR 2 yr	-0.120	-0
CHF LIBOR	-0.7823	-0.7156	-0.6432	-0.5160	EUR 5 yr	0.439	-0
					EUR 10 yr	1.060	-2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1290.73	+0.02	ADGB 6.75 19	2.42	--	Abu Dhabi	63	--
Silver	16.38	+0.69	DUGB 7.75 20	3.58	+3	Dubai	115	+1
Oil (WTI)	71.49	+0.25	QATAR 6.55 19	2.93	+5	Qatar	92	+1
Aluminium	2336.75	+0.33	US Tsy 2 yr	2.59	+1	Saudi Arabia	88	-1
Copper	6795.00	+0.38	US Tsy 10 yr	3.10	+2	Bahrain	340	+12

Source: Bloomberg, Emirates NBD Research

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