



Daily Outlook

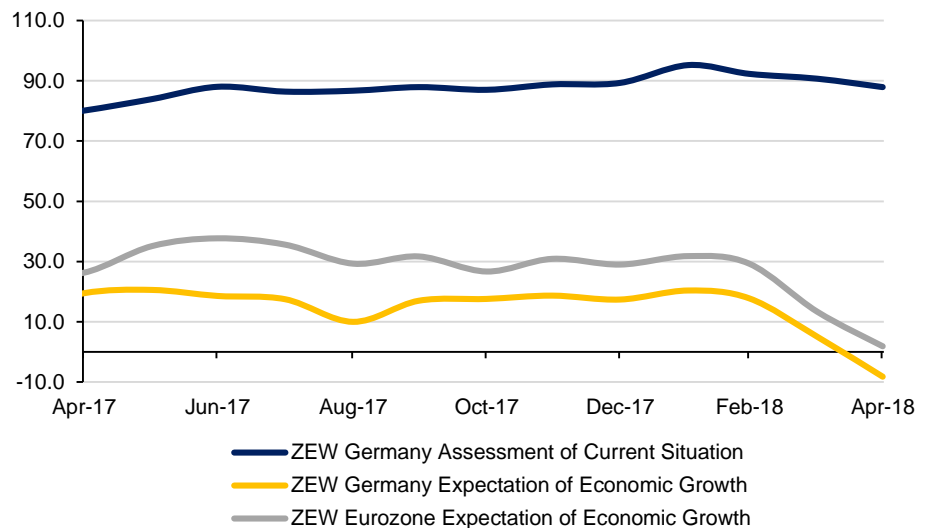
Strong corporate earnings and better than expected economic data in the US overnight propelled equity markets higher. Industrial production, capacity utilisation, manufacturing output and housing data were all in line with or beat consensus forecasts for March. Capacity utilisation rose to a three-year high and industrial production benefitted from increased oil production and a recovery in utilities output.

As expected, the **German ZEW survey was softer in April**, with the current situation index easing to 87.9 from 90.7 in March (only marginally below forecasts). However the expectations index deteriorated by more than expected, falling to -8.2 in April from 5.1 last month - the first negative reading since July 2016 - as investors worried about escalating trade tensions. **In the UK, unemployment unexpectedly declined in the three months to February** as earnings growth accelerated, although the 2.8% rise in average weekly earnings was less than the market was looking for.

In China **PBOC announced a 1pp cut in its reserve requirement for banks, effective next week.** However, maturing medium-term lending facilities mean that the net liquidity injection into the banking system will be less than the headline suggests, and will largely benefit smaller banks and firms.

In Japan the March trade balance showed a bigger than forecast surplus, although this was largely due to a surprise -0.6% y/y decline in imports rather than strong export growth. The annual decline in imports was the first since December 2016. Exports increased 2.1% y/y in March, lower than the forecast of 5.2%.

ZEW surveys fall in April amid escalating trade tensions



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
UK CPI y/y	12:30	2.7%	Bank of Canada Rate Decision	18:00	1.25%
Eurozone CPI y/y	13:00	1.4%	U.S. Federal Reserve Releases Beige Book	22:00	N/A

Source: Bloomberg

Fixed Income

The UST curve flattened amid gains in equity markets and reduced trade tensions. Yields on the 2y UST, 5y UST and 10y UST closed at 2.39% (+2bps), 2.68% (+1bp) and 2.82% (flat).

Regional bonds continued to drift lower with the YTW on the Bloomberg Barclays GCC Credit and High Yield index jumping +2bps to 4.37% and credit spreads widening 3 bps to 175bps.

The primary market continues to grow. Noor Bank raised USD 500mn in a 5y sukuk priced at MS+165 bps. Al Hilal Bank has hired banks for a possible sukuk.

FX

Yesterday, GBPUSD fell for the first time in eight days in the aftermath of mixed UK employment data (see macro). From 1.4370, a level not seen since the June 2016 Brexit referendum, GBPUSD fell as low as 1.4283 and erased gains realized in the Asia session. As we go to print GBPUSD is currently trading at 1.4303.

Despite the cautiously optimistic tone of the RBA minutes, AUD found itself under selling pressure following softer than expected economic data from China. A report from the National Bureau of Statistics of China showed that compared with expectations for an increase to 6.3% y/y growth in Industrial production, growth slowed to 6.0% y/y, taking its toll on the iron exporter's currency.

Also worthy of mention were developments for the EURCHF cross which rose above 1.19 on Tuesday morning for the first time since the Swiss National Bank scrapped the 1.20 peg in January 2015.

Equities

Developed market equities closed higher on the back of strong earnings. The S&P 500 index and the Euro Stoxx 600 index added +1.1% and +0.8% respectively.

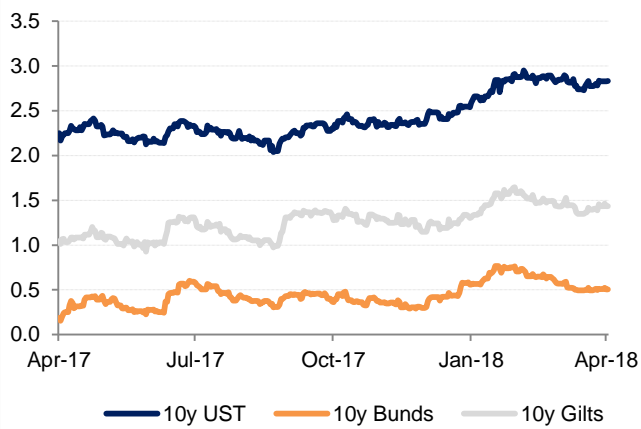
Regional markets drifted higher with the Tadawul adding +0.6% and EGX 30 index jumping +1.0%. Sabic added +2.3% amid positioning by investors ahead of their dividend payout later this week.

Commodities

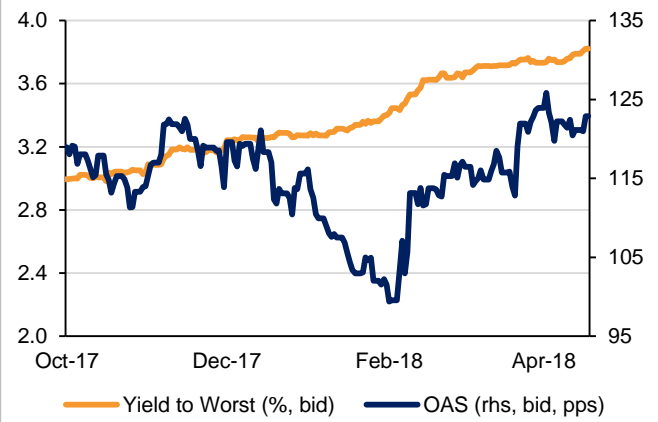
Oil prices rose overnight as data from the API showed a decline in crude stocks of 1m bbl last week. Brent futures closed up 0.2% and WTI added 0.45%. Official data is out from the EIA later today. There was little change to market structures with Brent holding in a backwardation of around USD 0.6/b and WTI essentially at neutral.

Markets in Charts

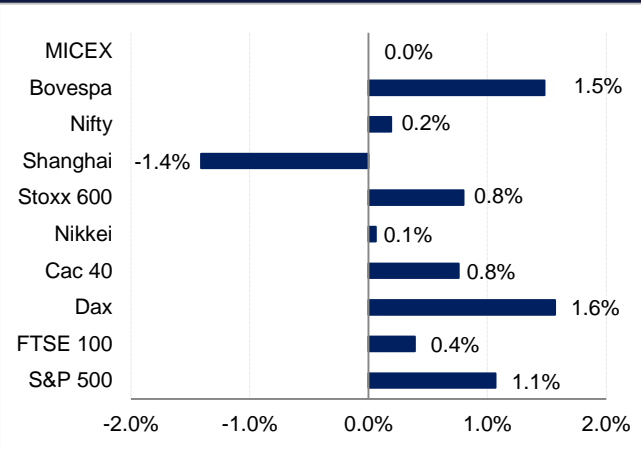
Global Bond Yields



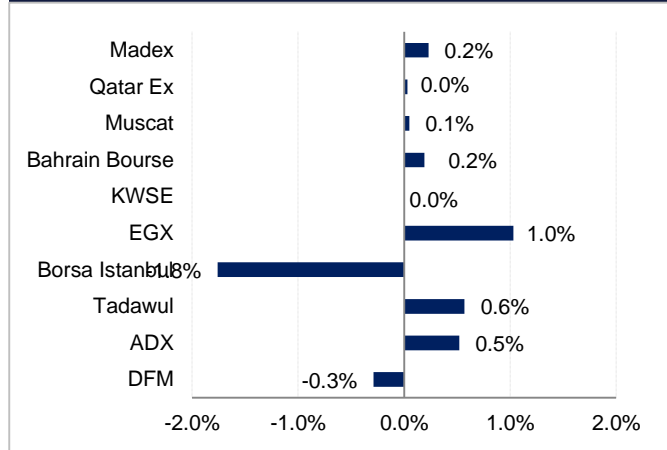
UAE liquid bond index



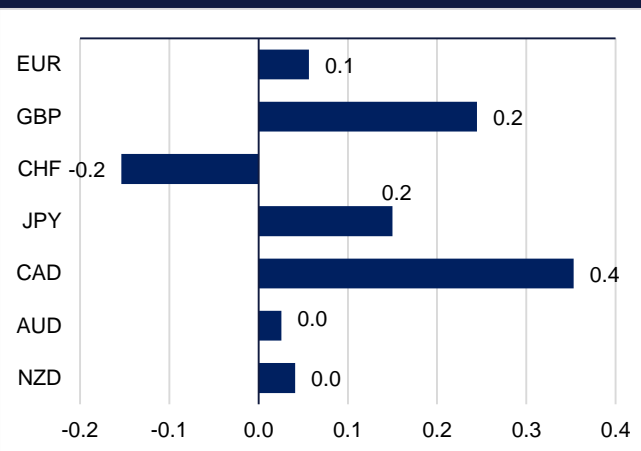
Global Equity Indices



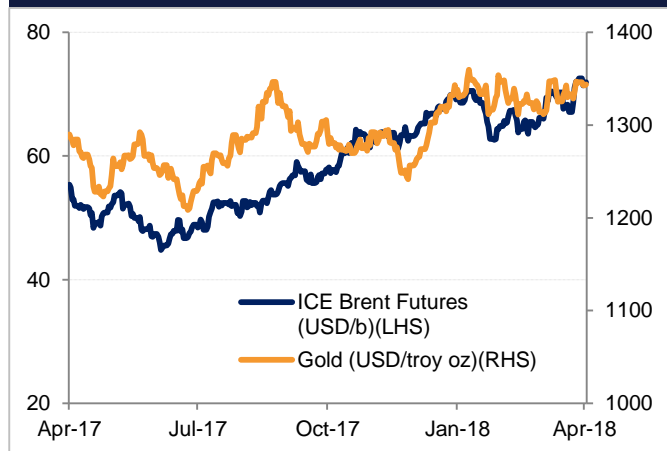
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2371	+0.06	1.2759	USDTRY	4.1094	+0.27	EURAED	4.5441	+0.06
GBPUSD	1.4333	+0.24	1.4573	USDEGP	17.7094	+0.11	GBPAED	5.2652	+0.25
USDJPY	107.08	-0.15	104.06	USDSAR	3.7502	--	JPYAED	0.0343	+0.15
USDCAD	1.2563	-0.35	1.2479	USDQAR	3.6800	+0.62	CADAED	2.9238	+0.36
AUDUSD	0.7772	+0.03	0.7795	USDKWD	0.2998	-0.00	AUDAED	2.8548	+0.02
USDCHF	0.9618	+0.16	0.9289	USDBHD	0.3771	--	CHFAED	3.8190	-0.15
EURGBP	0.8632	-0.18	0.8756	USDOMR	0.3850	--	TRYAED	0.8900	-0.69
USDAED	3.6730	--	3.6765	USDINR	65.6450	+0.23	INRAED	0.0559	-0.32

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.0429	2.4445	2.8008	2.8913	USD 2 yr	2.688	-1
USD LIBOR	1.8956	2.3554	2.5013	2.7461	USD 5 yr	2.816	-2
GBP LIBOR	0.5356	0.7861	0.8970	1.0618	USD 10 yr	2.869	-3
JPY LIBOR	-0.0445	-0.0393	0.0181	0.1102	EUR 2 yr	-0.143	-0
CHF LIBOR	-0.7862	-0.7332	-0.6500	-0.5234	EUR 5 yr	0.373	-1
					EUR 10 yr	0.965	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1347.52	+0.12	ADGB 6.75 19	2.42	--	Abu Dhabi	63	+1
Silver	16.63	+0.15	DUGB 7.75 20	3.16	+3	Dubai	108	+1
Oil (WTI)	66.52	+0.45	QATAR 6.55 19	2.87	-0	Qatar	87	+1
Aluminium	2407.00	-0.17	US Tsy 2 yr	2.39	+2	Saudi Arabia	88	+1
Copper	6828.00	-0.70	US Tsy 10 yr	2.83	+0	Bahrain	279	--

Source: Bloomberg, Emirates NBD Research

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