



بنك الإمارات دبي الوطني  
Emirates NBD

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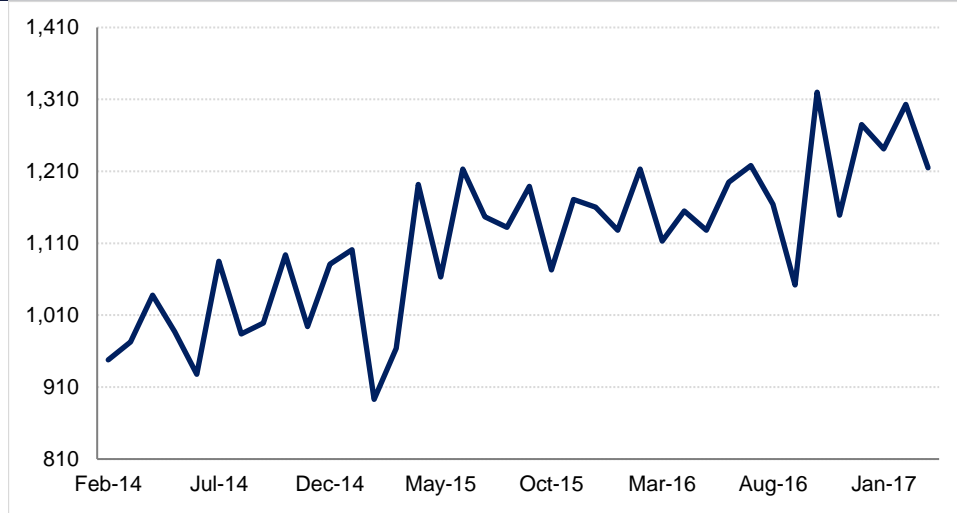
# Daily Outlook

**British Prime Minister Theresa May surprised markets yesterday by announcing a snap general election to be held on June 8.** The decision to go to the polls early is clearly made with the aim of getting a strong mandate to negotiate the terms of the UK's exit from the EU after Article 50 was triggered at the end of March. May only inherited a small parliamentary majority from David Cameron when she became PM in summer 2016, so a convincing election victory now will increase her authority to deliver a strong Brexit outcome for the UK. The prevailing disarray of the opposition parties and the way that the UK economy has held up since the vote to leave the EU last June stands May in good stead to win the election with a much increased majority. UK markets have reacted positively to the news with the pound rallying on the basis that it will strengthen May's negotiating arm with the EU, and our forecast for GBP to end the year closer to 1.35 remains in place.

**US economic data released overnight was mixed with housing starts falling by 6.8% m/m in March, more than negating the 5.0% increase seen in February, while industrial production rose by 0.5% m/m in March which was a little more than expected and the strongest rise since July 2015.** Meanwhile Kansas City Fed Governor Esther George spoke about normalizing the Fed's balance sheet which she thinks should start this year. In contrast to some recent suggestions that reductions in the balance sheet might serve to slow the pace of interest rate rises, George appears to favour the adjustments being 'gradual and smooth' with the process being on 'autopilot' rather being used as an active policy tool. While she acknowledged that there is likely to be 'some tradeoff' between adjusting interest rates and shrinking the balance sheet, she said the specifics of this tradeoff are hard to quantify.

**The IMF has raised its global growth forecast for this year to 3.5% from 3.4% in January ahead of the Fund's annual spring meetings in Washington DC, with its 2018 forecast being kept at 3.6%.** The IMF recognizes that the global economy is gaining momentum but still sought to highlight to the risk of 'trade warfare' - a shot across the bows of the new Trump administration perhaps.

## US New Housing starts



Source: Bloomberg, Emirates NBD Research.

## Day's Economic Data and Events

	Time	Cons		Time	Cons
EC Trade Balance SA	13:00	18.5bn	EC CPI core	13:00	+0.70%
EC CPI YoY	13:00	1.5%	US Fed Beige Book	NA	NA

Source: Bloomberg.

## Fixed Income

Mixed economic data out of the US, tamed inflation around the world and perception of widening geopolitical risks did little to alter the path of treasury yields heading lower. UST curve flattened with yields on 2yr and 10yr UST closing at 1.16% (-4bps) and 2.17% (-8bps) respectively. UK prime minister calling for snap election added another item of uncertainty to justify safe haven bid for the sovereign bonds in the Euro area. Yields on 10yr Gilts and Bunds each closed 3bps lower at 1.01% and 0.15% respectively.

Cash corporates bond benefited from lower benchmark yields and closed mostly in green even though CDS levels on US IG and Euro Main widened a bp each to 69bps and 78bps respectively as oil prices softened and quarterly result announcements in the US disappointed somewhat.

GCC bonds were range-bound with slight bid bias. Lower benchmark yields saw liquid UAE bond index close at yet another record level with yields falling a bp to 3.06% amid a bp increase in credit spread to 145bps. Idiosyncratic news in the region was thin barring KSA announcing plans to corporatize airports in the country and transfer them to the sovereign wealth fund ahead of their privatisation.

## FX

FX markets were dominated by moves in GBP as UK prime minister Theresa May's surprise announcement of an election helped assure the market of a consistent Conservative government there and likely a uniform message in negotiating the terms of Brexit. GBPUSD is now trading a hair above 1.28, its highest level since October 2016. The moves higher for sterling were paralleled by gains for both the EUR and JPY as US economic data appeared mixed.

## Equities

Developed market equities closed lower amid weak corporate earnings and rising political uncertainty. The S&P 500 index dropped -0.3%. In Europe, the FTSE 100 index declined -2.5% after Theresa May called for a mid-term election in the UK and as the GBP rallied over +2.0% following that decision.

The DFM index (+0.9%) was an outperformer in what was otherwise a sluggish day of trading for regional equities. Emaar Properties rallied +3.3% following reports that the company is on track to reopen the Address Hotel in the fourth quarter of this year.

Elsewhere, Commercial Bank of Qatar dropped -3.0% after reporting a -66.7% drop in Q1 2017 net profit to QAR 91.2mn.

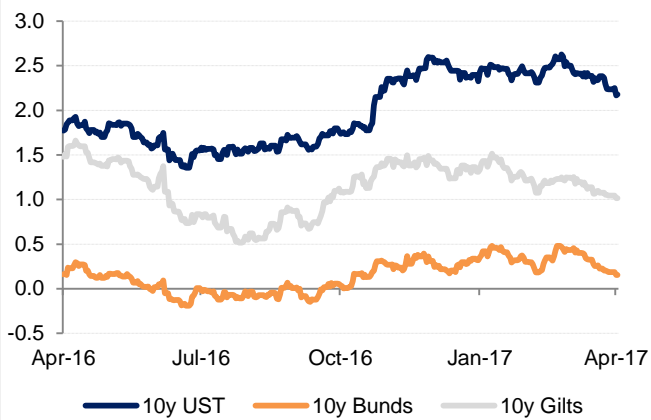
## Commodities

Oil markets fell a second consecutive day, pushing Brent futures to closed below USD 55/b and WTI below USD 52.50/b. Lagging data from JODI showed Saudi Arabia's February crude oil exports fell to their lowest level since 2015 to less than 7m b/d but that domestic inventories rose m/m, although well off from a record high in 2015 of nearly 330m bbl. The UAE's energy minister, Suhail al Mazrouei, said that balancing the market will "take time" but that the market was in the process of "correcting itself".

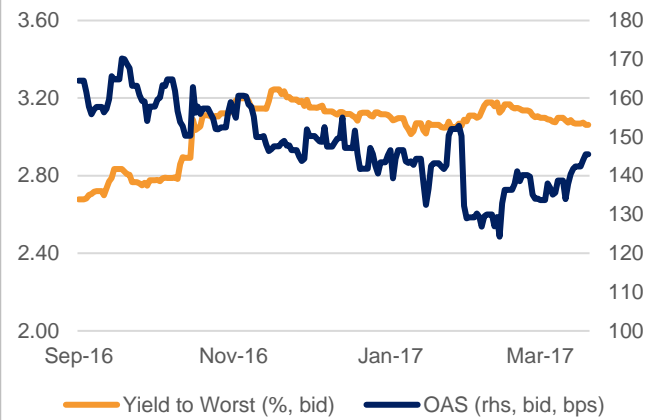
December time spreads for Brent and WTI continue to flatten as the market tries to position itself to capture what 'balanced' means. Oil prices are likely to get stuck back into a narrow and low volatility range similar to what they experienced to start the year but any encroachment on Dec 17-18 for Brent's backwardation hitting USD 1/b gets quickly slammed back.

## Markets in Charts

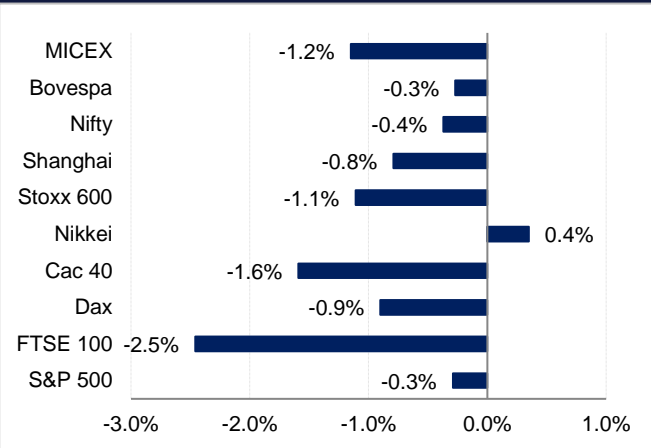
### Global Bond Yields



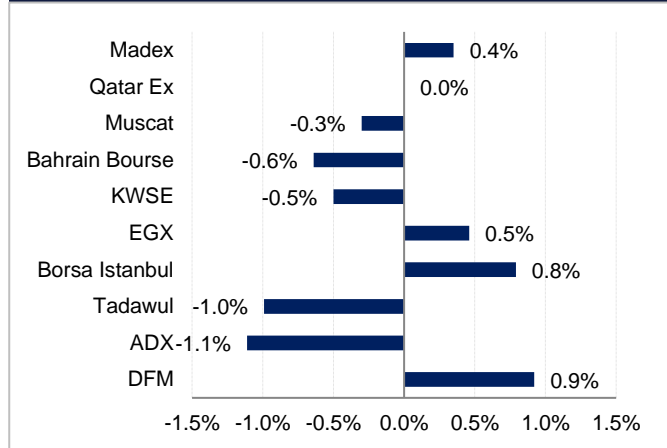
### UAE liquid bond index



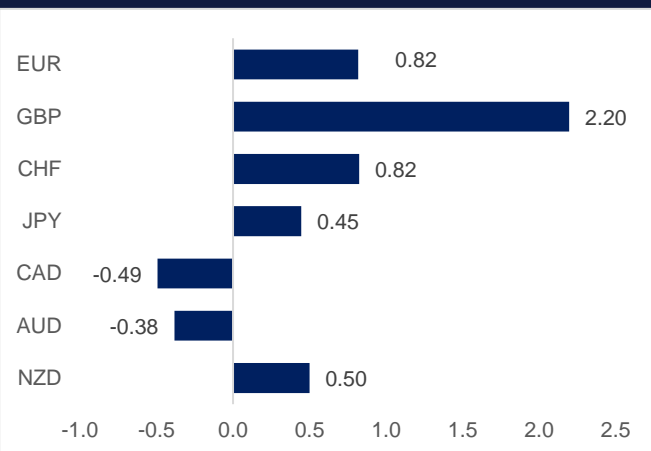
### Global Equity Indices



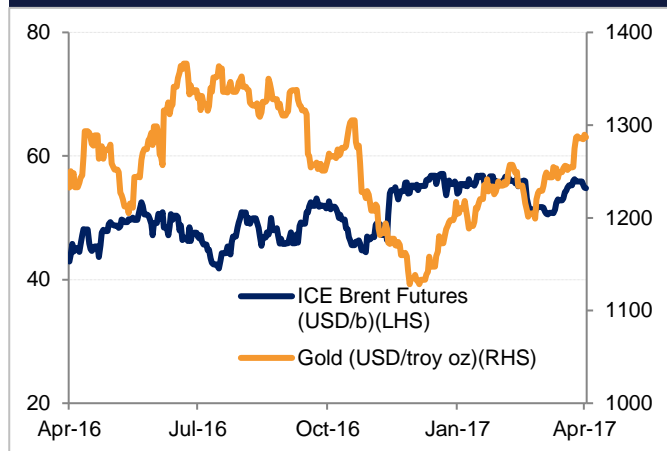
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0730	+0.82	1.0944	USDTRY	3.6609	-1.11	EURAED	3.9412	+0.82
GBPUSD	1.2841	+2.20	1.2979	USDEGP	18.0872	-0.16	GBPAED	4.7162	+2.19
USDJPY	108.43	-0.44	106.48	USDSAR	3.7502	--	JPYAED	0.0339	+0.45
USDCAD	1.3380	+0.47	1.3305	USDQAR	3.6414	+0.01	CADAED	2.7449	-0.49
AUDUSD	0.7560	-0.38	0.7521	USDKWD	0.3048	-0.03	AUDAED	2.7767	-0.40
USDCHF	0.9963	-0.82	0.9717	USDBHD	0.3770	-0.00	CHFAED	3.6868	+0.83
EURGBP	0.8356	-1.34	0.8433	USDOMR	0.3850	-0.00	TRYAED	1.0000	+0.79
USDAED	3.6729	-0.00	3.6794	USDINR	64.5500	+0.05	INRAED	0.0568	-0.32

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.0675	1.4677	1.6792	2.1978	USD 2 yr	1.480	-5
USD LIBOR	0.9928	1.1562	1.3977	1.7612	USD 5 yr	1.813	-7
GBP LIBOR	0.2556	0.3356	0.4849	0.6961	USD 10 yr	2.128	-8
JPY LIBOR	-0.0171	0.0098	0.0336	0.1364	EUR 2 yr	-0.162	-1
CHF LIBOR	-0.7780	-0.7322	-0.6762	-0.5130	EUR 5 yr	0.104	-1
					EUR 10 yr	0.656	-2

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1289.76	+0.39	ADGB 6.75 19	1.66	+2	Abu Dhabi	39	-1
Silver	18.30	-0.64	DUGB 7.75 20	2.68	-0	Dubai	115	+1
Oil (WTI)	52.41	-0.46	QATAR 6.55 19	1.86	-5	Qatar	59	-1
Aluminium	1875.50		US Tsy 2 yr	1.16	-4	Saudi Arabia	93	-
Copper	5539.00		US Tsy 10 yr	2.17	-8	Bahrain	225	-1

Source: Bloomberg, Emirates NBD Research

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