



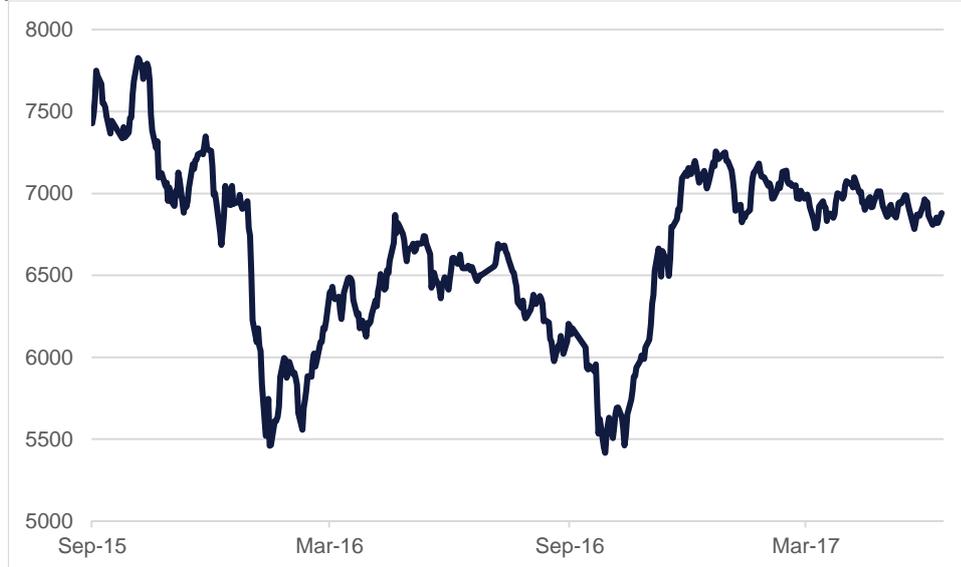
Daily Outlook

France's President Macron again emerged victorious over the weekend as parliamentary elections gave him a strong mandate with which to enact key business reforms over the coming years. Results of the two-stage elections are expected to give his newly formed REM party approximately 350 seats in the 577 member National Assembly, less than expected but still a substantial majority. **The positive news in France contrasts with more negative political news coming from the UK where PM Theresa May is struggling to hold onto the leadership of the governing Conservative party and thereby keep the keys to 10 Downing Street.** Headlines in the press over the weekend suggest she has just ten days to save her leadership, or she will be at risk of losing a key vote in parliament over her legislative agenda and be forced from power.

Having had a torrid first week back in Downing Street, matters may also be about to get worse for Mrs May as **Brexit talks are set to begin from today with Britain's EU counterparts.** There is mounting pressure from both sides of the Brexit debate for the government to either stick to its guns over delivering a hard Brexit or to soften its stance and maintain a degree of EU involvement in the UK's affairs.

Globally, the market focus is shifting to the outlook for global central bank monetary policy after a hawkish message from the Fed despite mixed US economic data and an easing in inflation. The Bank of England also inched closer to raising interest rates last week while the Bank of Canada also implied that the next move in interest rates would be up. **Regionally markets will be awaiting the decision by MSCI tomorrow over whether to include Saudi Arabia in a list of possible candidates to be upgraded into its Emerging Markets Index.** Although inclusion would probably not take place before next year, anticipation could bring tens of billions of dollars of passive funds into the Riyadh market.

Saudi Arabia's Taduwal awaits MSCI decision



Source: Bloomberg, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
EU Construction output	13.00				

Source: Bloomberg.

Fixed Income

Another batch of mixed data weighed on USTs at the end of the week with yields on 10yr USTs closing at 2.157. Softer US housing starts and growing concerns about the viability of inflation hitting the Fed's targets is reshaping the market's view for further rate moves later in the year. However, as the Fed prepared the market and we noted last week following the FOMC meeting, any reduction in the balance sheet will proceed at a slow pace and allow room for more rate hikes later on this year and in 2018.

Gilt yields ended the week higher as investors dumped current gilts following on from the BoE vote on rates on Thursday. Three policymakers voted for a rate hike, a more hawkish stance than the market had been expecting. Bund yields effectively unwound the prior week's decline.

Drake & Scull International has announced plans to complete a capital reduction by the end of Q3 and would be restructuring a part of its debt, according to press reports. Meanwhile, Dana Gas has obtained injunctions from the Sharjah and UK courts against investors taking action against the company after it declared last week that its USD 700m sukuk was not shariah compliant.

FX

The CAD was the strongest major currency last week as the BOC hinted that the next move in interest rates would be up. By contrast the weakest currencies were the JPY and the CHF, whose central banks stayed on the sidelines as the market focus turns to the outlook for central bank policy tightening. The FX market focus this week will likely fall on a number of prominent Fed officials who will be making speeches, to see if they are also lining up behind Yellen in favour of further rate hikes.

Equities

Benchmark equity indices largely received a boost on Friday to close the week with the FTSE ending up 0.6% while the S&P 500 was marginally higher. Asian equity markets have begun the week on a much firmer tone with the Hang Seng already up nearly 1% and the Shanghai Composite up 0.7%.

Regional equity markets were mixed in thin trading. The DFM closed down 0.4% while the ADX was fractionally lower on the day. The Tadawul was up nearly 0.9% to start the week.

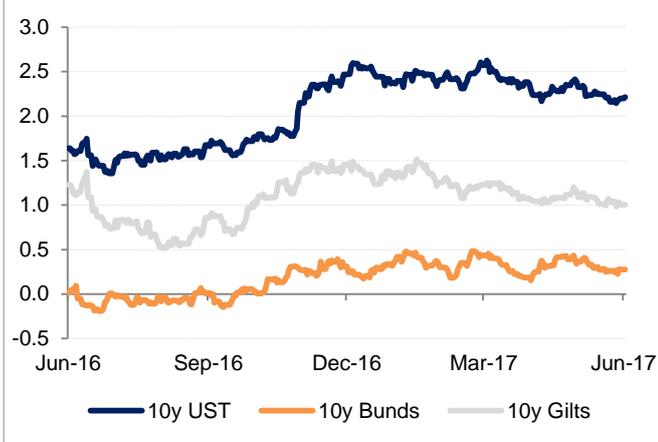
Commodities

Oil markets fell a fourth week in a row and remain close to their 2017 lows. Brent futures ended the week at USD 47.37/b and WTI at less than USD 45/b. Investor positioning in WTI waned last week as net length fell by 27k contracts as new short positions were added. Prices shifting lower and rising volatility will be testing the resilience of bulls' appetite for position in crude markets.

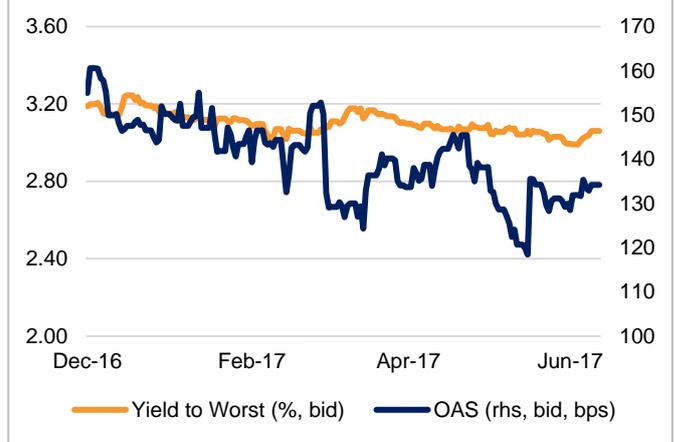
The shape of the forward curve for both Brent and WTI appears entrenched in contango. The spread between the first and 24th Brent contracts is now at its widest levels all year and is a similar levels seen before OPEC introduced its production cut deal. With few positive catalysts in place at the moment this structure looks likely to remain intact, particularly if demand performs only as expected, with few upside shocks.

Markets in Charts

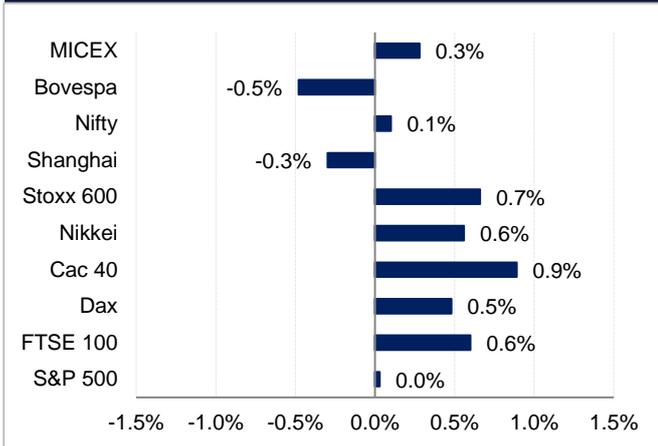
Global Bond Yields



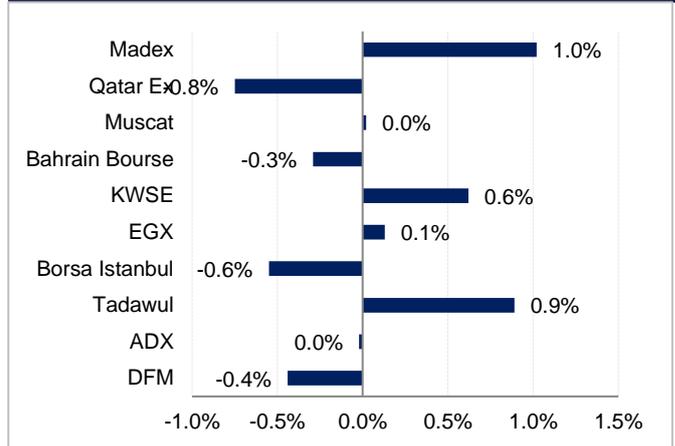
UAE liquid bond index



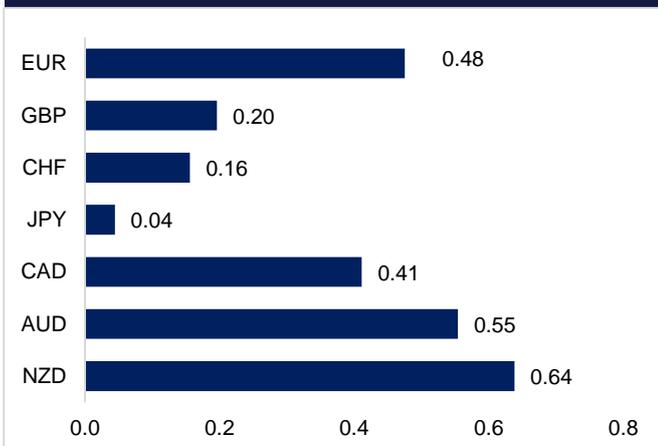
Global Equity Indices



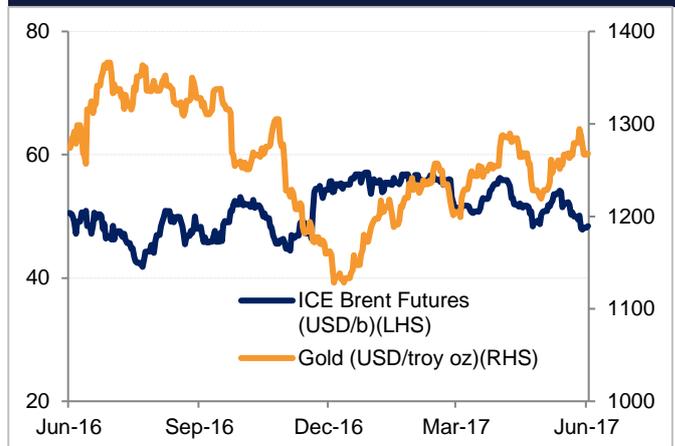
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1198	-0.07	1.1427	USDTRY	3.5025	-0.96	EURAED	4.1128	-0.08
GBPUSD	1.2783	+0.24	1.2932	USDEGP	18.1425	+0.08	GBPAED	4.6946	+0.23
USDJPY	110.88	+0.54	108.89	USDSAR	3.7499	-0.02	JPYAED	0.0331	-0.53
USDCAD	1.3213	-1.72	1.3148	USDQAR	3.6698	+0.36	CADAED	2.7799	+1.75
AUDUSD	0.7621	+1.29	0.7587	USDKWD	0.3036	+0.08	AUDAED	2.7987	+1.27
USDCHF	0.9733	+0.45	0.9494	USDBHD	0.3772	-0.03	CHFAED	3.7727	-0.48
EURGBP	0.8760	-0.32	0.8836	USDOMR	0.3850	-0.00	TRYAED	1.0500	+1.10
USDAED	3.6729	+0.00	3.6809	USDINR	0.0000	-100.00	INRAED	0.0570	-0.19

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.1617	1.5200	1.7220	2.1087	USD 2 yr	1.527	-2
USD LIBOR	1.1271	1.2364	1.4168	1.7284	USD 5 yr	1.818	-4
GBP LIBOR	0.2514	0.2899	0.4178	0.6158	USD 10 yr	2.121	-5
JPY LIBOR	-0.0379	-0.0109	0.0249	0.1301	EUR 2 yr	-0.186	
CHF LIBOR	-0.7876	-0.7306	-0.6620	-0.4900	EUR 5 yr	0.136	+1
					EUR 10 yr	0.746	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1253.73	-1.11	ADGB 6.75 19	1.60	-3	Abu Dhabi	48	-1
Silver	16.69	-2.73	DUGB 7.75 20	2.60	-1	Dubai	120	-1
Oil (WTI)	44.74	-2.93	QATAR 6.55 19	2.35	-32	Qatar	89	-3
Aluminium	1856.00	-2.38	US Tsy 2 yr	1.32	-3	Saudi Arabia	100	-1
Copper	5639.00	-2.43	US Tsy 10 yr	2.15	-6	Bahrain	232	--

Source: Bloomberg, Emirates NBD Research

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