



Daily Outlook

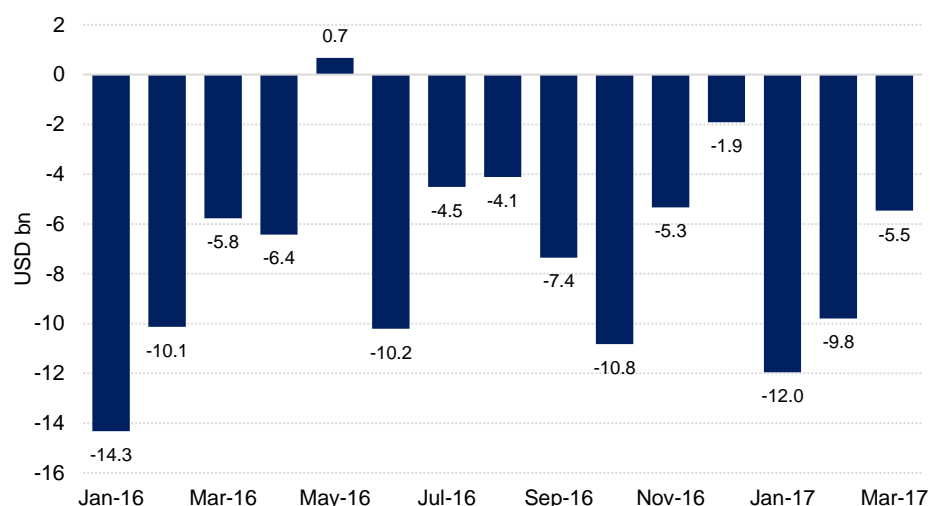
Focus will remain on the White House with the Trump administration still having work to do to prevent a government shutdown. After the House passed a seven-day stopgap spending bill last Friday, a bipartisan deal has emerged over the weekend on a USD1.1 trillion agreement that will keep the government open until September. The deal has not been voted on yet, but it appears to support many of the priorities of the Democratic Party while pushing back against many of President Trump's policies including financing for a border wall with Mexico.

Geopolitical tensions are also on the rise with North Korea again testing ballistic missiles over the weekend, and Trump warning about all options being on the table in terms of a possible response. **After weaker than expected Q1 GDP data released on Friday, showing the economy grew by an annualized 0.7%, the focus will be on the FOMC meeting outcome on Wednesday and payrolls data on Friday.** Despite the soft GDP data we think the Fed is still keeping its options open to tighten monetary policy in June, especially as inflationary trends are rising. Fed comments through April generally supported forecasts for two more rate hikes this year and the statement will likely be consistent with this approach.

Data released over the weekend showed SAMA's net foreign assets declined by USD5.5bn in March to USD 501.4bn. The decline in NFAs in Q1 is a little surprising given the rise in oil prices and the issue of a USD9bn sukuk in March; which suggests that outflows on the balance of payments remain substantial. Private sector credit declined -0.1% y/y despite a 0.4% m/m rise in March, while public sector credit growth also slowed to 39.3% y/y.

The IMF will this week begin reviewing Egypt's progress under the USD12bn extended fund facility signed last November. Egypt abandoned currency controls on November 3rd in accordance with the agreement and has also made progress in terms of implementing other structural reforms with regards to reducing subsidies and introducing VAT. The main challenge would seem to be reducing inflation which has risen to above 30% in the wake of the devaluation of the EGP.

Monthly change in SAMA's net foreign assets



Source: Haver Analytics, SAMA, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
Markit US Manufacturing PMI	17.45	52.8	ISM Manufacturing	18.00	56.5

Source: Bloomberg.

Fixed Income

Despite weaker than expected 1Q GDP data in the US, UST curve recorded bear flattening during the week with yields on 2yr and 10yr treasuries rising to 1.26% (+3bps) and 2.28% (+1bp) respectively. Though yields on 10yr Gilts followed suit with the USTs, up 3bps during the week to 1.08%, safe haven Bunds and JGB remained well bid with yields closing down by a bp each to 0.31% and 0.002% respectively.

DM cash corporate bonds were range-bound during the week since credit spreads had a slight tightening bias. Locally, though there was volatility in some high beta names such as TAQA, EAPART, Dana Gas etc, the Barclays GCC bond index closed largely unchanged with credit spreads tightening by 4bps to 132bps amid stable oil prices.

No new deal was priced during the week though Saudi Arabia's International Co. for Water and Power Projects, also known as ACWA Power rated BBB-/Baa3, has mandated banks to raise circa \$600m senior secured 144A/Reg S bond offering.

FX

The dollar has improved on the back of a tentative USD1.1 trillion spending agreement that will keep the US government open until September. The pound dropped following the agreement, having last week reaching a six-month peak at 1.2959 and closing at its highest weekly closing level since September. London markets will be quiet for May bank holidays, but markets will be carefully watching the progress of the US budget agreement to see if it can pass through Congress in time to replace the 7-day stop-gap deal passed last week.

Equities

Asian equities are trading higher this morning on the back of strength in Japanese equities. The Topix index was trading +0.3% at the time of this writing.

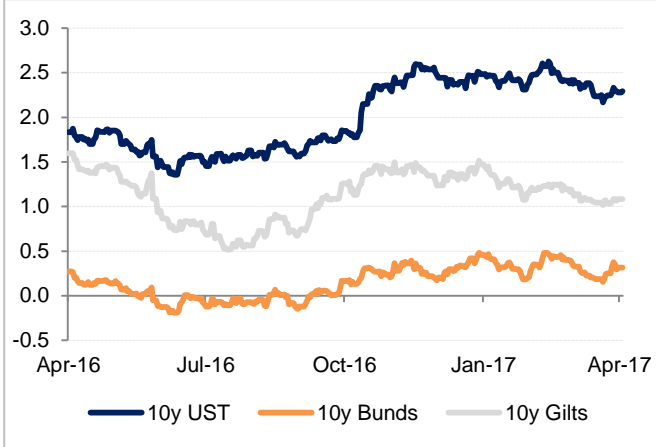
Saudi Arabian equities ended the month on a positive note with the Tadawul adding +1.0%. The broad index was propped up by strength in petrochemical stocks following better than expected results. Saudi Kayan closed limit up after reporting a profit of SAR 265.5mn for Q1 2017 compared to a loss a year back. Safco rallied +0.7% after reporting better than expected earnings.

Commodities

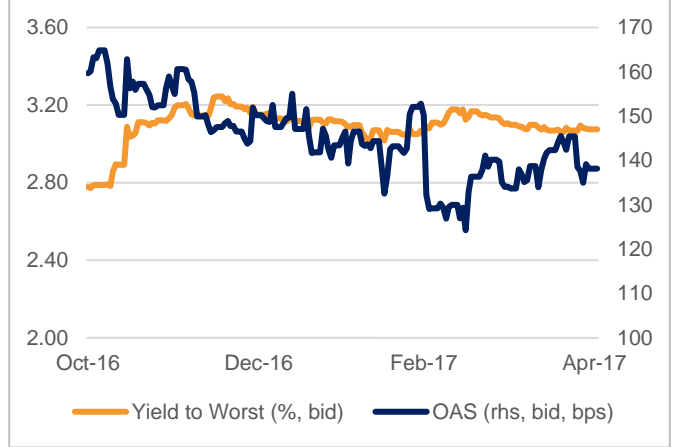
Oil markets managed to hold relatively steady last week, keeping losses limited to around 0.6% for WTI futures and 0.4% for Brent. Nevertheless both contracts remain under negative technical pressure, staying below their 100- and 200-day moving averages since April 19th. Consistently constructive comments from OPEC officials—the latest from the Iranian oil minister saying an extension of output cuts is gaining ground—have failed to stimulate any recognizable upward movement in prices and instead the market appears ready to break downward. Heaping on the pressure, the drilling rig count in the US continues to move higher, adding nine rigs last week and now just shy of 700 targeting oil. The forward curve continues to oscillate in and out of backwardation but Brent December spreads closed at a backwardation of USD 0.33/b for 2017/18.

Markets in Charts

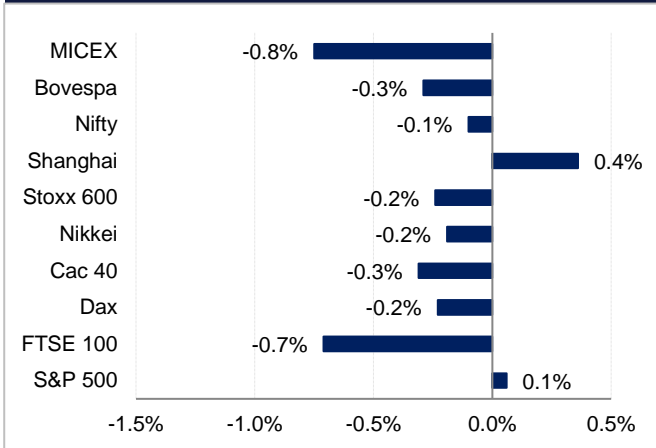
Global Bond Yields



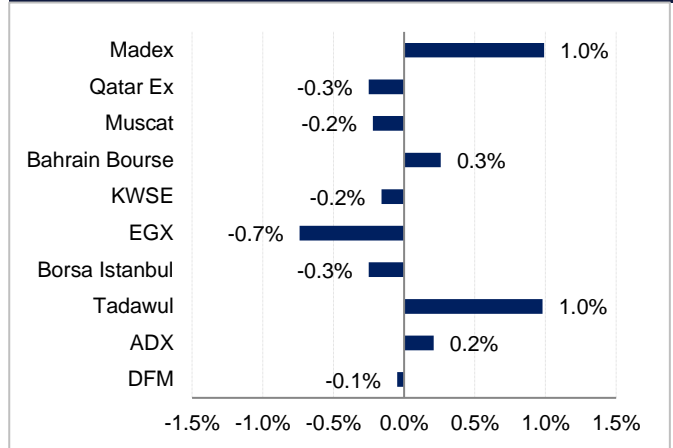
UAE liquid bond index



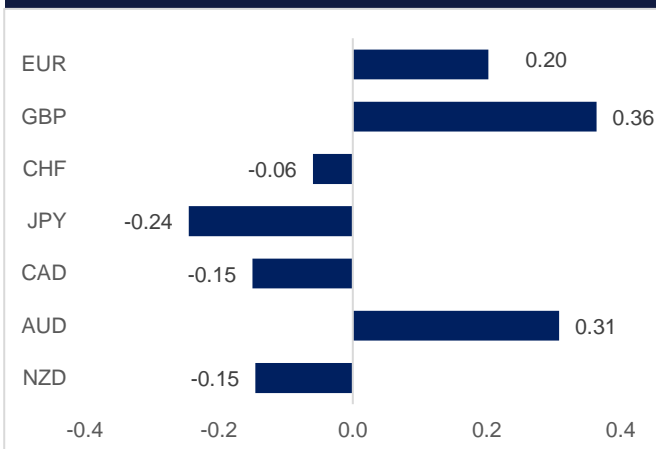
Global Equity Indices



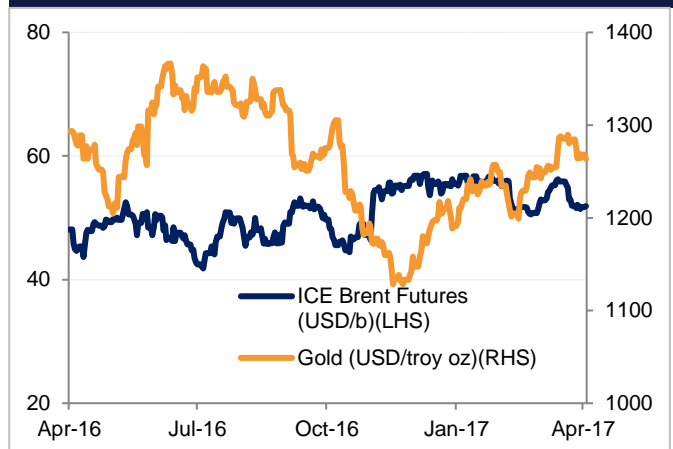
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0895	+0.20	1.1118	USDTRY	3.5517	-0.26	EURAED	4.0021	+0.21
GBPUSD	1.2951	+0.36	1.3100	USDEGP	18.0535	-0.32	GBPAED	4.7569	+0.36
USDJPY	111.49	+0.21	109.43	USDSAR	3.7501	-0.01	JPYAED	0.0329	-0.24
USDCAD	1.3653	+0.15	1.3565	USDQAR	3.6414	-0.01	CADAED	2.6899	-0.15
AUDUSD	0.7488	+0.31	0.7453	USDKWD	0.3042	-0.06	AUDAED	2.7499	+0.28
USDCHF	0.9946	+0.05	0.9699	USDBHD	0.3770	+0.00	CHFAED	3.6915	-0.09
EURGBP	0.8413	-0.14	0.8488	USDOMR	0.3850	-0.00	TRYAED	1.0300	-0.14
USDAED	3.6729	--	3.6804	USDINR	64.2462	+0.14	INRAED	0.0572	-0.20

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.0733	1.4615	1.6897	2.1590	USD 2 yr	1.573	+1
USD LIBOR	0.9950	1.1723	1.4263	1.7740	USD 5 yr	1.933	-1
GBP LIBOR	0.2551	0.3253	0.4724	0.6799	USD 10 yr	2.254	-1
JPY LIBOR	-0.0212	0.0024	0.0243	0.1350	EUR 2 yr	-0.135	+2
CHF LIBOR	-0.7918	-0.7300	-0.6648	-0.4916	EUR 5 yr	0.196	+2
					EUR 10 yr	0.790	+2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1268.28	+0.31	ADGB 6.75 19	1.63	-0	Abu Dhabi	41	+2
Silver	17.20	-0.36	DUGB 7.75 20	2.69	-0	Dubai	108	-1
Oil (WTI)	49.33	+0.74	QATAR 6.55 19	1.84	+0	Qatar	59	-0
Aluminium	1903.00	-0.61	US Tsy 2 yr	1.26	+0	Saudi Arabia	87	+1
Copper	5710.50	+0.74	US Tsy 10 yr	2.28	-1	Bahrain	216	-4

Source: Bloomberg, Emirates NBD Research

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Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O.Box 777
Dubai

Jonathan Morris
General Manager Wholesale Banking
JonathanM@emiratesnbd.com

Aazar Ali Khwaja
Group Treasurer & EVP Global Markets &
Treasury
+971 4 609 3000
aazark@emiratesnbd.com

Tim Fox
Head of Research &
Chief Economist
+9714 230 7800
timothyf@emiratesnbd.com

Research

Khatija Haque
Head of MENA Research
+9714 230 7803
khatijah@emiratesnbd.com

Anita Yadav
Head of Fixed Income Research
+9714 230 7630
anitay@emiratesnbd.com

Shady Shafer Elborno
Head of Macro Strategy
+9714 2012300
shadyb@emiratesnbd.com

Athanasios Tsetsonis
Sector Economist
+9714 230 7629
athanasiost@emiratesnbd.com

Edward Bell
Commodity Analyst
+9714 230 7701
edwardpb@emiratesnbd.com

Mohammed Al-Tajir
Manager, FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

Aditya Pugalia
Analyst
+9714 230 7802
adityap@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
Tariq Chaudhary
+971 4 230 7777
tariqmc@emiratesnbd.com

Saudi Arabia Sales
Numair Attiyah
+966 11 282 5656
numaira@emiratesnbd.com

Singapore Sales
Supriyakumar Sakhalkar
+65 65785 627
supriyakumars@emiratesnbd.com

London Sales
+44 (0) 20 7838 2241
vallancel@emiratesnbd.com

Egypt
Gary Boon
+20 22 726 5040
garyboon@emiratesnbd.com

Emirates NBD Capital

Ahmed Al Qassim
CEO- Emirates NBD Capital
AhmedAQ@emiratesnbd.com

Hitesh Asarpota
Head of Debt Capital Markets.
+971 50 4529515
asarpotah@EmiratesNBD.com

Investor Relations

Patrick Clerkin
+9714 230 7805
patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com