



# Daily Outlook

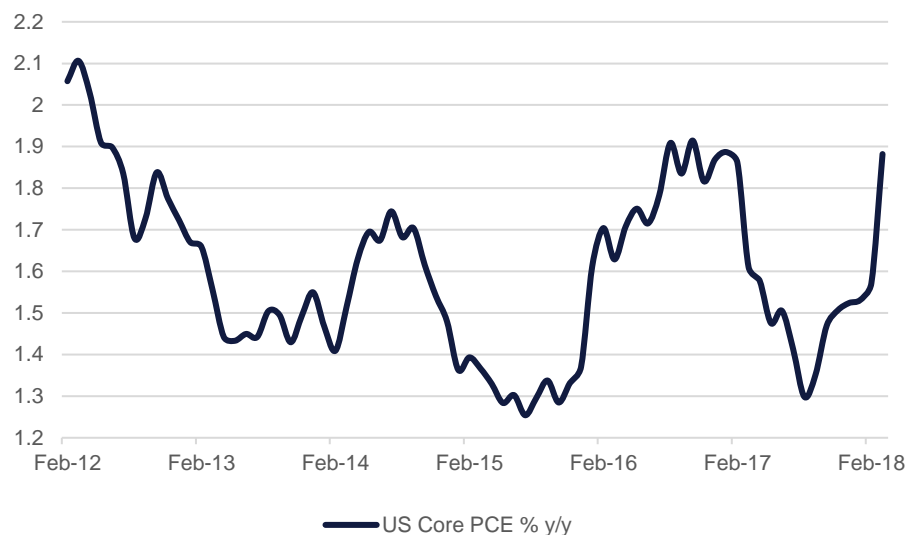
**US personal income and spending rose in line with expectations in March by 0.3% m/m and 0.4% m/m respectively.** The savings rate fell to 3.1% from a downwardly-revised 3.3% in February, illustrating that consumers were beginning to spend again at the end of Q1, with most of the weakness during the quarter occurring at the start of it. Probably more concerning was the rise in the core PCE deflator from 1.6% to 1.9%, adding to the weight of evidence that inflation is returning. This is likely to convince the Fed to raise interest rates at least another two times this year. While the Fed meets tomorrow it is more likely that it will wait until June before making its next tightening move.

**President Trump has delayed a decision to impose steel and aluminium tariffs on the EU, Mexico and China until June 1<sup>st</sup>.** In March Trump imposed worldwide tariffs of 25% on US imports of steel and 10% on aluminium. While the White House has reached deals in principle with Argentina, Australia and Brazil, and while China retaliated with its own duties on US exports, the extension of the exemption deadline for the other countries will be welcome if it averts a trade war, but will remain a source of uncertainty now stretching into the early summer.

In the United Kingdom, Prime Minister Theresa May has named Sajid Javid, a Eurosceptic, as home secretary in the aftermath of Amber Rudd's resignation earlier this week. This appointment has some investors concerned that there is a shift in the Cabinet towards a harder Brexit, and it also has markets fearful of the instability of the May government.

Finally reports from the General Authority for Statistics in Riyadh have shown that Saudi Arabia's non-oil foreign trade deficit has narrowed 20% y/y in February 2018. A deficit of SAR 20.8bn was reported, compared with a deficit of SAR 25.9bn the previous year.

## US core inflation moves up in March



Source: Markit, Bloomberg, Emirates NBD Research

## Day's Economic Data and Events

	Time	Cons		Time	Cons
RBA Cash Rate Target	08:30	1.50%	Markit US Manufacturing PMI	17:45	56.5
Canada February GDP y/y	16:30	2.8%	ISM Manufacturing	18:00	58.5

## Fixed Income

Increase in core inflation in the US to an annualized rate of 1.9% from 1.6% in the previous month, well reinforced the Federal Reserve's rate hike plan. However, the much anticipated nature of this data left UST curve largely unchanged. Yields on 2yr, 5yr and 10yr US treasuries closed at 2.49% (+1bp), 2.80% (unchanged) and 2.95% (-0.5bp) respectively. Volatility in equity markets filtered into slightly wider credit spreads with CDS levels on US IG closing a bp higher at 61bps.

Regional bond market remained range bound with GCC Bloomberg Barclays index closing unchanged with yield at 4.51% and option adjusted credit spreads at 177bps. Results announcements from First Abu Dhabi Bank, RAK Bank, Al Ahli Bank etc. have come in largely in line with expectations.

In the primary market, Drake and Skull is believed to be preparing for a convertible sukuk.

## FX

GBP fell for a fourth consecutive day after the pound came under pressure from interest rate differentials and concerns over Brexit. The current implied probability of a rate hike from the Bank of England at their meeting next week is currently 18.3%, down from 89.7% at the start of the Month. A daily close below the 61.8% one year Fibonacci retracement (1.3694) leaves the price vulnerable to further declines towards the 200 day moving average of 1.3530.

Analysis of the weekly candle chart makes Sterling look even more vulnerable, with the supporting baseline from the weekly uptrend that has been in effect since March 2017 looking fragile.

## Equities

Global equity markets had a mixed day of trading yesterday, ahead of the FOMC meeting and holiday in several parts of the world today. Euro Stoxx and FTSE 100 closed up by 0.50% and 0.09% respectively while S&P 500 was down by nearly 0.8% on the back of wide spread weakness in technology stocks.

Delay in the US's plan to impose tariffs on steel and aluminium is being taken positively by market participants which is seeing Asian markets trading in the green this morning albeit on reduced volumes due to the Labour Day holiday.

Barring Dubai, equity markets in the GCC were subdued with Tadawul, Qatar and Bahrain all closing marginally in the red yesterday. Dubai index gained more than half a percentage point, led by gains in banking and real estate shares.

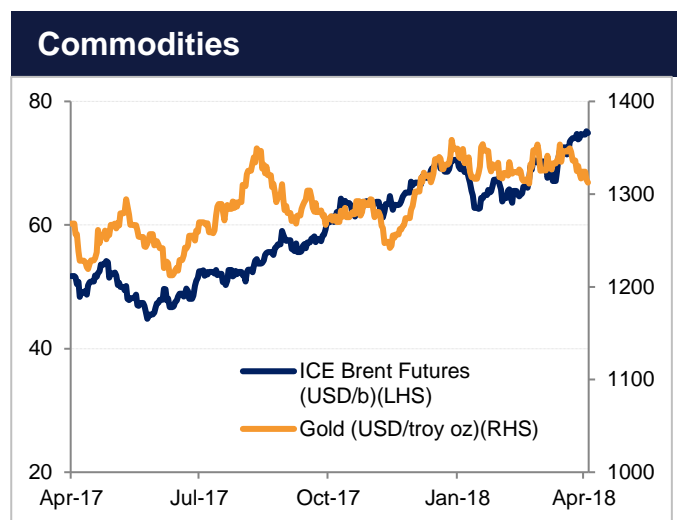
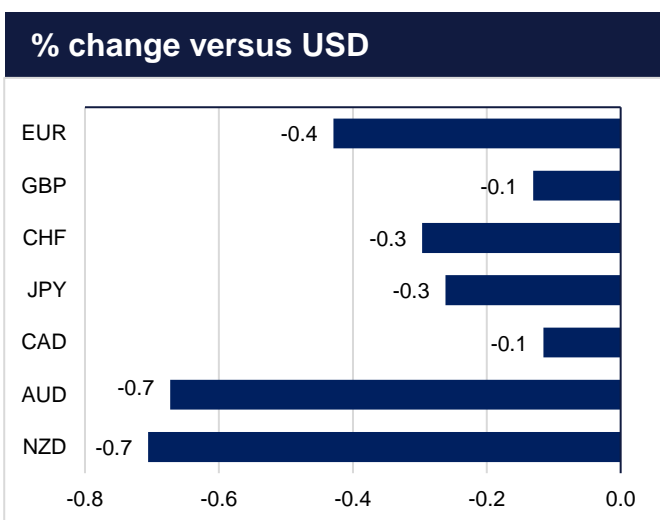
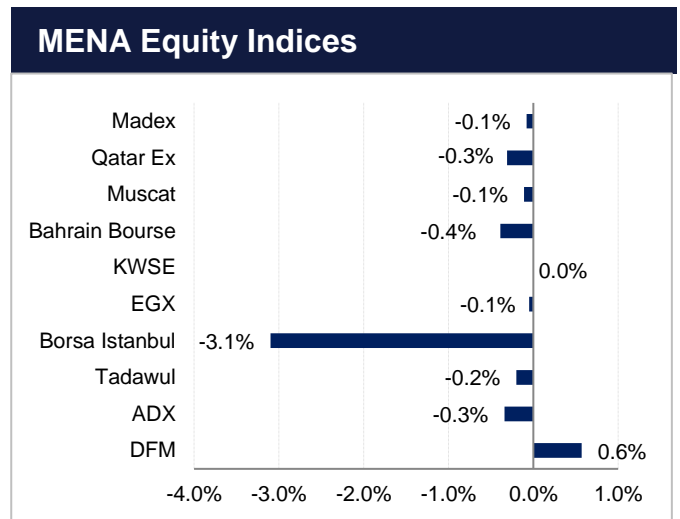
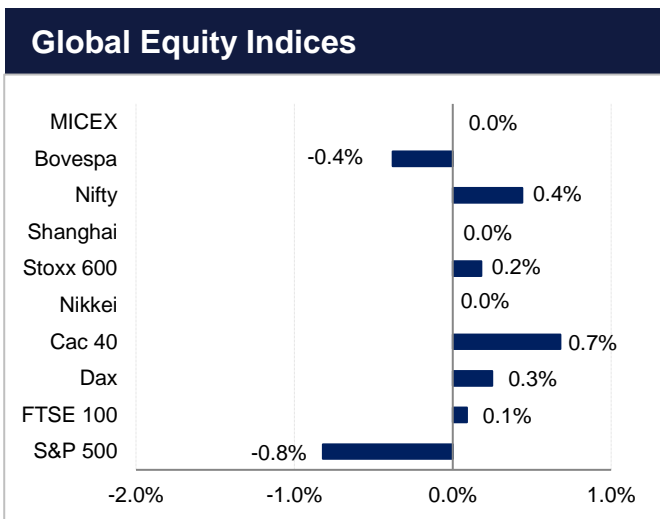
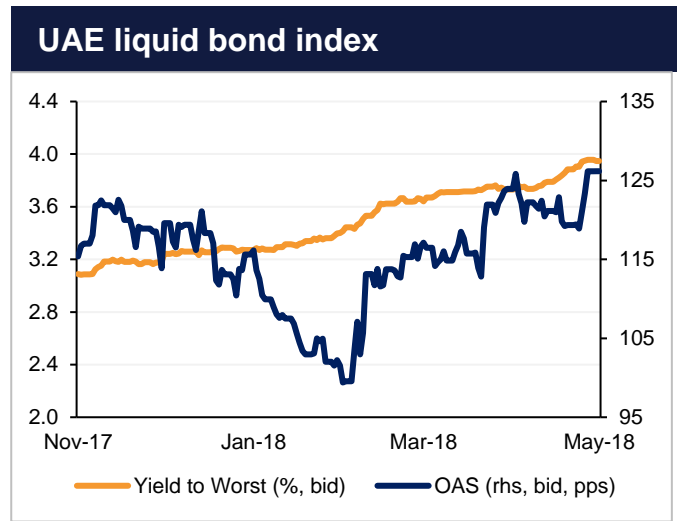
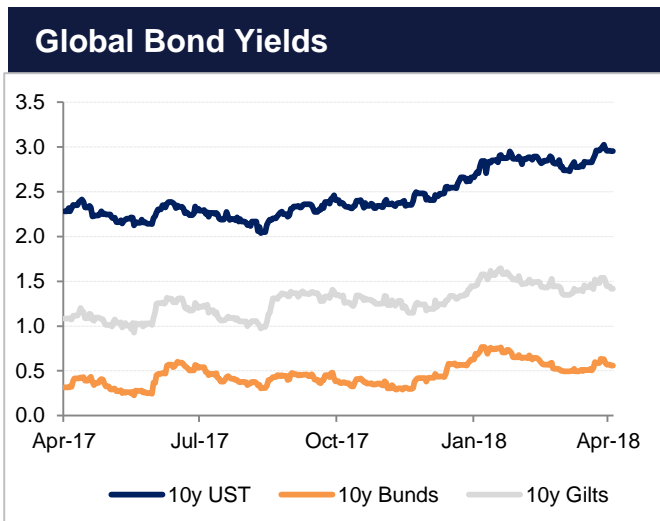
## Commodities

After some choppy trading related to end of month positioning, Brent futures closed higher to start the week. The market now looks to be pricing in more confidently a collapse of the Iran nuclear deal with some disruption to levels of production in the country. US president Donald Trump has to decide by the end of next week whether to renew waivers on sanctions or to re-impose restrictions on Iran, with all public statements strongly suggesting he favours the latter.

Brent futures closed up 0.7% to end above USD 75/b while WTI gained nearly the same amount to close at USD 68.57/b. For April Brent futures averaged USD 71.76/b, their first monthly average above USD 70/b since November 2014, and up 33% year on year. WTI recorded an average of USD 66/b for the month, up 29% y/y.

OPEC's compliance with its production cut deal improved again in April according to market surveys. Aggregate compliance hit 162% thanks to even further declines in Venezuela's production, down more than 500k b/d y/y. The UAE's compliance stayed level at 103% as production was unchanged.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2078	-0.43	1.2458	USDTRY	4.0621	+0.48	EURAED	4.4362	-0.44
GBPUSD	1.3763	-0.13	1.4016	USDEGP	17.6501	-0.26	GBPAED	5.0560	-0.10
USDJPY	109.34	+0.27	106.23	USDSAR	3.7502	--	JPYAED	0.0336	-0.25
USDCAD	1.2843	+0.12	1.2749	USDQAR	3.6800	+0.58	CADAED	2.8597	-0.11
AUDUSD	0.7530	-0.67	0.7557	USDKWD	0.3010	-0.01	AUDAED	2.7656	-0.68
USDCHF	0.9909	+0.32	0.9574	USDBHD	0.3771	-0.01	CHFAED	3.7071	-0.30
EURGBP	0.8775	-0.27	0.8888	USDOMR	0.3848	-0.06	TRYAED	0.9000	-0.94
USDAED	3.6730	--	3.6762	USDINR	66.6613	--	INRAED	0.0552	--

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.9538	2.4333	2.7175	3.1373	USD 2 yr	2.750	+1
USD LIBOR	1.9070	2.3581	2.5196	2.7803	USD 5 yr	2.915	+0
GBP LIBOR	0.5198	0.7129	0.8138	0.9833	USD 10 yr	2.987	-0
JPY LIBOR	-0.0495	-0.0295	0.0228	0.1182	EUR 2 yr	-0.143	-0
CHF LIBOR	-0.7842	-0.7282	-0.6490	-0.5184	EUR 5 yr	0.389	-2
					EUR 10 yr	0.992	-1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1315.39	-0.65	ADGB 6.75 19	2.42	--	Abu Dhabi	56	-1
Silver	16.33	-1.09	DUGB 7.75 20	3.33	-2	Dubai	109	-1
Oil (WTI)	68.57	+0.69	QATAR 6.55 19	2.93	-2	Qatar	89	--
Aluminium	2256.50	+1.55	US Tsy 2 yr	2.49	+0	Saudi Arabia	89	+1
Copper	6770.00	+0.17	US Tsy 10 yr	2.95	-0	Bahrain	298	+17

Source: Bloomberg, Emirates NBD Research

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