



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

The MSCI decided to include Saudi Arabian equities in its emerging market index. Saudi Arabia opened its \$524 billion stock market to foreign investors three years ago. Since then, it eased requirements for foreign investors with measures such as lowering the minimum amount of assets under management to get QFI status and aligned trade settlement times with international standards. Being included in the index may see KSA receiving inflows of as much as \$40 billion, part of which may already have been received. Expectation of being included in the index has helped Tadawul become the best performing exchange in the GCC region with YTD gain of over 13%.

The UK Prime Minister, Theresa May's position strengthened somewhat after a vote on an amendment to key Brexit legislation that would have given Parliament a final say on the terms in which the U.K. leaves the European Union was defeated yesterday. A last-minute compromise under which the Speaker of the House will have the discretion to intervene on the final Brexit bill, secured the victory for May. Progress on Brexit so far seems slow with several issues including the final post Brexit trade agreement, Customs Union, contract continuation etc. needing to be sorted out before March next year.

Existing home sales in the US fell 0.4% m/m in May to an annual rate of 5.43m vs 5.46m in the previous month. However this is largely due to a 6.1% fall in the inventory of available properties amid a 4.9% y/y increase in the median sale price to \$265k. Sales of lower-cost homes were down from a year ago, while homes priced \$250,000 or more were up. Single-family home sales decreased 0.6% last month to an annual rate of 4.81 million while purchases of condominium and co-op units rose 1.6% to a 620,000 pace.

At their meeting in Portugal yesterday, central bank governors - ECB's Draghi, RBA's Philip Lowe, BoJ's Haruhiko Kuroda, and Fed Chairman Jerome Powell warned that escalating trade tensions are damaging business confidence and threatening global growth. Fed chief Jerome Powell played down worries about low unemployment heralding a return to high-inflation and RBA's governor said that he is less worried about low inflation than trying to boost it too quickly.

Tadawul All Shares Index



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
UK BoE Rate Decision	15:00	0.5%	EU Consumer Confidence	18:00	NA

Source: Bloomberg

Fixed Income

Treasuries closed marginally lower as the mood across financial markets improved slightly. Large investment grade issuances weighed on the long-end of the curve. Yields on the 2y UST, 5y UST and 10y UST closed at 2.56% (+2 bps), 2.80% (+3 bps) and 2.93% (+4 bps).

Regional bonds saw some buying interest. The YTW on the Bloomberg Barclays GCC Credit and High Yield index dropped -2 bps to 4.67% and credit spreads tightened -5bps to 193 bps.

FX

NZD underperforms in the Asia session, losing against all the other major currencies after economic data showed a slowdown in economic growth in Q1 2018. A report from Statistics New Zealand showed that the economic expanded 0.5% q/q and 2.7% y/y in during the first quarter, down from 0.6% q/q and 2.9% q/q during Q4 2017. As we go to print, NZDUSD is trading 0.53% lower at 0.68415 and is on target to fall for a sixth consecutive day. We anticipate the next level of support coming in at the one year low of 0.6781 followed by more significant support at the 23.6% five year Fibonacci retracement of 0.6767, a level which was last seen in May 2016.

This morning, the Dollar Index has risen 0.11% to reach 95.227, taking the price above the 200 week average of 95.037. A weekly close above this level has the risk of catalysing a retest of the 96 handle in the short term.

Equities

Developed market equities closed in positive territory amid lack of new development on the trade front. The S&P 500 index and the Euro Stoxx 600 index added +0.2% and +0.3% respectively.

Regional markets closed lower as investors locked in gains from the recent rally. The Tadawul dropped -1.3% while the Qatar Exchange declined -2.4%. It does appear that foreign investors are taking some money off the table from the region.

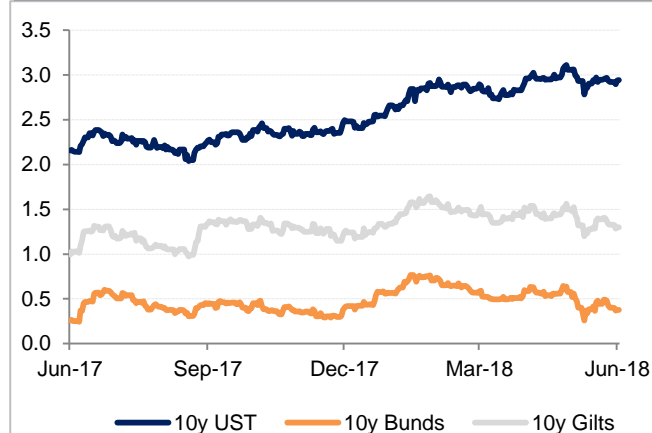
Commodities

Oil markets are moving in choppy trades ahead of tomorrow's OPEC meeting. Iran is apparently indicating it would accept a small increase in production in the second half of the year but we doubt that it or other OPEC members would be prepared to accept a 1m b/d or more increase as being proposed by Russia. Brent futures closed the day lower at USD 74.74/b while WTI gained 1.8% to close at USD 66.22/b.

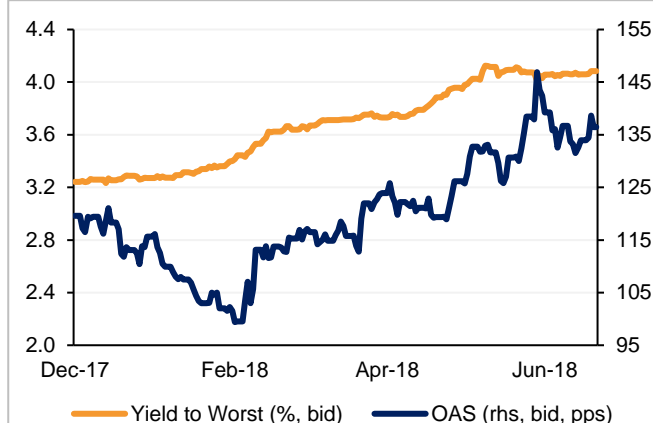
EIA data showed a healthy pre-driving season report with a draw on crude stocks feeding into an uptick in refinery utilization (its highest level in the past five years) and builds in gasoline and diesel. Production held steady at 10.9m b/d while exports pushed back above 2m b/d and were just shy of 2.4m b/d last week.

Markets in Charts

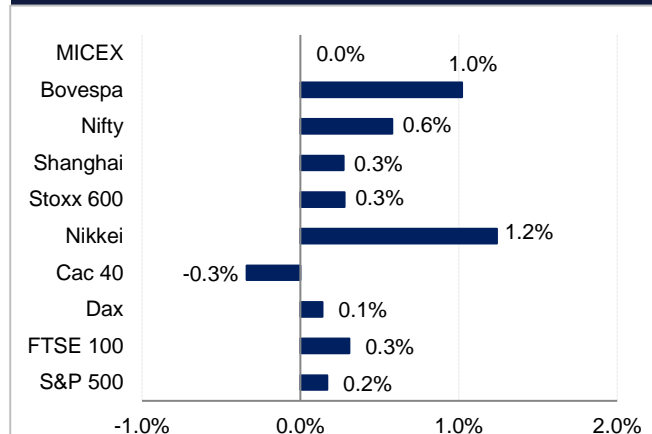
Global Bond Yields



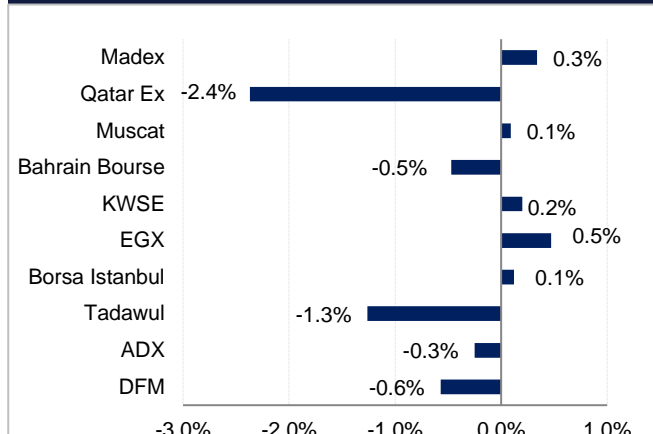
UAE liquid bond index



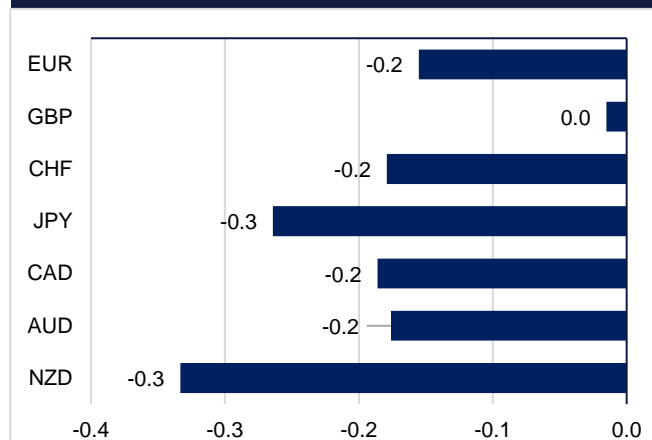
Global Equity Indices



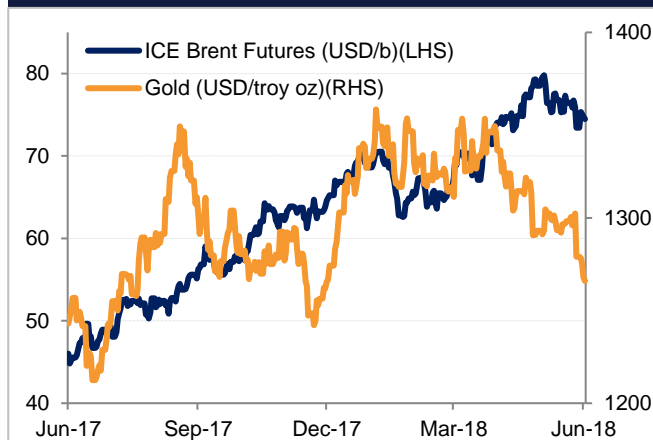
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1572	-0.16	1.1931	USDTRY	4.7325	-0.17	EURAUD	4.2511	-0.13
GBPUSD	1.3172	-0.02	1.3413	USDEGP	17.9020	+0.24	GBPAED	4.8380	-0.01
USDJPY	110.36	+0.27	107.20	USDSAR	3.7503	-0.00	JPYAED	0.0333	-0.27
USDCAD	1.3310	+0.18	1.3218	USDQAR	3.6800	+0.82	CADAED	2.7598	-0.17
AUDUSD	0.7368	-0.18	0.7391	USDKWD	0.3028	+0.03	AUDAED	2.7062	-0.18
USDCHF	0.9962	+0.12	0.9621	USDBHD	0.3779	+0.02	CHFAED	3.6874	-0.19
EURGBP	0.8785	-0.13	0.8894	USDOMR	0.3850	+0.01	TRYAED	0.7700	-0.62
USDAED	3.6729	-0.00	3.6756	USDINR	68.1987	-0.27	INRAED	0.0552	+2.26

Rates

EIBOR	2.1425	2.4856	2.7760	3.1107	USD 2 yr	Close	1D chg (bps)
EIBOR	2.1938	2.4775	2.7954	3.2254	USD 2 yr	2.822	+2
USD LIBOR	2.0879	2.3303	2.4950	2.7625	USD 5 yr	2.948	+3
GBP LIBOR	0.5030	0.6285	0.7521	0.9363	USD 10 yr	3.001	+4
JPY LIBOR	-0.0857	-0.0470	0.0157	0.1140	EUR 2 yr	-0.174	+0
CHF LIBOR	-0.7894	-0.7332	-0.6446	-0.5254	EUR 5 yr	0.272	+1
					EUR 10 yr	0.901	+2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1267.86	-0.53	ADGB 6.75 19	2.42	--	Abu Dhabi	68	-3
Silver	16.29	-0.11	DUGB 7.75 20	3.66	-1	Dubai	128	-4
Oil (WTI)	66.22	+1.77	QATAR 6.55 19	2.91	+20	Qatar	101	-8
Aluminium	2166.50	-0.24	US Tsy 2 yr	2.57	+2	Saudi Arabia	96	-4
Copper	6763.75	-1.00	US Tsy 10 yr	2.94	+4	Bahrain	452	-6

Source: Bloomberg, Emirates NBD Research

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