



بنك الإمارات دبي الوطني
Emirates NBD

Daily
21 May 2018

www.emiratesnbdresearch.com

Daily Outlook

US and Chinese policy makers made progress on trade talks with announcement of a joint statement that stipulates China agreeing to reduce its trade surplus with the US by way of significantly increasing its purchase of US agriculture and energy products. Both sides have agreed to stop imposing new tariffs on each other. In 2017, US imports from China were circa \$505 billion vs exports of only \$105 billion which lead to China gaining surplus of \$350 billion. US expects China to reduce the surplus by \$200 billion by 2020 which to us appears ambitious. However, the halting of the trade war and conciliatory tone of discussions is certainly positive for the global trade and global growth.

Despite the ongoing friction between its two major trading partners, US and China, Japan reported pick up in trade activity in April. Exports increased by 7.8% against 5.9% increase in imports and yielded a trade surplus of JPY 626 billion vs expectations of surplus of only JPY 440 billion. **Notwithstanding the trade surplus, Japan reported slowing of inflation in April with CPI ex food coming in at an annualised 0.7% -- not even halfway to the Bank of Japan's 2% target.** Prices for energy and mobile phones were the primary factors in the first back-to-back decline in core CPI since April 2016. The problem with low inflation in Japan is that it still largely depends on external factors such as oil prices and the yen's exchange rate. Services inflation remains largely flat over the longer term. Slowing inflation will likely delay any plans of policy normalisation by the BoJ.

UAE approved changes to rules governing expatriate residency and foreign ownership of companies. The changes, that will allow 100% ownership of businesses by global investors and permit residency visas for investors for as long as 10 years, will take place by the end of this year and are expected to stimulate investment in the country. Part of the circa AED 164 billion that the expats currently remit abroad may stay on onshore and be invested in local assets.

The Central Bank of Egypt kept its benchmark interest rates unchanged on Thursday, as concerns over rising oil prices and upcoming subsidy cuts causing higher inflation trumped the desire to stimulate private consumption. The hold followed two interest rate cuts in February and March which took the overnight lending rate and the overnight deposit rate to 17.75% and 16.75% respectively.

Egypt Benchmark Deposit Rate



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
Chicago Fed Nat Activity Index	16:30	0.48	Japan Trade Balance	03:50	

Source: Bloomberg

Fixed Income

Treasuries closed lower across the board as some key levels were tested. The USTs did pare some of early week losses following gains in 10y bunds amid concern over the new coalition government in Italy. The yield on the 2y UST, 5y UST, 10y UST closed at 2.54% (+1bp w-o-w), 2.88% (+5bps w-o-w) and 3.05% (+9 bps w-o-w). Yield on 10y Italian government bonds rose +36bps w-o-w to 2.22%.

Regional bonds drifted lower as they tracked move in benchmark yields. The YTW on the Bloomberg Barclays GCC Credit and High Yield index closed at 4.68% (+9 bps w-o-w) and credit spreads widened +3bps to 185bps.

Commercial Bank of Qatar raised USD 500mn through a USD bond which was priced at MS+212.5 bps. Qatar National Bank raised USD 1.5bn from a floating rate bond. The formula is set at quarterly US Libor plus 135 bps.

Union Properties has received an approval for issuance of a private sukuk of up to AED 1bn with profit rate not exceeding 9%. The private placement can be to one or more qualified investors with repayment within 10 years. The sukuk will not be convertible into shares.

In terms of rating action, S&P affirmed the A- credit rating of Ruwais Power as the company continues to demonstrate solid operational performance. The outlook is stable.

FX

The dollar index climbed 1.22% during the last five trading days to reach 93.67, a level last seen in December 2017. Technical analysis of the index shows a few key revelations. The index has now broken above the former resistive 50% one year Fibonacci retracement (93.06) which is now acting as a support level. In addition, analysis of the daily candle chart shows that the daily downtrend that has been in effect since March 2017 has now been firmly breached, with 20 consecutive closes above this level.

On the other hand, the weekly candle chart shows that longer-term downtrend has not completely been reversed, and a weekly close above 94.00 needs to be realized in order for a break of this pattern to be achievable. Before this can happen, there needs to be a daily close above 94.20 (the 61.8% one year Fibonacci retracement).

Equities

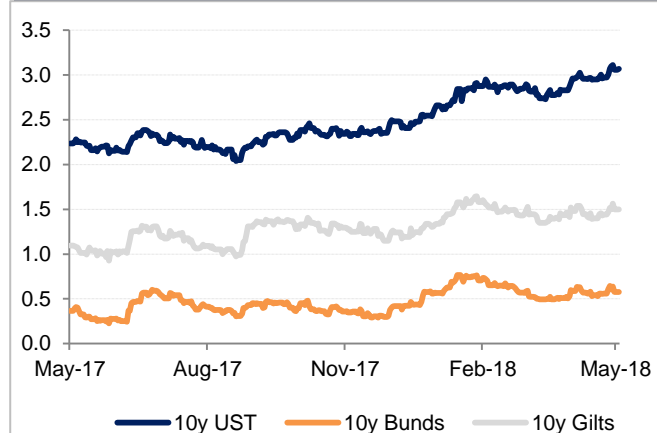
Regional markets closed mixed amid low volumes. The Qatar Exchange dropped -0.4% while the DFM index added +0.2%. In terms of stocks, Jabal Omar rallied +4.8% following an agreement to sell 90 residential units to Albilad Capital for SAR 1.105bn. The impact of the transaction will be seen in Q2 2018 earnings. Drake & Scull continued their positive run from last week with gains of +1.7%.

Commodities

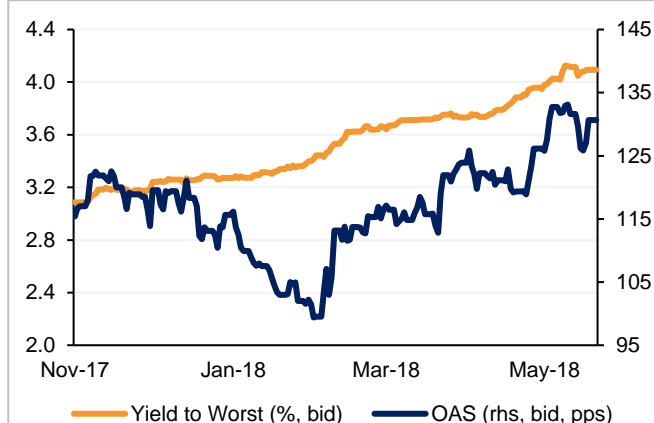
Oil prices managed to extend their rally last week with Brent futures gaining six weeks in a row. Brent gained 1.8% on the week, closing at USD 78.51/b and did manage to break as high as USD 80.50/b. WTI added 0.8% over the week to close at USD 71.28/b. The US drilling rig count held steady last week at 844, up 124 from the same time a year ago.

Markets in Charts

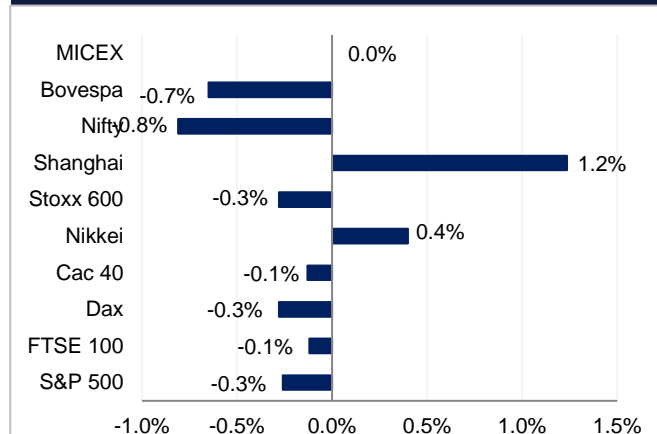
Global Bond Yields



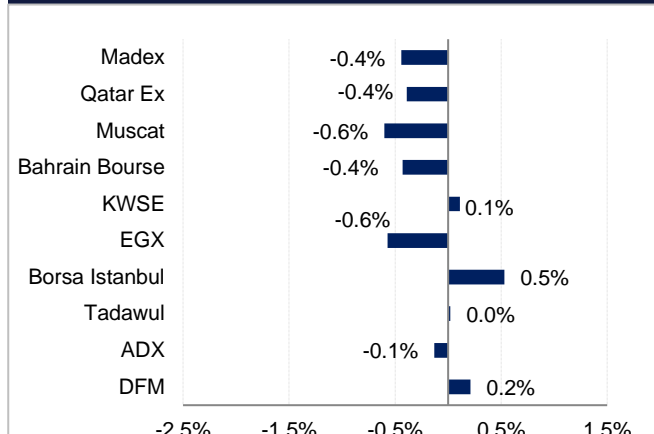
UAE liquid bond index



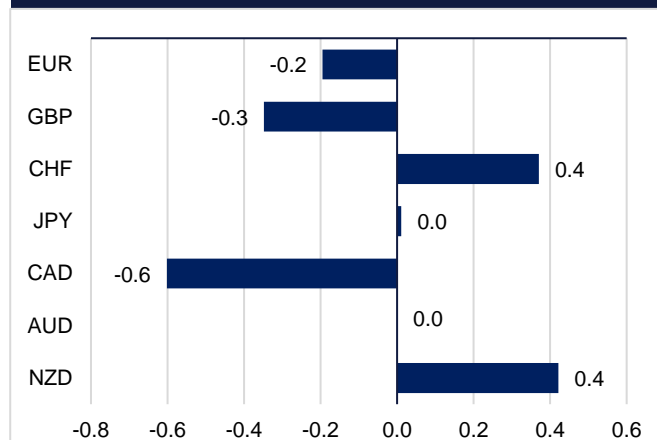
Global Equity Indices



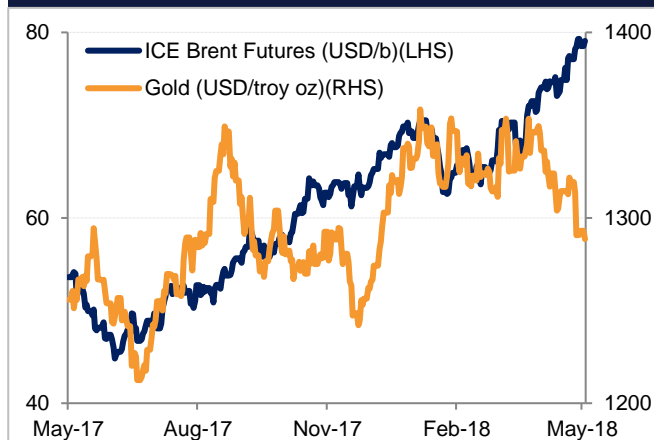
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1772	-0.19	1.2137	USDTRY	4.4919	+0.70	EURAUD	4.3231	-0.21
GBPUSD	1.3469	-0.35	1.3716	USDEGP	17.8095	-0.67	GBPAED	4.9461	-0.36
USDJPY	110.78	+0.01	107.65	USDSAR	3.7502	-0.00	JPYAED	0.0332	+0.01
USDCAD	1.2885	+0.60	1.2798	USDQAR	3.6800	+0.53	CADAED	2.8509	-0.59
AUDUSD	0.7511	--	0.7541	USDKWD	0.3021	+0.02	AUDAED	2.7582	-0.00
USDCHF	0.9980	-0.35	0.9644	USDBHD	0.3773	+0.01	CHFAED	3.6809	+0.37
EURGBP	0.8739	+0.14	0.8848	USDOMR	0.3850	+0.06	TRYAED	0.8200	-0.42
USDAED	3.6730	--	3.6747	USDINR	68.0850	+0.57	INRAED	0.0552	+1.99

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.0188	2.4988	2.6738	3.1318	USD 2 yr	2.789	-3
USD LIBOR	1.9528	2.3294	2.4988	2.7648	USD 5 yr	2.987	-5
GBP LIBOR	0.4974	0.6234	0.7492	0.9320	USD 10 yr	3.090	-5
JPY LIBOR	-0.0439	-0.0252	0.0233	0.1197	EUR 2 yr	-0.126	-1
CHF LIBOR	-0.7841	-0.7236	-0.6452	-0.5190	EUR 5 yr	0.411	-4
					EUR 10 yr	1.035	-5

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1293.04	+0.17	ADGB 6.75 19	2.42	--	Abu Dhabi	64	+1
Silver	16.44	+0.06	DUGB 7.75 20	3.60	+3	Dubai	115	+1
Oil (WTI)	71.28	-0.29	QATAR 6.55 19	2.86	-2	Qatar	95	+2
Aluminium	2267.25	-1.55	US Tsy 2 yr	2.55	-2	Saudi Arabia	92	+3
Copper	6825.25	-0.46	US Tsy 10 yr	3.06	-6	Bahrain	364	+4

Source: Bloomberg, Emirates NBD Research

Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report. The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

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
Senior Executive Vice President
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

Aditya Pugalia
Financial Markets Research
+9714 230 7802
adityap@emiratesnbd.com

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

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

Daniel Richards
MENA Economist
+9714 609 3032
danielricha@emiratesnbd.com

Mohammed Altajir
FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

Hessa Al Khawaja
Research Associate
+9714 609 3015
Hessaalkh@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 Sakhalakar
+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