



بنك الإمارات دبي الوطني  
Emirates NBD

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www.emiratesnbdresearch.com

## Daily Outlook

**The US and Saudi Arabia reportedly signed investment deals worth at least USD 300bn on President Trump's first official trip abroad.** The package includes USD 110bn on defence spending (weapons, counter-terrorism, cyber security), as well as investments in US infrastructure (at least USD 20bn from the Public Investment Fund) and technology (the creation of a multilateral USD 93bn investment fund). Saudi Aramco also announced USD 50bn worth of accords signed with 11 companies including GE. The US-Saudi deals are expected to support Saudi Arabia's efforts at diversifying its economy away from oil and creating jobs through inward investment, as well as reducing budget reliance on oil revenues by boosting investment income of the PIF over the medium term. The high profile visit also serves to reset the relationship between Saudi Arabia and the new US administration.

**The Central Bank of Egypt raised the benchmark overnight deposit rate by 200bps to 16.75% yesterday. The lending rate was also increased to 17.75%.** Analysts had expected the rates to remain unchanged. The benchmark rates are now at record highs, as officials seek to curb inflation of more than 30% y/y. Yesterday's move is in line with the IMF's recommendations even though higher rates could weigh on economic growth.

**There are several key events and data releases for markets to focus on this week, starting with today's Eurogroup meeting to discuss the disbursement of more bailout funds for Greece; and culminating with Thursday's bi-annual OPEC meeting, where OPEC is expected to extend the production cuts agreed in November 2016 by at least another 6 months.** In between, there are several business surveys due in the Eurozone, new and existing home sales and durable goods orders in the US and the release of the FOMC's minutes from the May meeting (due Wednesday).

On Friday, Eurozone consumer confidence rose to the highest level since 2007, providing a further sign that household spending in the bloc is recovering.

### EGP holds steady despite rate hike by central bank



Source: Bloomberg, Emirates NBD Research.

### Day's Economic Data and Events

	Time	Cons		Time	Cons
JN Exports (YoY)	03:50	8.00%	UK PM May speaks	22:00	n/a

Source: Bloomberg.

## Fixed Income

President Trump's falling approval ratings is raising concerns about his ability to get through the pro-growth policies that the market had hoped to see. UST curve flattened in response to reduced expectation of inflationary pressures. Yields on 2yr and 10yr treasuries closed lower over the week to 1.27% (-3bps) and 2.23% (-11bps) respectively. Eurozone followed suit with Bunds closing at 0.36% (-5bps on the week)

Hopes of OPEC continuing the production cuts supported a 5% rally in oil prices which in turn supported marginal tightening in credit spread. CDS levels on US IG and Euro Main closed the week largely unchanged at 64bps and 63bps respectively while those on GCC sovereign saw mild tightening with Abu Dhabi and Qatar both narrowing 2bps to at 40bps and 60bps respectively.

GCC corporate bonds had a resilient week despite several rating downgrades in the recent past. BUAEL index remained at its near life time high though OAS widened from 121bps last week to 134bps now mainly as a result of lower benchmark yields.

A credit negative development last week was the revision of the outlook on Commercial Bank of Qatar's A2 rating to negative from stable by Moody's. However given that S&P's rating on CBQ is already two notches lower, bond prices had little reaction.

## FX

USD trades slightly firmer as markets open for the Asia session, the Dollar Index rising 0.17 to 97.17. The move comes as markets overlook the North Korea's missile test over the weekend, instead being encouraged by a series of deals signed in Saudi Arabia by President Trump. With no first tier data expected from the US, we expect geopolitics to remain the dollar's driver for the remainder of the day but note that the Dollar Index remains below its key 200 day moving average of 99.22. While it remains below this level, the outlook remains bearish.

Elsewhere, JPY has softened after Japan's trade balance surplus narrowed more than expected to JPY 482bn in April compared to expectations for JPY 521bn and down from JPY 615bn in March. As we go to print, USDJPY trades 0.2% higher at 111.47.

## Equities

It was broadly a sluggish start to the week for regional equities. However, the Tadawul bucked the trend with gains of +0.8% amid positive publicity around Donald Trump's visit to Saudi Arabia.

In terms of stocks, Al Khodari rallied +2.3% after the company made a profit of SAR 17.4mn from selling an equipment in an auction. Arabtec gained +11.0% after the company said it had won an AED 1.46bn contract to build a tower in Dubai.

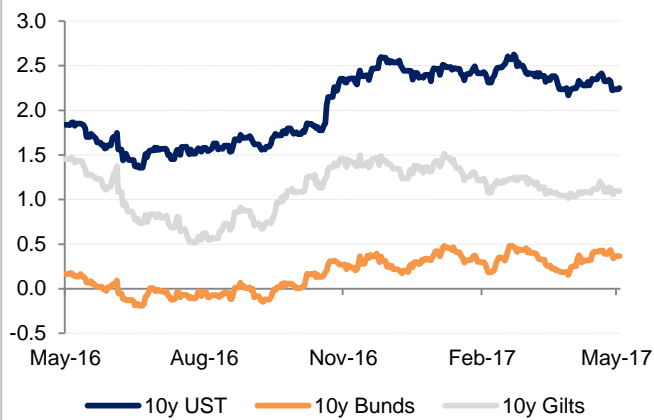
## Commodities

Oil markets rallied last week as speculation grows about the potential for an extension of OPEC's production cut agreement for as long as nine months. An OPEC panel is also apparently considering what impact a deepening of the cut would have. All told Brent and WTI futures rallied more than 5% over the week and WTI ended the week above USD 50/b for the first time since mid-April.

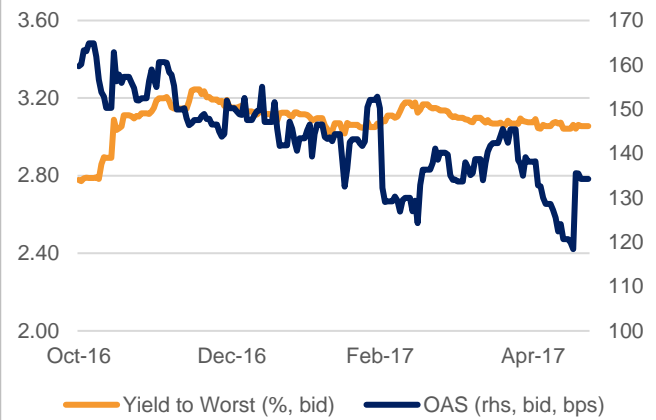
The oil forward curve has moved back to a small backwardation: Brent Dec 17-18 closed the week at USD 0.66/b. Previous encroachments on USD 1/b in backwardation have been followed by a sharp correction downward, each time to a deeper contango since the start of the year. If OPEC this week fails to reach a deal then the market would likely move swiftly into free-fall, blowing out time spreads.

## Markets in Charts

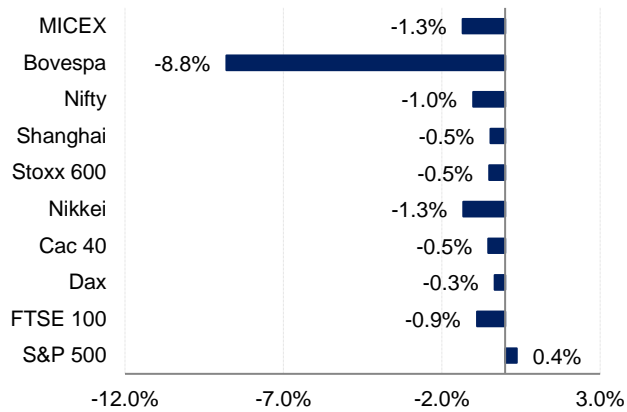
### Global Bond Yields



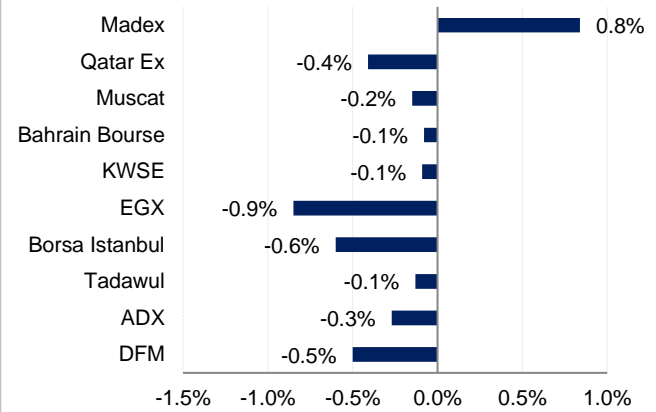
### UAE liquid bond index



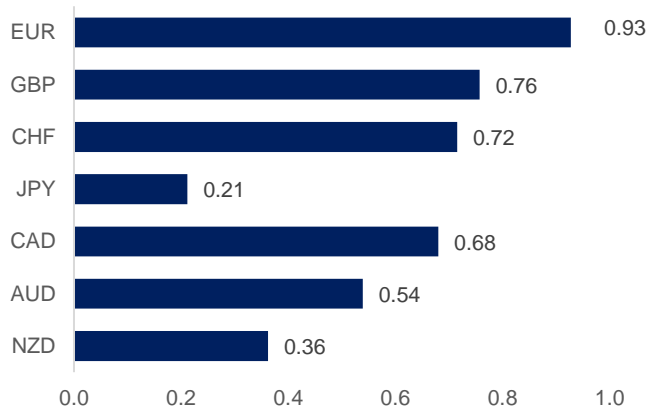
### Global Equity Indices



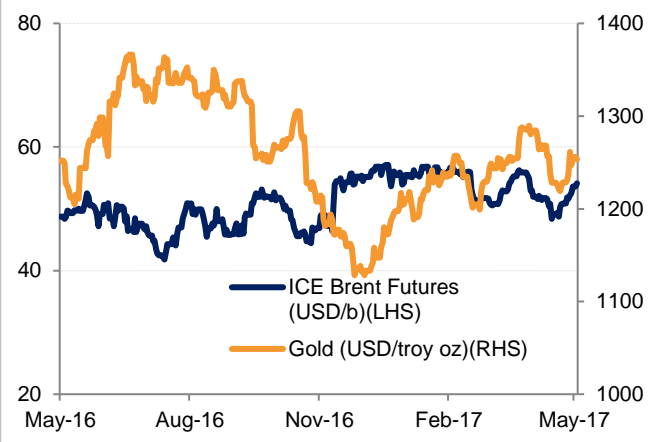
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1206	+0.93	1.1430	USDTRY	3.5745	-1.40	EURAUD	4.1157	+0.92
GBPUSD	1.3036	+0.76	1.3186	USDEGP	18.0949	+0.03	GBPAED	4.7876	+0.71
USDJPY	111.26	-0.21	109.25	USDSAR	3.7502	-0.00	JPYAED	0.0330	+0.20
USDCAD	1.3511	-0.68	1.3418	USDQAR	3.6415	-0.00	CADAED	2.7185	+0.68
AUDUSD	0.7459	+0.54	0.7424	USDKWD	0.3036	+0.01	AUDAED	2.7406	+0.57
USDCHF	0.9729	-0.71	0.9492	USDBHD	0.3770	-0.00	CHFAED	3.7758	+0.74
EURGBP	0.8596	+0.19	0.8669	USDOMR	0.3850	-0.01	TRYAED	1.0300	+1.66
USDAED	3.6729	-0.00	3.6799	USDINR	64.4675	-0.58	INRAED	0.0569	+0.64

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.0733	1.4820	1.6917	2.1640	USD 2 yr	1.514	+2
USD LIBOR	1.0171	1.1864	1.4152	1.7229	USD 5 yr	1.856	+2
GBP LIBOR	0.2526	0.3043	0.4506	0.6554	USD 10 yr	2.172	+2
JPY LIBOR	-0.0195	-0.0128	0.0234	0.1289	EUR 2 yr	-0.140	+1
CHF LIBOR	-0.7854	-0.7292	-0.6634	-0.4920	EUR 5 yr	0.188	-0
					EUR 10 yr	0.795	+1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1255.93	+0.71	ADGB 6.75 19	1.54	-1	Abu Dhabi	40	-2
Silver	16.87	+1.76	DUGB 7.75 20	2.61	-0	Dubai	113	+1
Oil (WTI)	50.33	+1.99	QATAR 6.55 19	1.77	-1	Qatar	60	-2
Aluminium	1941.75	+1.08	US Tsy 2 yr	1.27	+0	Saudi Arabia	94	-2
Copper	5665.25	+1.86	US Tsy 10 yr	2.23	+1	Bahrain	222	-4

Source: Bloomberg, Emirates NBD Research

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