



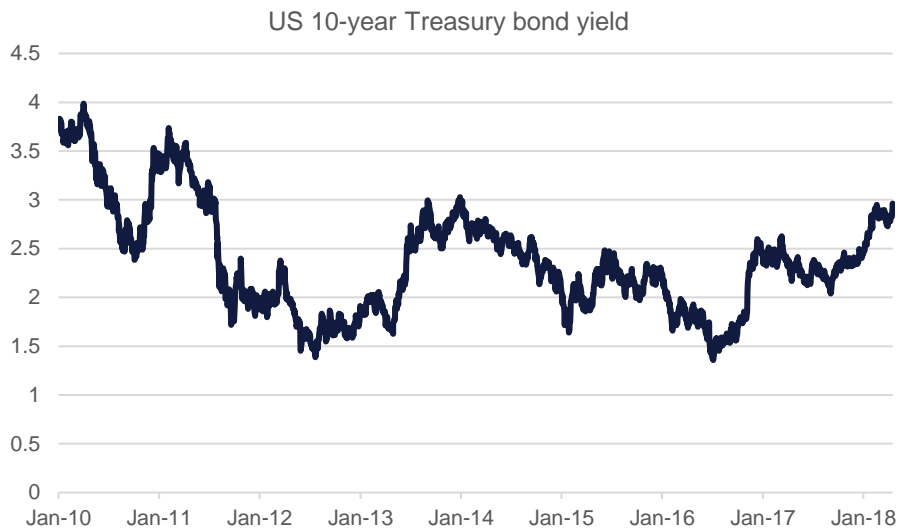
# Daily Outlook

**Weekend developments should provide a boost to risk sentiment with North Korea announcing** its suspension of nuclear tests and its intention to dismantle its nuclear sites. The announcement came against the background of pending talks between the US and North Korea and portend a positive outcome that could help to diffuse one of the most intractable geopolitical problems of recent years. **The second development was the announcement that US Treasury Secretary Steve Mnuchin is considering a trip to China in a bid to avert a pending trade war between the two countries** that could cause the world economy to sink back into recession. Both announcements are still a long way from achieving lasting solutions to two of the world's biggest issues, but on both counts there should be at least a reduction in risk aversion in the near term. Markets were already stepping away from contemplating the possibility of a US recession last week, as 10-year Treasury bond yields rose to 2.96% causing the yield curve to steepen.

**Dubai's economy expanded 2.6% in 2017, lower than we had forecast, according to latest press release from Dubai's Statistics Centre (DSC).** However, 2016 GDP data appears to have been revised higher making a clear comparison somewhat difficult. Of the key sectors, real estate activities grew 7.4% y/y and the transport & storage sector grew 4.5% y/y in 2017. Wholesale & retail trade expanded 1.0% y/y in 2017, accounting for 26.6% of Dubai's GDP.

**Egypt's tourism minister, Rania al-Mashat, has announced plans to implement regulatory reforms in the sector, in a bid to encourage greater growth.** New untapped coastal areas will be opened up to international bids and training facilities will be reformed. We expect that a recovery in the tourism sector will be one of the driver of stronger economic growth in Egypt over the next several years; visitor numbers were already up 53.6% in 2017, and the resumption of direct flights between Moscow and Cairo in April bodes well for further removal of flight restrictions and even greater tourist arrivals.

## US bond yields close in on 3.0%



Source: Bloomberg, Emirates NBD Research

## Day's Economic Data and Events

	Time	Cons		Time	Cons
EZ Composite PMI	12.00	54.8	US Manufacturing PMI	17.45	55.2

Source: Bloomberg

## Fixed Income

US treasuries sold off as macroeconomic data remained strong and inflation expectations received a boost from sustained increase in commodity prices. Yields on the 2y UST, 5y UST and 10y UST closed at 2.45% (+10 bps w-o-w), 2.80% (+13 bps w-o-w) and 2.96% (+14 bps w-o-w).

The trend was similar in European government bonds. However, they pared their losses slightly following comments from ECB speakers that they see room to wait until July meeting to announce how they will end bond buying program. Eventually, yield on 10y bunds and 10y Gilts closed at 0.59% (+8 bps w-o-w) and 1.48% (+5 bps w-o-w) respectively.

Regional bonds closed lower following moves in benchmark yields. The YTW on the Bloomberg Barclays GCC Credit and High Yield index closed the week at 4.44% (+11 bps w-o-w). Credit spreads, however, tightened 2 bps to 170 bps.

## FX

The USD was stronger last week against most major currencies, with improving risk sentiment giving rise to broad based currency losses. GBPUSD was the biggest of these falling by 2.24% from a week ago, following softer than expected UK inflation and retail sales data. Comments from BOE Governor Mark Carney also hurt the pound as he cast doubt on the inevitability of a BOE rate hike during an interview with the BBC. He said that while there will be 'a few interest rate rises over the next few years,' he didn't want 'to get too focused on timing' thus damping widespread expectations for the Bank to deliver another 25bp repo rate hike at the meeting on May 10th.

After reaching a post-Brexit referendum high of 1.4376 last week the pound fell back to just below 1.40, before stabilizing. Events in the coming week may also weigh on the pound as UK Q1 GDP data is expected to reveal a softening in growth to a 0.3% q/q pace from 0.4% in Q4. Meanwhile, Theresa May is also facing another potential revolt against her Brexit plans, amid fears that she will have to break her promise to leave the EU's customs union.

## Equities

Regional equities drifted lower with the ADX index losing -0.5% and the Tadawul dropping -0.3%.

Union Properties dropped -1.0% following reports of changes in company's board. Elsewhere, Yansab reported Q1 2018 revenue of SAR 1.79bn and net profit of SAR 630.6mn. The reported numbers missed consensus estimates and the stock dropped -2.0%.

## Commodities

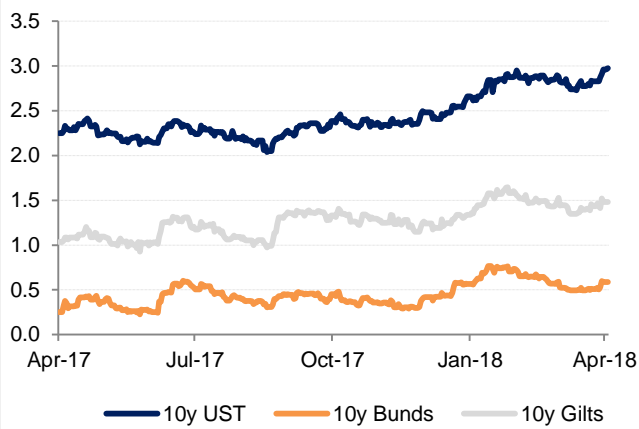
Oil prices continued their march upwards last week with Brent at one point closing in on USD 75/b. Brent futures closed up 2% over the week while WTI added around 1.5%. Markets stumbled on Friday in relation to a tweet from US president Donald Trump that directly targeted OPEC as the cause of the 'artificially very high' oil prices. OPEC's secretary general indicated the producers' bloc does not specifically target a price levels and the US president's comments may be trying to build cover for the administration potentially re-imposing sanctions on Iran as early as May, which could keep oil prices bid.

US oil and gas companies continued to put rigs in play last week, adding 5 rigs and taking the overall count to 820 oil-focused rigs. Speculative positions in oil were mixed last week. Brent net length fell by more than 12.5k lots, likely as a result of profit taking while in WTI net length expanded by over 31k contracts. The Brent market is still at extremely long levels with speculative longs outnumbering shorts by more than 20 to 1. The increase in WTI net length is likely some catch up as doubts about the ability of US producers to hit the lofty projections from the EIA feed into markets.

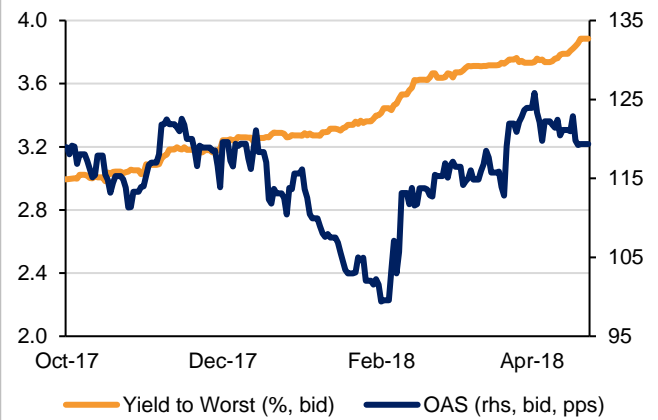
The fastest gainers last week were aluminium, nickel and palladium as the threat of US sanctions on Russia continues to weigh on metal markets. While there have been no official sanctions targeting Russian producers fear that they could be imminent will continue to see a scramble for available metal.

## Markets in Charts

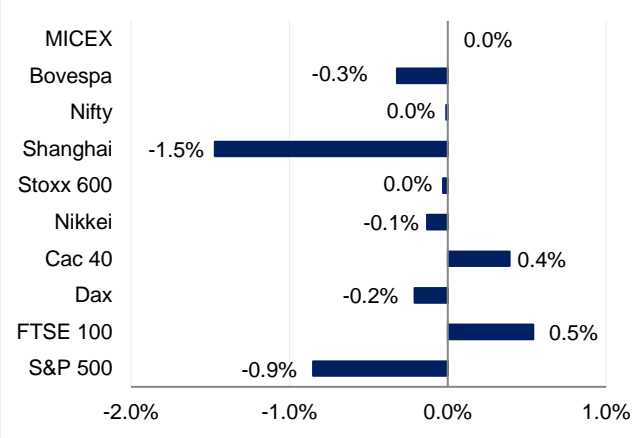
### Global Bond Yields



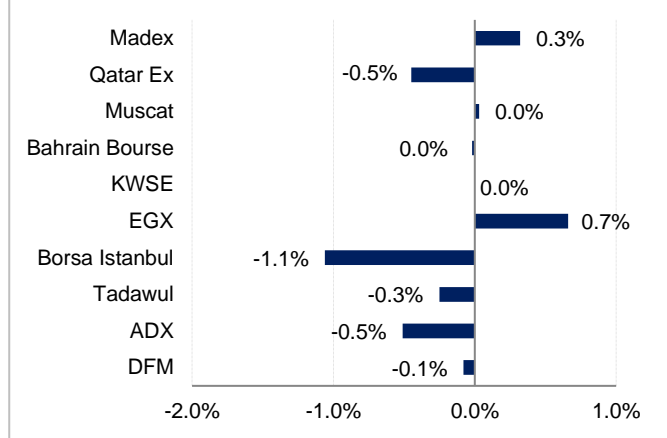
### UAE liquid bond index



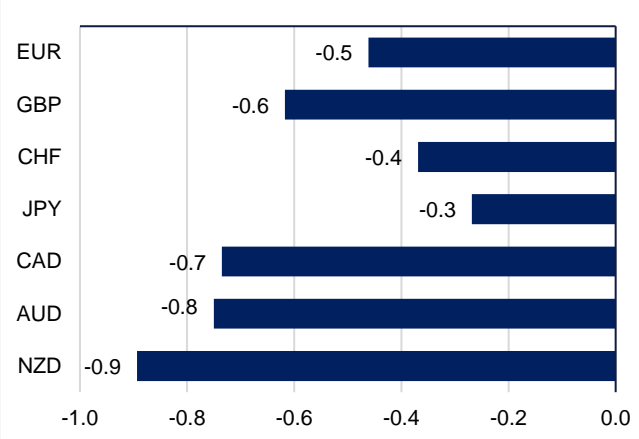
### Global Equity Indices



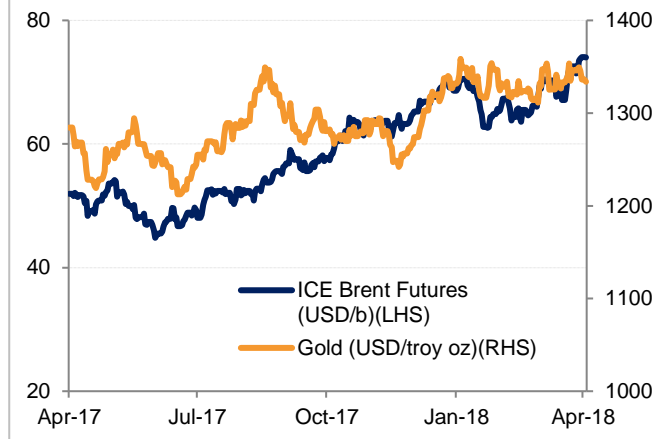
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2288	-0.46	1.2672	USDTRY	4.0762	+0.86	EURAED	4.5135	-0.47
GBPUSD	1.4000	-0.62	1.4246	USDEGP	17.6206	-0.40	GBPAED	5.1415	-0.61
USDJPY	107.66	+0.27	104.62	USDSAR	3.7502	--	JPYAED	0.0341	-0.27
USDCAD	1.2761	+0.70	1.2674	USDQAR	3.6800	+0.72	CADAED	2.8770	-0.74
AUDUSD	0.7672	-0.75	0.7698	USDKWD	0.3002	+0.09	AUDAED	2.8179	-0.75
USDCHF	0.9746	+0.34	0.9418	USDBHD	0.3771	+0.00	CHFAED	3.7673	-0.38
EURGBP	0.8776	+0.15	0.8893	USDOMR	0.3850	+0.07	TRYAED	0.9000	-0.98
USDAED	3.6730	--	3.6765	USDINR	66.1613	+0.56	INRAED	0.0555	-0.18

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.9713	2.4629	2.7550	3.0762	USD 2 yr	2.741	+2
USD LIBOR	1.8970	2.3592	2.5113	2.7603	USD 5 yr	2.918	+4
GBP LIBOR	0.5315	0.7543	0.8588	1.0230	USD 10 yr	2.995	+6
JPY LIBOR	-0.0427	-0.0342	0.0225	0.1168	EUR 2 yr	-0.142	+0
CHF LIBOR	-0.7862	-0.7312	-0.6500	-0.5182	EUR 5 yr	0.423	+2
					EUR 10 yr	1.022	+1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1336.36	-0.68	ADGB 6.75 19	2.42	--	Abu Dhabi	56	-1
Silver	17.12	-0.77	DUGB 7.75 20	3.25	+12	Dubai	109	+1
Oil (WTI)	68.38	+0.13	QATAR 6.55 19	2.89	-4	Qatar	88	+1
Aluminium	2484.00	-0.42	US Tsy 2 yr	2.46	+3	Saudi Arabia	88	+1
Copper	6951.00	+0.14	US Tsy 10 yr	2.96	+5	Bahrain	280	--

Source: Bloomberg, Emirates NBD Research

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