



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

The US imposed sanctions on Venezuela after re-election of the President Nicolas Maduro. President Trump labelled the elections as meddled and ordered prohibition on all transactions involving debts owed to the Venezuelan government or state-owned enterprises, including accounts receivable. The sanctions also prohibit the sale, transfer or pledging of collateral of any equity interest in which the Venezuelan government has a 50% or greater stake. That said, the sanctions announced on Monday did not touch either the oil sector or Venezuela's oil company Petroleos de Venezuela SA. In response to the sanctions, Venezuela expelled two U.S. diplomats out of the country.

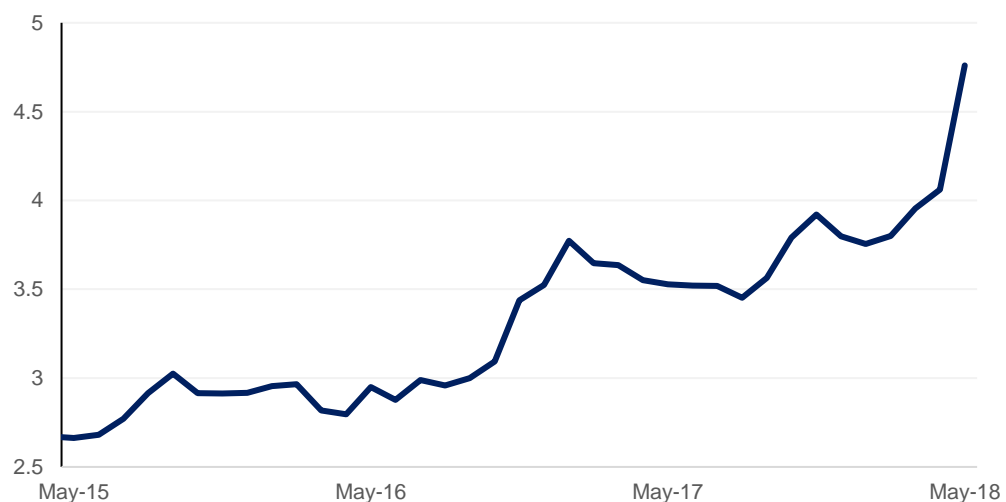
The US Congress approved an overhaul of U.S. financial regulations relating to the Dodd-Frank Act that had been enacted in 2010. The legislation eases the burden on small to medium-sized banks by raising the threshold for facing stricter Fed oversight to \$250 billion in assets from \$50 billion. Shares of U.S. banks gained in after-hours trading. Even if the bill is signed into law, the Federal Reserve will ultimately determine how much relief regional firms get -- and how soon. While losing the SIFI (Systematically Important Financial Institution) label frees them from some stricter oversight and annual stress tests mandated by Dodd-Frank, banks with more than \$50 billion in assets are still subject to other rules including the Fed's annual Comprehensive Capital Analysis and Review.

In another news, **President Trump, during a meeting with South Korean opposite Moon Jae-in, said that there is a substantial chance that the meeting with North Korea's leader Kim Jong Un, scheduled on June 12 in Singapore, will not work out.**

Turkish lira tumbled another 3% yesterday to reach record low at 4.76 against the dollar as rating agency, Fitch, warned that greater erosion of monetary policy independence would put further pressure on Turkey's sovereign credit profile. Turkey is currently rated BB-/Ba3/BB+ by S&P, Moody's and Fitch respectively.

Looking ahead, main data to be released today includes the minutes of the FOMC meeting, UK CPI (expected to be flat at 2.5%) and the US Manufacturing PMI.

USDTRY spot



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
FOMC Meeting minutes	22:00	N/A	Markit US Manufacturing PMI	17:45	56.5
UK CPI (YoY)	12:30	2.50%	Eurozone Manufacturing PMI	12:00	56

Fixed Income

Treasuries continued to trade in a tight range. Yields on the 2y UST, 5y UST and 10y UST closed at 2.56% (flat), 2.89% (flat) and 3.05% (flat) respectively.

Regional bonds saw marginal gains with the YTW on the Bloomberg Barclays GCC Credit and High Yield index dropping -2bps to 4.68% and credit spreads tightening by 2bps to 184bps.

Dar Al Arkan has completed repayment of its SAR 1.687bn sukuk which was due later this week.

In terms of rating action, Fitch affirmed the rating of Nakilat's 2033 senior secured bonds at A and removed them from ratings watch positive. The outlook remains negative.

FX

One of the biggest loser in the currency market yesterday was the Turkish Lira which slumped another 3% to 4.76 against the dollar as concerns mount about Central Bank's independence in the country.

In the developed world, the yen climbed against all of its Group-of-10 peers as uncertainty surrounding the proposed U.S.-North Korea summit and a slump in the Turkish lira sapped global risk appetite. Yen rose 0.5% against the dollar to close at 110.49. Barring the Yen, the dollar advanced against all other major currencies with Euro closing at 1.1779 And GBP further weakening to 1.3432.

Equities

Developed market equities closed mixed with the S&P 500 index losing -0.3% and the Euro Stoxx 600 index adding +0.3%. Comments from the US President Donald Trump that the planned summit with North Korea could be delayed weighed on investor sentiment.

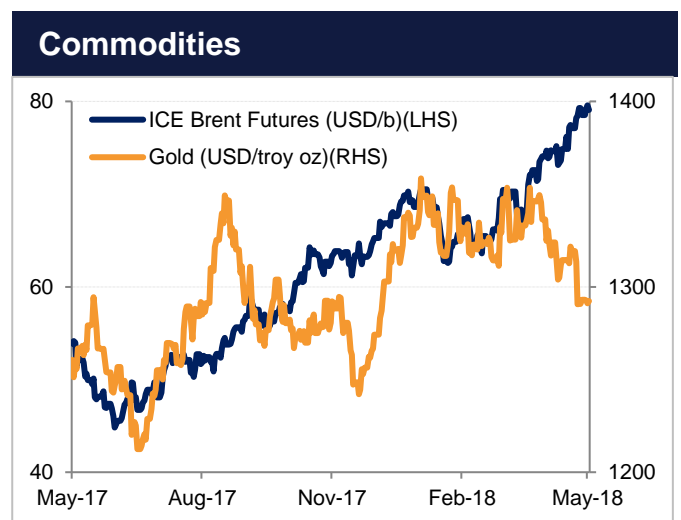
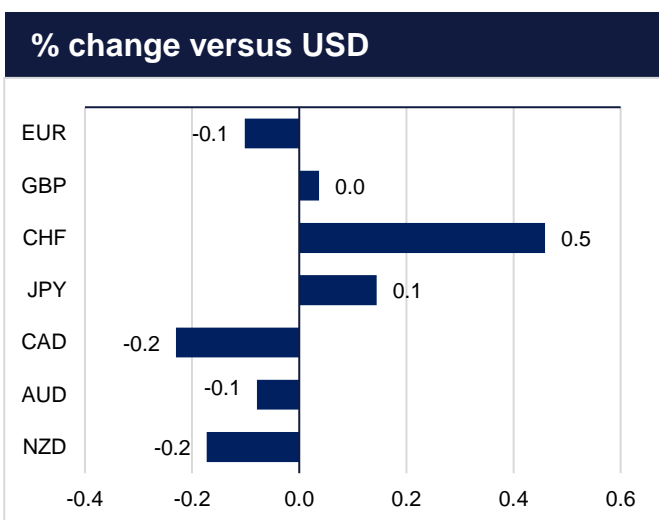
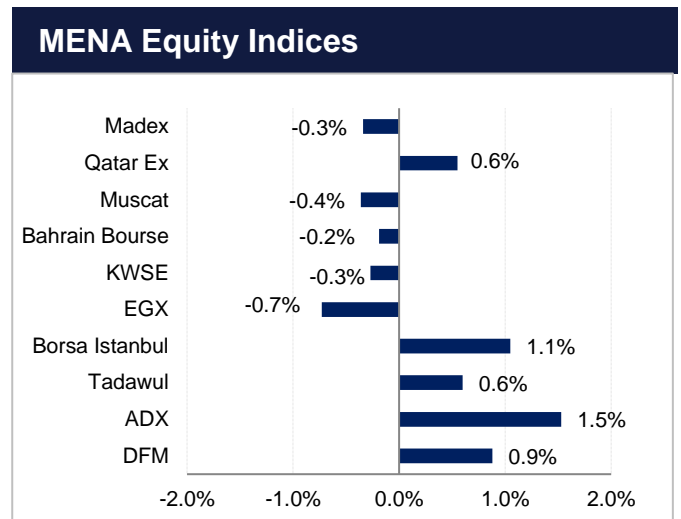
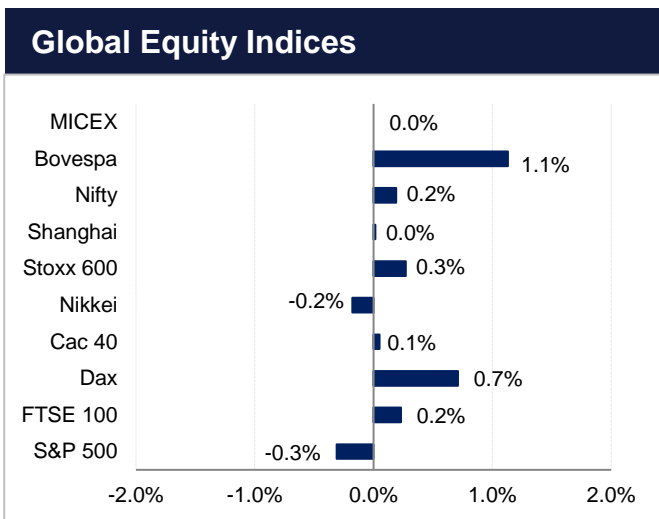
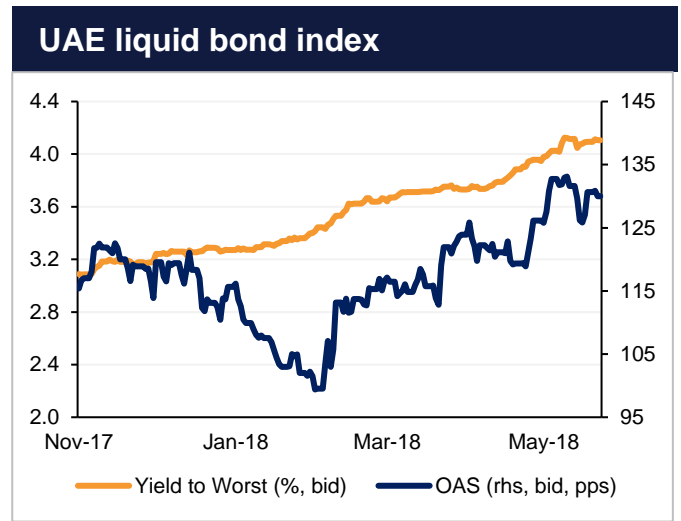
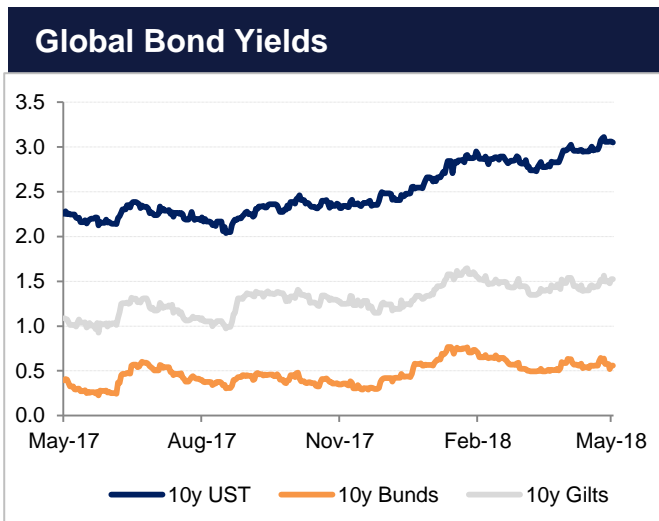
Regional equities closed higher as corporate news flow remained positive. The DFM index and the Tadawul added +0.9% and +0.6% respectively. Emirates NBD added +8.0% after the bank confirmed that it has entered into a definitive agreement with Sberbank to buy its complete stake in Denizbank for USD 3.2bn.

Commodities

Brent crude fell slightly to \$79.12/b after closing at its highest level since November 2014 on Tuesday. The United Arab Emirates Energy Minister had earlier said that the OPEC has enough capacity to fill potential supply shortages. With supplies from Iran and Venezuela at risk, speculation is swirling over whether OPEC and its allies may agree to ease production cuts at a meeting in June.

While investors generally flock to gold as a haven during times of global tension, heightened U.S.-Iran strains have so far failed to trigger any material surge in demand amid a stronger dollar, rising global interest rates and a solid world economy. That said, Spot Gold closed 1% higher yesterday at \$1292.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1779	-0.10	1.2147	USDTRY	4.6692	+2.04	EURAED	4.3262	-0.11
GBPUSD	1.3432	+0.04	1.3681	USDEGP	17.9098	-0.00	GBPAED	4.9334	+0.05
USDJPY	110.90	-0.14	107.72	USDSAR	3.7504	--	JPYAED	0.0331	+0.14
USDCAD	1.2819	+0.23	1.2730	USDQAR	3.6800	+1.07	CADAED	2.8655	-0.23
AUDUSD	0.7576	-0.08	0.7608	USDKWD	0.3021	-0.05	AUDAED	2.7831	-0.06
USDCHF	0.9928	-0.45	0.9589	USDBHD	0.3776	-0.01	CHFAED	3.6996	+0.45
EURGBP	0.8770	-0.14	0.8879	USDOMR	0.3850	--	TRYAED	0.7900	-1.58
USDAED	3.6730	--	3.6750	USDINR	68.1788	+0.08	INRAED	0.0552	+2.91

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.0271	2.4375	2.6945	3.1645	USD 2 yr	2.805	+0
USD LIBOR	1.9613	2.3300	2.4988	2.7652	USD 5 yr	2.995	-0
GBP LIBOR	0.4996	0.6228	0.7463	0.9289	USD 10 yr	3.091	-1
JPY LIBOR	-0.0473	-0.0285	0.0233	0.1163	EUR 2 yr	-0.128	+0
CHF LIBOR	-0.7861	-0.7256	-0.6466	-0.5228	EUR 5 yr	0.405	+0
					EUR 10 yr	1.033	+2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1291.14	-0.11	ADGB 6.75 19	2.42	--	Abu Dhabi	63	-2
Silver	16.54	+0.21	DUGB 7.75 20	3.63	+7	Dubai	118	-1
Oil (WTI)	72.13	-0.15	QATAR 6.55 19	2.92	-3	Qatar	94	-1
Aluminium	2260.25	-0.68	US Tsy 2 yr	2.57	+0	Saudi Arabia	92	-1
Copper	6950.25	+1.55	US Tsy 10 yr	3.06	+0	Bahrain	385	+17

Source: Bloomberg, Emirates NBD Research

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