



بنك الإمارات دبي الوطني  
Emirates NBD

Daily  
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# Daily Outlook

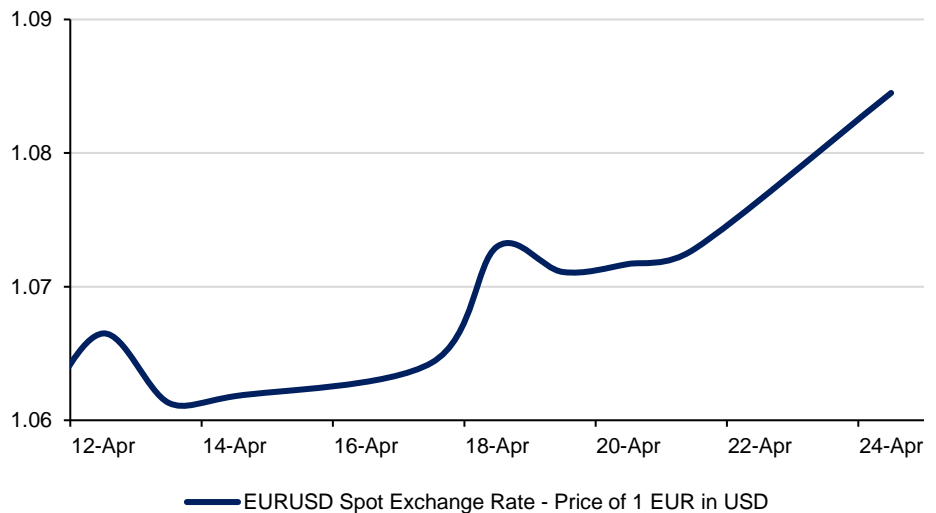
**The main catalyst for markets this week is the outcome of the first round of France's presidential election.** A centrist candidate, Emmanuel Macron, and leader of the far-right National Front Marine Le Pen will contest a second round on May 7th. **Mr Macron's advancement to the second round has come as a relief to markets** which had grown uneasy over the potential of Ms Le Pen facing off against another counter-establishment politician from the far left. The Euro has advanced strongly on news of the result and risk assets generally should receive some support in the week ahead.

**The highlight of the US calendar this week will be the first Q1 GDP growth estimate, out on Friday.** The consensus estimate is for an annualised increase of just 1.2% down from 2.1% in Q4. The US Treasury is also expected to unveil details of its tax reform proposals in the middle of this week. These are most likely to revolve around corporate and income tax cuts, whilst other flagship policies such as infrastructure spending may be delayed. In addition, reliance on border taxes designed to generate USD 1tn in revenue is also looking questionable.

**The ECB and BoJ both hold policy meetings this week.** The ECB faces pressure to start moving away from its unconventional policy program though the ECB will want to maintain an accommodative stance until it sees greater evidence of price pressures. The BoJ also faces a contrast between improving activity data but still muted inflation, with end-week data likely to show that CPI inflation is still some distance from its 2% inflation target.

**Saudi Arabia's King Salman bin Abdulaziz issued a royal decree restoring civil service and military allowances that were cut under austerity measures last year** in response to a sharp drop in oil prices. The decree reverses those cuts and came after a government review showed fiscal adjustments resulted in an improvement in the government's fiscal position. Saudi Arabia's deputy economy minister Mohammed al Tuwaijri said the fiscal deficit in the first quarter of 2017 was SAR 26bn, against government projections of a SAR 54bn, further supporting the outlook for improving spending dynamics in the Kingdom.

## Euro rallies in aftermath of French election first round



Source: Bloomberg, Emirates NBD Research.

## Day's Economic Data and Events

	Time	Cons		Time	Cons
GE IFO Expectations	12:00	105.9	US Dallas Fed Manf.	16:30	17
UK CBI Business Optimism	14:00	12			

Source: Thomson Reuters EIKON.

## Fixed Income

Front end UST yields declined during the week as Trump trade faded and investors took note of muted inflation data out of the US. Yields on 2yr UST were down 2bps to 1.18% though 10yr remained largely unchanged at 2.25% after touching 2.17% mid-week. Gilt yields oscillated in tandem with the UST, however 10yr Bund yields were up 6bps to 0.25% during the week as chances of a far right win in French election reduced somewhat.

Credit spreads moved within a 2bp range and cash corporate bonds in the US were all in green. CDS levels on US IG and Euro Main closed the week at 67bps and 75bps respectively.

GCC bonds remained firmly anchored at their all-time high levels with yield and option adjusted credit spread over treasury on Bloomberg Barclays GCC credit index closing at 3.37% (-3bps during the week) and 157bps (-5bps) respectively.

Result announcements were uneventful and no new deal priced in the primary market.

## FX

Euro trades firmer in the aftermath of the first round of the French election (see above), gaining on most of the other majors (the exception being SEK). As we go to print, EURUSD trades 1.10% higher at 1.0846, off earlier highs of 1.0937. Of note is that at the market open, the pair gapped up to open at 1.0859, above the 200 day moving average of 1.0938 and still remains above this key technical level. This indicates that there are further risks to the upside with 1.0978, the one year 50% Fibonacci retracement as the next area of resistance.

Also noteworthy is the EURJY pair which currently trades 2.01% higher at 119.28, down from earlier highs of 120.91. While the pair tested its 100 day MA of 120.67 earlier, the break was not sustained. We expect a retest of this key level this week, a break of which will open the path for a climb towards March's highs of 122.89.

## Equities

Asian equities are trading higher this morning following lack of negative surprise in the first round of French elections. The MSCI Asia Pacific index was trading +0.2% at the time of this writing.

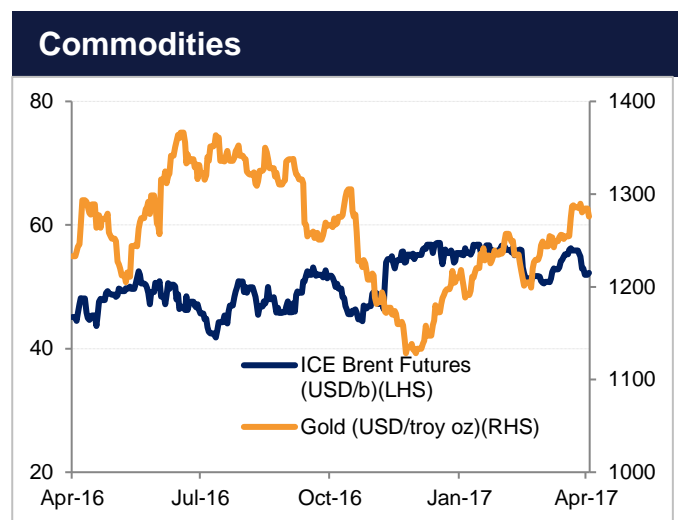
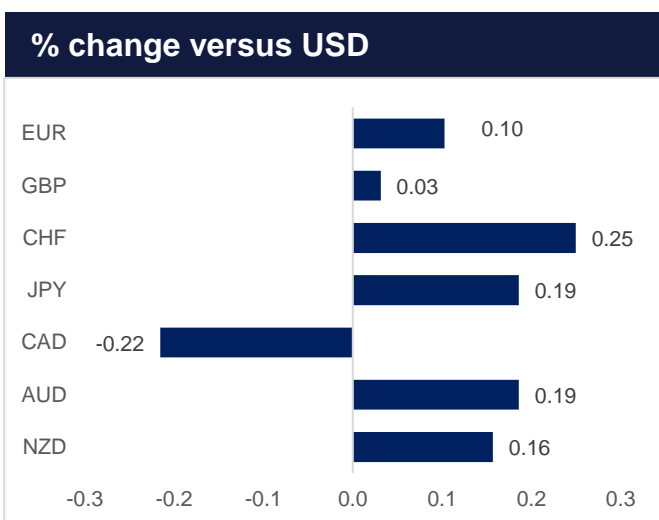
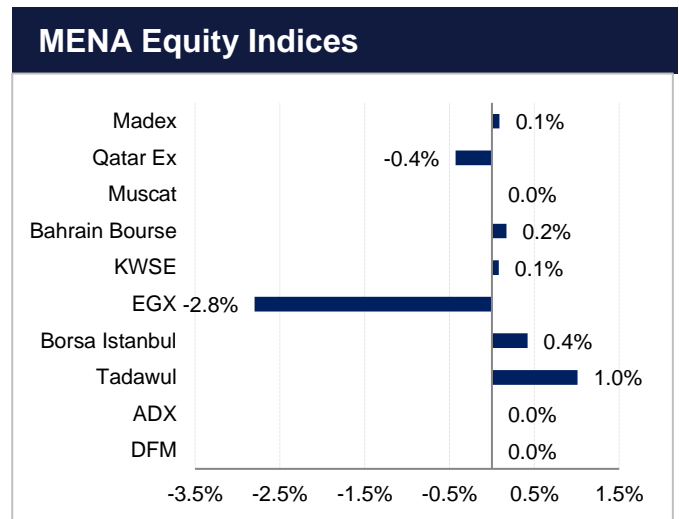
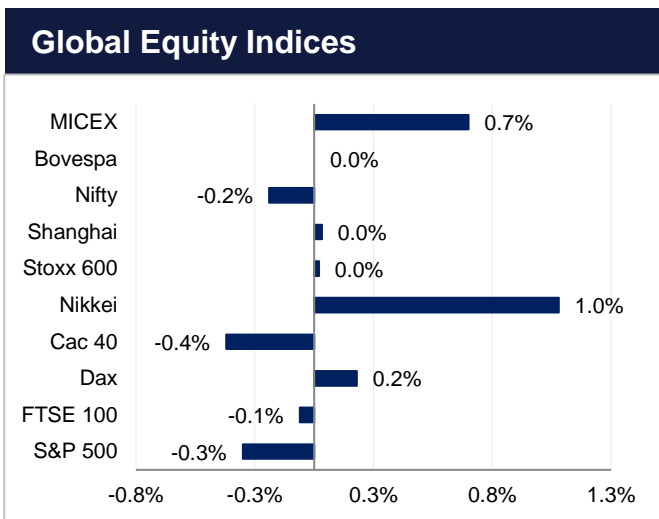
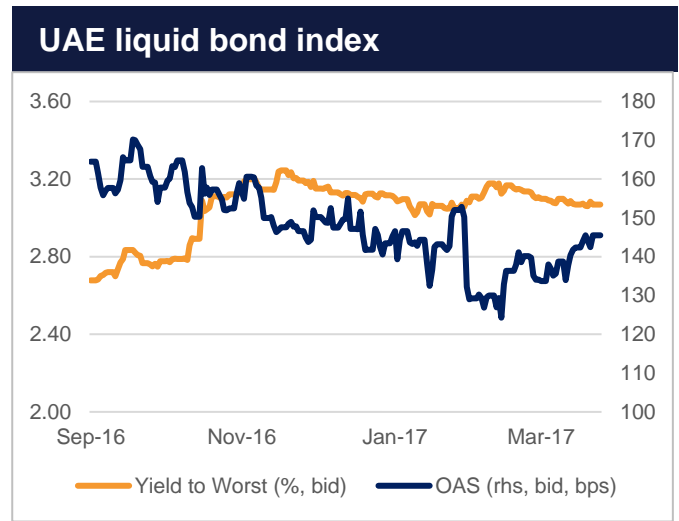
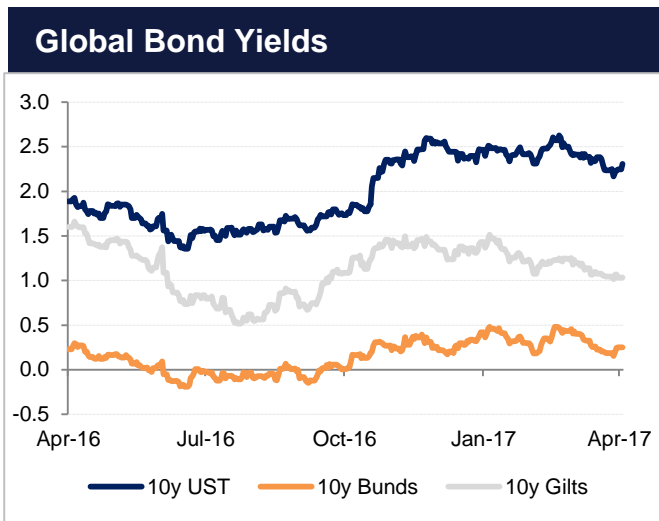
In regional markets, the Tadawul rallied +1.0% following a decree from King Salman which restored financial incentives for government employees. The decision spurred interest in retail sector stocks with Jarir Marketing adding +8.3%. Almarai rallied +1.7% after the company reported a +13.7% y/y increase in Q1 2017 net profit.

It is worth noting that yesterday's trading session marked the start of T+2 settlement system on the Tadawul.

## Commodities

Oil markets retreated heavily last week, both Brent and WTI futures giving up around 7% week on week. WTI ended the week below USD 50/b while Brent was just under USD 52/b and both contracts were below their 100- and 200-day moving averages. The weakness came despite announcements from GCC oil ministers that an extension of the OPEC's production cut deal would likely emerge at the producer bloc's next meeting in May. However, the market has seemingly already priced in an extension of the cut while the US production picture remains robust. The drilling rig count in the US continues to expand—up by 5 rigs last week—while production numbers also remain strong as reported by the EIA.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0728	+0.10	1.0945	USDTRY	3.6401	-0.03	EURAED	3.9404	+0.10
GBPUSD	1.2817	+0.03	1.2955	USDEGP	18.0936	-0.48	GBPAED	4.7061	-0.01
USDJPY	109.09	-0.21	107.12	USDSAR	3.7503	-0.00	JPYAED	0.0337	+0.19
USDCAD	1.3498	+0.22	1.3418	USDQAR	3.6415	+0.01	CADAED	2.7215	-0.19
AUDUSD	0.7541	+0.19	0.7503	USDKWD	0.3046	+0.04	AUDAED	2.7710	+0.23
USDCHF	0.9963	-0.24	0.9716	USDBHD	0.3770	-0.01	CHFAED	3.6870	+0.25
EURGBP	0.8378	+0.18	0.8456	USDOMR	0.3850	--	TRYAED	1.0100	+0.13
USDAED	3.6730	+0.00	3.6795	USDINR	64.5087	-0.08	INRAED	0.0568	+0.08

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.0517	1.4575	1.6837	2.2097	USD 2 yr	1.532	--
USD LIBOR	0.9906	1.1562	1.4021	1.7446	USD 5 yr	1.901	+1
GBP LIBOR	0.2545	0.3353	0.4776	0.6869	USD 10 yr	2.215	+1
JPY LIBOR	-0.0116	0.0119	0.0336	0.1364	EUR 2 yr	-0.144	--
CHF LIBOR	-0.7780	-0.7322	-0.6744	-0.5080	EUR 5 yr	0.175	+3
					EUR 10 yr	0.755	+5

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1284.44	+0.20	ADGB 6.75 19	1.62	-1	Abu Dhabi	38	-1
Silver	17.94	-0.55	DUGB 7.75 20	2.67	--	Dubai	109	+1
Oil (WTI)	49.62	-1.29	QATAR 6.55 19	1.84	-4	Qatar	58	-1
Aluminium	1922.75	-0.49	US Tsy 2 yr	1.18	--	Saudi Arabia	90	-1
Copper	5594.00	-0.04	US Tsy 10 yr	2.25	+2	Bahrain	224	+1

Source: Bloomberg, Emirates NBD Research

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