



بنك الإمارات دبي الوطني  
Emirates NBD

Daily  
24 May 2018

www.emiratesnbdresearch.com

# Daily Outlook

**Fed meeting minutes reflected very little concern about overheating and inflation overshooting too much.** While Fed officials expect inflation, in the short term, to rise faster than what they had anticipated in the March meeting, the longer term inflation outlook remained well balanced. Markets interpreted the minutes as dovish leading to fall in UST yields and steepening of the UST curve.

**New home sales in the US fell to 662k in April vs consensus of 680k. Also the previous month's data was revised downwards from 694k to 672k.** The decline is not seen to be of concern as sales still remain more than 11% higher than same time last year and compares favourably with average of 613k in 2017. In other data, the preliminary reading of the **Markit US PMI came in stronger than expectations with Manufacturing PMI in April reaching 56.6 (vs 56.5) and Services PMI rising to 55.7 from 54.6 in the previous month.** The Manufacturing PMI reading is the highest since September 2014 and reflects improvements in employment even though new orders fell to 58.1 from 58.8.

Contrasting the strong growth in the US, **preliminary data on Euro-area PMI reflected Manufacturing PMI falling to 55.5 and Services PMI falling to 53.9 from 56.2 and 54.7 respectively in the previous months.** Nevertheless, we expect today's account of the ECB's April meeting to indicate that the bank remains on track to bring asset purchases to an end this year.

**U.K. inflation slowed to a 13-month low in April, with headline inflation falling to 2.4% from 2.5% in March and core CPI declining to 2.1% from 2.3% in the previous month.** The reading for April is in line with BOE officials' predictions for the second quarter as a whole. They see a further drop to 2.2% by year end, before falling to the 2% target in two years, partly because the pass-through of the pound's depreciation since the Brexit vote is happening faster. Market implied probability of a rate hike at the next BoE meeting is close to zero, although one rate hike is still expected before the end of the year.

**Turkey's central bank raised its key interest rate by 300 basis points to 16.5% after an emergency meeting yesterday.** President Erdogan has further assured investors that Turkey would follow global principles on monetary policy.

## UK Core CPI



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
US Initial Jobless claims	16:30	220k	ECB Meeting Minutes	15:30	NA

## Fixed Income

Treasuries closed higher as minutes of the last Federal Reserve meeting indicated a dovish tilt even as it indicated that rates would be increased at its next meeting in June. Beyond June, the minutes said that members 'expressed a range of views on the amount of further policy firming that would likely be required'. Yields on the 2y UST, 5y UST and 10y UST closed at 2.52% (-4bps), 2.82% (-7bps) and 2.99% (-6bps) respectively.

Regional bond markets followed the move in benchmark yields. The YTW on the Bloomberg Barclays GCC Credit and High Yield index dropped 3 bps to 4.65% and credit spreads widened 3 bps to 187 bps.

## FX

JPY outperformed in the Asia and Europe sessions, benefiting from safe haven bids. USDJPY broke below the former supporting 200 day moving average (110.21), erasing most of the gains realized since the 15<sup>th</sup> of May. Should the price achieve a weekly close below the 50% one year Fibonacci retracement of 109.65, further declines towards 108 can be expected. However, a weekly close above this level will likely result in a retest of the 61.8% one year Fibonacci retracement (110.85).

Elsewhere, the Euro hit a 6 month low after softer after PMIs showed that the expected rebound in Eurozone activity remains absent and the cool down continues. Should the selling pressure continue, a daily close below 1.1660 (not far from the 38.2% one year Fibonacci retracement of 1.1662), is likely to cause further declines towards 1.1450.

Finally GBP was a casualty of softer than expected inflation data in April, with GBPUSD reaching a new 2018 low. The price has now remains well below the 50% one year Fibonacci retracement (1.3483) with a weekly close below this level exposing cable to further declines towards 1.32, a level last seen in November 2017.

## Equities

Developed market equities closed mixed with the S&P 500 index adding +0.3% and the Euro Stoxx 600 index losing -1.1%. While weak PMI data weighed on European stocks, US equities received a boost from a dovish tilt in the Federal Reserve meetings.

Regional equities closed mixed with the DFM index losing -0.9% and the ADX index adding +1.3%. It appeared that investors took the opportunity to lock-in some gains following a positive start to the week. First Abu Dhabi Bank was a major outperformer with gains of +4.3%. Emaar and Emirates NBD dropped -1.5% and -1.9% respectively.

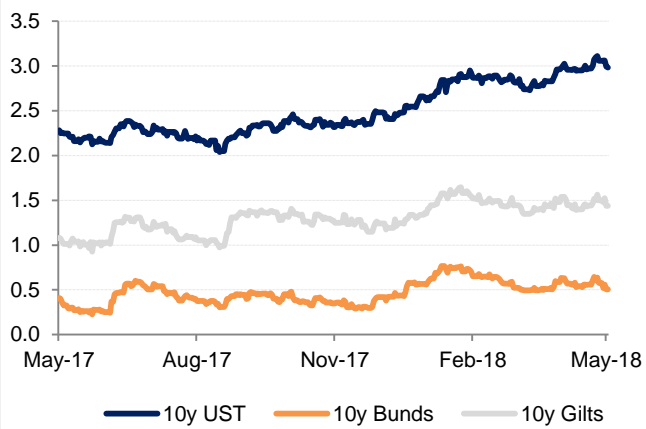
## Commodities

Oil prices fell a little as U.S. crude inventories unexpectedly swelled by 5.8 million barrels last week as per the latest EIA report. Brent crude closed at \$79.45/b. Saudi and Russian energy ministers are set to meet at the St. Petersburg economic forum to discuss oil prices and market volatility.

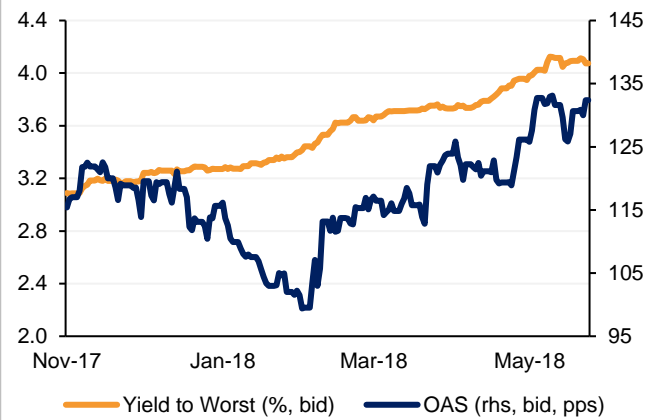
Gold benefited from ongoing uncertainty created by the trade conflicts and closed the day slightly higher at \$1295.24

## Markets in Charts

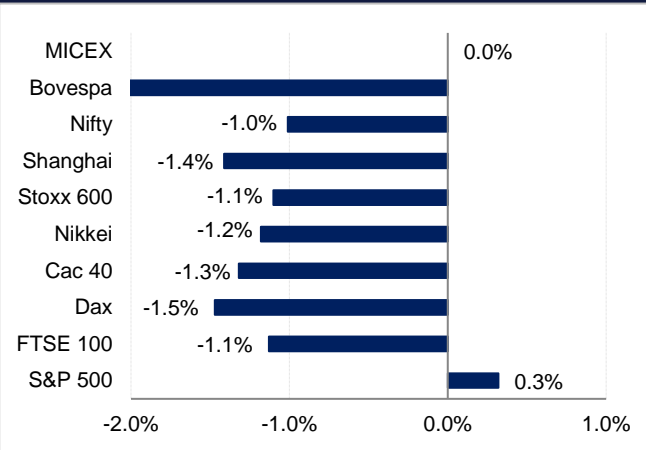
### Global Bond Yields



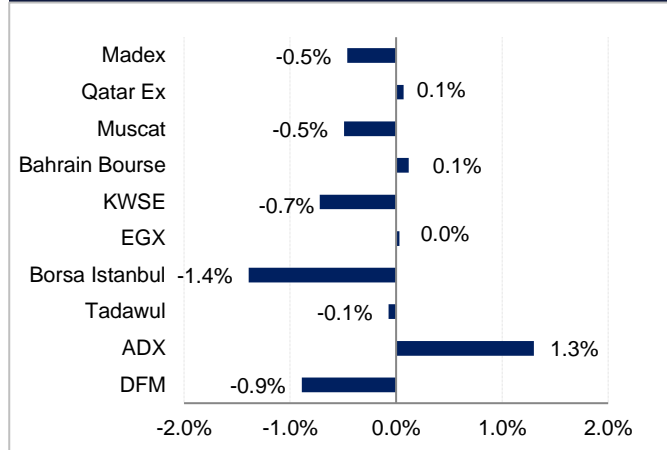
### UAE liquid bond index



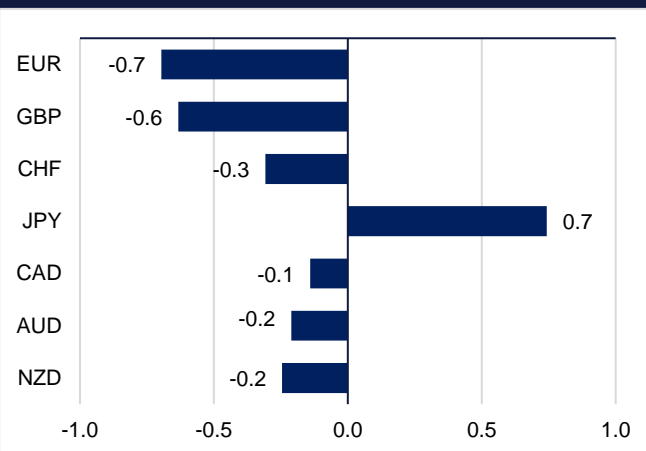
### Global Equity Indices



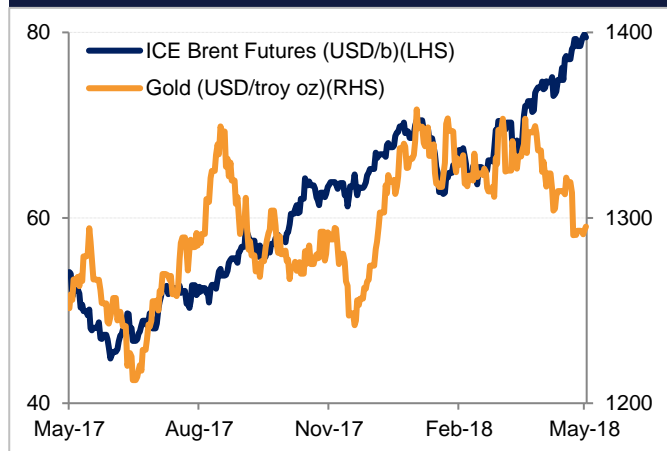
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1697	-0.70	1.2064	USDTRY	4.5761	-1.99	EURAED	4.2964	-0.69
GBPUSD	1.3347	-0.63	1.3597	USDEGP	17.9222	+0.07	GBPAED	4.9031	-0.61
USDJPY	110.08	-0.74	106.91	USDSAR	3.7503	-0.00	JPYAED	0.0334	+0.75
USDCAD	1.2833	+0.11	1.2748	USDQAR	3.6800	+1.07	CADAED	2.8610	-0.16
AUDUSD	0.7560	-0.21	0.7592	USDKWD	0.3023	+0.05	AUDAED	2.7764	-0.24
USDCHF	0.9957	+0.29	0.9616	USDBHD	0.3777	+0.04	CHFAED	3.6883	-0.31
EURGBP	0.8764	-0.06	0.8873	USDOMR	0.3850	--	TRYAED	0.8000	+1.70
USDAED	3.6730	--	3.6750	USDINR	68.3288	+0.42	INRAED	0.0552	+2.37

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.0396	2.4377	2.7020	3.1284	USD 2 yr	2.756	-5
USD LIBOR	1.9654	2.3300	2.4994	2.7640	USD 5 yr	2.935	-6
GBP LIBOR	0.5002	0.6225	0.7432	0.9308	USD 10 yr	3.027	-6
JPY LIBOR	-0.0473	-0.0285	0.0223	0.1188	EUR 2 yr	-0.140	-1
CHF LIBOR	-0.7865	-0.7280	-0.6466	-0.5228	EUR 5 yr	0.373	-3
					EUR 10 yr	1.002	-3

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1293.41	+0.18	ADGB 6.75 19	2.42	--	Abu Dhabi	64	+1
Silver	16.46	-0.53	DUGB 7.75 20	3.64	+1	Dubai	119	+1
Oil (WTI)	71.84	-0.40	QATAR 6.55 19	2.92	-0	Qatar	94	--
Aluminium	2262.00	+0.08	US Tsy 2 yr	2.53	-4	Saudi Arabia	91	-1
Copper	6841.50	-1.56	US Tsy 10 yr	2.99	-7	Bahrain	384	-2

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 Sakhalkar  
+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