



# Daily Outlook

Economic data yesterday continued to underpin the dollar at the expense of the EUR with US consumer confidence rising to 128.7 from 127.0 in March. Both expectations and current conditions were stronger, and the overall index was only a little below the 17-year high recorded in February. In contrast to this positive sentiment in the US the situation in Germany was gloomier with the IFO business climate index slipping further in April to 102.1, down from 103.3 in March.

Meanwhile President Trump continued to talk up the relationship with North Korea yesterday and held out the possibility of a trade deal with China. Trump said the North Korean leader has been very open and 'very honorable,' and he plans to have a meeting with him very soon. Trump also suggested that NAFTA talks were going 'nicely' and that Treasury Secretary Mnuchin is going to China in a few days to negotiate on trade, where there's 'very good chance' of a deal.

Inflation in Saudi Arabia eased slightly in March to 2.8% y/y (-0.2% m/m) from 2.9% y/y (0.1% m/m) in February. Food and beverage prices fell -0.3% m/m while housing and utilities declined -0.5% m/m. Inflation accelerated sharply at the start of the year due to VAT and subsidy cuts but we expect it to moderate over the rest of the year. Separately, the Ministry of Finance raised SAR 5bn (USD 1.3bn) with medium term sukuk issuance yesterday as part of its domestic debt issuance program.

Moroccan central bank governor Abdellatif Jouahri has told Bloomberg that despite inflation having climbed to a five-year high of 2.5% in March, he does not envisage a rate hike this year or next. The bank expects inflation to moderate from current levels. This is despite a moderate widening of the dirham's trading band in January as the authorities embark on a very gradual liberalisation of exchange rate policy.

## US Consumer confidence remained elevated in April



Source: Markit, Bloomberg, Emirates NBD Research

## Day's Economic Data and Events

	Time	Cons		Time	Cons
Turkey Interest rate decision	15.00				

Source: Bloomberg

## Fixed Income

US treasuries closed mixed as a decline in stocks led to a bout of risk aversion. Yields on the 2y UST, 5y UST and 10y UST closing at 2.47% (flat), 2.82% (flat) and 3.00% (+2bps) respectively.

Regional bonds continue to follow moves in benchmark yields. The YTW on the Bloomberg Barclays GCC Credit and High Yield index closed flat at 4.49% while credit spreads tightened by 1 bps to 172 bps.

## FX

The dollar has continued to break from seasonality and add further to its April gains (rising for the first time since 2010). Fueled by a 4 year high in yields, USDJPY was able to climb as high as 109.20 yesterday before retreating to the 109 mark. This move serves as further confirmation that the former daily downtrend has been broken and with the former resistance level of 106.96 now acting as a support level, further gains seem to be likely in the days ahead.

The EURUSD was softer as firm US consumer confidence contrasted with the weaker German IFO index. Overall the DXY index eased only slightly from the 3-month high of 91.07 seen on Tuesday and appears poised for further gains.

## Equities

Developed market equities closed mixed with the S&P 500 index losing -1.3% and the Euro Stoxx 50 index closing flat. Mixed corporate earnings and continued rise in 10y UST yields weighed on investor sentiment.

Most regional equity indices drifted lower with the Tadawul losing -0.2% and the DFM dropping -0.9%. Weak corporate earnings and profit booking appeared to have led Saudi equities lower. Dallah Healthcare dropped -3.6% after reporting a 32% drop in Q1 2018 net profit. Elsewhere, Emaar Properties closed -1.6% lower to take its year to date drop to 16%.

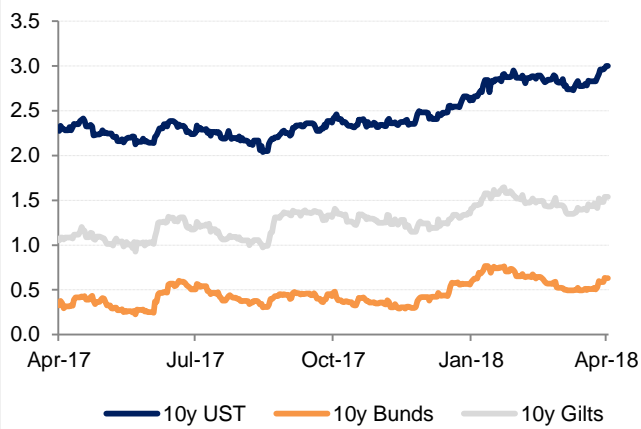
HumanSoft dropped -2.8% after shareholders declined to approve the proposed bonus shares. They did however increase annual cash dividend to 175 fils per share from 160 fils per share.

## Commodities

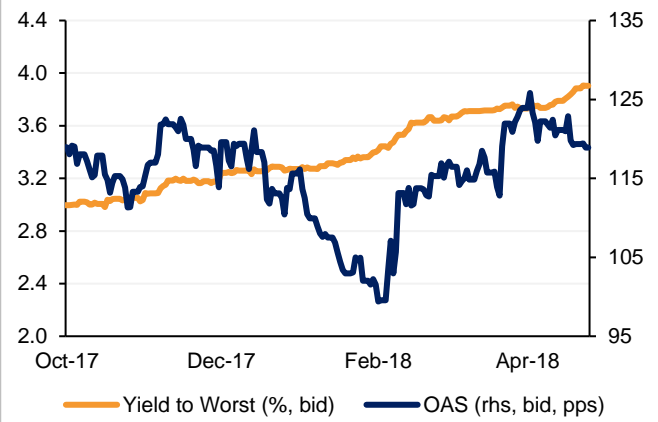
Oil prices closed lower on the day in another session of volatile moves. Brent futures closed down 1.1% at USD 73.86/b while WTI fell nearly 1.4% to USD 67.70/b. There were few fundamental catalysts to shift the market and the decline may reflect some profit taking after crude's rally up to as high as USD 75/b in Brent markets. The front of the Brent curve has been steepening quite sharply in the last month and the 1-2 month spread could move as wide as USD 1/b.

## Markets in Charts

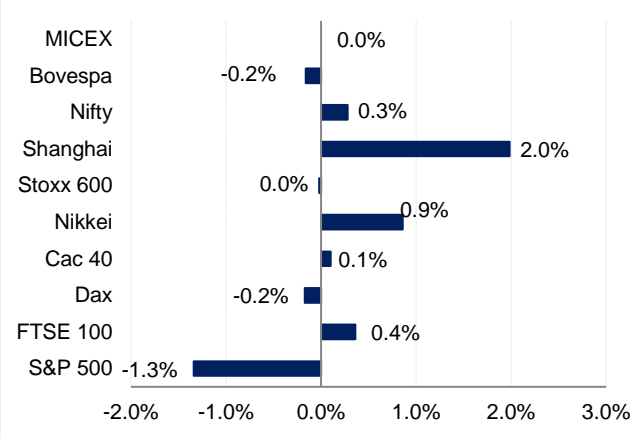
### Global Bond Yields



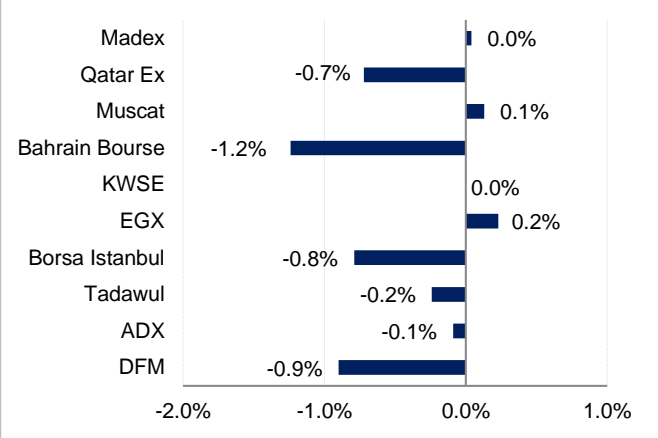
### UAE liquid bond index



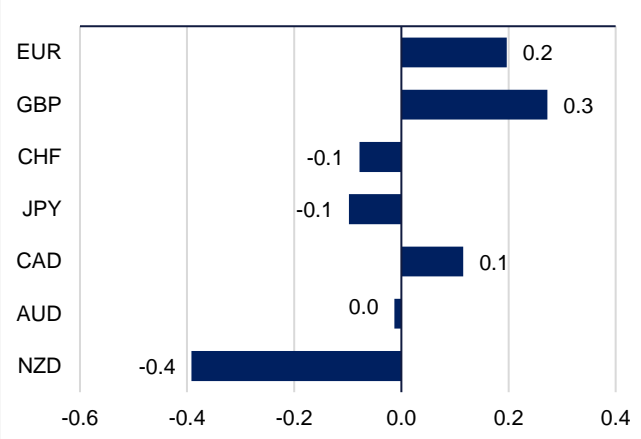
### Global Equity Indices



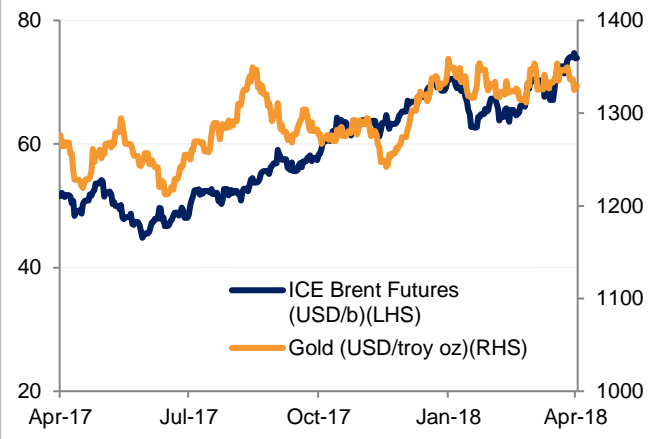
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2233	+0.20	1.2616	USDTRY	4.0861	-0.54	EURAED	4.4927	+0.19
GBPUSD	1.3978	+0.27	1.4224	USDEGP	17.7000	-0.03	GBPAED	5.1344	+0.28
USDJPY	108.82	+0.10	105.74	USDSAR	3.7502	-0.00	JPYAED	0.0338	-0.10
USDCAD	1.2833	-0.12	1.2743	USDQAR	3.6800	+1.07	CADAED	2.8620	+0.12
AUDUSD	0.7604	-0.01	0.7630	USDKWD	0.3006	+0.07	AUDAED	2.7928	-0.02
USDCHF	0.9789	+0.07	0.9460	USDBHD	0.3771	--	CHFAED	3.7520	-0.07
EURGBP	0.8751	-0.07	0.8870	USDOMR	0.3850	--	TRYAED	0.9000	+0.67
USDAED	3.6730	--	3.6764	USDINR	66.5850	+0.16	INRAED	0.0553	+0.21

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.9813	2.3842	2.7396	3.1312	USD 2 yr	2.746	-1
USD LIBOR	1.8971	2.3595	2.5156	2.7688	USD 5 yr	2.934	+1
GBP LIBOR	0.5291	0.7512	0.8544	1.0214	USD 10 yr	3.025	+2
JPY LIBOR	-0.0465	-0.0367	0.0208	0.1152	EUR 2 yr	-0.132	+0
CHF LIBOR	-0.7882	-0.7312	-0.6500	-0.5182	EUR 5 yr	0.415	-1
					EUR 10 yr	1.035	-1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1330.35	+0.42	ADGB 6.75 19	2.42	--	Abu Dhabi	56	-1
Silver	16.73	+0.63	DUGB 7.75 20	3.33	+3	Dubai	106	-3
Oil (WTI)	67.70	-1.37	QATAR 6.55 19	2.97	-5	Qatar	87	-1
Aluminium	2228.50	-2.98	US Tsy 2 yr	2.47	-0	Saudi Arabia	86	-1
Copper	6970.00	+1.04	US Tsy 10 yr	3.00	+2	Bahrain	280	-1

Source: Bloomberg, Emirates NBD Research

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