



بنك الإمارات دبي الوطني
Emirates NBD

Daily
25 April 2017

Daily Outlook

Markets enjoyed a relief rally yesterday following the first round of the French election, with the EUR, bond yields and equities in Europe all gaining ground. Event risk will now turn to the US in coming days as the US government is once again facing the possibility of being shut down if Congress does not pass a spending bill to lift the government debt ceiling. This should be a formality but in recent days the White House has requested more controversial provisions, especially about the building of the wall with Mexico at a cost of USD22bn. However, the bill is facing opposition from Republicans and Democrats as the original proposal was that such a wall would be paid for by Mexico, whereas now President Trump just wants to build it and get the Mexican government to pay for it later. Even if he can get Republicans to support it the Bill needs Democrat support to reach the 60 vote threshold in the Senate for a Spending Bill to be approved. It also comes as the first 100 days of the Trump Presidency approaches making it of symbolic importance that the President succeeds.

Economic data released out of the Eurozone yesterday was relatively positive, with the German IFO business conditions index rising to 112.9 in April, up from 112.4 in March and the highest reading since July 2011. Today the focus will be on the US where consumer confidence and new home sales will be released.

Libya's central bank said oil revenues have collapsed to USD 4.8bn last year from USD 53.3bn in 2012, and, a drop of almost 90% since the civil war toppled President Gaddafi in 2011. Figures from the central bank point to losses from the closures of ports, pipelines, and oil fields exceeding USD 160bn during the period from 2012 to 2016. With political headwinds posing significant challenges to the UN backed government in Tripoli, the economy continues to face challenges ranging from a huge public deficit, tight liquidity, inflation, and black market exchange rates.

German IFO Business Climate Index rises in April



Source: Bloomberg, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
FHFA House Price Index MoM	17:00	0.4%	Conf. Board Consumer Confidence.	18:00	122.5
US New Home Sales	18:00	584k			

Source: Thomson Reuters EIKON.

Fixed Income

Global bond prices were mixed yesterday as US securities dragged while European and high yield assets performed better. The outcome of the French election which seems to pave the way for Emmanuel Macron, the pro-Eurozone candidate, to win in the second round helped to give a boost to risk assets generally taking high yield and some EM bonds to top of the table in terms of single day performance. Yields on 10yr USTs closed up marginally higher but are still hanging below 2.3% for the time being.

The local index of traded bonds remains at all-time highs while spreads over benchmark securities compressed sharply yesterday, nearly 7bps.

FX

This morning USD has advanced against all the other major currencies as the markets turn their focus towards Trump's tax reform proposals. As we go to print, the Dollar Index is trading 0.1% higher at 99.173 back above the 200 day moving average of 99.12. The index will need to close above this level and above the one year 61.8% Fibonacci retracement of 99.27 in order to mitigate the risks of further short term declines.

This morning's underperformer is the CAD which has dropped to a four month low on reports that President Trump plans to introduce a 20% tariff on softwood lumber imported to the US from Canada. Currently, USDCAD trades at 1.3550, the highest level since December 2016, and looks primed to retest its one year high of 1.3599.

Equities

Developed market equities rallied following the result of the first round of French election. The CAC 40 index added +4.1%, the biggest single day rally since August 2015. The S&P 500 index added +1.1%.

Asian equities are trading higher this morning tracking positive close to developed markets overnight. The MSCI Asia Pacific index was trading +0.5% at the time of this writing.

It was a mixed day of trading for regional equities as flows were dominated by earning announcements. The DFM index declined -1.1% while the Tadawul and KWSE index added +0.1% and +0.2%.

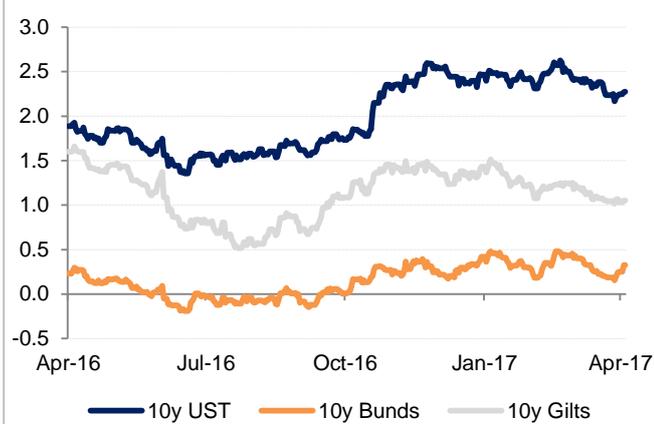
Mobily dropped -6.0% after the company reported a net loss of SAR 163mn for Q1 2017 compared to a profit last year. SODIC rose +0.8% after reporting a +64% y/y increase in Q1 2017 net profit.

Commodities

Oil markets ended the day lower after showing some initial strength earlier in the day. Brent futures gave up around 0.7% and WTI was down nearly 0.8% on the day. Russian oil officials indicated they would be prepared to lift output quickly if OPEC and non-OPEC countries were unable to reach an agreement to extend their production cut deal. December time spreads for Brent futures are trading at tight levels compared with just a few weeks ago as the market cannot convincingly break into a solid backwardation. Already the WTI curve has moved back into contango of around USD 0.15/b for Dec 17/18 with the 17/19 a little wider. We expect this flitting around a flat curve to persist for the coming weeks unless we get a solid commitment of a deeper production cut from OPEC producers.

Markets in Charts

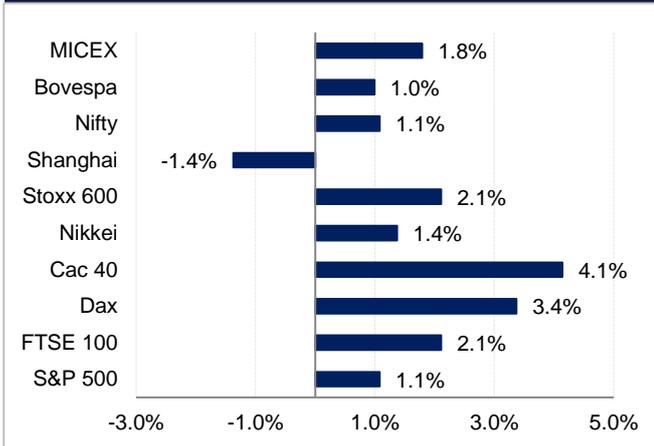
Global Bond Yields



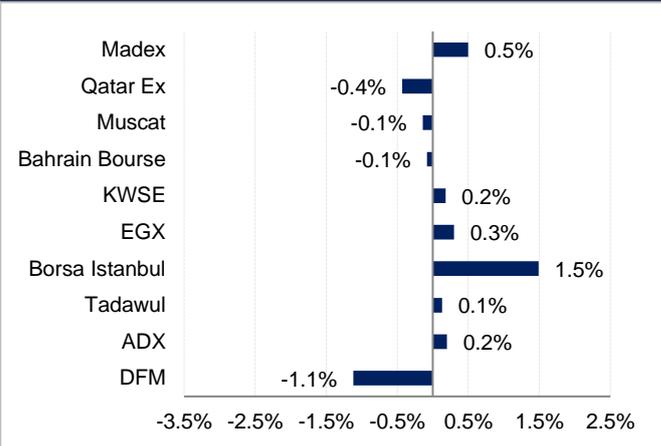
UAE liquid bond index



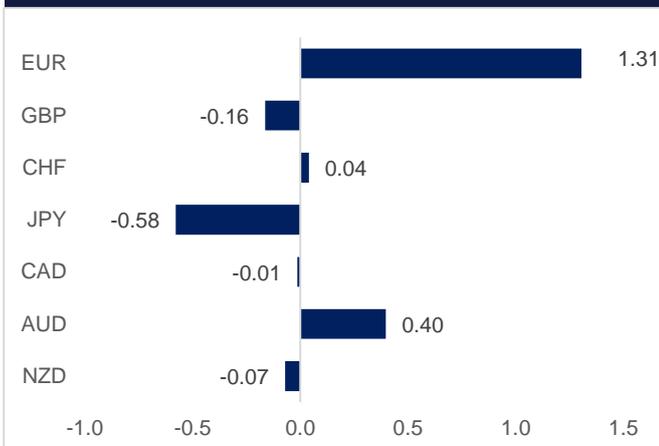
Global Equity Indices



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	1.0868	+1.30	1.1087	USDTRY	3.5716	-1.88	EURAED	3.9918	+1.30
GBPUSD	1.2796	-0.16	1.2938	USDEGP	18.1757	+0.45	GBPAED	4.7000	-0.13
USDJPY	109.77	+0.62	107.77	USDSAR	3.7503	--	JPYAED	0.0335	-0.59
USDCAD	1.3501	+0.02	1.3418	USDQAR	3.6414	-0.00	CADAED	2.7205	-0.04
AUDUSD	0.7571	+0.40	0.7534	USDKWD	0.3043	-0.10	AUDAED	2.7805	+0.34
USDCHF	0.9958	-0.05	0.9713	USDBHD	0.3770	+0.01	CHFAED	3.6885	+0.04
EURGBP	0.8493	+1.37	0.8569	USDOMR	0.3850	-0.01	TRYAED	1.0300	+2.08
USDAED	3.6729	-0.00	3.6794	USDINR	64.3450	-0.41	INRAED	0.0570	+0.29

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.0725	1.4463	1.6807	2.2170	USD 2 yr	1.564	+3
USD LIBOR	0.9906	1.1562	1.4021	1.7446	USD 5 yr	1.930	+3
GBP LIBOR	0.2545	0.3353	0.4776	0.6869	USD 10 yr	2.249	+3
JPY LIBOR	-0.0116	0.0119	0.0336	0.1364	EUR 2 yr	-0.137	+1
CHF LIBOR	-0.7780	-0.7322	-0.6744	-0.5080	EUR 5 yr	0.199	+2
					EUR 10 yr	0.775	+2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1276.31	-0.63	ADGB 6.75 19	1.68	+5	Abu Dhabi	39	+1
Silver	17.94	+0.03	DUGB 7.75 20	2.70	+3	Dubai	110	--
Oil (WTI)	49.23	-0.79	QATAR 6.55 19	1.90	+6	Qatar	58	--
Aluminium	1938.25	+0.81	US Tsy 2 yr	1.23	+5	Saudi Arabia	85	-5
Copper	5624.50	+0.55	US Tsy 10 yr	2.27	+2	Bahrain	221	-3

Source: Bloomberg, Emirates NBD Research

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