



بنك الإمارات دبي الوطني  
Emirates NBD

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# Daily Outlook

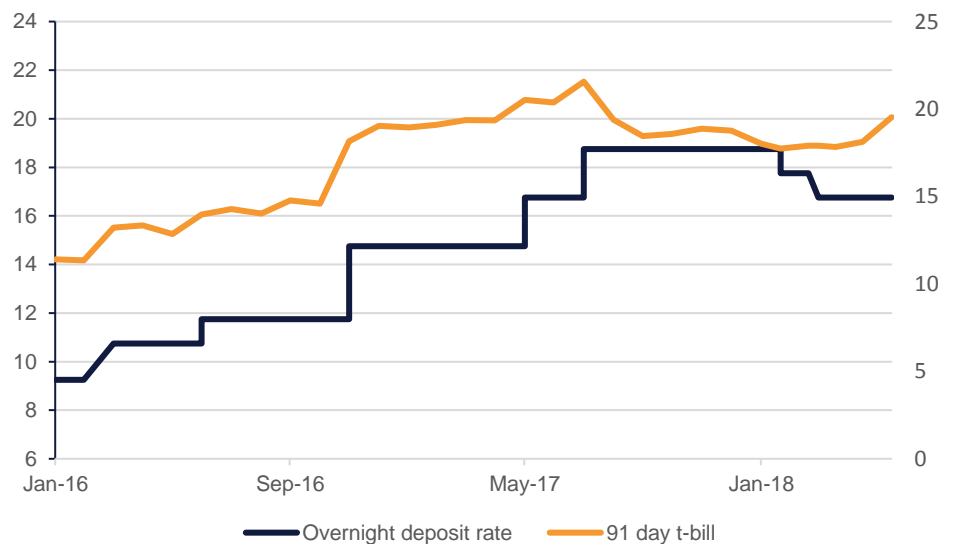
**Trade wars continue to dominate headlines as Canada introduced reciprocal tariffs of USD 12.6bn on US goods on July 1.** Alongside steel and aluminium, there were also tariffs on yoghurt, ketchup and orange juice – all produced in key political battlegrounds in the US. US tariffs on USD 34bn of Chinese goods are set to kick in on Friday, and China has promised retaliation. There also remains the prospect that the US will introduce substantial tariffs on autos imports; President Trump has said the results of a probe into the issue will be released in three-to-four weeks. General Motors criticised the move over the weekend, saying that it would lead to ‘a smaller GM.’ Other manufactures such as BMW and Toyota have also publicised criticism. **In Mexico, Andres Manuel Lopes Obrador has won Sunday’s presidential election, introducing further uncertainty into NAFTA negotiations.**

**Over the weekend, US president Donald Trump tweeted that he had apparently asked Saudi Arabia to raise production by 2m b/d which would use up all of the Kingdom’s spare capacity.** Saudi Arabia affirmed that it was ready to keep oil markets stable but did not give a specific figure by which it would raise output, and the White House later backpedaled over the issue. Were Saudi Arabia to raise production by 2m b/d it would keep oil markets comfortably supplied in H2 but producing at 12m b/d (a 2m b/d increase from May levels) is untested for Saudi Arabia and how quickly it could actually hit that level is uncertain.

**The EU summit reached some agreement on migration issues on Friday, but the deal was short of details and talked of a ‘shared effort’ but ‘only on a voluntary basis.’** German Chancellor Angela Merkel is facing a challenge from junior coalition partner the CSU on the issue, and while the EU summit outcome gave her some leverage, negotiations are ongoing.

**The Central Bank of Egypt kept its benchmark interest rates unchanged at its meeting on June 28, namely 16.75% for the overnight deposit rate and 17.75% for the overnight lending rate.** This was the second consecutive meeting at which the bank held rates static after two 100 bps cuts earlier in the year. In its reasoning, it cited upcoming inflationary pressures from subsidy cuts introduced with the new fiscal year.

## Egyptian interest rates



Source: Bloomberg, Emirates NBD Research

## Today’s Economic Data and Events

	Time	Cons		Time	Cons
Eurozone manufacturing PMI	12:00	55.0	US manufacturing PMI	18:00	58.5

Source: Bloomberg

## Fixed Income

Unresolved trade tensions continue to fuel the safe haven bid, thereby boosting sovereign bonds across the developed world. Yield on 2yr, 5yr and 10yr UST closed the week lower at 2.53% (-1bp w/w), 2.74% (-3bps) and 2.86% (-3bps) respectively. Across the Atlantic, yield on 10yr Bunds were down by 2bps during the week to 0.30% while those on Gilts closed down by a bp to 1.28%.

GCC bonds moved in sync with macro events. Yield on Barclays GCC index was down by 7bps to 4.59%, attributed to benchmark yield tightening as well as credit spreads reducing by 3bps to 191bps. GCC primary market remained subdued and secondary market talk revolved mainly around Bahrain. Bahrain pledged to implement steps to repair its strained finances and announced setting up of a committee to devise plans to balance the budget. The committee members include the finance minister and central bank chief and will present its plans to the premier in very near future. Bahrain's 5yr CDS spreads consolidated around 385bps, 224bps lower than where they had opened the week.

In UAE, S&P affirmed Mubadala Investment Co at AA/stable citing the group's materially larger asset base post its merger with IPIC last year. Mubadala's ratings are aligned with those on the Emirate of Abu Dhabi.

## FX

EUR/USD recovered on Friday after the EU summit ended with an agreement on immigration, easing some domestic political pressure on Chancellor Merkel, and Eurozone inflation data was in line with forecasts.

GBP benefitted from a marginal upgrade to Q1 2018 GDP growth, which was revised up to 0.2% from 0.1% previously, as well as survey data reflecting strength in the UK's services sector in April. The GDP revisions followed BoE chief economist Andy Haldane's decision to vote in favour of a rate hike at the May meeting, and have increased the probability of a rate hike at the August meeting.

## Equities

Regional equities started the week on a positive note. The DFM index added +1.5% while the Tadawul gained +0.3%. Petrochemical shares led the rally on the Tadawul with Saudi Kayan and Sahara Petchem adding +1.3% and +1.9% respectively. Interestingly, there was greater interest from listed REITs on the Tadawul with Al Jazira Mawten REIT closing limit up.

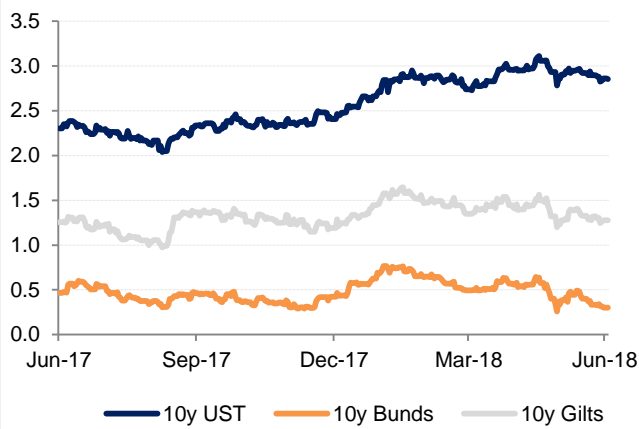
## Commodities

Oil markets gained sharply last week, even on expectations that OPEC would begin pumping more oil in H2. Brent futures settled up 5.2% over the week to close just shy of USD 80/b while WTI added more than 8% to finish at USD 74.15/b. Growing fear that Iran's oil production will collapse under the impact of US sanctions along with disruptions to supply from Canada are acting as catalysts for the oil rally even as market reports suggest Saudi Arabia pumped 10.7m b/d in June, near its highest level on record.

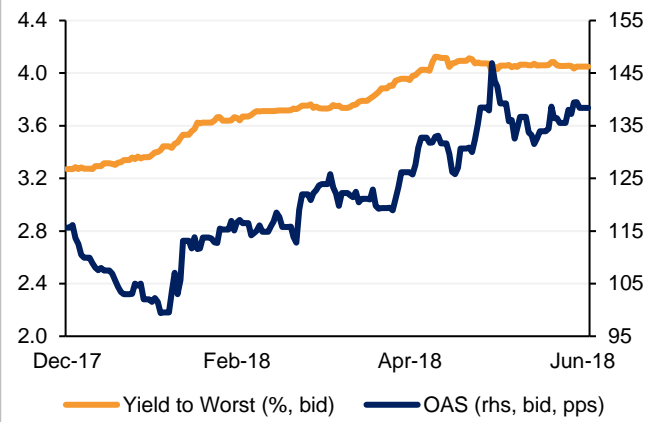
Investors are positioning themselves for more difference between WTI and Brent with net length in WTI building by 75k contracts last week and declining by 5.2k lots in Brent. The US drilling rig count slipped back last week by 4, and ended the month down by 3 rigs.

## Markets in Charts

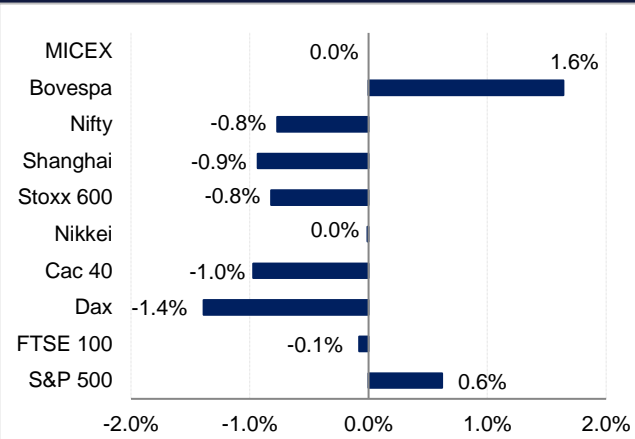
### Global Bond Yields



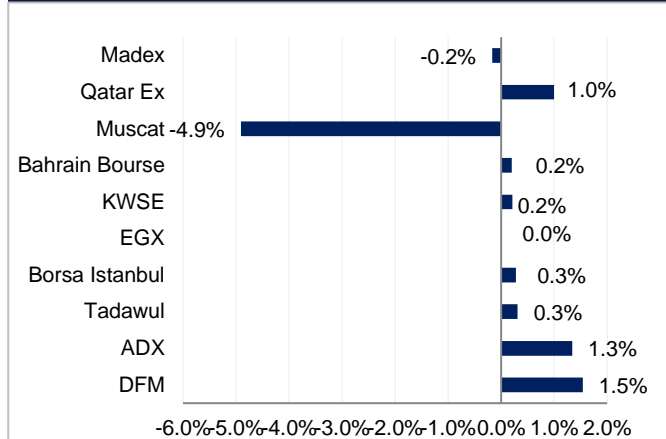
### UAE liquid bond index



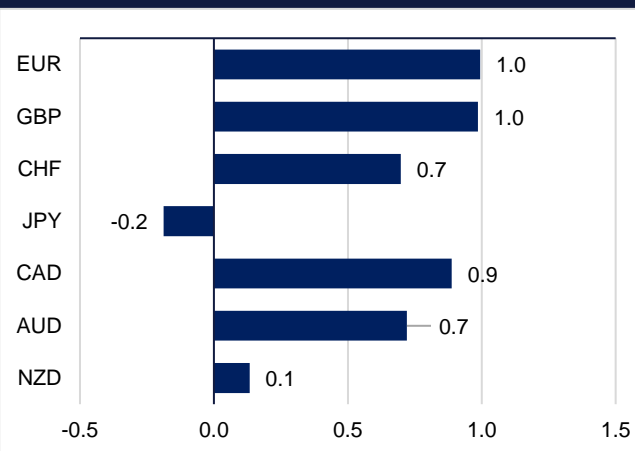
### Global Equity Indices



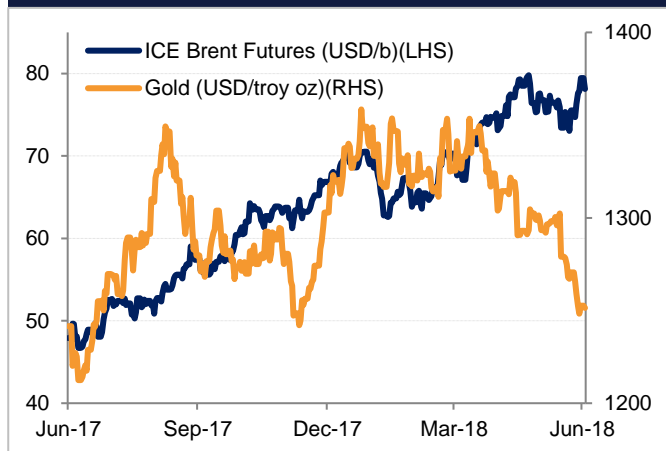
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1684	+0.99	1.2043	USDTRY	4.5929	+0.18	EURAED	4.2918	+1.00
GBPUSD	1.3207	+0.99	1.3439	USDEGP	#N/A N/A	#VALUE!	GBPAED	4.8513	+0.99
USDJPY	110.76	+0.24	107.60	USDSAR	3.7505	+0.01	JPYAED	0.0332	-0.20
USDCAD	1.3133	-0.88	1.3051	USDQAR	3.6800	+1.06	CADAED	2.7964	+0.88
AUDUSD	0.7405	+0.72	0.7431	USDKWD	0.3027	-0.05	AUDAED	2.7216	+0.74
USDCHF	0.9906	-0.69	0.9570	USDBHD	0.3788	+0.15	CHFAED	3.7072	+0.67
EURGBP	0.8847	+0.02	0.8962	USDOMR	0.3850	--	TRYAED	0.8000	-0.14
USDAED	3.6730	--	3.6759	USDINR	68.4275	-0.53	INRAED	0.0552	+3.46

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.2075	2.4200	2.7029	3.0118	USD 2 yr	2.792	+2
USD LIBOR	2.0903	2.3358	2.5013	2.7641	USD 5 yr	2.890	+3
GBP LIBOR	0.5008	0.6741	0.7881	0.9612	USD 10 yr	2.934	+2
JPY LIBOR	-0.0742	-0.0450	0.0055	0.1157	EUR 2 yr	-0.175	-0
CHF LIBOR	-0.7800	-0.7316	-0.6474	-0.5210	EUR 5 yr	0.271	+0
					EUR 10 yr	0.873	-1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1252.60	+0.35	ADGB 6.75 19	2.42	--	Abu Dhabi	65	-4
Silver	16.12	+0.71	DUGB 7.75 20	3.67	-1	Dubai	132	-2
Oil (WTI)	74.15	+0.95	QATAR 6.55 19	2.68	-2	Qatar	96	-3
Aluminium	2153.50	-0.78	US Tsy 2 yr	2.53	+2	Saudi Arabia	91	-4
Copper	6625.00	-0.05	US Tsy 10 yr	2.86	+2	Bahrain	385	-9

Source: Bloomberg, Emirates NBD Research

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