



بنك الإمارات دبي الوطني
Emirates NBD

Daily
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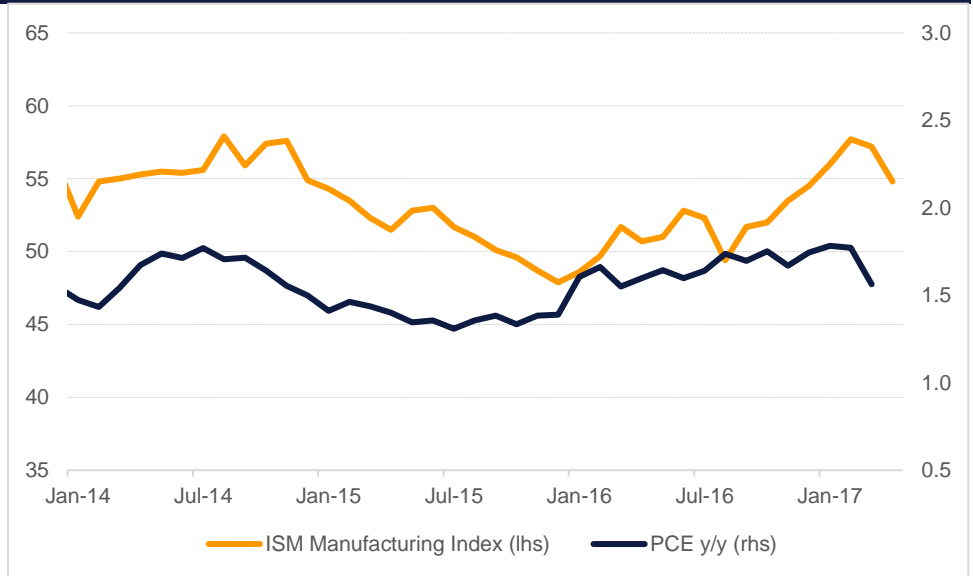
Daily Outlook

US manufacturing eased back in April from month earlier levels as the ISM Manufacturing PMI fell to 54.8 from 56.5. A sharp decline in new orders and employment in the sector were responsible for the weaker numbers and it means that this Friday's upcoming payrolls number may be on the shallower side. However, **compared with year ago levels manufacturing in the US is enormously improved and well above the level of 50 which signals expansion in the sector.** Consumer spending dipped by 0.2% in March, its first monthly decline since the start of 2016. The weak performance there affirms the sharp slowdown in Q1 GDP figures which showed a major slowdown in consumer spending to start the year.

Core inflation figures from the US, the PCE deflator which is a measure the Fed tracks closely, also underperformed in data released yesterday. **The PCE deflator for March fell 0.2% m/m taking the annual PCE inflation rate to 1.6% from 1.8% previously and further off the Fed's target of 2.0%.** The PCE inflation rate had been trending consistently upward since 2016 and the March level takes the indicator back to where it was before the start of last year.

All this data comes ahead of the FOMC meeting which begins later today. There is a less than 15% chance of the Fed using this opportunity to raise rates with the odds much higher for the June meeting. While we have had a string of disappointing US data, many of these data points appear related to one-off issues that may get unwound quickly so provide little barriers to us as far as the Fed goes in its rate tightening trajectory. Outside the US a **private sector survey of manufacturing performance in China was just released this morning showing a decline in April to 50.3 from 51.2 in March.** That's the weakest reading for the index since the third quarter of 2016 as new orders slumped. In Japan too, the Nikkei PMI data was released and showed a small dip in overall activity from 52.9 to 52.6.

US data showing some signs of slipping to start Q2



Source: Bloomberg, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
RBA Cash Rate Target	8:30	1.5%	EC Manufacturing PMI	12:00	56.8
UK Manufacturing PMI	12:30	54	EC Unemployment rate	13:00	9.4%

Source: Bloomberg.

Fixed Income

The UST yield curve edged up higher as support increased for the US government's USD 1.1 tn spending plan which will likely lead to higher treasury issuance. Yields on 2yr and 10yr USTs closed at 1.27% (+1bp) and 2.32% (+4bps) respectively. May Day holiday across Europe left markets unchanged for Gilt and Bunds at 1.08% and 0.31% respectively.

Softness in oil prices failed to impact risk appetite with credit spreads reflecting a tightening bias. CDS levels on US IG and Euro Main were at 64bps (+1bp) and 67bps (unchanged) respectively. Locally option adjusted credit spreads on Barclays GCC index closed 2bps tighter at 130bps and the liquid UAE bonds index remains close to its all-time high with YTW at 3.09% (+2bps on the day though).

Saudi Arabian corporates dominated the news flow yesterday. SABIC reported an 80% increase in 1Q sales over the corresponding period as oil prices recovered and SECO plans to approach the market with a dollar denominated benchmark sized sukuk soon.

FX

After a quiet day yesterday due to European holidays the FX markets are likely to get back in their stride today. An RBA decision is awaited this morning, which may show a slightly more dovish bias in the wake of soft inflation data recently. More generally the USD still remains subdued hovering just below its 200-day moving average which stands at 99.16 on a DXY basis. A vote on the Congressional budget plan is expected this week and there may also be a vote on the Affordable Care Act which Republicans are becoming more confident of repealing.

Equities

US equities closed higher but off session highs following comments from Donald Trump that he is actively considering breaking-up large banks and also raising gas prices. The S&P 500 index eventually closed +0.2%.

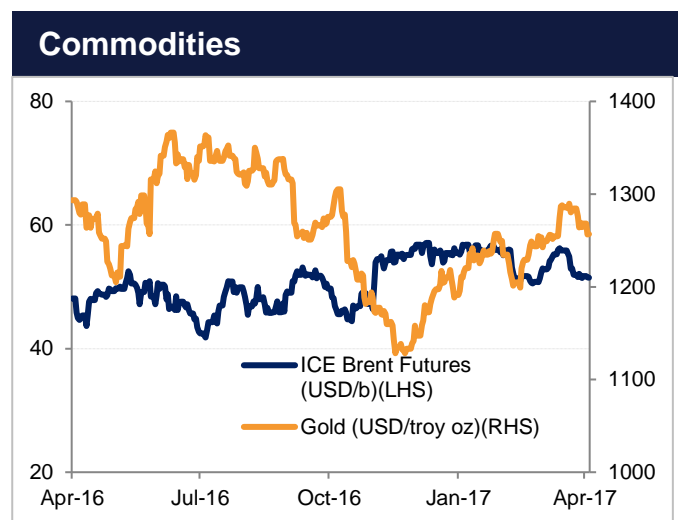
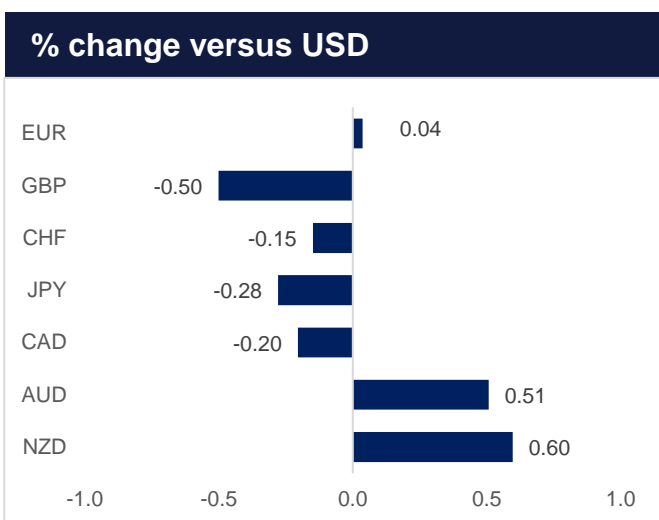
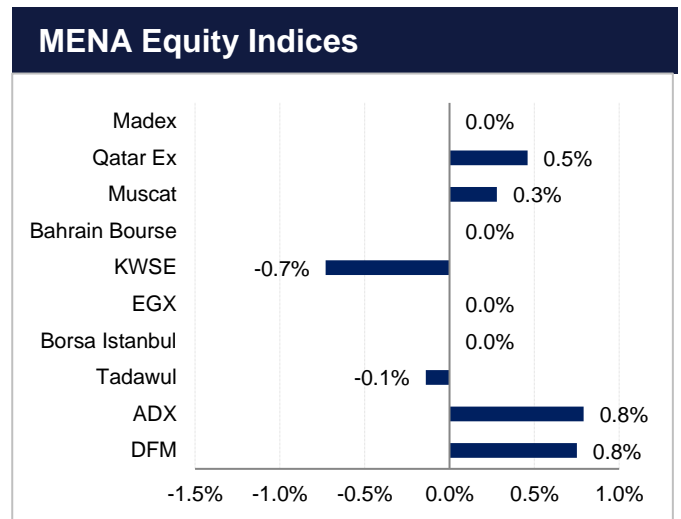
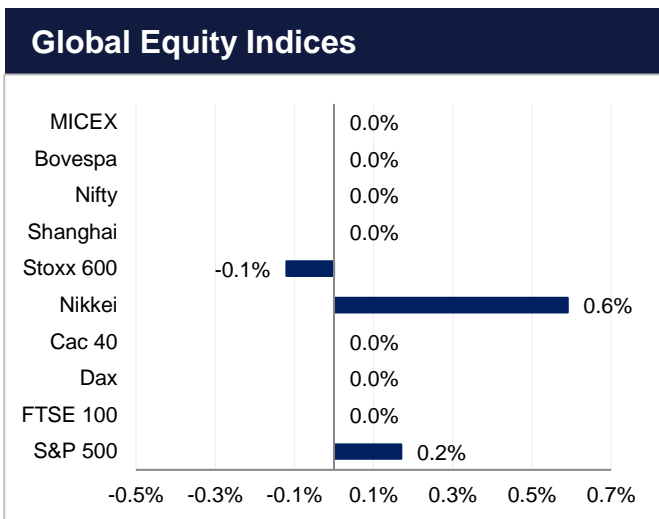
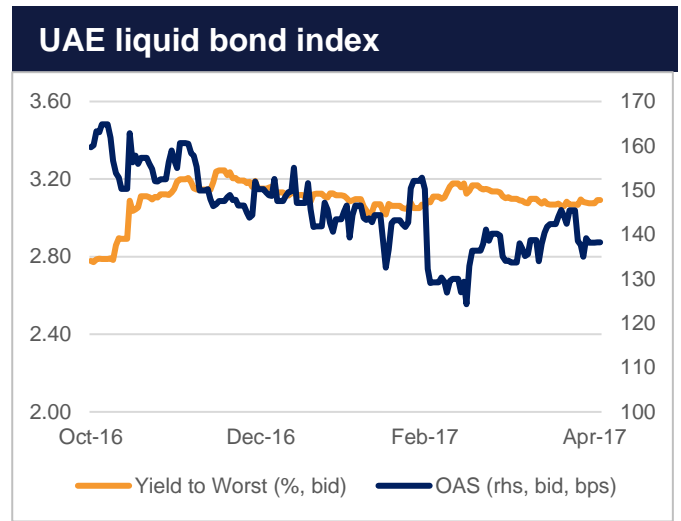
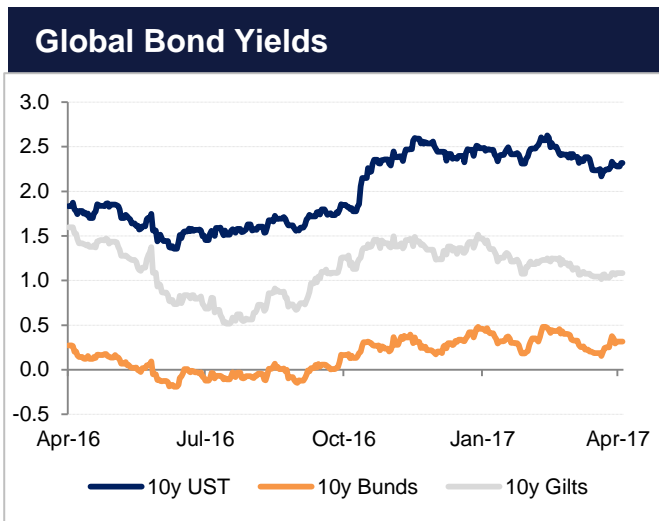
UAE bourses closed higher in what was a mixed day of trading for regional equities. Both the DFM index and the ADX index added +0.8% each. Trading on the DFM was dominated by actively traded midcap stocks. Amanat Holdings, accounted for nearly 40% of total volume on the DFM, closed +4.5% higher ahead of going ex-dividend later this week. Union Properties closed +3.9% higher even as confusion prevailed over the position of board members following two contradictory statements by the company.

Elsewhere, Ezdan Holdings rallied +6.0% after the company reported better than expected earnings. Arkan Building Materials gained +3.0% amid reports that the company is studying potential merger with other companies.

Commodities

Oil markets lagged in thin trading to start the week as news of a boost in Libyan production weighs on expectation of the market returning to balance in the immediate future. WTI futures gave up nearly 1% while Brent was lower by around 0.4%, keeping both contracts below their long-run moving averages. Regionally, market chatter is talking up an extension or even deepening of OPEC's production cuts at the producer bloc's meeting at the end of May to contend with the persistent stickiness of global inventories.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0899	+0.04	1.1123	USDTRY	3.5543	+0.07	EURAED	4.0030	+0.02
GBPUSD	1.2886	-0.50	1.3035	USDEGP	18.1195	+0.37	GBPAED	4.7328	-0.51
USDJPY	111.84	+0.31	109.75	USDSAR	3.7502	+0.00	JPYAED	0.0328	-0.28
USDCAD	1.3681	+0.21	1.3592	USDQAR	3.6414	--	CADAED	2.6848	-0.19
AUDUSD	0.7526	+0.51	0.7490	USDKWD	0.3044	+0.06	AUDAED	2.7641	+0.52
USDCHF	0.9963	+0.17	0.9715	USDBHD	0.3770	-0.00	CHFAED	3.6865	-0.14
EURGBP	0.8458	+0.53	0.8533	USDOMR	0.3850	+0.00	TRYAED	1.0300	-0.40
USDAED	3.6729	--	3.6804	USDINR	64.2462	--	INRAED	0.0572	+0.06

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.0878	1.4705	1.6875	2.1433	USD 2 yr	1.583	+1
USD LIBOR	0.9950	1.1723	1.4263	1.7740	USD 5 yr	1.958	+2
GBP LIBOR	0.2551	0.3253	0.4724	0.6799	USD 10 yr	2.284	+3
JPY LIBOR	-0.0212	0.0024	0.0243	0.1350	EUR 2 yr	-0.145	-1
CHF LIBOR	-0.7918	-0.7300	-0.6648	-0.4916	EUR 5 yr	0.196	--
					EUR 10 yr	0.790	--

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1256.58	-0.92	ADGB 6.75 19	1.63	-1	Abu Dhabi	41	--
Silver	16.86	-2.02	DUGB 7.75 20	2.71	-0	Dubai	112	+3
Oil (WTI)	48.84	-0.99	QATAR 6.55 19	1.83	+1	Qatar	59	--
Aluminium	1903.00	--	US Tsy 2 yr	1.27	+1	Saudi Arabia	87	--
Copper	5710.50	--	US Tsy 10 yr	2.32	+4	Bahrain	222	+7

Source: Bloomberg, Emirates NBD Research

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