



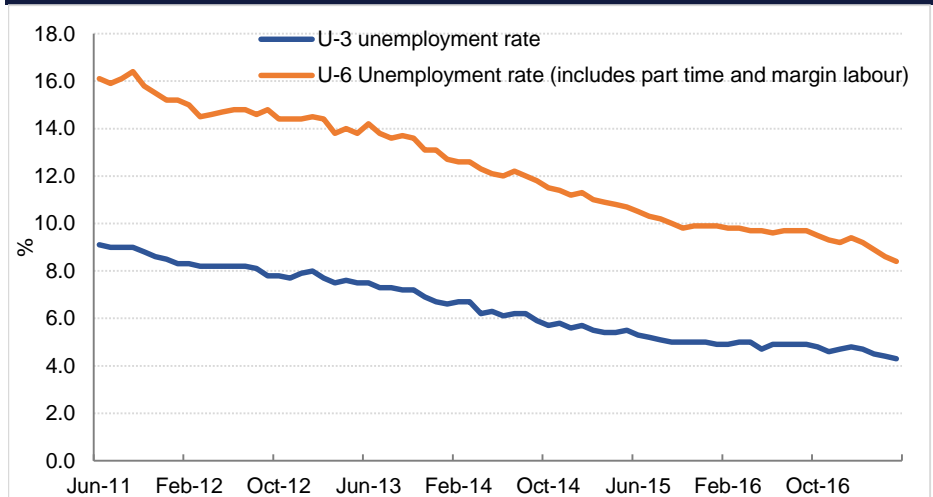
# Daily Outlook

**US employment data released on Friday was weaker than expected, with 138k new jobs added last month against a forecast of 182k**, casting doubt on the likelihood of a third rate hike this year taking place in September. The probability of a June Fed hike remains unchanged, however, but looking beyond June, the markets will need to see evidence that US economic growth is continuing from Q2 into Q3. To some extent the market reaction on Friday looks a little exaggerated to us as the US economy is close to full employment and cannot be assumed to generate strong payroll rises every month. Also the unemployment rate still fell to 4.3% and other measures of the labour market have also held up relatively well of late, including a 253k surge in the ADP survey. Should these trends continue, it seems likely that wage growth will eventually catch-up, giving the Fed enough grounds to maintain their policy of steady normalization. While the market may have moved to expect a December rate move over a September one, we would still not rule out that a September hike could still happen.

**Services PMI data for Japan and China improved in May.** The Caixin services PMI rose to 52.8 in May from 51.5 in April, easing some concerns about growth in China, following weaker than expected manufacturing PMI data released last Thursday. Japan's services PMI rose to 53.4 in May from 52.6. While there is a fair amount of economic data due to be released over the coming days, **the market's main focus is likely to be on political events this week**, with the UK's general election and former FBI director Comey's testimony to the Senate Intelligence Committee both scheduled for Thursday.

In the GCC, Bloomberg reports that Saudi Arabia, UAE, Bahrain and Egypt have cut diplomatic ties with Qatar and closed their borders with the country, as tension over Qatar's perceived support of terrorist groups in the region has escalated.

## US labour market continues to tighten



Source: Bloomberg.

## Day's Economic Data and Events

	Time	Cons		Time	Cons
Eurozone services PMI	12:00	56.2	UK Markit Services PMI	12:30	55.0
US Durable Goods Orders	18:00	-0.5%	US Factory Orders	18:00	-0.2%

Source: Bloomberg.

## Fixed Income

With the jobs data in the US coming in weaker than expected, investors are becoming increasingly sceptical of possibility of rate hikes beyond June. The possible political pitfalls also seem to be weighing on investors' minds with former FBI director James Comey scheduled to testify later this week. US Treasuries ended the week at 2017 highs with yields on 2y USTs and 10y USTs dropping to 1.2879% and 2.1591% respectively.

Notwithstanding the drop in oil prices, GCC bonds continue to trade in a tight range. The BUAEL index closed marginally higher at 116.47 (+0.16%). The spread on the GCC bonds did widen slightly by 6 bps as reflected in the Bloomberg Barclays GCC Credit and High Yield Average OAS index.

S&P affirmed Bahrain's rating at BB- but changed the outlook to negative from stable. The rating agency said that the negative outlook reflects the view that Bahrain's net external asset position could weaken to be insufficient to mitigate the continuing effects of oil price volatility. The decision had no impact on the bonds on Friday.

## FX

Disappointing jobs numbers following on core inflation moving in the wrong direction sent USD to a new low at the end of the week with the DXY index closing at its lowest levels since November. The dollar was weaker against nearly all peers over the week aside from CAD and AUD, both under pressure from softer commodity prices and at best flat industrial growth in China.

GBP will struggle as opinion polls ahead of Thursday's general election have seen the ruling Conservative Party's lead over Labour narrow significantly. The terror attacks in London over the weekend may be a boost in favour of Prime Minister Theresa May as voters lean toward a stable government but may not be enough to preserve the Conservative's current majority.

## Equities

It was a mixed day of trading for regional equities in what was another sluggish start to the week. The DFM index dropped -0.3% while the Tadawul rallied +0.9%. A potential reclassification of Saudi equities on June 20 by the MSCI seems to be helping investor sentiment.

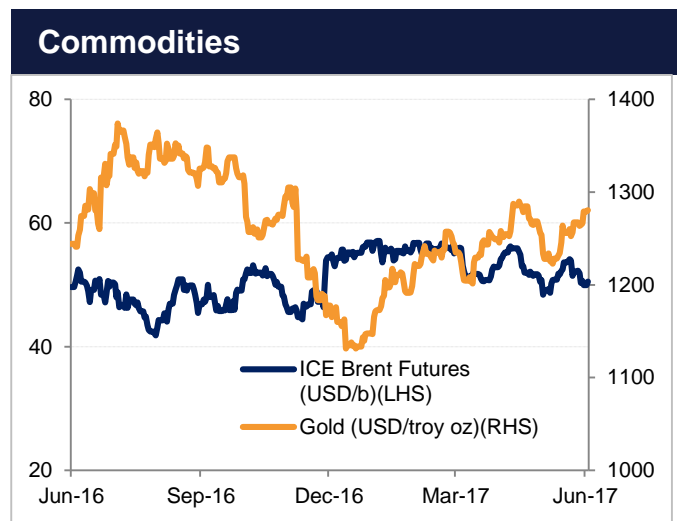
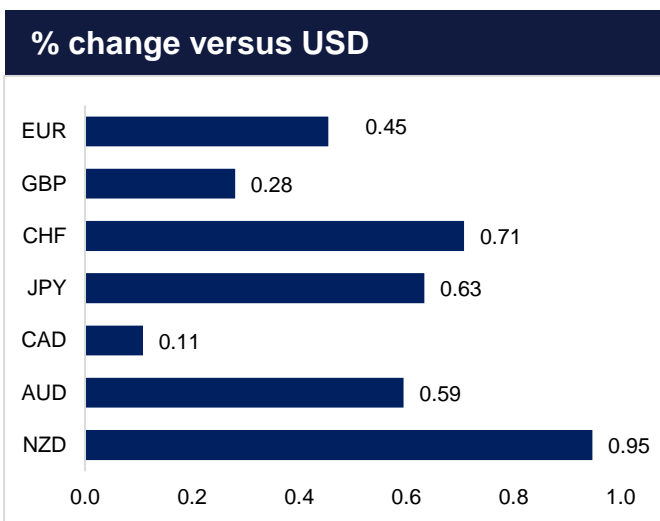
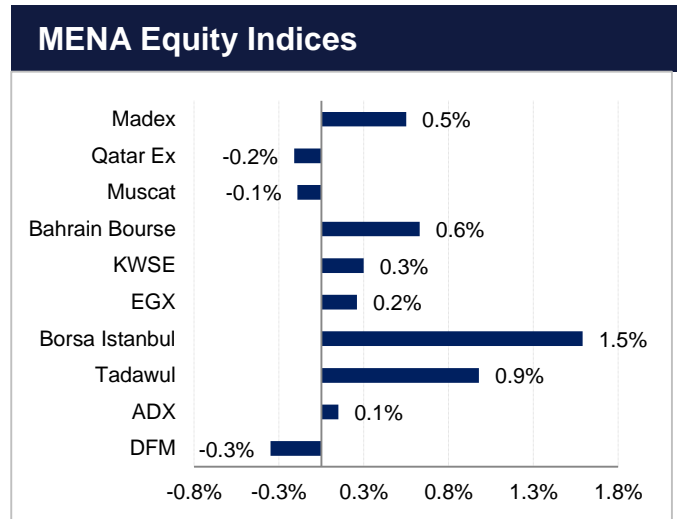
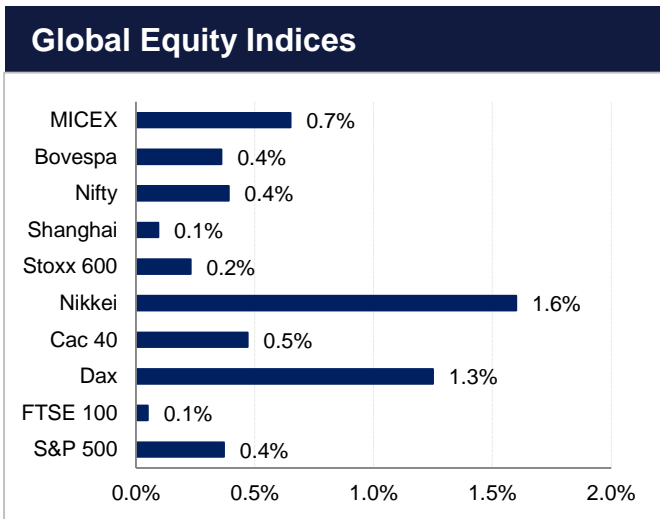
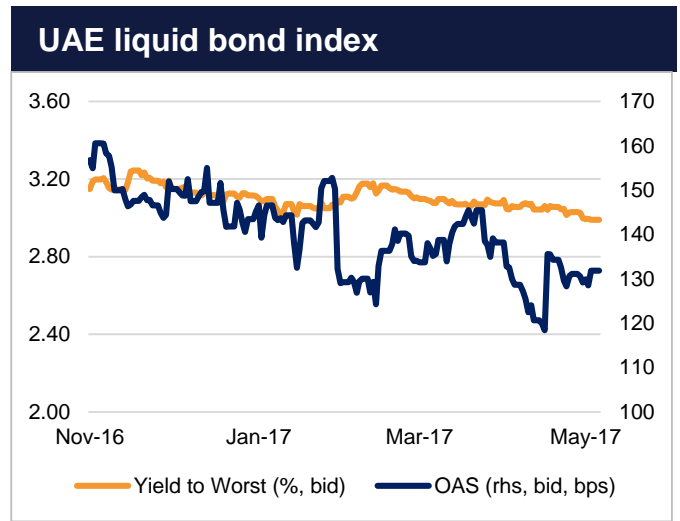
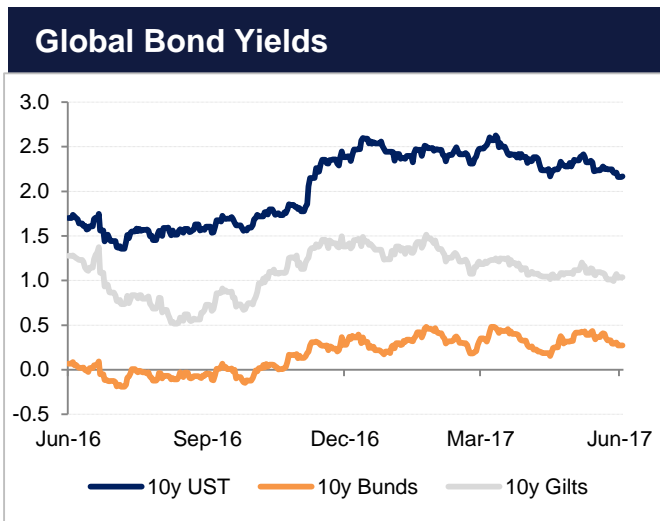
In terms of stocks, Dar Al Arkan rallied +2.5% after the company appointed a new CEO. In other news, Gulf Finance House first said that it has withdrawn from talks to acquire Shuaa Capital. However, after the market closed, the company withdrew the first statement. There was no impact on stocks of either company.

## Commodities

Oil markets started June on the back foot as both benchmark futures contracts gave up more than 4% last week. Brent futures closed back below USD 50/b at the end of the week and both WTI and Brent are now entrenched below their 100- and 200-day moving averages. As we had expressed concern about, the backwardation in Dec spreads has now dissipated and Brent Dec 17-18 is in a nearly USD 0.30/b contango while the Dec 17-19 is about twice as wide. Volatility in oil markets has been grinding higher in recent weeks and short-term vol is approaching year-to-date highs (excessively choppy movements at the start of the year notwithstanding).

President Trump's decision to pull the US out of the Paris Agreement on global climate change helped push prices lower at the end of the week as the market anticipates more exploration and production work in the US. As if to reinforce the point, the drilling rig count in the US expanded again, taking the total to 733 rigs (compared with just 325 a year earlier).

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1279	+0.45	1.1508	USDTRY	3.5088	-0.77	EURAED	4.1205	-0.08
GBPUSD	1.2888	+0.28	1.3039	USDEGP	18.0020	+0.00	GBPAED	4.7224	+0.04
USDJPY	110.40	-0.64	108.40	USDSAR	3.7501	--	JPYAED	0.0329	-0.35
USDCAD	1.3487	-0.08	1.3395	USDQAR	3.6416	--	CADAED	2.7146	-0.24
AUDUSD	0.7443	+0.59	0.7412	USDKWD	0.3036	-0.00	AUDAED	2.7145	-0.11
USDCHF	0.9631	-0.63	0.9395	USDBHD	0.3772	--	CHFAED	3.7817	-0.21
EURGBP	0.8756	+0.22	0.8830	USDOMR	0.3850	+0.00	TRYAED	1.0500	+1.09
USDAED	3.6730	+0.00	3.6805	USDINR	64.3625	-0.18	INRAED	0.0570	+0.15

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.0883	1.4808	1.6988	2.1077	USD 2 yr	1.528	+1
USD LIBOR	1.0862	1.2225	1.4282	1.7307	USD 5 yr	1.842	+0
GBP LIBOR	0.2504	0.2916	0.4295	0.6261	USD 10 yr	2.159	+0
JPY LIBOR	-0.0223	-0.0125	0.0246	0.1270	EUR 2 yr	-0.168	-1
CHF LIBOR	-0.7874	-0.7296	-0.6618	-0.4910	EUR 5 yr	0.164	-1
					EUR 10 yr	0.788	-1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1279.17	+1.04	ADGB 6.75 19	1.54	+0	Abu Dhabi	39	--
Silver	17.20	+0.35	DUGB 7.75 20	2.58	+0	Dubai	105	-1
Oil (WTI)	47.66	-1.45	QATAR 6.55 19	1.72	-2	Qatar	59	--
Aluminium	1929.25	+0.27	US Tsy 2 yr	1.29	-0	Saudi Arabia	90	--
Copper	5640.00	-0.62	US Tsy 10 yr	2.16	-5	Bahrain	220	--

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**  
Group Treasurer & EVP 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

**Shady Shafer Elborno**  
Head of Macro Strategy  
+9714 2012300  
shadyb@emiratesnbd.com

**Athanasios Tsetsonis**  
Sector Economist  
+9714 230 7629  
athanasiost@emiratesnbd.com

**Edward Bell**  
Commodity Analyst  
+9714 230 7701  
edwardpb@emiratesnbd.com

**Mohammed Al-Tajir**  
Manager, FX Analytics and Product Development  
+9714 609 3005  
mohammedtaj@emiratesnbd.com

**Aditya Pugalia**  
Analyst  
+9714 230 7802  
adityap@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