



بنك الإمارات دبي الوطني
Emirates NBD

Daily
7 June 2018

www.emiratesnbdresearch.com

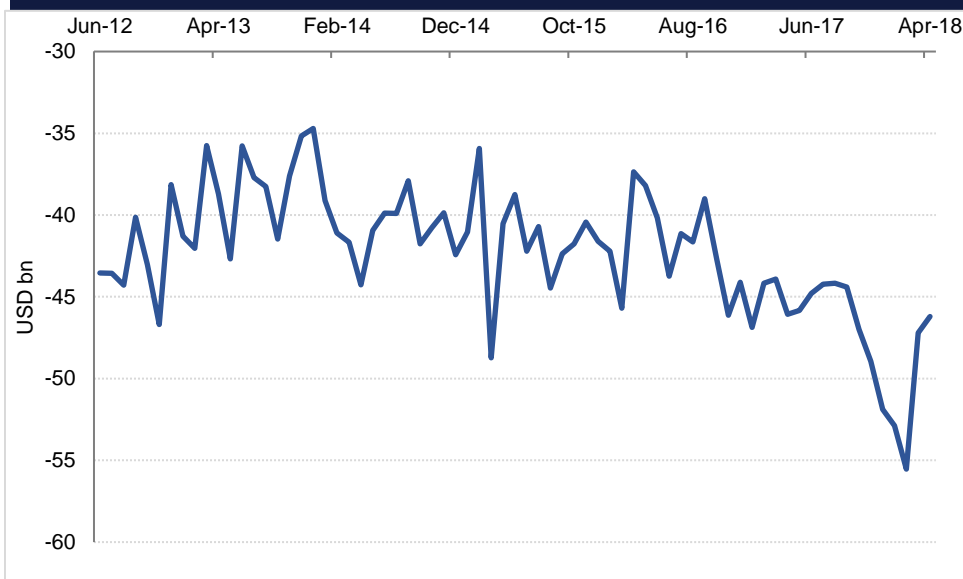
Daily Outlook

Dubai's Executive Council has approved a number of measures to boost growth and attract investment, including reducing municipal taxes on businesses; waiving some fees on the aviation industry and fines on late property registration; and freezing private school fees for the coming academic year. The measures were broader in scope than we had expected following the instructions by the ruler Sheikh Mohammed bin Rashid last month for the government to reduce the cost of doing business in the emirate and take steps to accelerate economic growth. The new measures should offer some relief for businesses across all sectors as well as providing a boost to the key transport and logistics sector. The freeze on school fees will be welcomed by households and help to offset the impact of VAT and higher fuel costs this year. **We retain our 3.8% growth forecast for Dubai this year, up from 2.8% in 2017.**

In a surprise move, the Reserve Bank of India (RBI) hiked repo rate by 25 bps to 6.25% even as it retained a 'neutral stance'. The decision was unanimous with the central bank highlighting upside risks to inflation even after accounting for the recent increase in oil prices, and upbeat growth prospects, saying that the output gap has almost closed. The RBI also raised its inflation forecast slightly to 4.8% - 4.9% (versus the earlier estimate of 4.7% - 5.1%) for H1 FY 2019. The rate decision appears to be a pre-emptive move and the neutral stance leaves the RBI with the option of staying put should further upside risks to inflation not materialize.

Eurozone bonds sold off and the euro rallied on comments by the ECB's Chief Economist that the bank would formally discuss ending the QE program soon, most likely at next week's meeting. The market had been expecting this discussion to take place later this year, and there had also been some concern that the ECB may delay even further on the back of the political developments in Italy. **Finally, the US's April trade deficit was smaller than forecast at USD 46.2bn**, the lowest in 7 months. However, the trade deficit with China widened to USD 388bn, and the US's deficit with Germany, Mexico and Japan also widened. **G7 leaders meet in Canada tomorrow, with trade policy likely to dominate the discussion.**

US trade deficit narrows further in April



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
Germany Factory Orders	10:00	3.6%	Eurozone final Q1 GDP	13:00	2.5%

Source: Bloomberg

Fixed Income

Treasuries continued to take cues from moves in European bond markets. Treasuries followed European bonds lower as ECB speakers including Praet and Hansson sounded hawkish ahead of the ECB meeting next week. Yields on the 2y UST, 5y UST and 10y UST closed at 2.51% (+2 bps), 2.80% (+4 bps) and 2.97% (+5 bps). Yield on 10y bunds rose +8 bps to 0.465% and +11 bps on 10y France bond yield to 0.80%.

Regional bonds drifted lower following move in benchmark yields. The YTW on the Bloomberg Barclays GCC Credit and High Yield index rose +2 bps to 4.62% but credit spreads tightened 3 bps to 185 bps.

The 5y Bahrain CDS rose 12 bps to close above 400 for the first time since July 2016. The Bahrain 29s closed at USD 84.88, nearly 1 point lower since the start of June 2018.

FX

AUD was Wednesday's top performer, advancing in the aftermath of stronger than expected growth data. A report from the Australian Bureau of Statistics showed that economy grew at a faster than expected 1.0% q/q (3.1% y/y) in Q1 2018, up from 0.5% q/q (2.4% y/y), the previous quarter. The gains meant that AUDUSD closed above the 50 day moving average (0.7606) for a third consecutive day. The next level of resistance can be expected at 0.7690, not far from the 38.2% one year Fibonacci retracement (0.7689). However, softer than expected trade data has resulted in some of these gains being pared. A report from the Australian Bureau of Statistics showed that Australia's trade balance narrowed from AUD 1731mn in March to AUD 977mn in April. As we go to print, AUDUSD is trading 0.13% lower at 0.76565 during the Asia session. Should we see a fourth consecutive close above the 50 day moving average, the risk of a break of the 38.2% one year Fibonacci retracement and an advance towards the 100 day moving average (0.7731) will increase.

Equities

Developed market equities closed higher as economic data in the US continued to remain strong. The S&P 500 index added +0.9% while the Euro Stoxx 600 index closed flat.

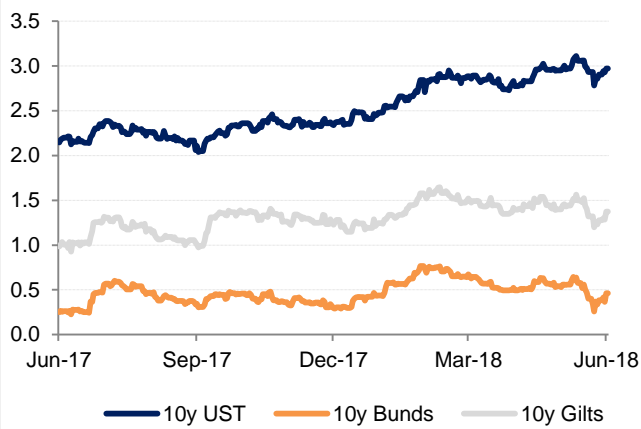
Regional equities closed mixed with the DFM index adding +0.4% and the Tadawul losing -0.3%. Consumer sector stocks in Saudi Arabia outperformed the broader index with Sadafco adding +6.1% and Savola +1.2%. The announcement of fiscal stimulus by Abu Dhabi helped stocks in the UAE. First Abu Dhabi Bank added +0.4% and Emaar Development gained +1.3%.

Commodities

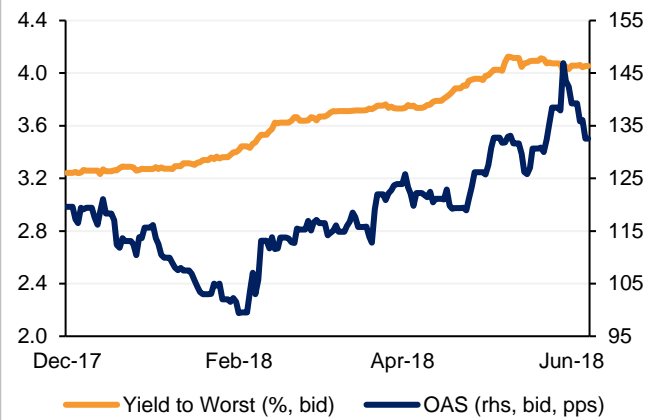
A bearish EIA report weighed on crude prices yesterday and put more downward pressure on the WTI/Brent spread. Brent futures closed nearly flat while WTI lost more than 1.2% to end the day at USD 64.73/b. The spread between the two benchmarks widened to USD 10.63/b and is now trading even wider. Total petroleum stocks rose by more than 15m bbl last week, including a build in crude stocks. Meanwhile US production rose to 10.8m b/d, up nearly 1.5m b/d y/y.

Markets in Charts

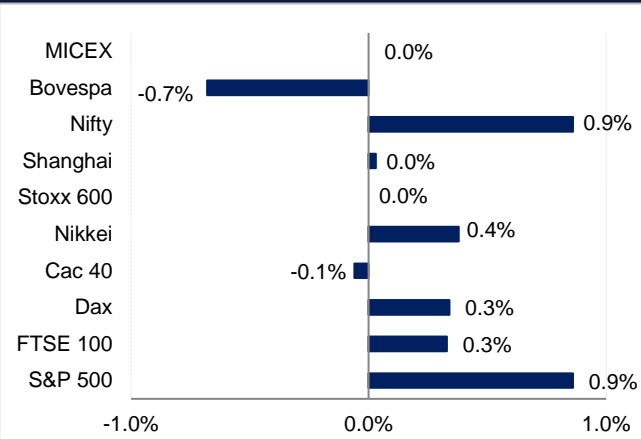
Global Bond Yields



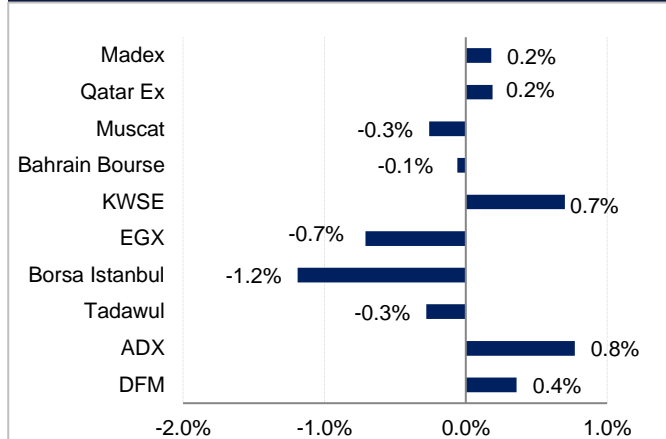
UAE liquid bond index



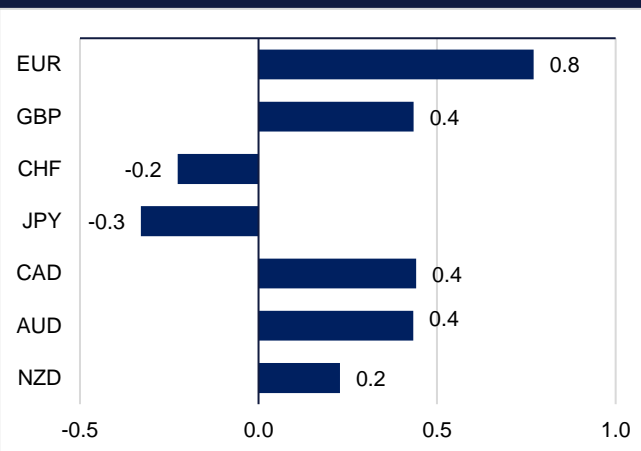
Global Equity Indices



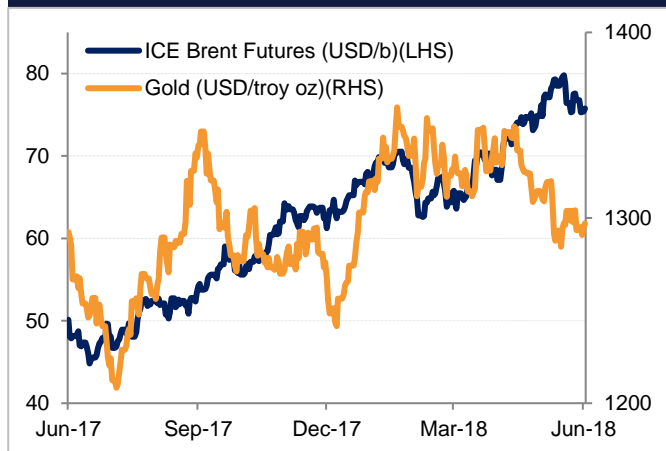
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1768	+0.77	1.2137	USDTRY	4.6147	-0.16	EURAED	4.3221	+0.76
GBPUSD	1.3417	+0.43	1.3664	USDEGP	17.8898	+0.29	GBPAED	4.9282	+0.44
USDJPY	110.17	+0.33	107.01	USDSAR	3.7502	--	JPYAED	0.0333	-0.32
USDCAD	1.2921	-0.46	1.2825	USDQAR	3.6800	+0.73	CADAED	2.8427	+0.46
AUDUSD	0.7652	+0.43	0.7684	USDKWD	0.3022	-0.06	AUDAED	2.8108	+0.45
USDCHF	0.9881	+0.23	0.9540	USDBHD	0.3777	-0.01	CHFAED	3.7173	-0.22
EURGBP	0.8771	+0.33	0.8883	USDOMR	0.3848	--	TRYAED	0.7900	-0.59
USDAED	3.6730	--	3.6757	USDINR	67.0875	-0.09	INRAED	0.0552	+0.99

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.1100	2.5304	2.6925	3.1721	USD 2 yr	2.777	+2
USD LIBOR	2.0296	2.3209	2.4838	2.7409	USD 5 yr	2.930	+3
GBP LIBOR	0.5019	0.6263	0.7498	0.9236	USD 10 yr	3.010	+3
JPY LIBOR	-0.0681	-0.0263	0.0227	0.1143	EUR 2 yr	-0.124	+2
CHF LIBOR	-0.7896	-0.7328	-0.6460	-0.5258	EUR 5 yr	0.370	+5
					EUR 10 yr	0.981	+5

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1296.40	--	ADGB 6.75 19	2.42	--	Abu Dhabi	61	--
Silver	16.55	+1.01	DUGB 7.75 20	3.65	+0	Dubai	117	--
Oil (WTI)	64.73	-1.21	QATAR 6.55 19	2.79	+0	Qatar	92	--
Aluminium	2342.00	+1.42	US Tsy 2 yr	2.52	+2	Saudi Arabia	88	--
Copper	7211.25	+1.63	US Tsy 10 yr	2.97	+4	Bahrain	404	+12

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
Senior Executive Vice President
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

Aditya Pugalia
Financial Markets Research
+9714 230 7802
adityap@emiratesnbd.com

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

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

Daniel Richards
MENA Economist
+9714 609 3032
danielricha@emiratesnbd.com

Mohammed Altajir
FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

Hessa Al Khawaja
Research Associate
+9714 609 3015
Hessaalkh@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