



بنك الإمارات دبي الوطني
Emirates NBD

Daily
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Daily Outlook

The **April non-farms payroll showed the US economy has enough momentum to still pull in large numbers of new workers each month.** The US added 164k jobs in April, following an upwardly revised print of 135k jobs. Jobs gains were widespread across industry and services. The headline unemployment number fell to 3.9%, its lowest level since 2001 and the first downward move in six months. Average hourly earnings held at 2.6% for the third month running. **All told the jobs report gives signs of a steadily tightening labour market in the US and wage pressures at least heading in the right direction,** supporting our view for at least two more rate hikes this year.

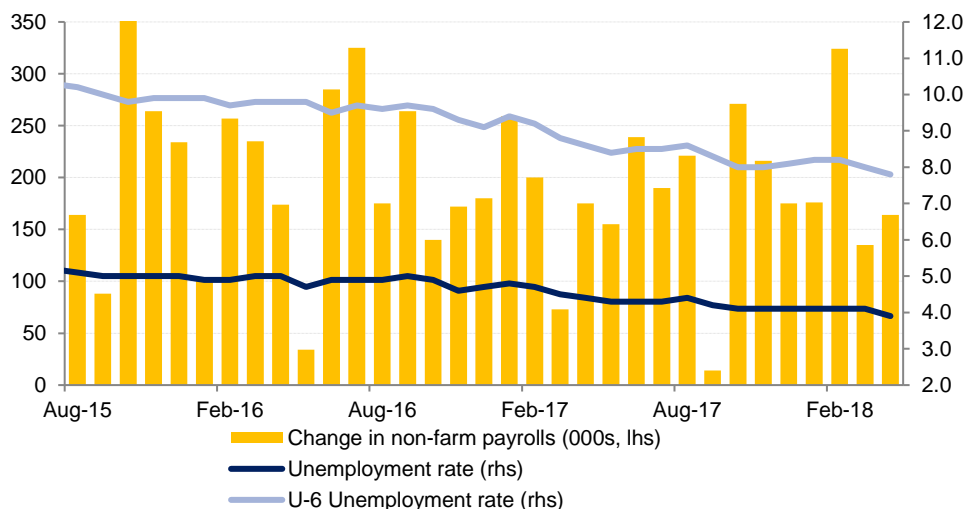
A US trade delegation completed a trip to China last week and increased the demand on China to cut its trade surplus with the US by USD 200bn, double the initial request. The US team, led by Treasury secretary Steve Mnuchin, also called on China to cut its tariffs to parallel levels with the US. While trade has not captured the attention of markets in recent weeks, **the negotiations with China show there is still a wide gulf between both countries before tariffs potentially come into effect in June.**

Eurozone inflation data out at the end of last week was slower than market expectations with prices across the currency bloc rising by 1.2% in April compared with 1.3% in March. Core inflation also slipped to 0.7% y/y. The soft inflation data was followed up with a decline in the composite PMI for the Eurozone, which fell to 55.1 in April, down from 55.2 in March.

Lebanon held long-delayed legislative elections on Sunday, the first such vote in nine years. The details of the result are hard to predict given the new electoral law passed in 2017 and because so many voters are doing so for the first time. Nevertheless, Saad Hariri is likely to return as prime minister at the head of an uneasy alliance encompassing Hizbullah, given the legitimacy his presence lends the group's presence in government. **With change in government likely to be cosmetic, Lebanon might lack the political will needed to make the necessary reforms to ensure essential continued external funding.**

The UAE has announced a one-month bonus for public sector employees (including those who are retired and on social security) to be paid before mid-June. The total amount disbursed will be AED 1.6bn. We had projected an increase in government spending on wages and salaries this year so the bonus announcement is not wholly surprising, and it should help to offset the impact of VAT and higher fuel costs on some consumers. **The impact on the budget is not significant, and is mitigated by the higher than forecast oil prices so far this year.**

US employment market continues to show growth



Source: Markit, Bloomberg, Emirates NBD Research

www.emiratesnbdresearch.com

Day's Economic Data and Events

	Time	Cons		Time	Cons
EZ retail PMI	12:1-	N/A	EZ investor confidence	12:30	N/A

Source: Bloomberg

Fixed Income

Treasuries closed mixed with the front end of the curve drifting lower while the belly of the curve closed marginally higher. The week saw a slight dovish tilt in the statement from the Federal Reserve where they indicated that they will be willing to allow inflation to overshoot the 2% target in the short term. The non-farm payrolls data was also mixed as average hourly earnings missed estimates. Yields on the 2y UST rose 1bp w-o-w to 2.49% while yields on the 5y UST and 10y UST dropped 2bps w-o-w and 1bp w-o-w to 2.78% and 2.95% respectively.

Regional bonds came under pressure with the YTW on the Bloomberg Barclays GCC Credit and High Yield index rising 10bps w-o-w to 4.61% and credit spreads widening 10 bps to 188bps.

Fitch, in a report, said that the extra Zakat levied on Saudi Arabian banks due to a backdated change in calculations would have a modest impact on banks' capital. However, some banks' ratings could come under pressure if the amounts for the remaining years to be assessed are large enough to cause a material decline in capital metrics or if such assessment appear likely to structurally weaken a bank's internal capital generation.

FX

The dollar index rose for a third week, gaining 1.12% last week to reach 92.566 in a move with many key technical developments. The move has taken the index back above the 200 day moving average for the first time since May 2017. In addition, the former weekly downtrend that had been in effect since January 2017 appears to have been breached now with a second weekly close above the former capping resistive trend line. Indeed the index went as far as testing the 50 week moving average (92.730) and the 38.2% one year Fibonacci retracement (92.698) before advances were halted. In the week ahead, a daily close above these levels may trigger further gains towards 94.00.

TRY softened over the course of the previous week, USDTRY rising 4.61% to reach 4.2291, down from a record high of 4.2901 on Friday afternoon. The Turkish lira sank to new record lows after economic reports showed that inflation levels (10.85% y/y) have risen to the highest levels since December 2017. With increasing depreciation in the currency likely to extend the period of double-digit inflation and result in an economic slowdown, market expectations of an emergency hike from Turkiye Cumhuriyet Merkez Bankasi are starting to surface.

Equities

Regional equities started the week on a positive note, tracking strong close in global equity markets over the weekend. The DFM index added +0.8% while the Tadawul gained +0.1%.

Drake & Scull rallied +4.6% after the company's largest shareholder said that it was committed to maintaining its shareholding position in the company and will support the company in securing new banking facilities and contracts.

Commodities

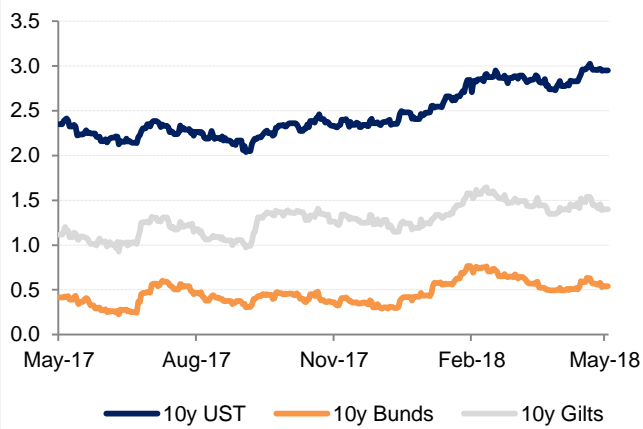
Oil prices continued their march upward as the market fixates on whether US president Trump will walk away from the JCPOA by the end of this week. Brent prices added 0.3% over five days to close at USD 74.87/b while WTI closed up 2.4% at USD 69.72/b. There is still a chance the deal's European promoters could offer up the 'fixes' demanded by president Trump but all public announcements suggest the US will walk away in some form.

Investors have taken some money out of oil positions in recent weeks, likely capturing some profits ahead of the May 12 deadline. Net length in WTI fell by 11.8k contracts last week while some new short positions were added to Brent, taking net length down by 21k contracts. Long Brent still appears a relatively crowded trade, particularly as Brent has been rejected by prices around USD 75/b in the past week.

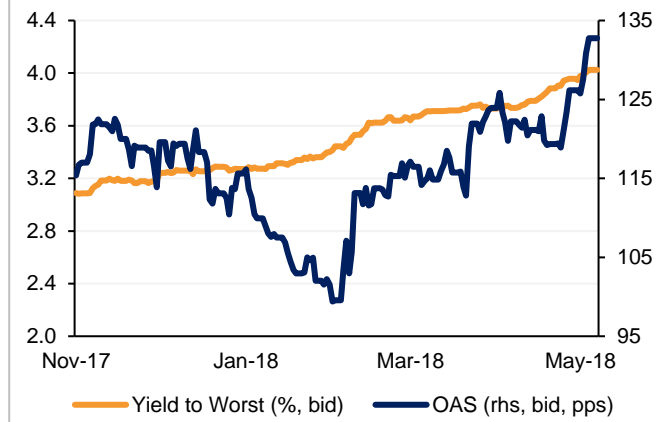
The US drilling rig count rose again last week, up by 9 rigs. US oil and gas companies have now added rigs for five weeks in a row, taking the total to more than 830 rigs.

Markets in Charts

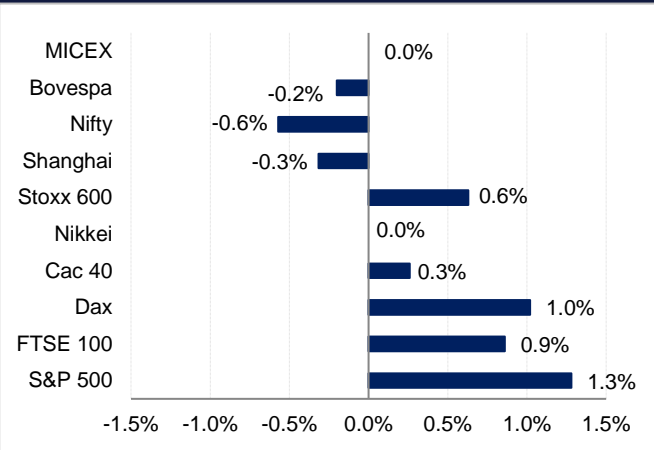
Global Bond Yields



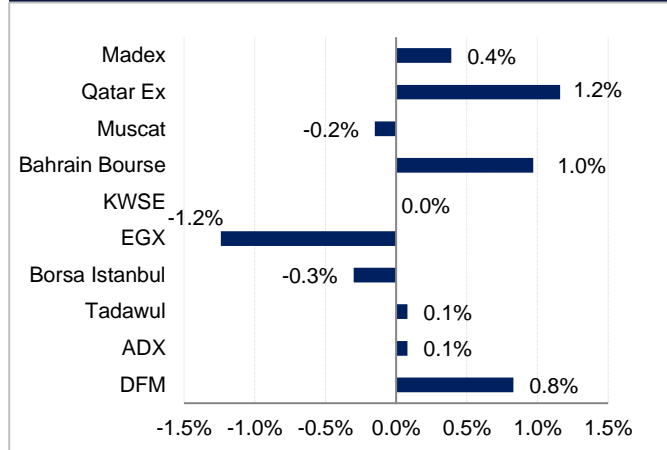
UAE liquid bond index



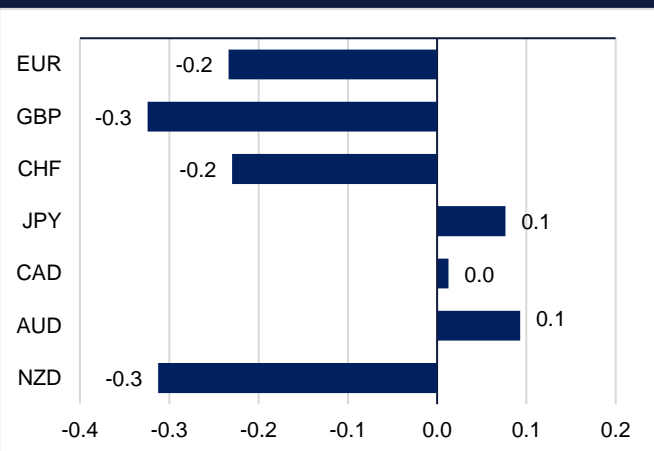
Global Equity Indices



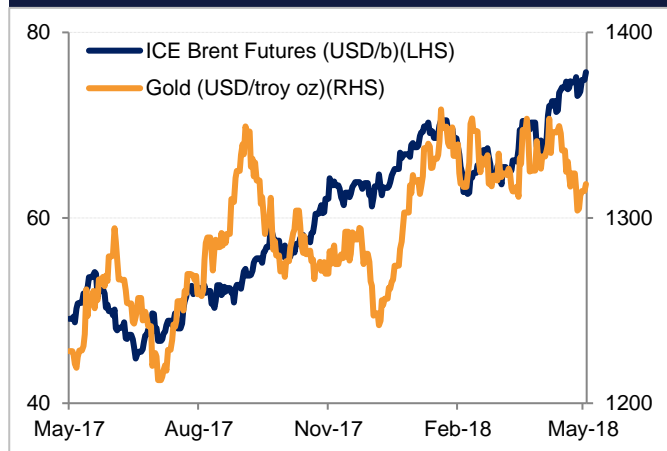
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1960	-0.23	1.2334	USDTRY	4.2309	+0.41	EURAED	4.3940	-0.22
GBPUSD	1.3531	-0.32	1.3782	USDEGP	17.6292	-0.29	GBPAED	4.9710	-0.33
USDJPY	109.12	-0.06	106.03	USDSAR	3.7503	--	JPYAED	0.0337	+0.08
USDCAD	1.2846	-0.01	1.2757	USDQAR	3.6800	+0.62	CADAED	2.8594	+0.01
AUDUSD	0.7539	+0.09	0.7568	USDKWD	0.3014	-0.00	AUDAED	2.7695	+0.10
USDCHF	1.0000	+0.25	0.9661	USDBHD	0.3771	--	CHFAED	3.6732	-0.22
EURGBP	0.8841	+0.10	0.8951	USDOMR	0.3850	--	TRYAED	0.8700	-0.19
USDAED	3.6730	--	3.6763	USDINR	66.8850	+0.36	INRAED	0.0552	+0.27

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.0000	2.5038	2.7756	3.1010	USD 2 yr	2.765	+2
USD LIBOR	1.9277	2.3691	2.5202	2.7767	USD 5 yr	2.914	+1
GBP LIBOR	0.5073	0.6729	0.7793	0.9489	USD 10 yr	2.984	+1
JPY LIBOR	-0.0445	-0.0312	0.0268	0.1190	EUR 2 yr	-0.150	+0
CHF LIBOR	-0.7849	-0.7226	-0.6458	-0.5172	EUR 5 yr	0.366	-0
					EUR 10 yr	0.969	+0

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1314.50	+0.19	ADGB 6.75 19	2.42	--	Abu Dhabi	56	-1
Silver	16.54	+0.64	DUGB 7.75 20	3.42	-4	Dubai	115	+3
Oil (WTI)	69.72	+1.89	QATAR 6.55 19	2.92	+2	Qatar	92	+1
Aluminium	2369.50	+4.38	US Tsy 2 yr	2.50	+2	Saudi Arabia	90	--
Copper	6790.00	-0.03	US Tsy 10 yr	2.95	+0	Bahrain	358	+22

Source: Bloomberg, Emirates NBD Research

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