



بنك الإمارات دبي الوطني
Emirates NBD

Weekly
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Tim Fox
Chief Economist
+971 4 230 7800
timothyf@emiratesnbd.com

Mohammed Altajir
Manager, FX Analytics and
Product Development
+971 4 609 3005
MohammedTAJ@emiratesnbd.com

www.emiratesnbdresearch.com

FX Week

Risk appetite continued to recover last week, but this time G10 currencies performed better at the expense of the USD as confidence that a global recession could be avoided grew. The JPY and the CHF were the exceptions to this but this was also consistent with reduced demand for safe havens. **US 10-year bond yields rose by 6bps to 2.56%** while equity markets also fared well at the end of the week as corporate profits improved. Despite the IMF downgrading its growth outlook to 3.3% from 3.5% in January, more contemporaneous economic data appeared to signal that concerns over the world economy might have been overdone.

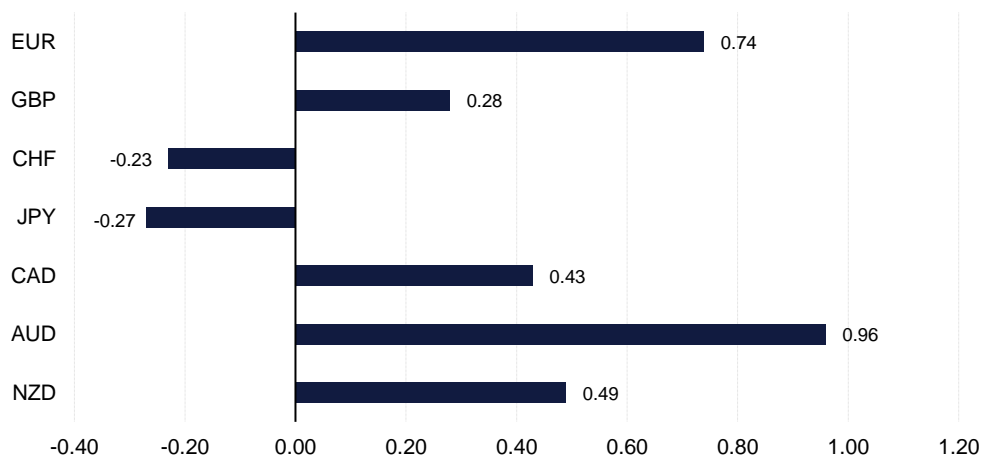
Once again Chinese economic data provided a welcome surprise with exports rising by 14.2% y/y in March, even as imports were weaker falling by 7.6% y/y. Much of this improvement was probably still a degree of catch-up from very weak January data, but nonetheless it helped the mood which is already lifting as a result of optimism over the trade talks. Other data that was constructive included US initial jobless claims which fell to a fresh 49-year low, and higher than expected US inflation numbers.

While trade negotiations with China remain uncertain, trade tensions are however surfacing between the U.S. and the EU mainly because of subsidies to their respective aviation companies. President Donald Trump said that the US would impose tariffs on \$11 billion worth of goods from the EU, mainly on farm products and autos, in response to EU's aid to Airbus. On the other hand, the EU is considering its own retaliatory tariffs against the U.S. over subsidies to Boeing Co.

The extension of the Brexit process, with a new October-31 deadline, should take it away from the headlines, with the UK having, for now, avoided a disorderly no-deal exit from the EU. The main focus will now be on efforts by the government and the opposition Labour Party to find a compromise around the existing Withdrawal Agreement, which will probably revolve around the UK remaining in the EU customs union in the post-Brexit world, **with GBP likely to remain underpinned while this negotiation plays out.** The UK will still be obliged to participate in EU elections in May unless a deal is agreed and approved by parliament quickly, but much of what PM May might be forced to accept to get a deal could cause her to lose her job and may in the long term see the Conservative Party lose power.

Trading will be light this week with the U.S., Canada, the UK, several European and Asian markets closed for holidays at the end of it, and with much of Europe remaining closed the following Monday. The U.S. economic agenda includes retail sales, production, and trade, along with a slew of corporate earnings figures. China has Q1 GDP, March industrial production, retail sales, and fixed investment, while Japan releases March trade and national CPI figures. Europe will look to confidence reports now that Brexit and the ECB are momentarily out of the spotlight.

Weekly currency movement vs USD (%)



Source: Bloomberg, Emirates NBD Research

EURUSD

EURUSD rises for first time in four weeks

An uptick in U.S. inflation was not enough to support the dollar against the euro. U.S. headline CPI rose to 1.9% y/y in March from 1.5% y/y in February, although core inflation retreated from 2.1% y/y to 2.0% y/y during the same period. The dollar was also pressured by a decline in consumer confidence in April, the University of Michigan Consumer Sentiment Index falling from 98.4 to 96.9.

Meanwhile policy makers at the ECB left monetary policy unchanged and communicated that growth in the Eurozone is encountering additional risks including potential trade conflicts. However, despite this, the euro was able to rise for the first time in four weeks.

Surveys and retail sales to be eyed

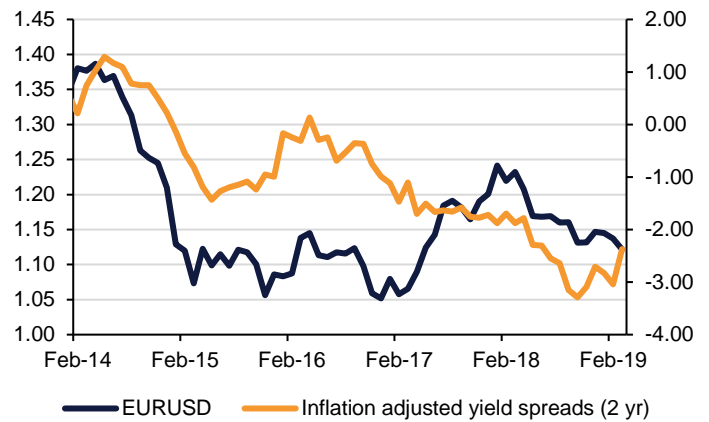
In the week ahead, investors will be eyeing survey data in the U.S. and Eurozone. With Markit PMIs and the ZEW surveys due for release, investors will be scrutinizing the reports to see if they highlight further concerns over the slowdown in growth. Any weakness in Eurozone manufacturing PMI is likely to have the greatest impact, following the 47.5 contraction reported in March. In addition to the surveys, Eurozone headline CPI is expected to be confirmed at 1.4% y/y in March and U.S. retail sales are expected to have rebounded to 1.0% m/m following a 0.2% m/m contraction the previous month. In order to hold onto the gains of the previous month, Eurozone data will have to show signs of improvement.

Technical outlook

EURUSD rose for the first time in four weeks, climbing 0.74% to close at 1.1299, not far from the 1.13 handle we anticipated. Despite breaking above the 50-day moving average (1.1304) on Friday, the cross was unable to hold onto these gains and a daily close above this level was not realized. Over the next week, the price is likely to encounter resistance at the 200-week moving average (1.1341), a level which has halted gains over the last five weeks.

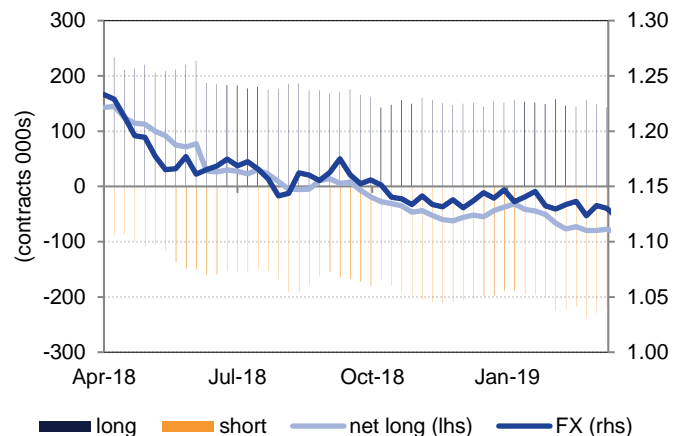
Forecasts	Spot	1 Week	1 month
EURUSD	1.1299	1.1350	1.1500
EURGBP	0.8641	0.8631	0.8779
EURJPY	126.57	127.12	128.80

Yield Spreads



Source: Bloomberg, Emirates NBD Research

Net Positioning



Source: Bloomberg, Emirates NBD Research

Weekly Candle Chart



Source: Bloomberg, Emirates NBD Research

USDJPY

USDJPY benefits from rising yields

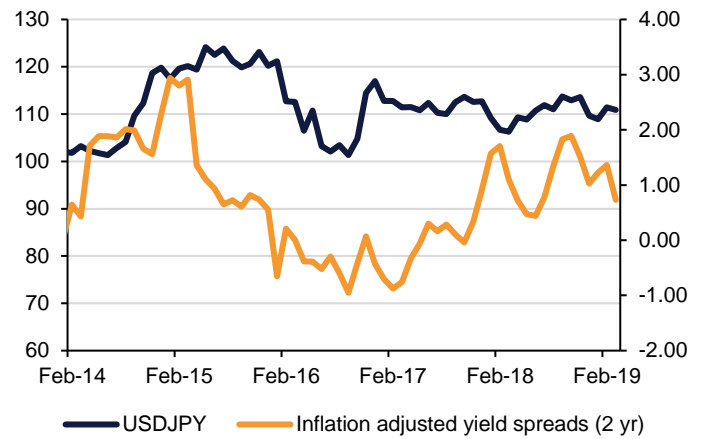
Last week's 6bps increase in U.S. 10-year treasuries to 2.57% helped the USDJPY rise for a third week as risk appetite continued to recover and JPY softened amid a lack of safe haven bids. In the week ahead the direction of USDJPY is likely to continue to be primarily driven by risk appetite. Trade data for March is expected to show that Japan's trade balance widened to JPY 367.7Bn from JPY 334.9Bn. In addition headline consumer price inflation is expected to have risen to 0.5% y/y from 0.2% y/y during the same period. However despite this upwards pressure, inflation remains far from the Bank of Japan's target. As such, markets are likely to overlook this and continue to expect monetary policy to remain ultra-loose, helping the JPY to stay soft.

Technical outlook

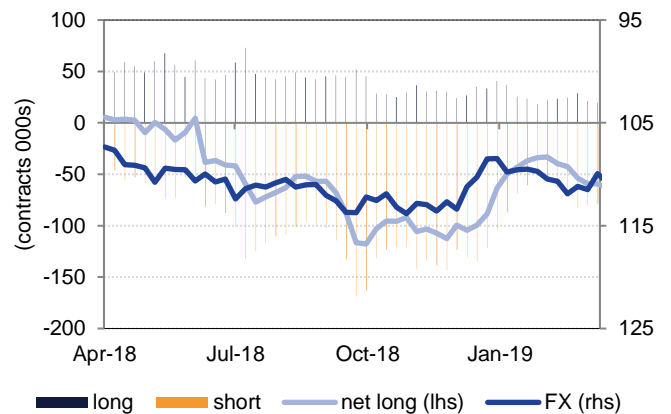
A 0.26% climb took USDJPY to 112.02 in a third week of gains. The price remains above its 200-day moving average (111.51) which was broken last week and is likely to continue to provide support. In addition, analysis of the weekly candle chart shows that the 100-week moving average (110.80) has provided support for a second week. In addition, there was a test of the 200-week moving average (112.04) although the price was unable to break above this level.

Forecasts	Spot	1 Week	1 month
USDJPY	112.02	112.00	112.00
EURJPY	126.57	127.12	128.80
GBPJPY	146.48	147.28	146.72

Yield Spreads



Net Positioning



Source: Bloomberg, Emirates NBD Research

Daily Candle Chart



Source: Bloomberg, Emirates NBD Research

GBPUSD

GBP rises after Brexit is pushed back

After European lawmakers agreed to push back the deadline for the UK leaving the EU to October 31st, the pound experienced some relief. With the markets now less concerned about a chaotic no-deal Brexit, GBP may experience less volatility in the week ahead. As a result, we expect economic data to have a greater impact than in previous weeks as markets turn their attention towards employment, inflation and retail sales data.

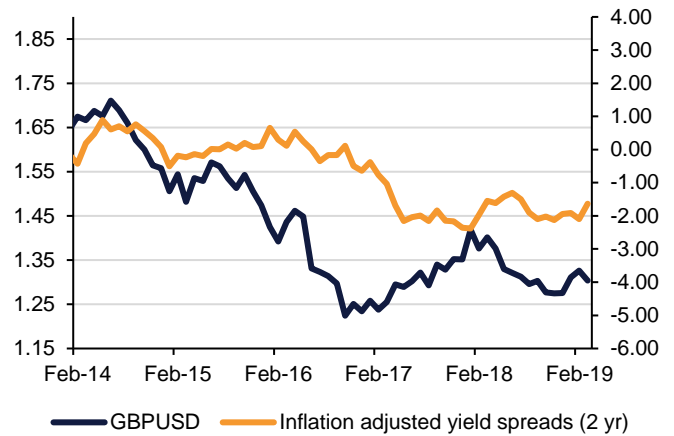
February's employment report is expected to show further tightening of the labour market with the employment rate remaining at 3.9%, and wages accelerating from 3.4% y/y to 3.5% y/y. In addition, March's headline consumer price inflation is expected to have risen to 2.0% y/y up from 1.9% the previous month. With fewer concerns over a hard Brexit, any upside surprises in the data are likely to be constructive for the pound.

Technical outlook

A 0.27% rise took GBPUSD to 1.3073 last week. Despite breaking above the 50-day moving average (1.3092) several times during the week, a daily close above this level was not seen. However, during the course of the week the price was able to break back above the 50-week moving average (1.3043) and close above this level. While the price remains above this level, a daily close above 1.3090 is likely to trigger a larger gain towards the 38.2% one-year Fibonacci retracement (1.3181).

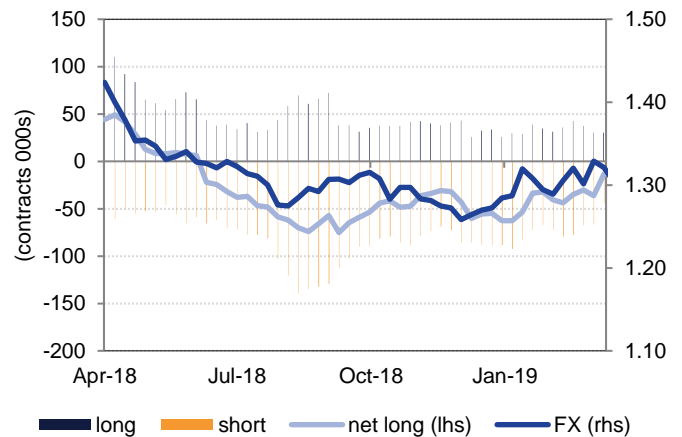
Forecasts	Spot	1 Week	1 month
GBPUSD	1.3074	1.3150	1.3100
EURGBP	0.8641	0.8631	0.8779
GBPJPY	146.48	147.28	146.72

Yield Spreads



Source: Bloomberg, Emirates NBD Research

Net Positioning



Source: Bloomberg, Emirates NBD Research

Weekly Candle Chart



Source: Bloomberg, Emirates NBD Research

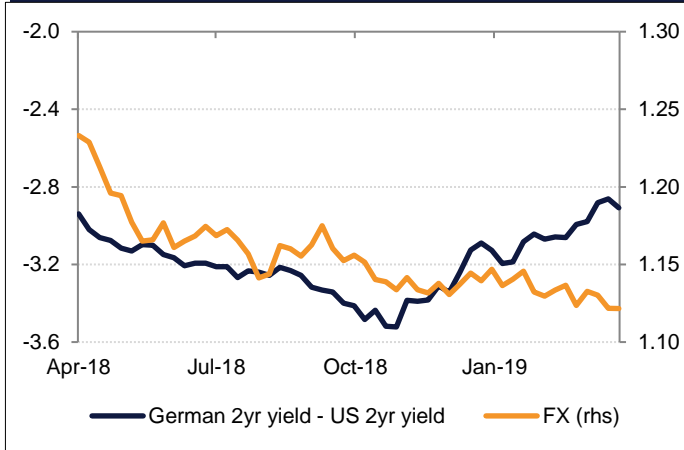
FX Forecasts

FX Forecasts - Major						Forwards		
	12-Apr	Q2 2019	Q3 2019	Q4 2019	Q1 2020	3m	6m	12m
EURUSD	1.1299	1.1500	1.1800	1.2000	1.2200	1.1386	1.1474	1.1649
USDJPY	112.02	113.00	112.00	110.00	110.00	111.21	110.41	108.78
USDCHF	1.0024	1.0000	0.9800	0.9700	0.9500	0.9938	0.9853	0.9686
GBPUSD	1.3074	1.3000	1.3500	1.4000	1.4300	1.3134	1.3191	1.3299
AUDUSD	0.7173	0.7550	0.7700	0.8000	0.8200	0.7186	0.7200	0.7228
NZDUSD	0.6763	0.6900	0.7100	0.7400	0.7600	0.6774	0.6787	0.6810
USDCAD	1.3323	1.2850	1.2600	1.2500	1.2200	1.3294	1.3268	1.3218
EURGBP	0.8641	0.8846	0.8741	0.8571	0.8531	0.8668	0.8696	0.8757
EURJPY	126.57	129.95	132.16	132.00	134.20	126.57	126.57	126.57
EURCHF	1.1327	1.1500	1.1564	1.1640	1.1590	1.1316	1.1306	1.1283
FX Forecasts - Emerging								
	12-Apr	Q2 2019	Q3 2019	Q4 2019	Q1 2020	3m	6m	12m
SAR	3.7502	3.7500	3.7500	3.7500	3.7500	3.7505	3.7512	3.7550
AED	3.6730	3.6730	3.6730	3.6730	3.6730	3.6736	3.6744	3.6764
KWD	0.3042	0.3020	0.3020	0.3020	0.3020	0.1522	0.3043	--
OMR	0.3847	0.3850	0.3850	0.3850	0.3850	0.3856	0.3863	0.3882
BHD	0.3771	0.3770	0.3770	0.3770	0.3770	0.3762	0.3762	0.3780
QAR	3.6581	3.6400	3.6400	3.6400	3.6400	3.6591	3.6586	3.6580
EGP	17.3140	18.0000	18.1250	18.2500	18.2500	17.7400	18.2100	19.2550
INR	69.175	70.000	70.000	68.000	68.000	70.1600	70.9500	72.3500
CNY	6.7036	6.9000	7.0000	7.1000	7.2000	6.7141	6.7237	6.7467
SGD	1.3529	1.3500	1.3200	1.3000	1.2900	1.3506	1.3482	1.3432
FX Forecasts - MENA						3.7503		
	12-Apr	Q2 2019	Q3 2019	Q4 2019	Q1 2020			
MAD	9.6050	9.5000	9.6000	9.6000	9.7000			
TND	2.9959	3.0800	3.1000	3.1500	3.2000			
TRY	5.7815	5.4000	5.5000	5.6000	5.7000			

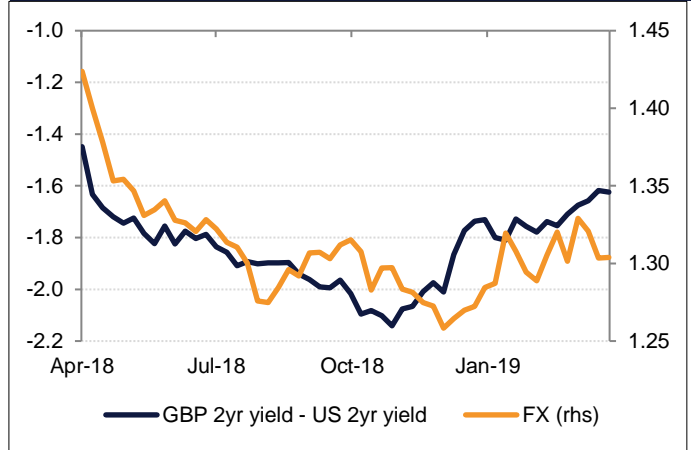
Source: Bloomberg, Emirates NBD Research
 *Denotes USD peg

Major FX and Nominal Interest Rates

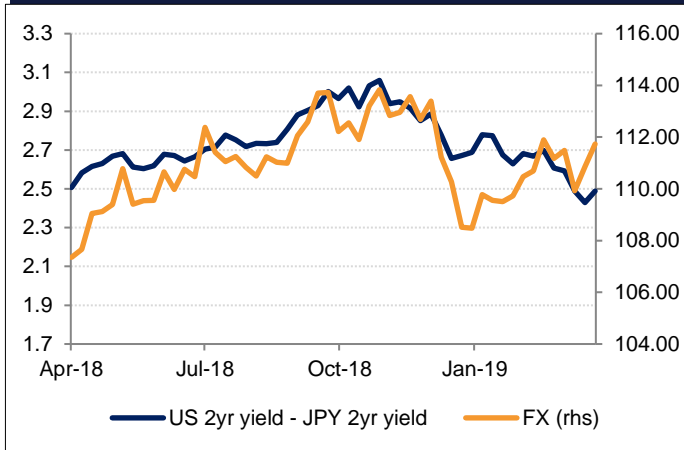
Interest Rate Differentials - EUR



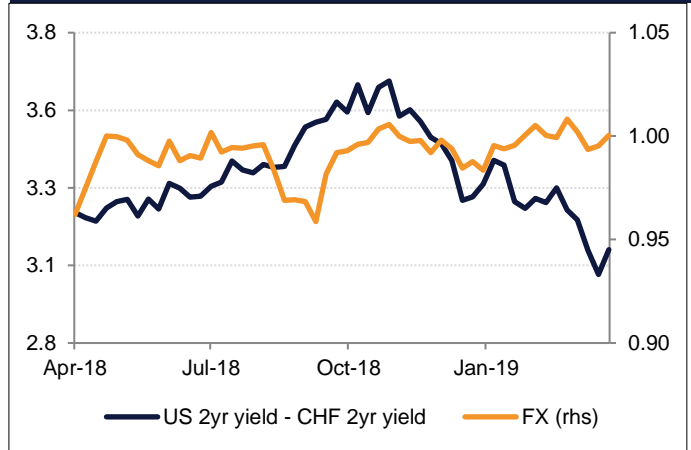
Interest Rate Differentials - GBP



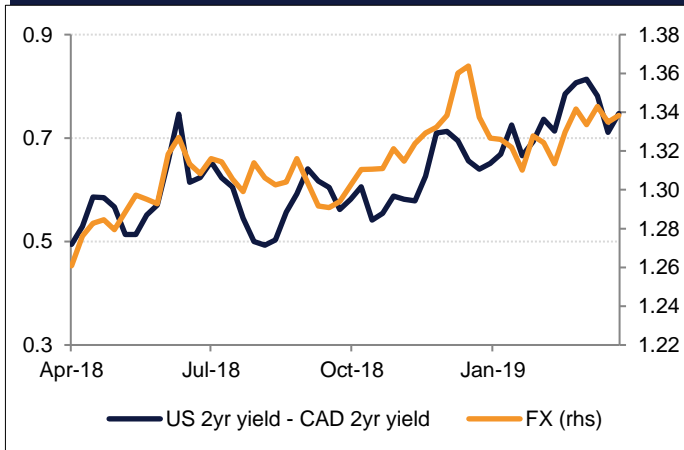
Interest Rate Differentials - JPY



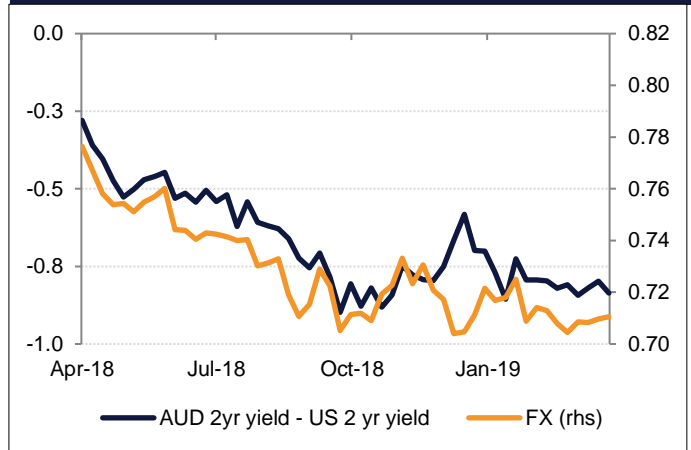
Interest Rate Differentials - CHF



Interest Rate Differentials - CAD

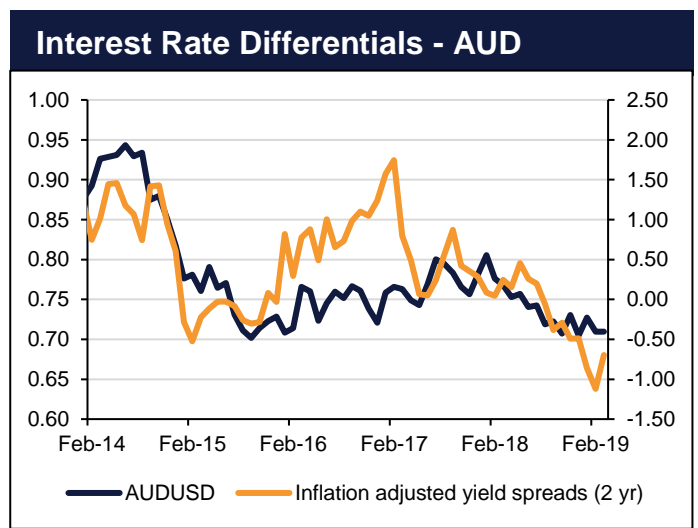
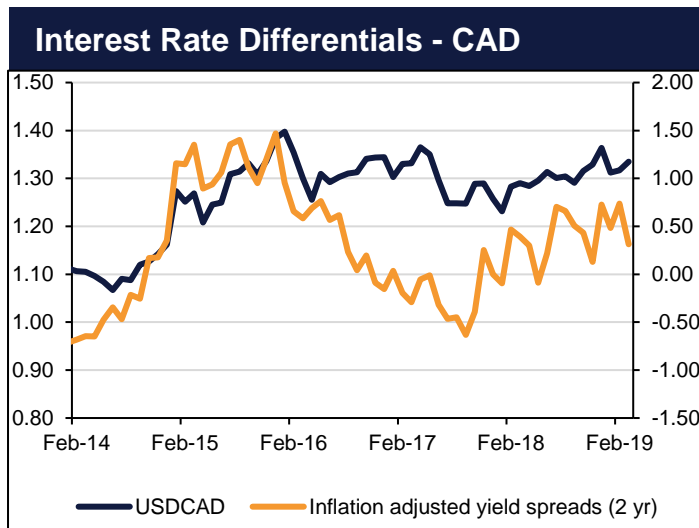
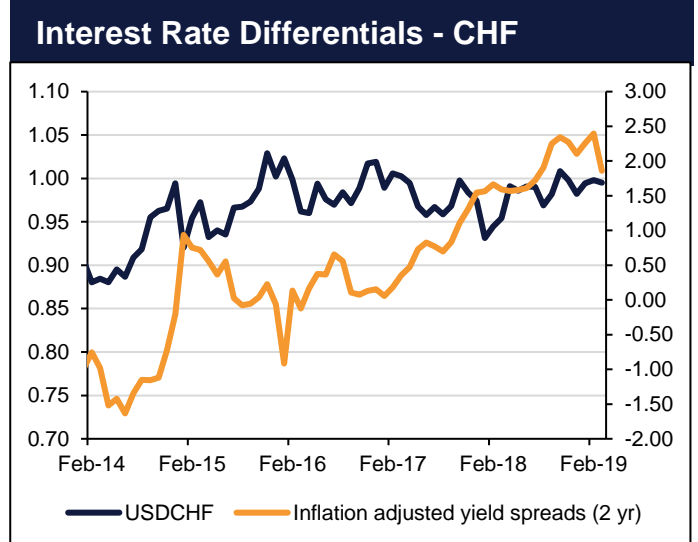
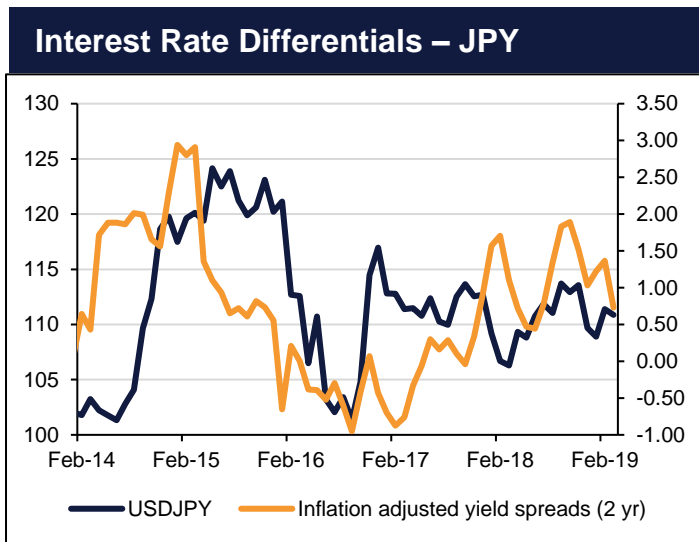
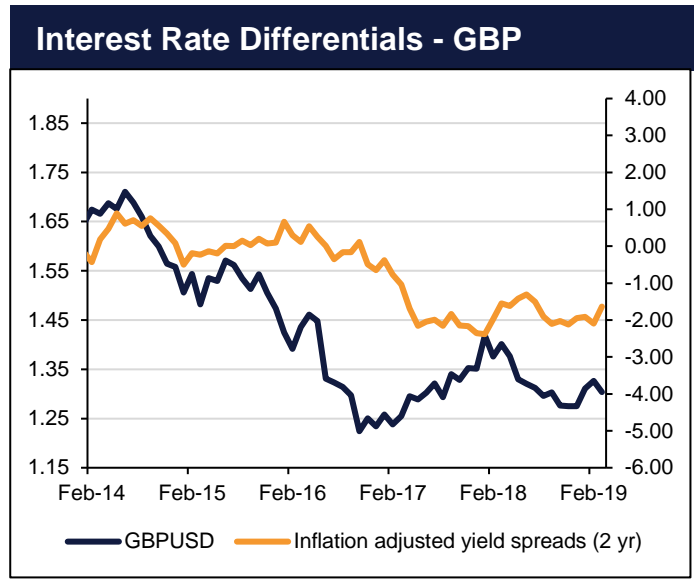
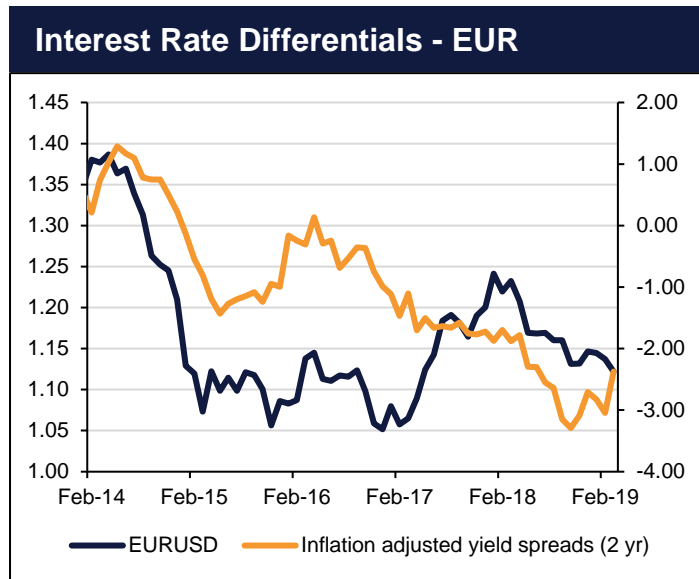


Interest Rate Differentials - AUD



Source: Bloomberg, Emirates NBD Research

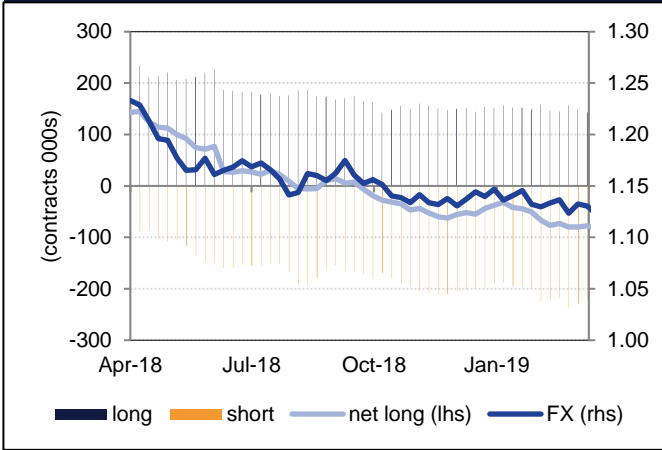
Major FX and Real Interest Rates



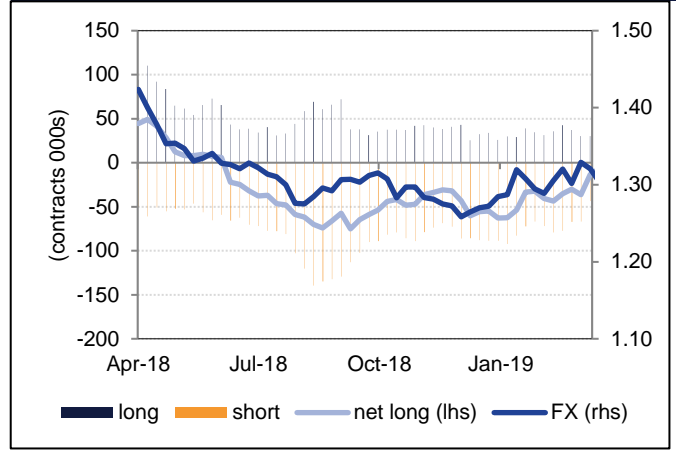
Source: Bloomberg, Emirates NBD Research

Major Currency Positions

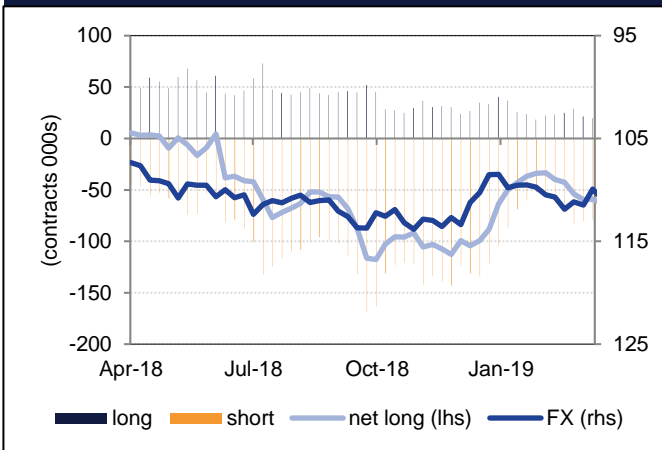
CFTC – Speculative Positions - EUR



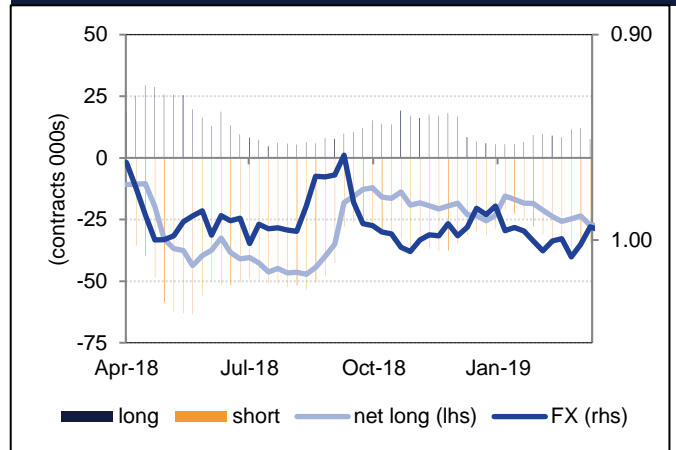
CFTC – Speculative Positions - GBP



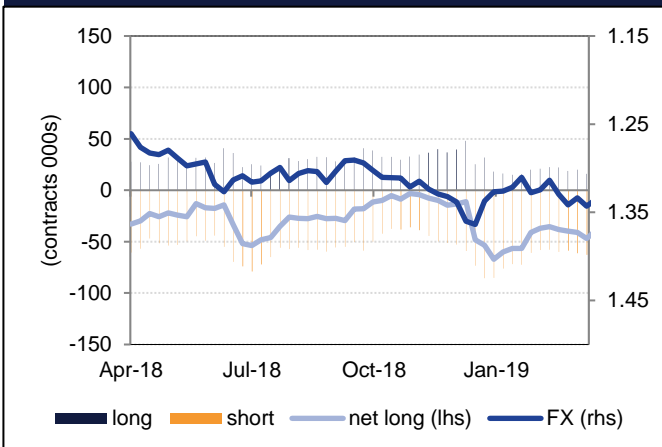
CFTC – Speculative Positions - JPY



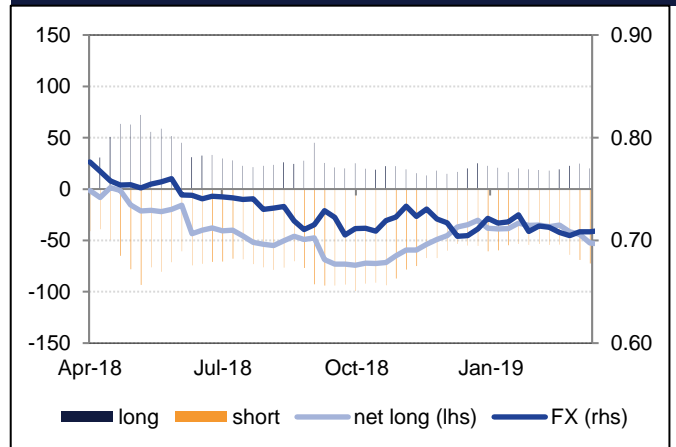
CFTC – Speculative Positions - CHF



CFTC – Speculative Positions - CAD



CFTC – Speculative Positions - AUD



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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

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

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

Daniel Richards
MENA Economist
+9714 609 3032
danielricha@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

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