



بنك الإمارات دبي الوطني
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Daily Outlook

The United States approved tariffs on USD 50bn of imports from China on the grounds that China has long been stealing U.S. intellectual property. The specific products subject to tariffs of 25% include a list of 1,102 products, including aerospace, information and communications technology, robotics, industrial machinery, new materials, and automobiles. In retaliation, **China also imposed additional duties of 25% on 659 American products.** It is also likely to lodge a complaint with the World Trade Organization. This reduces the chance of a U.S.-China deal this summer. China appeared relatively open to offer concessions over the bilateral trade deficit, but is far less willing to compromise on industrial policy. On the other side, with the summit with North Korean leader Kim Jong Un now past, the argument that Trump needs Beijing's help to pressure Pyongyang is far less relevant. Though Congress is divided on tariffs, there is widespread support for the idea that the U.S. needs to take a tougher line with China.

On the data front, US economic data remained buoyant. **University of Michigan's measure of consumer confidence came in at a three-month high of 99.3 in June, from 98.0 previously and is indicative of strength of the labour market.** The report also shows a further pick-up in households' inflation expectations. One-year ahead expectations climbed to a three-year high of 2.9%, from 2.8%, echoing the acceleration in actual inflation.

The ECB announced plans to further taper down its asset purchase program. As per the latest decision, QE will be lowered to EUR 15bn a month after September and will be extinguished in December 2018. Interest rates will not be hiked before summer 2019. The ECB president adopted a cautious approach reflecting continued readiness and ability to do more if needed, even though economic forecast was optimistic in nature. The ECB's macroeconomic projections reflect core inflation rising from 1.1% in 2018, 1.6% to 2019 and reach 1.9% by 2020 even though GDP growth is likely to slow in the years ahead.

OPEC's scheduled meeting in Vienna this week is shaping up to be divisive. Saudi Arabia and Russia are inclined to agree lifting the output after the meeting, while Iran, Venezuela and Iraq are expected to be more reticent.

Oil prices fall ahead of OPEC meeting this week



Source: EIKON, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
UK House Prices y/y	03:00	1.7%	US NAHB Housing Mkt Index	18:00	70

Source: Bloomberg

Fixed Income

Treasuries ended the week mixed as a slight hawkish tilt by the Federal Reserve at its meeting was somewhat offset by ratcheting up of trade tension. The front end of the curve closed lower while the long end held steady. Yields on the 2y UST, 5y UST and 10y UST closed at 2.54% (+5 bps w-o-w), 2.79% (+2 bps w-o-w) and 2.92% (-2 bps w-o-w) respectively.

Regional bonds remained in a tight range as regional investors were away for Eid holidays. The YTW on the Bloomberg Barclays GCC Credit and High Yield index rose +1 bp w-o-w to 4.63% and credit spreads remained flat at 190 bps.

FX

Over the course of last week, the Dollar Index rose 1.34% to reach 94.79, the highest weekly close since November 2017. Of technical significance is that once again, resistance was found at the 200 week moving average (95.04) which halted further gains. The upside threat is that a weekly close above this level can result in more significant gains towards the 76.4% one year Fibonacci retracement of 95.60. On the downside, declines may be initially halted by support at the 61.8% one year Fibonacci retracement (94.20) in the week ahead.

This morning, the NZD underperforms after coming under selling pressure amid trade war fears. As we go to print, NZDUSD is trading 0.17% lower at 0.69377 and looks primed to fall for a third day. We expect resistance at the 23.6% one year Fibonacci retracement at 0.6964 and support at 0.6872.

Equities

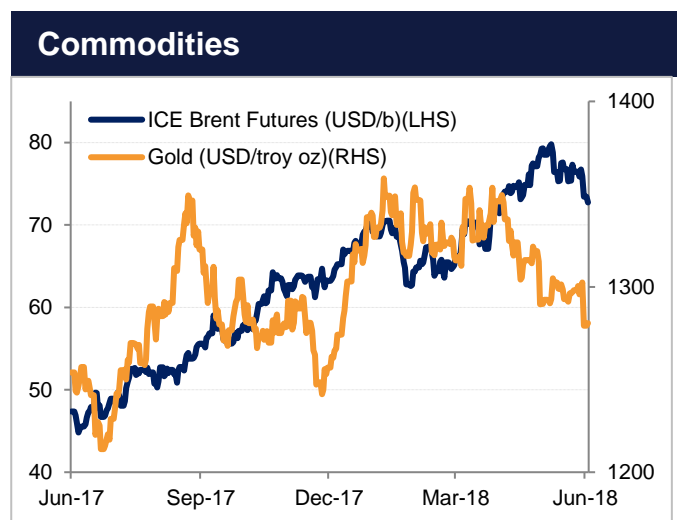
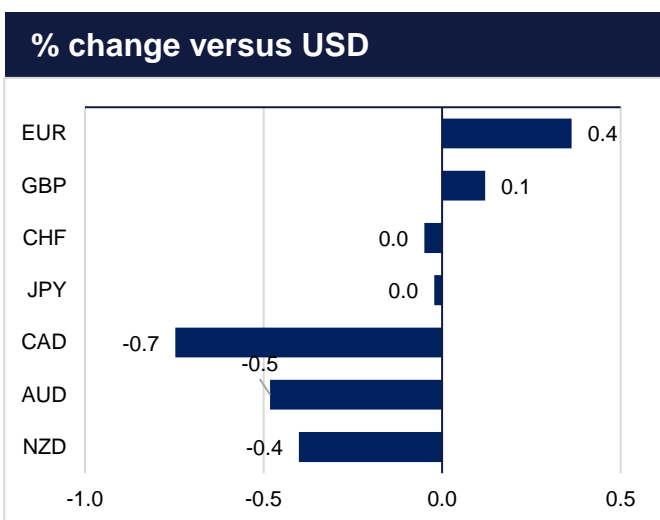
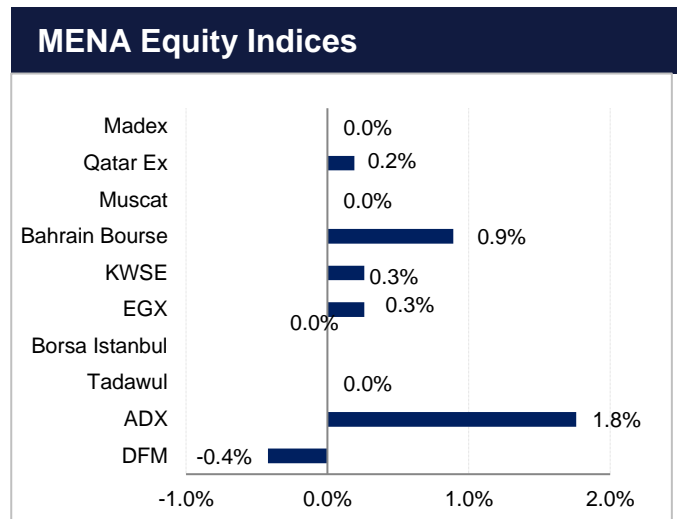
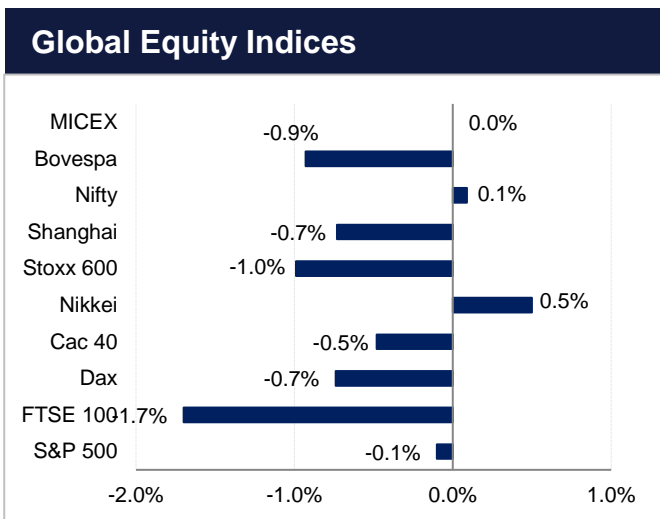
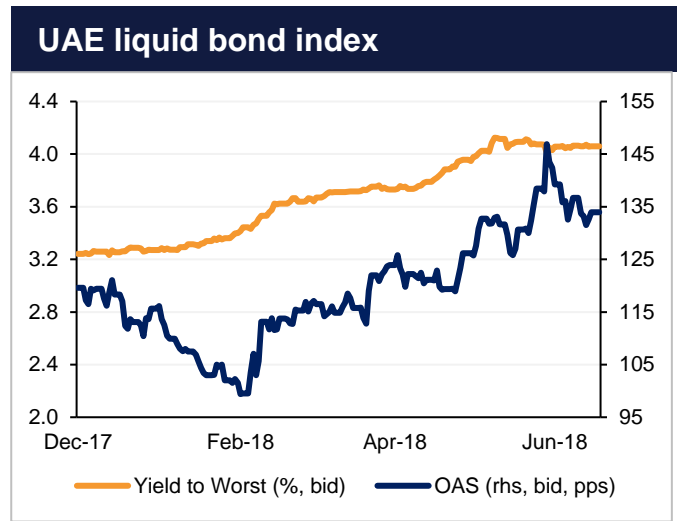
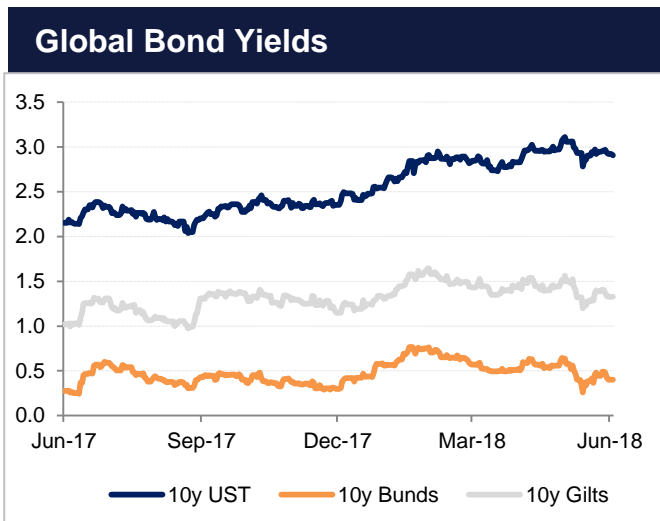
Asian equities are trading lower this morning as trade tensions continue to linger. The Shanghai Composite Index and the Nikkei index was trading -0.7% and -1.1% at the time of this writing.

Commodities

Oil prices sank last week after a sizeable drop on Friday as the market increasingly price in Saudi Arabia and Russia increasing production. At the start of the week benchmark futures are on a soft footing with Brent already down around 1% at USD 72.76/b. China has also retaliated to the US imposing tariffs by threatening to place counter-tariffs on imports of US crude oil.

Investors dipped back into long positions last week as the recent selling helped to make long positions a less crowded trade. Net length in Brent rose by nearly 18k contracts while in WTI net length fell by around 2k lots. Spot price weakness is flattening time spreads but in both Brent and WTI they remain in backwardation for now.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1610	+0.36	1.1971	USDTRY	4.7305	+0.08	EURAED	4.2634	+0.34
GBPUSD	1.3278	+0.12	1.3522	USDEGP	#N/A N/A	#VALUE!	GBPAED	4.8787	+0.16
USDJPY	110.66	+0.03	107.48	USDSAR	3.7501	-0.00	JPYAED	0.0332	-0.03
USDCAD	1.3184	+0.60	1.3088	USDQAR	3.6800	+1.06	CADAED	2.7812	-0.76
AUDUSD	0.7442	-0.48	0.7474	USDKWD	0.3027	+0.08	AUDAED	2.7329	-0.48
USDCHF	0.9976	+0.06	0.9635	USDBHD	0.3778	--	CHFAED	3.6817	-0.06
EURGBP	0.8740	+0.19	0.8849	USDOMR	0.3850	--	TRYAED	0.7800	+0.37
USDAED	3.6730	--	3.6759	USDINR	68.0400	+0.60	INRAED	0.0552	+2.10

Rates

EIBOR	2.1425	2.4856	2.7760	3.1107	USD 2 yr	2.821	-1
USD LIBOR	2.0849	2.3259	2.5038	2.7722	USD 5 yr	2.940	-1
GBP LIBOR	0.5064	0.6308	0.7569	0.9367	USD 10 yr	2.985	-2
JPY LIBOR	-0.0790	-0.0405	0.0158	0.1148	EUR 2 yr	-0.170	-1
CHF LIBOR	-0.7834	-0.7312	-0.6426	-0.5234	EUR 5 yr	0.298	-3
					EUR 10 yr	0.918	-3
EIBOR	2.1425	2.4856	2.7760	3.1107	USD 2 yr	2.821	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1278.94	-1.79	ADGB 6.75 19	2.42	--	Abu Dhabi	65	+2
Silver	16.57	-3.54	DUGB 7.75 20	3.66	-0	Dubai	127	+1
Oil (WTI)	65.06	-2.74	QATAR 6.55 19	2.68	-2	Qatar	100	+3
Aluminium	2205.25	-2.52	US Tsy 2 yr	2.55	-2	Saudi Arabia	95	+2
Copper	7019.00	-2.15	US Tsy 10 yr	2.92	-1	Bahrain	432	+6

Source: Bloomberg, Emirates NBD Research

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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
Director - 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