

WEEKLY MARKET UPDATE

07th Apr 2017

OVERVIEW

- ➔ US Non-Farm Payrolls for April was stronger than expected with the economy adding 211k jobs.
- ➔ French voters are finally picking their new president, with a stark choice between front-runner Emmanuel Macron and far-right Marine Le Pen.
- ➔ Euro Area's GDP grew by 0.5% QoQ for the first quarter of 2017.
- ➔ Oil closed near \$46.5 a barrel in New York, moving back to levels last seen before the OPEC deal.

ECONOMY

MONDAY

China Imports YoY – April
(Survey: 18.0%)

China Exports YoY – April
(Survey: 11.3%)

TUESDAY

Germany Industrial Production
SA MoM – March (Survey: -
0.7%)

WEDNESDAY

China CPI YoY – April (Survey:
1.1%)

THURSDAY

Bank Of England Policy
Meeting – May (Survey:
unchanged)
UK Industrial Production YoY –
March (Survey: 1.9%)

FRIDAY

US Retail Sales Advance MoM
– April (Survey: 0.6%)
US CPI YoY – April (Survey:
2.3%)

INTERNATIONAL MARKETS

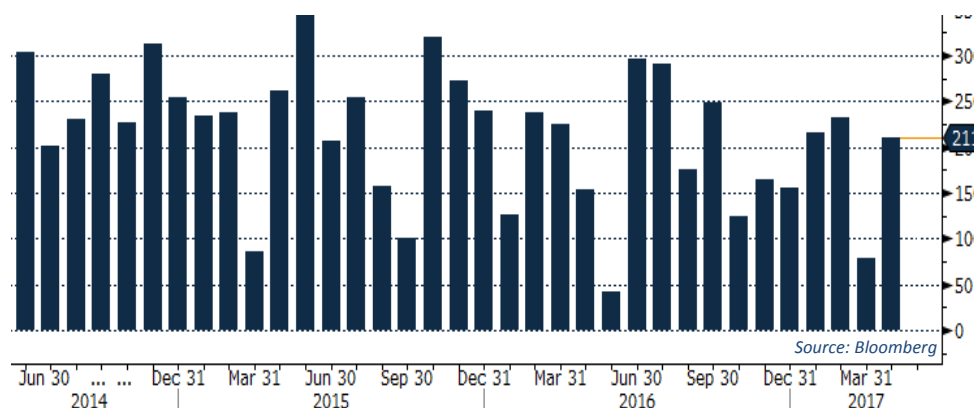
US:

In its third meeting for the year, the FOMC decided to keep the rate policy unchanged. The Fed acknowledged that the slowdown in GDP growth in Q1 is temporary while noting that the strengthening in labor market and the solid fundamental underpinning consumption growth, are in line with their gradual rate hike strategy. The market maintains another hike penciled for June 2017 with the probability of a hike priced by the market stands at 100%.

US Non-Farm Payrolls for the month of April was stronger than expected with the economy adding 211k jobs vs market forecast of 190k jobs with most of the jobs were mainly on the services sector. The unemployment rate continued dropping and it is now at 4.4%, lowest level since May 2007. Average hourly earnings increased as expected by 2.5% from a year earlier.

Moreover, inflation measured on a 12-month basis recently has been running close to the committee's 2% longer-run objective. Household spending rose only modestly but the fundamentals underpinning consumption growth remained solid.

US Non-Farm Payrolls – last 3 years



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EQUITY INDEX	Price	5days change %
Dow Jones	21,006	+0.32%
S&P 500	2,399	+0.63%
Euro Stoxx	3,658	+2.79%
FTSE 100	7,297	+0.83%
CAC 40	5,432	+4.11%
DAX	12,438	+3.05%
NIKKEI	19,446	+1.96%
Shanghai	3,103	-1.56%
SENSEX India	29,858	-0.58%
Turkey N100	93,928	-0.38%

COMMODITY	Price	5days change %
WTI	46.22	-6.30%
BRENT	49.10	-5.08%
GOLD	1,228	-3.18%
Copper 3M	5,585	-2.00%
Corn	370	+1.08%

FX Spot	Week Closing	5days Change %
EUR	1.0990	+0.94%
GBP	1.2958	+0.06%
JPY	112.75	-1.17%
CAD	1.3704	-0.37%
CHF	0.9873	+0.68%
AUD	0.7412	-0.90%
CNY	6.8944	-0.21%
INR	64.3350	+0.09%

RATES	USD swap	AED swap
2 Year	1.58%	2.14%
5 Year	1.96%	3.05%
7 Year	2.11%	3.55%
10 Year	2.27%	4.15%

EUROPE:

Euro Area's GDP grew at 0.5% on QoQ for the first quarter of 2017, maintaining the growth momentum in economy and increasing the pressure on the ECB to revise its strategy for future stimulus in June. Spain's GDP growth was better than expected, 0.8% QoQ, while France's figures were below expectations at 0.3% QoQ.

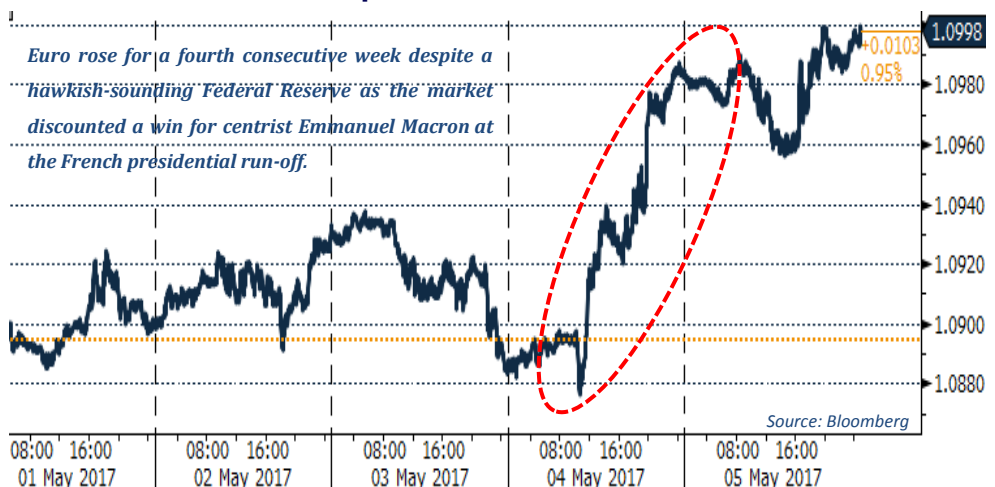
Eurozone's Composite PMI reading for the month of April was at 56.8 with new orders figure coming higher than expected and suggesting Eurozone economy will continue to expand. Similarly, manufacturing index jumped from 56.2 in March to 56.7, recording its highest level since April 2011.

French voters are going to the polls Sunday to pick their new president, a stark choice between front-runner Emmanuel Macron and far-right Marine Le Pen, and between globalization and populism.

UK:

Unexpected strengthening in UK's services sector helped in giving a solid start for the 2nd quarter with the IHS's PMI index rising from 55.0 in March to 55.8 in April. Similarly, UK's Manufacturing PMI index rose to 57.3, a three year high, with growth in new orders and exports helped in gathering pace.

EUR Spot level – Last week



ASIA:

China's FX reserves in April rose by USD 20.45 billion to USD 3.03 trillion, rising for the 3rd consecutive month. The increase reflects tighter capital controls by Chinese Authorities and a more stable currency with the onshore yuan only changing by only 0.2% in April.

Bank of **Japan** Governor Haruhiko Kuroda stated that Japan's inflation rate is still close to zero and meeting the 2% inflation target is a challenging situation.

GCC / MENA Indices

	Closing Level	5 days change%
ADX Index	570	+1.05%
DFM Dubai	3,384	-0.90%
Tadawul	6,866	-2.15%
Qatar EX	9,833	-2.29%
Kuwait SE	367	-3.86%
Egypt Hermes	1,155	+1.07%

SOVEREIGN 5 Year CDS

	Current Level	1month ago	6month ago
ABU DHABI	42	41	58
BAHRAIN	216	216	276
BRAZIL	213	219	252
CHINA GOV	80	82	114
DUBAI GOV	109	108	146
EGYPT	337	344	432
FRANCE	31	34	38
GERMANY	17	17	20
GREECE	714	880	1088
ITALY	157	168	155
INDIA	93	94	120
JAPAN	22	22	29
MOROCCO	140	140	166
QATAR	60	58	82
RUSSIA	156	164	184
SAUDI	89	86	116
SPAIN	66	71	75
UK	25	27	29
USA (EUR)	24	25	28

MONEY MARKET

TENOR	LIBOR	EIBOR
3M	1.18%	1.50%
6M	1.43%	1.70%
12M	1.78%	2.19%

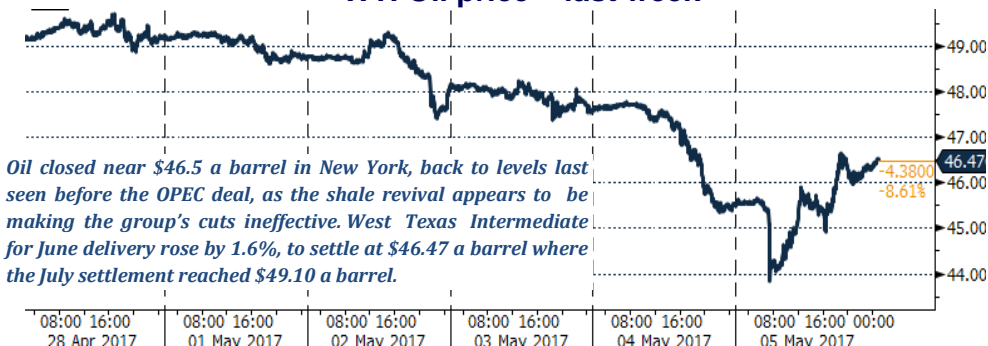
AED FX Forward

Forward	Mid Forward Points
1 week	-1.00
1 month	+3.50
3 month	+15.00
12 month	+80.00

COMMODITIES

Key oil producers from both OPEC and non-OPEC countries are already signalling their willingness to extend the oil production cut agreement. Extension is key for the oil markets according to producers as the initial six month period has not been enough to bring the oil market back into equilibrium, though has supported oil prices successfully. Economist expect oil inventory levels to start to fall if the production cut is extended into H2, where surplus over historical average should almost fully subside from 3.3 to 1.6days. Moreover, the Iranian Oil Minister Bijan Namdar Zanganeh said that his country will "go along with whatever OPEC decides on crude Cutbacks".

WTI Oil price – last week



Source: Bloomberg

MENA Market

All main equity gauges in the six-nation **Gulf Cooperation Council** decline after oil, the region's main export, closed last week below \$50 per barrel for the first time since November.

The slowdown in the **UAE's** non-oil real GDP growth appears to have bottomed out and Dubai can expect a 2% Expo 2020 boost to its GDP, according to a new report by Bank of America Merrill Lynch. Its report said that the UAE has managed a soft landing, with a less pronounced cycle than in the global financial crisis in 2008.

The **CDS spreads of the GCC** oil exporting countries widened last week following the oil performance. Saudi Arabia was the underperformer widening by 2.4% to 89 bps still tighter by 24.52 YTD. While Abu Dhabi and Qatar both widened as well by 2.2% and 1.8% respectively. YTD, Abu Dhabi is still the outperformer of the region tighter by 32.2% to 42 bps after reaching a record low 2 weeks ago.



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