

Markets stabilize for the second week

Equity markets posted gains for the second consecutive week as geopolitical tensions eased. The stock markets which were most under pressure during the recent turmoil - European equities and Japanese equities - recorded the largest weekly gains. As tensions over Syria receded with no response from Russia, economic data and strong corporate earnings results to take precedence. Retail sales in US finally rose in March, putting an end to a three-month streak of declines. The week also saw earning reports from 69 companies from the S&P 500 universe with earnings of 80% of these companies surpassing market expectations (Factset). Strong oil gains also led to the outperformance of the energy stocks last week. WTI crude and Brent crude, both hit new three-year record highs, mainly driven by reports that US crude inventories declined by 1.1m barrels. Investors' concerns over the possible impact on global supply if sanctions were imposed on Venezuela and Iran also pushed oil prices higher. The dollar finally recorded its first weekly gains since December as the jump in oil prices spurred a rise in inflation expectations. Increased inflation expectations pushed the long-term US treasury yields higher with the 10-year yield rising above 2.95% while the yield curve steepened. Demand for other safe-havens like gold and yen was also subdued.

US GDP, ECB and FAANGs corporate earnings to dominate this week

Last week's risk on sentiment is likely to be continue this week too especially with the US signalling to resolve trade disputes amidst IMF warnings of financial risks arising from trade war threats. Nevertheless, it is still difficult to completely rule out any political noise ahead of the looming mid-term US elections and approaching deadline for US steel and aluminium exemptions (May 1st) and for domestic consulting period on China tariffs (May 21). For this week, the market's attention will move to monetary policy meetings in Europe and Japan. The ECB is scheduled to meet this Thursday and no change is expected, but markets will nonetheless be looking for any signs of a shift in stimulus plans. We expect a dovish bias given the recent subdued trend in inflation and softness in PMI indicators. Similarly, no policy change is expected from the BoJ on Friday, but the bank may revise down its outlook on economic growth and inflation in its quarterly outlook publication. Preliminary readings of the first-quarter GDP in the US, Europe and the UK will be closely watched by the markets. As for corporate earnings, the market's attention will be on the famous FAANG stocks. After strong earnings reported by Netflix last week, investor interest will be focused on Facebook earnings this Wednesday, especially after the recent slump in the stock amidst the privacy scandal. Google and Amazon will post their results on Monday and Thursday respectively, and will also be in the spotlight.

Past week global markets' performance

Index Snapshot (World Indices)

Index	Latest	Weekly Chg %	YTD %
S&P 500	2,670.1	0.5	-0.1
Dow Jones	24,462.9	0.4	-1.0
Nasdaq	7,146.1	0.6	3.5
DAX	12,540.5	0.8	-2.9
Nikkei 225	22,162.2	1.8	-2.6
FTSE 100	7,368.2	1.4	-4.2
Sensex	34,415.6	0.7	1.1
Hang Seng	30418.3	-1.3	1.7

Regional Markets (Sunday to Thursday)

Index	Latest	Weekly Chg %	YTD %
ADX	4706.6	0.2	7.0
DFM	3082.1	-2.2	-8.5
Tadaw ul	8277.1	3.8	14.5
DSM	9196.6	3.4	7.9
MSM30	4759.65	-0.4	-6.7
BHSE	1301.4	0.7	-2.3
KWSE	-	-	-

MSCI

Index	Latest	Weekly Chg %	YTD %
MSCI World	2,099.7	0.5	-0.2
MSCI EM	1,168.2	-0.2	0.8

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Global Commodities, Currencies and Rates

Commodity	Latest	Weekly Chg %	YTD %
ICE Brent USD/bbl	74.1	2.0	10.8
Nymex WTI USD/bbl	68.4	1.5	13.2
Gold USD/t oz	1336.4	-0.7	2.6
Silver USD/t oz	17.1	2.8	1.1
Platinum USD/t oz	926.4	-0.5	-0.2
Copper USD/MT	6939.0	1.6	-3.0
Alluminium	2485	8.5	10.0
Currencies			
EUR USD	1.2288	-0.3	2.4
GBP USD	1.4000	-1.7	3.6
USD JPY	107.66	0.3	-4.7
CHF USD	0.9746	1.3	-0.0
Rates			
USD Libor 3m	2.3592	0.3	39.2
USD Libor 12m	2.7603	1.1	31.0
UAE Eibor 3m	2.4467	0.3	36.3
UAE Eibor 12m	3.1238	2.8	21.2
US 3m Bills	1.7997	2.9	30.8
US 10yr Treasury	2.9602	4.7	23.1

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Summary market outlook

Bonds					
Global Yields	Long-end US Treasury yields edged higher, moving above 2.95% as inflation expectations rose with the jump in oil prices. Overall, we expect 10-year yield to consolidate below 3% as further uptick in yields will only trigger a buying opportunity for long-duration fixed income investors.				
Stress and Risk Indicators	The VIX index was mostly unchanged as investors still remained a bit cautious as equity markets stabilised. Volatility is unlikely to decline significantly given the backdrop of markets' fear of central bank policy normalization and geopolitical concerns.				
Equity Markets					
Local Equity Markets	Majority of the GCC equity indices ended the week in the positive territory on account of sharp jump in oil prices with Saudi stocks outperforming the most. We remain neutral on GCC equities given the potential for further dollar strength and range-bound oil prices. We maintain our tactical call on Saudi equities on the back of their inclusion onto the MSCI watch list for potential promotion into the MSCI Emerging Markets index.				
Global Equity Markets	Global equities stabilised for the second week in a row as focus shifted towards corporate earnings and economic data. Japanese equities and European equities benefitted the most from the further ease in geopolitical concerns and relatively stronger dollar. Energy stocks were one of the best performers with the surge in oil prices boosting sentiment. Overall, strong economic fundamentals along with robust corporate earnings growth support our overweight stance on equities.				
Commodities					
Precious Metals	Gold prices slightly fell with ease in geopolitical tensions. We remain overweight on gold as a risk hedge against ongoing political and (potential) inflationary risks.				
Energy	WTI and Brent crude prices rose to new three-year highs, on reports of decline in US crude inventories. We expect oil to continue trading in the broad range seen over the past 12 months. A break out at the upper end will be challenging given US production will likely act as a ceiling on oil prices.				
Industrial Metals	Industrial metals rallied, mainly led by aluminium prices. Longer-term we do not recommend industrial metals exposure due to concerns around Chinese growth prospects post the Party Congress.				
Currencies					
EURUSD	The euro slightly weakened versus the dollar, declining to 1.23 level. We expect the euro to remain range bound with a minor upward bias.				
Critical levels	<table border="0"> <tr> <td>R2 → 1.2407</td> <td>R1 → 1.2347</td> <td>S1 → 1.2239</td> <td>S2 → 1.2191</td> </tr> </table>	R2 → 1.2407	R1 → 1.2347	S1 → 1.2239	S2 → 1.2191
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GBPUSD	The pound depreciated versus the dollar as larger-than expected decline in inflation lowered market expectation of a BoE rate hike in May. We expect sterling to remain under pressure due to political uncertainty, economic weakness and Brexit negotiations.				
Critical levels	<table border="0"> <tr> <td>R2 → 1.4268</td> <td>R1 → 1.4134</td> <td>S1 → 1.3931</td> <td>S2 → 1.3863</td> </tr> </table>	R2 → 1.4268	R1 → 1.4134	S1 → 1.3931	S2 → 1.3863
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USDJPY	The yen was relatively weak versus the dollar as appetite for safe-havens waned. We believe there will remain a bias for yen weakness given divergent monetary policies between Japan and the US.				
Critical levels	<table border="0"> <tr> <td>R2 → 108.20</td> <td>R1 → 107.93</td> <td>S1 → 107.32</td> <td>S2 → 106.98</td> </tr> </table>	R2 → 108.20	R1 → 107.93	S1 → 107.32	S2 → 106.98
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Note: R2, R1, S2 and S1 refer to Bloomberg calculated weekly technical resistance and support levels

Forthcoming important economic data

United States

Indicator	Period	Expected	Prior	Comments
04/23/2018	Chicago Fed Nat Activity Index	Mar	0.27	0.88
04/23/2018	Markit US Manufacturing PMI	Apr p	55.2	55.6
04/23/2018	Existing Home Sales MoM	Mar	0.20%	3.00%
04/24/2018	New Home Sales MoM	Mar	1.90%	-0.60%
04/25/2018	MBA Mortgage Applications	20-Apr	--	4.90%
04/26/2018	Initial Jobless Claims	21-Apr	230K	232K
04/26/2018	Wholesale Inventories MoM	Mar p	0.60%	1.00%
04/26/2018	Durable Goods Orders	Mar p	1.40%	3.00%
04/27/2018	GDP Annualized QoQ	1Q A	2.00%	2.90%
04/27/2018	Core PCE QoQ	1Q A	2.50%	1.90%
04/27/2018	U. of Mich. Sentiment	Apr F	98	97.8

All attention will be on GDP and Core PCE QoQ. Also, initial jobless claims, wholesale inventories, and MBA will be important.

Japan

Indicator	Period	Expected	Prior	Comments
04/24/2018	Machine Tool Orders YoY	Mar F	--	28.10%
04/25/2018	All Industry Activity Index MoM	Feb	0.50%	-1.80%
04/27/2018	Industrial Production MoM	Mar P	0.50%	2.00%
04/27/2018	BoJ meeting	27-Apr	No change	

Focus will be on the BoJ meeting

Eurozone

Indicator	Period	Expected	Prior	Comments
04/23/2018	Markit Manufacturing PMI	Apr P	53.5	53.7
04/24/2018	IFO Expectations (GE)	Apr	99.5	100.1
04/26/2018	ECB meeting	26-Apr	No change	
04/27/2018	GDP QoQ	1Q A	0.40%	0.70%
04/27/2018	GDP YoY	1Q A	2.30%	2.50%
04/27/2018	PPI YoY	Mar	--	1.80%
04/27/2018	Consumer Confidence	Apr F	--	0.4%

All eyes will be on ECB meeting and GDP advance release.

United Kingdom

Indicator	Period	Expected	Prior	Comments
04/27/2018	Nationwide House PX MoM	Apr	--	-0.20%
04/27/2018	Nationwide House Px NSA YoY	Apr	--	2.10%
04/27/2018	GDP QoQ	1Q A	0.30%	0.40%
04/27/2018	GDP YoY	1Q A	1.40%	1.40%

GDP release will be the main focus.

China and India

Indicator	Period	Expected	Prior	Comments
No important data releases scheduled for the week.				

Sources

All information in this report has been obtained from the following sources except where indicated otherwise:

1. Bloomberg
2. Wall Street Journal
3. RTTNews
4. Reuters
5. Gulfbase
6. Zawya

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