

## Positive validation from US and China

Global risk assets ended in positive territory, on receiving positive confirmation from economic data coming out of two major economies- China and US. The week begun with the China 1Q GDP numbers, coming in flat versus 4Q18, but surprising the market on the upside. Other economic indicators including retail sales and industrial production data pointed to improvement in economic activity in March. Stronger-than expected China GDP data supported the risk sentiment and helped eased global slowdown concerns. Similarly, two set of economic data released from the US also provided the validation that the US economy remains on a strong footing. The weekly initial jobless claims were reported to be the lowest since September 1969 while the retail sales rose at the fastest monthly pace since 2017, further emphasizing that consumer spending remains strong amidst the tight labour market conditions. However, across the Atlantic, economic data was not so encouraging with preliminary April PMI indicators across Europe flashing signs of further weakness in economic activity. However, European stocks performed strong last week, shrugging off the soft PMI data, mainly buoyed by the stronger-than expected China GDP print and by the solid start to 1Q corporate earnings season. Similarly, Japanese equities also rallied, supported by the positive China GDP report. On the other hand, US equities were mostly range-bound due to low trading activity in the holiday-shortened trading week. The dollar index edged higher as increasing divergence in US and Eurozone economic data, added downward pressure on the euro. Safe-havens including gold and US Treasuries mostly underperformed as global slowdown concerns receded with positive economic validation from US and China. The 10-year US treasury yields rose to one-month high. Oil prices also benefitted from the backdrop of positive economic data, with the Brent crude reaching a new 2019 high during the week.

## Focus on 1Q US GDP and corporate earnings results

In the upcoming week, markets attention will be on the advanced estimate of 1Q US GDP and string of corporate earnings reports due during the week. US 1Q GDP print is scheduled to be released on Friday and will provide light on the slowdown in economic activity which markets, central banks and economists have been fearing. Last week's strong retail sales data pushed analysts and economist to revise their 1Q GDP forecast upwards. The Fed Atlanta GDPnow model estimate of 1Q GDP was also revised up to 2.8% from 2.4% in one single day. The recovery in retail sales data and the upward revision in Fed Atlanta estimates only underscore the possibility that economic slowdown in 1Q may not be consequential and turn out to a temporary blip in growth. A better-than expected GDP print or even meeting expectations will further allay recent concerns of growth slowdown and recession risks in the world's largest economy.

From the micro-economy, Q1 2019 earnings will have one of the busiest week ahead with some of the big consumer discretionary companies and likes of Facebook, Tesla, Amazon due to report their corporate earnings result.

## Past week global markets' performance

### Index Snapshot (World Indices)

Index	Latest	Weekly Chg %	YTD %
S&P 500	2,905.0	-0.1	15.9
Dow Jones	26,559.5	0.6	13.9
Nasdaq	7,998.1	0.2	20.5
DAX	12,222.4	1.9	15.8
Nikkei 225	22,200.6	1.5	10.9
FTSE 100	7,459.9	0.3	10.9
Sensex	39,140.3	1.0	8.5
Hang Seng	29963.3	0.2	15.9
Regional Markets (Sunday to Thursday)			
ADX	5237.1	2.3	6.6
DFM	2813.9	0.9	11.2
Tadaw ul	9196.5	1.6	17.5
DSM	10348.2	1.1	0.5
MSM30	3980.29	-0.3	-7.9
BHSE	1446.2	0.1	8.1
KWSE	5806.0	1.0	14.3
MSCI			
MSCI World	2,160.4	0.0	14.7
MSCI EM	1,092.5	0.3	13.1

### Global Commodities, Currencies and Rates

Commodity	Latest	Weekly Chg %	YTD %
ICE Brent USD/bbl	72.0	0.6	33.8
Nymex WTI USD/bbl	64.0	0.2	40.9
Gold USD/t oz	1275.5	-1.2	-0.5
Silver USD/t oz	15.0	0.4	-2.9
Platinum USD/t oz	903.0	1.3	13.6
Copper USD/MT	6448.0	-0.6	8.1
Alluminium	1850.25	0.3	1.5
Currencies			
EUR USD	1.1245	-0.5	-1.8
GBP USD	1.2993	-0.6	1.9
USD JPY	111.92	-0.1	2.0
CHF USD	1.0146	1.2	-3.1
Rates			
USD Libor 3m	2.5811	-0.8	-8.1
USD Libor 12m	2.7464	-0.1	-8.6
UAE Eibor 3m	2.8288	-0.9	-0.3
UAE Eibor 12m	3.1286	-0.3	-12.5
US 3m Bills	2.4116	-0.4	2.4
US 10yr Treasury	2.5596	-0.2	-4.6

### Prerana Seth

Fixed Income Strategist  
Tel: +971 (0)2 696 2878  
[prerana.seth@adcb.com](mailto:prerana.seth@adcb.com)

### Luciano Jannelli, Ph.D., CFA

Head Investment Strategy  
Tel: +971 (0)2 696 2340  
[luciano.jannelli@adcb.com](mailto:luciano.jannelli@adcb.com)

### Kishore Muktinatalapati

Equity Strategist  
Tel: +971 (0)2 696 2358  
[kishore.muktinatalapati@adcb.com](mailto:kishore.muktinatalapati@adcb.com)

### Mohammed Al Hemeiri

Analyst  
Tel: +971 (0)2 696 2236  
[mohammed.alhemeiri@adcb.com](mailto:mohammed.alhemeiri@adcb.com)

### Noor Alameri

Analyst  
Tel: +971 (0)2 694 5182  
[noor.alameri@adcb.com](mailto:noor.alameri@adcb.com)

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## Summary market outlook

**Global Yields** The US 10-year Treasury yields rose on improved risk-appetite. We expect the 10-year US Treasury yield to remain range bound between 2.5% and 2.8%, in line with the Fed's indicated long-term neutral rate.

**Stress and Risk Indicators** VIX declined substantially in absence of any surprises in the equity market. However, we believe that volatility is likely to stay elevated due to the fear of global growth slowdown and concerns around trade.

## Equity Markets

**Local Equity Markets** GCC equity markets ending in the positive territory, further supported by higher oil prices. ADX and Saudi equities were the best performer last week. We remain neutral on GCC equities given the potential for further dollar strength and range-bound oil prices, but we maintain our overweight call on Saudi equities. We also prefer banks in the regional context.

**Global Equity Markets** Global equities posted marginal gains. European equities outperformed the most and gained on solid start to the earnings season. Japanese equities also posted gains while US equities were mostly subdued in the holiday shortened trading week. Overall, we remain neutral on equities with an overweight on US and underweight EU and EM (but with selective exposure to India, Brazil and South Africa).

## Commodities

**Precious Metals** Precious metal prices weakened, albeit not significantly, on the back of improved risk sentiment. We remain overweight gold as a risk hedge against ongoing political and (potential) inflationary risks.

**Energy** Oil prices rose during the week, further strengthening their year-to-date gains. We think the oil price is likely to remain sustained as the market is roughly balanced and growth concerns appear now to be discounted.

**Industrial Metals** Industrial metals were mixed in spite of strong China GDP data. We do not recommend industrial metals exposure as China reigns in demand.

## Currencies

**EURUSD** The euro weakened versus the US dollar with signs of more weakness coming from PMI releases. We expect the euro to remain stable with USD to lose some strength in 2019.

**Critical levels** **R2** 1.1261 **R1** 1.1253 **S1** 1.1232 **S2** 1.1218

**GBPUSD** The pound sterling depreciated versus the US dollar. We expect the cable to be stable with Pound sterling likely to follow the euro rather than USD.

**Critical levels** **R2** 1.3024 **R1** 1.3008 **S1** 1.2979 **S2** 1.2965

**USDJPY** The yen ended flat versus the dollar. BoJ yield curve targeting should put continuing downward pressure on the yen.

**Critical levels** **R2** 112.05 **R1** 111.99 **S1** 111.88 **S2** 111.72

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
04/22/2019	Chicago Fed Nat Activity Index	Mar	2.55	-0.29	
04/22/2019	Existing Home Sales MoM	Mar	-3.80%	11.80%	
04/23/2019	New Home Sales MoM	Mar	-2.70%	4.90%	
04/24/2019	MBA Mortgage Applications	19-Apr	--	-3.50%	
04/25/2019	Durable Goods Orders	Mar P	0.70%	-1.60%	Attention will be on the housing data. Focus will also be on MBA and the 1Q GDP print.
04/25/2019	Initial Jobless Claims	20-Apr	200K	192K	
04/26/2019	GDP Annualized QoQ	1Q A	2.20%	2.20%	
04/26/2019	Core PCE QoQ	1Q A	1.30%	1.90%	
04/26/2019	U. of Mich. Sentiment	Apr F	97	96.9	

### Japan

	Indicator	Period	Expected	Prior	Comments
04/23/2019	Machine Tool Orders YoY	Mar F	--	-28.50%	
04/24/2019	All Industry Activity Index MoM	Feb	-0.30%	-0.20%	
04/25/2019	BoJ MPC meeting	25-Apr	No Change		All eyes will be on BoJ MPC meeting.
04/26/2019	Jobless Rate	Mar	2.40%	2.30%	
04/26/2019	Industrial Production MoM	Mar P	0.10%	0.70%	

### Eurozone

	Indicator	Period	Expected	Prior	Comments
04/23/2019	Consumer Confidence	Apr A	-7	-7.2	
04/24/2019	IFO Expectations (GE)	Apr	96.1	95.6	ECB economic bulletin and German IFO survey will be important.
04/24/2019	ECB Publishes Economic Bulletin				
04/27/2019	Retail Sales YoY	Mar	3.00%	4.70%	

### United Kingdom

	Indicator	Period	Expected	Prior	Comments
04/28/2019	Nationwide House PX MoM	Apr	0.10%	0.20%	Light week in terms of data releases.

### 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. RTT News
4. Reuters
5. Gulfbase
6. Zawya

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