

Bank Dhofar Morning Market Update



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Global Update

A regional stock gauge strengthened 0.7% with the Hang Seng Index advancing for an eighth day, the best run in a year. Contracts for the S&P 500 rose 1.5% and the Nasdaq 100 jumped 2% while those for Europe gained 0.8%. The dollar strengthened against havens like the Swiss franc and yen and outperformed most of its European peers. However, the greenback weakened against the yuan and currencies sensitive to China's economy like the Aussie and kiwi. Rounds of retaliation have raised US tariffs on imports from China to 145%, while the Chinese have put in place a 125% duty on US goods.

Trump had paused the steepest of the tariffs on most countries other than China, sparking a rally in the S&P 500. A trade deal struck with the UK last week also helped lift confidence that pacts were possible although the details disappointed.

EUR/USD's corrective fall from 1.1573 short term top resumed last week. Initial bias stays mildly on the downside this week for 55 D EMA (now at 1.1053). But downside should be contained by 38.2% retracement of 1.0176 to 1.1572 at 1.1039 to bring rebound. On the upside, break of 1.1380 will suggest that the correction has completed, and bring retest of 1.1572. In the bigger picture, rise from 0.9534 long term bottom could be correcting the multi-decade downtrend or the start of a long term up trend. In either case, further rise should be seen to 100% projection of 0.9534 to 1.1274 from 1.0176 at 1.1916.



Source: Reuters, Bloomberg

Currencies				Rates		
	Open	High	Low		Last Price	Previous Day Close
EURUSD	1.1244	1.1244	1.1186	O/N SOFR	4.290	4.290
GBPUSD	1.3295	1.3306	1.3253	1 month SOFR	4.325	4.325
USDJPY	145.83	146.2800	145.70	3 month SOFR	4.308	4.308
USDINR	85.85	85.87	85.33	6 months SOFR	4.205	4.205
USDCNY	7.2284	7.2303	7.2232	12 month SOFR	3.957	3.957
USDCHF	0.8301	0.8353	0.8294	3 years IRS	3.640	3.602
AUDUSD	0.6412	0.6439	0.6407	5 years IRS	3.676	3.636

A dollar bounce looks to be underway, given market calm has resumed for now and yields are getting attention again, but not all is clear. A weakening in core US data could be the next bearish dollar trigger. An overwhelming majority of recent survey evidence pointed lower, though, so far, most core data have held up well -- the April employment report, for example, was resilient. Yen declined back to its 50-day moving average before paring losses, while the Australian dollar rose with the yuan. EUR/USD fell 0.2% to 1.1230. USD/CHF rose 0.3% to 0.8340. AUD/USD edged 0.2% higher to 0.6427; NZD/USD gained 0.3% to 0.5926. GBP/USD slipped 0.2% to 1.3284

Global bonds retreated with Treasury yields rising across the curve and European debt futures lower. The Fed meeting last week confirmed that policymakers favor a wait-and-see approach for now, a strong contrast with the ECB's dovish bias, where a further 25-bp rate cut is feasible on June 5. Japan's 30-year government bond yield climbed to its highest level in almost 25 years, reaching 2.955%, due to optimism from US-China trade talks. The yield on 10-year Treasuries advanced four basis points to 4.42%.

	Current Levels
CBO Repo Rate	5
O/N OMIBOR	4.25
*Bank Deposit Rates for 1 years	4.25
Bank Deposit Rates for 5 years	4.50

*Amount>500k OMR

Calendar			
Key Data Watch	Time (GST)	Expected	Prior
Federal Budget Balance	22:00	\$256b	\$160.5b

Global Markets			
	Level	1-Day Change (%)	YTD (%)
S&P 500	5660	-0.071	-3.77
Euro Stoxx 600	538	0.435	5.98
Shanghai Composite Index	3360	0.547	0.25
MSX-30	4355	0.079	-4.84
NIFTY-50	24707	2.909	4.49
Brent Crude (\$/bbl)	64.59	1.080	-11.81
Gold (\$/oz.)	3280	-1.367	24.96
		0.353	
DXY	101		-7.18
Silver(\$/oz.)	33	0.575	13.88

For any Treasury related requirement, please contact:

Telephone: +968 2265 2721/2722/2731/2716

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