



بنك الإمارات دبي الوطني
Emirates NBD

Daily

10 January 2017

Daily Outlook

Economic data released overnight showed Chinese producer prices rise by 5.5% y/y in December up from 3.3% in November, while consumer prices rose by 2.1%, a slight dip from the 2.2% November reading. The surge in pipeline prices in China is good news as it suggests that deflationary pressures are abating, not just in China itself but also in terms of the effect its prices have on the rest of the world through Chinese exports. Elsewhere, the news was also relatively constructive, with German industrial production rising by 0.4% in November.

GBP was the main mover in the FX markets yesterday falling by almost 1.0% against the USD and against other major currencies, even as the USD has also fallen back against some other currencies. Cable hit an intraday and 10-week low at 1.2123, and the pound has also hit an eight-week low against the euro. Remarks from PM May over the weekend that the UK would leave the EU's single market and pursue a bespoke Brexit deal went down badly with markets – the worry being that there could be a very long time between giving up free access to the EU's internal market and establishing new trading terms, and/or that the UK government might rush to try to do too much within the two-year article 50 window in terms of leaving the single market and striking a new trade deal.

Last week there were warnings about a 'very hard Brexit' from the Norwegian PM, which followed on from remarks by the UK's departing EU Ambassador Sir Ivan Rogers about the need to correct 'muddled thinking' on Brexit in London. Formal two-year exit negotiations will most likely start at the end of March, and while a multi-year transition period until a new trade deal is reached might appear sensible, it seems that PM May and her government look set to want a more ambitious legal separation and a new trade deal much earlier.

Sterling hits multi-week lows against USD and EUR



Source: Bloomberg, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
US NFIB Small Business Optimism	15:00	99.5	US Wholesale Inventories m/m	19:00	0.9%
Canada Housing Starts	17:15	190.0k	US JOLTS Job Openings	19:00	5500

Source: Bloomberg.

Fixed Income

Cash bonds were roughly flat yesterday as gains in the US market were offset by weak performance in Europe and Asia. The 10yr UST gave up around 5bps while the 2yr yield dipped nearly 3bps. The Atlanta Fed president, Dennis Lockhart, gave a positive but not necessarily vigorous view of the US economy but didn't give much indication on his trajectory for further rate moves, saying he had been on the 'cautious' side of decisions.

Locally the BUAEUL index of liquid UAE bonds managed to tick higher despite the slump in oil prices yesterday. Spreads over benchmark securities were roughly flat.

In the region, Egypt will launch a roadshow in Dubai for an upcoming issue. In November the finance minister indicated the country was looking to raise USD 6bn from debt markets this year. Egypt is currently rated 'B-' (S&P) and posted a major drop in remittance inflows into the economy in its latest balance of payments data.

FX

The dollar is weaker across the board this morning with exception of GBPUSD (see above) as markets approach a speech by Janet Yellen later in the week and press conference by President-elect Donald Trump on Wednesday. Comments from Atlanta Fed President Dennis Lockhart overnight were a little less hawkish than some of his colleagues of late saying it is too early to tell the impact of a fiscal policy shifts on the economy this year, causing yields to dip and the USD to lose ground.

Equities

Developed market equities closed lower as investor's exercised caution following the recent rally. The weakness in oil prices also played a part. The S&P 500 index and the Euro Stoxx 600 index declined -0.4% and -0.5% respectively.

Asian equities are lower higher this morning tracking weakness in developed markets overnight. The Shanghai Composite index and the Nikkei index was trading -0.1% and -0.9% at the time of this writing.

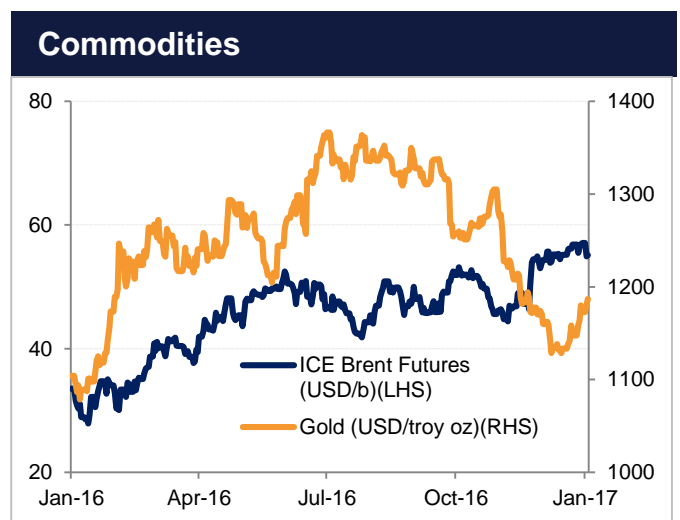
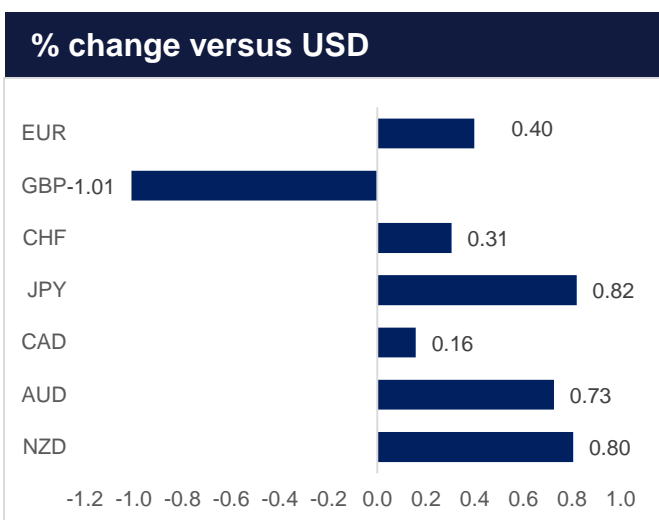
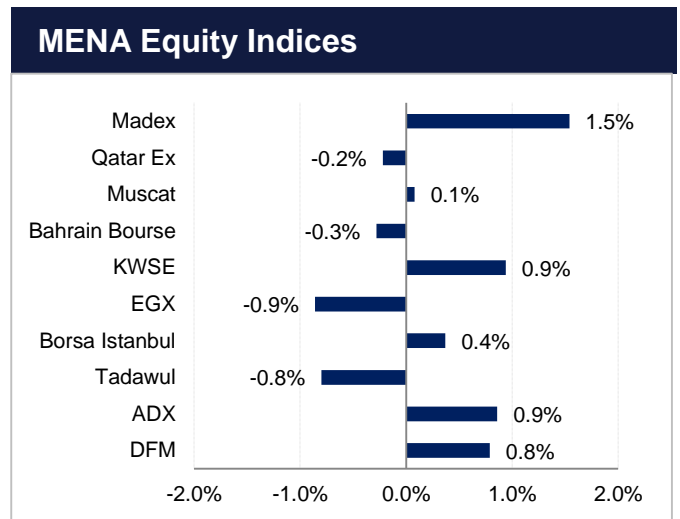
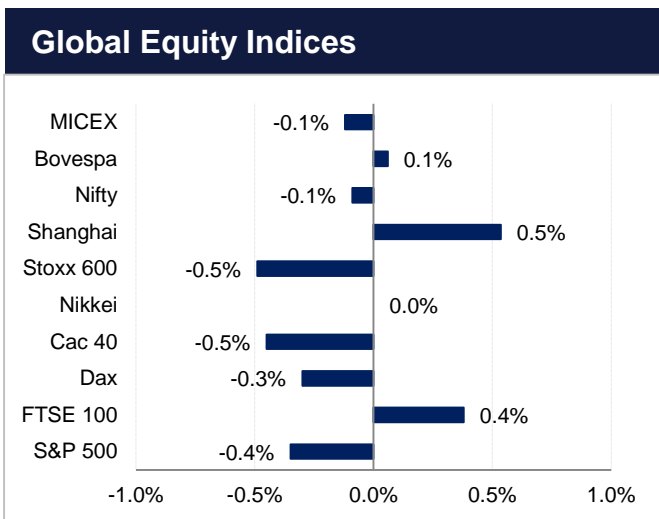
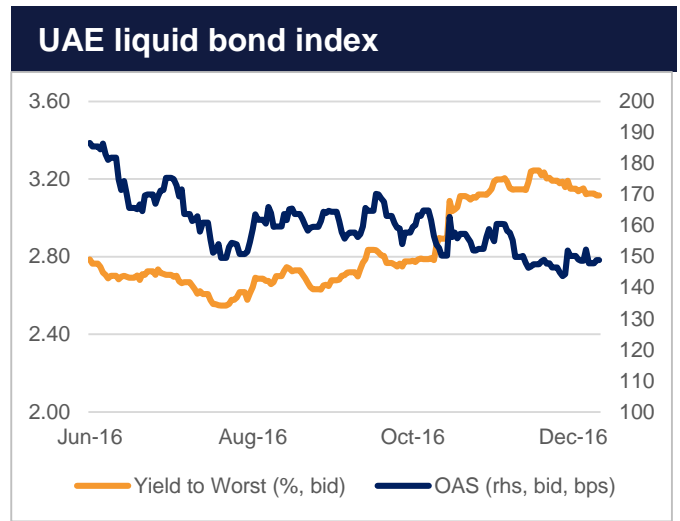
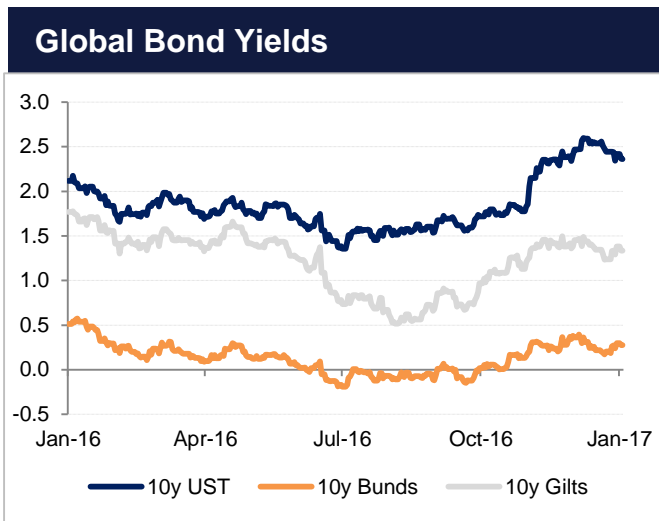
It was a mixed day of trading for regional equities with the DFM index adding +0.8% and the Tadawul losing -0.8%. In a positive sign, volumes have picked up as well with the DFM trading value topping USD 345mn.

In terms of stocks, Emaar Properties added +1.6% and Industries Qatar rallied +1.3%. The Tadawul was again dragged lower by banking sector stocks with NCB and Alinma Bank losing -2.1% and -1.6% respectively.

Commodities

Oil markets gave up nearly 4% yesterday in both contracts as bearish indicators out of the US—forecast for a stock rise and a persistently high drilling rig count—weighed against the first few days of OPEC's production cut agreement. Brent futures ended the day below USD 55/b for the first time in three weeks while WTI dipped back below USD 52/b. Brent's failure to stay in the upward channel it started from around the middle of December makes us wary that those levels higher in the USD 57-58/b may have come a little too early for this market to bear.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0574	+0.40	1.0788	USDTRY	3.7134	+1.91	EURAED	3.8829	+0.36
GBPUSD	1.2163	-1.01	1.2291	USDEGP	18.1235	-0.37	GBPAED	4.4672	-1.03
USDJPY	116.03	-0.85	113.75	USDSAR	3.7507	-0.01	JPYAED	0.0317	+0.80
USDCAD	1.3216	-0.16	1.3154	USDQAR	3.6411	+0.01	CADAED	2.7794	+0.17
AUDUSD	0.7354	+0.73	0.7299	USDKWD	0.3060	+0.09	AUDAED	2.7012	+0.74
USDCHF	1.0153	-0.27	0.9906	USDBHD	0.3770	--	CHFAED	3.6180	+0.25
EURGBP	0.8694	+1.41	0.8778	USDOMR	0.3850	+0.00	TRYAED	0.9900	-1.79
USDAED	3.6730	--	3.6865	USDINR	68.0163	+0.08	INRAED	0.0539	+0.09

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.0067	1.3950	1.6646	2.0816	USD 2 yr	1.466	-2
USD LIBOR	0.7633	1.0101	1.3243	1.6846	USD 5 yr	1.914	-4
GBP LIBOR	0.2584	0.3695	0.5334	0.7816	USD 10 yr	2.234	-6
JPY LIBOR	-0.0523	-0.0370	0.0156	0.1273	EUR 2 yr	-0.165	-1
CHF LIBOR	-0.7888	-0.7292	-0.6612	-0.5028	EUR 5 yr	0.104	-2
					EUR 10 yr	0.695	-3

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1181.10	+0.72	ADGB 6.75 19	1.75	-1	Abu Dhabi	58	+3
Silver	16.56	+0.47	DUGB 7.75 20	2.84	-1	Dubai	140	+5
Oil (WTI)	51.96	-3.76	QATAR 6.55 19	1.98	+1	Qatar	78	+5
Aluminium	1735.25	+0.83	US Tsy 2 yr	1.18	-3	Saudi Arabia	113	+8
Copper	5570.00	+0.01	US Tsy 10 yr	2.36	-5	Bahrain	270	+1

Source: Bloomberg, Emirates NBD Research

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