



بنك الإمارات دبي الوطني
Emirates NBD

Daily
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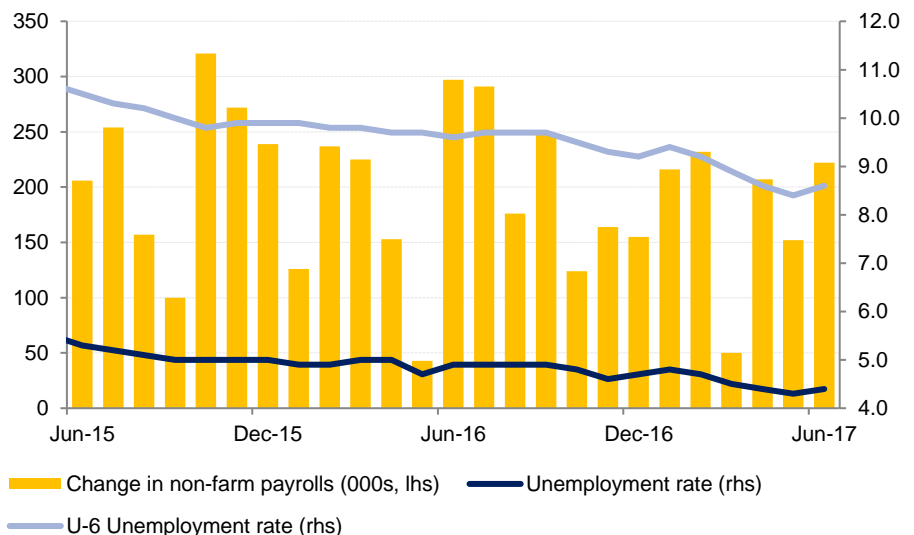
Daily Outlook

The US economy added 222,000 new jobs in June beating market expectations for a gain of 179,000. Furthermore revised data shows the economy created 47,000 more jobs for both April and May, lending a further boost to the jobs data. While the unemployment rate edged up to 4.4% from a 16 year low of 4.3% in May, this was largely due to an increase in the labour participation rate. Average year on year hourly earning edged up to 2.5% in June from 2.4% a month earlier, below market forecast of a 2.6% gain. Job gains in the US economy are averaging 194,000 a month this year, well above the 75,000-100,000 rate needed to keep a lid on unemployment, which is supporting Fed Chair Janet Yellen's argument that a tightening job market will push up inflation and wages.

Egypt's central bank raised interest rates by 200 basis points for the second time this year, taking markets by surprise as the government attempts to control inflation after raising fuel and electricity prices. The Monetary Policy Committee raised the overnight deposit rate to 18.75% and lending rate to 19.75%. Since floating the Egyptian pound in November, borrowing costs have gone up by a total of 700 basis points. On Thursday the Egyptian government raised electricity prices by almost 42%, after raising fuel prices by almost 55% a week earlier. Egypt's inflation rate averaged 29.7% in June from 31.5% in April according to the official CPMAS statistics agency.

Dubai's non-oil foreign trade rose 2.7% to reach AED 327 billion in Q1 2017 according to data published by Dubai Customs. Imports accounted for the largest share of non-oil foreign trade at AED 201 billion, while exports accounted for AED 35 billion and re-exports AED 91 billion. Direct trade grew 3.5% to AED 209 billion in Q1 2017, while Free Zone trade accounted for AED 108.5 billion. Customs warehouse trade grew 31% in the first quarter to reach AED 9.1 billion compared to the same period in 2016. China maintained its position as Dubai's biggest partner in Q1 2017 with AED 44.15 billion worth of trade or 13.5% of the total, followed by India with AED 25.4 billion representing 7.8% of Dubai's total non-oil foreign trade, while the USA came third with a total AED 22 billion or 6.7% of total trade.

Non-farm payrolls show 222,000 new jobs created in June



Source: Bloomberg, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
German Trade Balance	10:00	18.7b	EZ Sentix Investor Confidence	12:30	28.1
Turkey Industrial Production y/y	11:00	5.0%	US Consumer Credit	23:00	\$13.5b

Source: Bloomberg.

Fixed Income

Yield curves for major developed market sovereign bonds steepened with yields on shorter dated bonds declining and that on longer dated bonds rising on the back of talks about unwinding QE. Yields on 2yr, 5yr, 10yr and 30yr UST closed the week at 1.40% (-1bp), 1.95% (+2bps), 2.39% (+4bps) and 2.93% (+6bps) respectively. Across the pond, yield on 2yr German Bunds declined to -0.61% (-1bp) while those on 10yr closed 10bps higher at 0.57%.

Against this challenging backdrop for bonds in general, GCC bonds waned as risk of higher than projected budget deficits in the region increased as a consequence of oil prices unhinging from the USD 50/b mark. Average option adjusted spreads on Bloomberg Barclays GCC index increased 9bps to 153bps during the week. In conjunction with higher benchmark yields, total average yield on the index rose 12bps to 3.59% causing most bonds to fall in price. As is expected post negative rating actions, bonds from Qatar and Oman were the main underperformers during the week. In contrast, shorter dated bonds, including perpetual bonds that have call dates within the next 2 -3 years held up in price and were among the top 10 performers.

Investor update call hosted by Dana Gas on last Thursday provided little new information. Price on Dana Gas sukuk, schedule to mature in October 2017, fluctuated in the \$75 - \$80 band. As per some media reports, Dana Gas has been successful in seeking extension to the UK court order stopping investors from taking legal action, however, the company is required to ensure that it does not engage in any asset sales or dividend payments in the interim. A full court hearing is likely in September this year.

Primary Market in the region is yet to fire up post the Ramadan induced hibernation. The only deal done during the week was the privately placed USD 320m zero coupon security by ADCB finance.

FX

CAD outperformed at the end of last week, appreciating against all the major currencies on Friday. The currency found support following stronger than expected employment data which showed a net gain of 45,300 jobs in June (compared with expectations for 10,000), taking the unemployment rate down to 6.5% from 6.6% the previous month. With USDCAD closing the week at 1.2876, levels last seen in September 2016, the market will be turning its attention towards the Bank of Canada interest rate decision on Wednesday. With the OIS implying a 94.8% change of a 25bps increase in interest rates, the CAD may continue to enjoy support in the week ahead.

Equities

Benchmark equity markets were split to end the week, with the US pushing higher on the back of a solid NFP figure while European and Asian markets were mixed. The S&P 500 closed up 0.6% but the lingering in oil prices dragged the TSX lower. In Europe, the FTSE ended Friday up 0.2% while the CAC and Dax were nearly unchanged. In Asia, the Shanghai managed to gain 0.2% but the Hang Seng and Nikkei ended the day lower. Local markets held to a narrow range yesterday. The ADX closed 0.3% higher while the Tadawul dipped 0.5%.

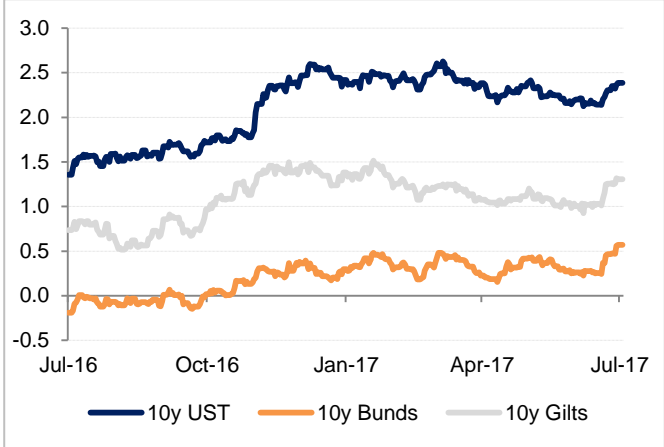
Commodities

Oil prices drifted lower last week as the market continues to grapple with excessive supplies. WTI futures closed the week below USD 45/b while Brent was below USD 47/b, declining by 3.9% and 2.5% respectively. Russia's energy minister said at the end of the week his country would consider 'other proposals' on top of the existing production cuts but we doubt that a deepening of the existing agreement would be easily achieved or enforced credibly.

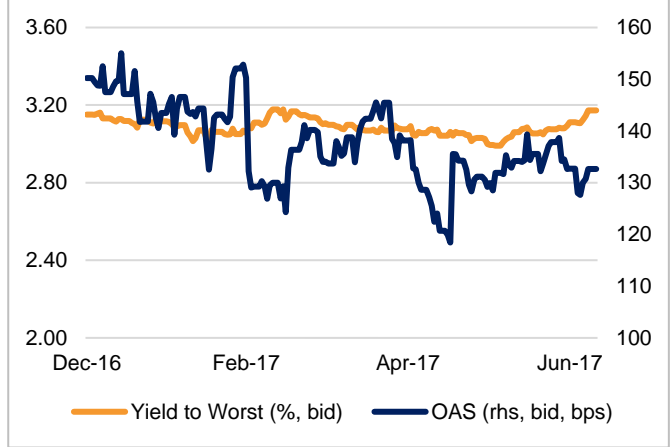
The forward curve contango widened over the week, ending Friday at nearly USD 4/b for Brent 17-19, its deepest since Brent futures hit their lowest level of the year in mid-June. The market will be closely watching the latest EIA, IEA and OPEC reports due this week for their expectations of supply growth in 2018 and what it may mean for the effectiveness of the OPEC cuts.

Markets in Charts

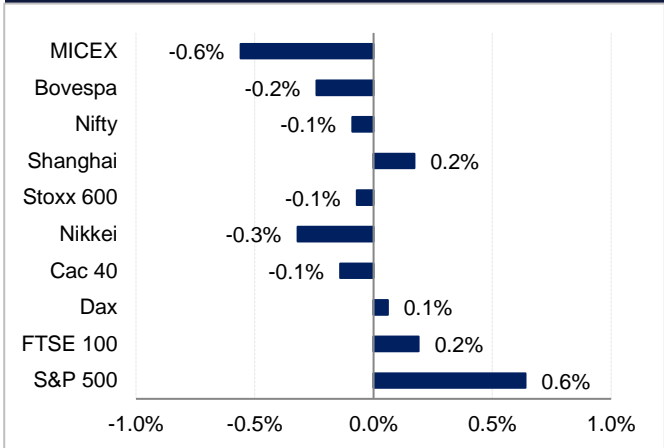
Global Bond Yields



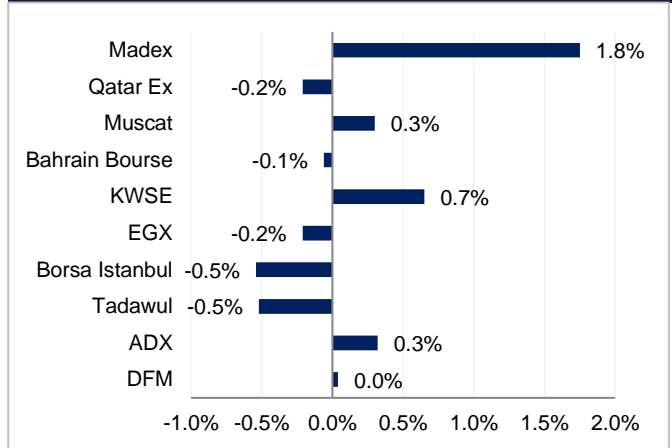
UAE liquid bond index



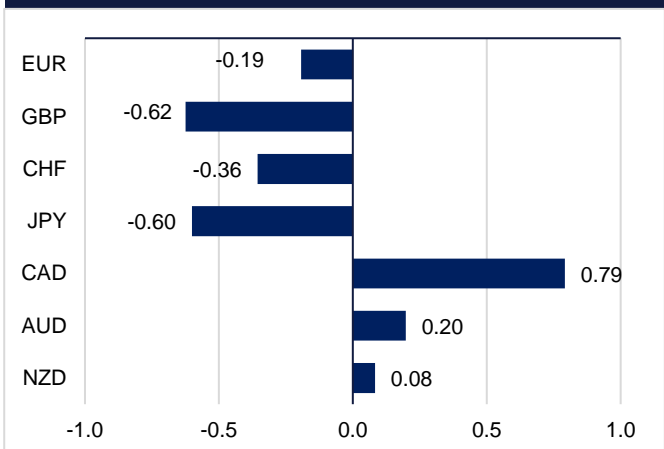
Global Equity Indices



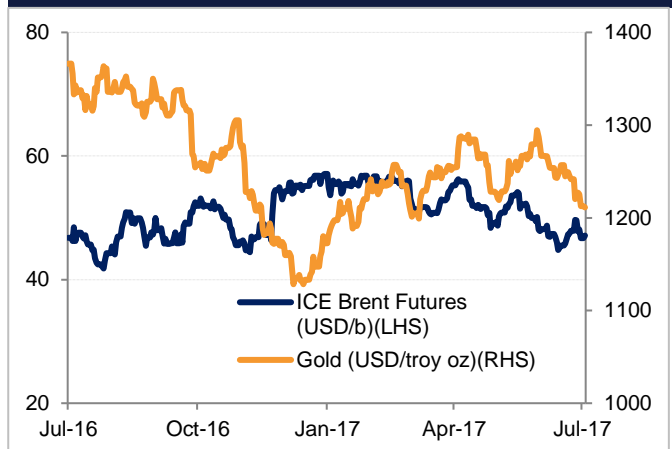
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1401	-0.19	1.1636	USDTRY	3.6185	-0.08	EURAED	4.1876	-0.20
GBPUSD	1.2890	-0.62	1.3036	USDEGP	17.8740	-0.23	GBPAED	4.7325	-0.67
USDJPY	113.92	+0.62	111.81	USDSAR	3.7500	--	JPYAED	0.0322	-0.60
USDCAD	1.2876	-0.79	1.2832	USDQAR	3.6410	-2.78	CADAED	2.8526	+0.79
AUDUSD	0.7601	+0.20	0.7567	USDKWD	0.3032	-0.03	AUDAED	2.7925	+0.23
USDCHF	0.9640	+0.37	0.9405	USDBHD	0.3772	+0.01	CHFAED	3.8073	-0.43
EURGBP	0.8846	+0.45	0.8927	USDOMR	0.3851	+0.00	TRYAED	1.0100	-0.42
USDAED	3.6730	--	3.6810	USDINR	64.5225	-0.39	INRAED	0.0568	+0.16

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.2683	1.5468	1.7547	2.1472	USD 2 yr	1.647	--
USD LIBOR	1.2263	1.3052	1.4654	1.7576	USD 5 yr	2.017	--
GBP LIBOR	0.2542	0.2984	0.4520	0.6599	USD 10 yr	2.353	+1
JPY LIBOR	-0.0197	-0.0019	0.0147	0.1161	EUR 2 yr	-0.120	--
CHF LIBOR	-0.7816	-0.7264	-0.6514	-0.4888	EUR 5 yr	0.326	--
					EUR 10 yr	0.987	+1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1212.46	-1.04	ADGB 6.75 19	1.72	+4	Abu Dhabi	64	+3
Silver	15.62	-2.61	DUGB 7.75 20	2.69	+4	Dubai	133	--
Oil (WTI)	44.23	-2.83	QATAR 6.55 19	2.60	+6	Qatar	124	+5
Aluminium	1918.25	-0.75	US Tsy 2 yr	1.40	--	Saudi Arabia	114	-1
Copper	5804.00	-0.34	US Tsy 10 yr	2.39	+2	Bahrain	254	+2

Source: Bloomberg, Emirates NBD Research

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