



بنك الإمارات دبي الوطني
Emirates NBD

Daily
10 October 2017

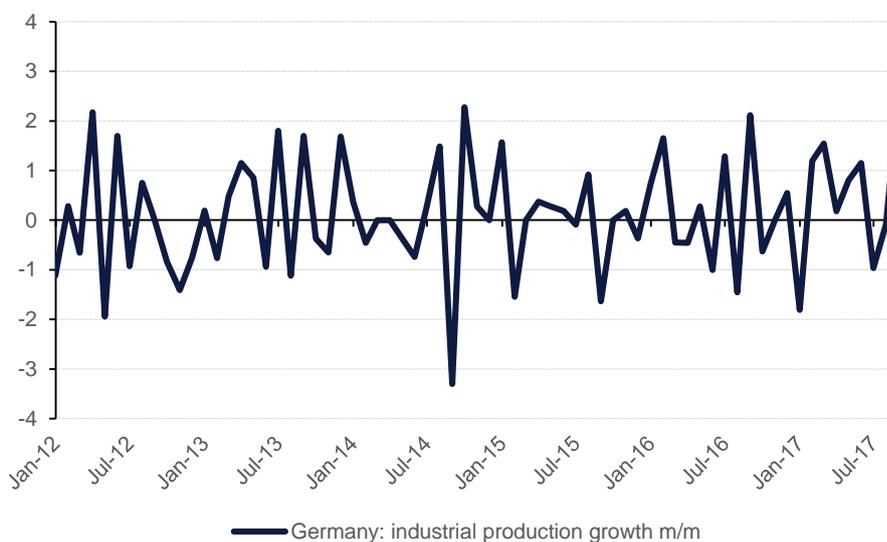
Daily Outlook

German industrial production surged in August, posting its biggest monthly rise in six years. Data from the Economy Ministry showed the combined production of manufacturing, construction and energy increased by 2.6 percent in August after edging down by 0.1 percent in July. The figures easily beat market expectations of a 0.7% rise. Although the makeup of the new government could add uncertainty, the strong industrial figures suggested the German economy is firing on all cylinders and is on solid footing for robust growth in the third quarter.

The European Central Bank said fifty-one large euro zone banks are exposed to a sudden change in interest rates and may need to set aside more capital to protect themselves against that risk. However, most of the 111 euro zone banks it tested are well prepared for interest rates shocks. The tests were based on simulating scenarios ranging from a sudden monetary tightening to a lending freeze. The tests are being carried out as the ECB is preparing to start pulling back its monetary stimulus after years of ultra-low interest rates and bond purchases.

Japan's current account surplus hit 2.38 trillion yen in August, the highest on record for the month, on the back of higher income from foreign investments and a bigger trade surplus. This is the 38th straight month of current account surpluses for Japan. The primary account surplus, which reflects Japan's earnings from foreign investments, went up 13%. Exports jumped 16.3 % from a year ago to 6.17 trillion yen and imports expanded 15.1 %t to 5.85 trillion yen. Much of that export growth was underpinned by robust cars, auto parts and electronic components shipments, however rising energy import costs capped those gains.

German factories roar in August



Source: Eikon, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
UK Industrial Production m/m	12:30	0.2%	UK NIESR GDP Estimate	16:00	N/A
UK Manufacturing Production m/m	12:30	0.2%			

Source: Bloomberg

Fixed Income

With the US on holiday, it was pretty quiet on the rates front which in turn translated into a rather subdued day of trading in regional markets as well. The YTW on the Bloomberg Barclays GCC Credit and High Yield index closed unchanged at 3.54% with credit spreads remaining flat at 151 bps.

Qatar is planning to raise at least USD 9bn from international bond market as it seeks to reduce reliance on regional investors in the wake of the current political crisis.

Moody's kept its outlook for the UAE banking system at stable reflecting economic resilience, strong capitalization, stable funding and liquidity conditions.

The pipeline for primary issuance continues to build further with The Oil & Gas Holding Company which is fully owned by Kingdom of Bahrain hiring banks to arrange investor meetings ahead of the company's first bond issuance.

FX

The dollar traded mostly softer yesterday in holiday affected markets. The DXY USD index fell back to a low at 93.48, while EURUSD firmed to a two-day high of 1.1782.

Cable extended Friday's bounce as UK political risks abated slightly, with PM May taking a more assertive stance on the EU. UK manufacturing data today may provide it with further underpinning, but the main focus will be on developments in Spain and whether Catalonia declares unilateral independence as the regional parliament meets to discuss the outcome of last week's unofficial referendum.

Equities

Developed market equities closed mixed amid low volumes on account of a holiday in the US. The S&P 500 index declined -0.2% while the Euro Stoxx 600 index added +0.2%.

Regional equities were led lower by a sharp decline in the Tadawul (-1.11%). The decline was flow driven with no real catalysts. Banks led the decline with NCB losing -1.7% and Al Rajhi -0.7%.

Elsewhere, Drake & Scull continued its positive run as the stock added another +6.1%. Dana Gas (+2.7%) and Manazel (+3.7%) accounted for nearly 50% of the total turnover on the ADX.

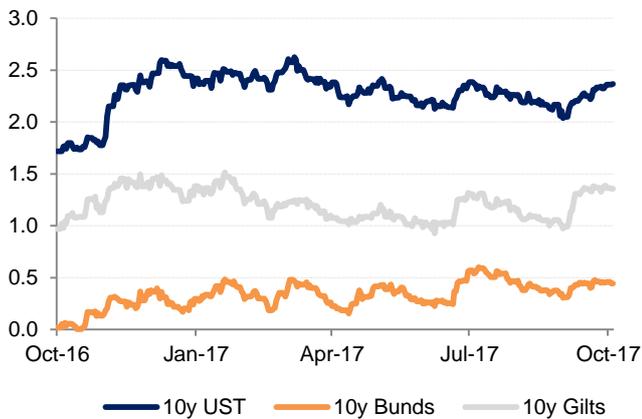
Commodities

Oil prices nudged higher to start the week, closing up 0.3% for Brent futures and 0.59% for WTI. The market was largely responding to comments from OPEC's secretary general that the bloc may need to take extraordinary measures to ensure the crude market remains in balance in 2018.

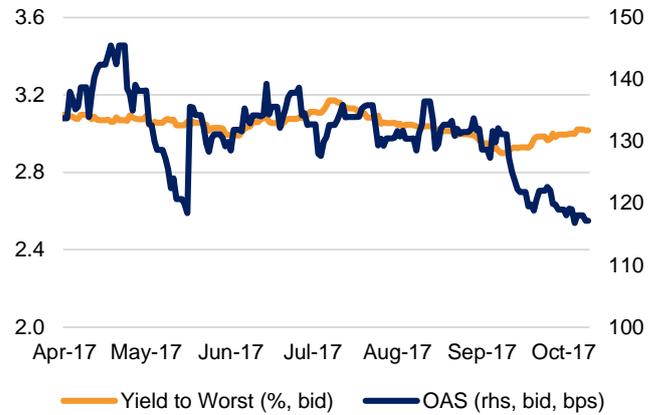
There was little change to the market structures either in Brent or WTI with the international grade's backwardation holding between USD 0.20/b and USD 0.30/b while the WTI in contango narrowed marginally. WTI is hovering close to its 200-day moving average which may provide a new support level after acting as a resistance earlier in the summer.

Markets in Charts

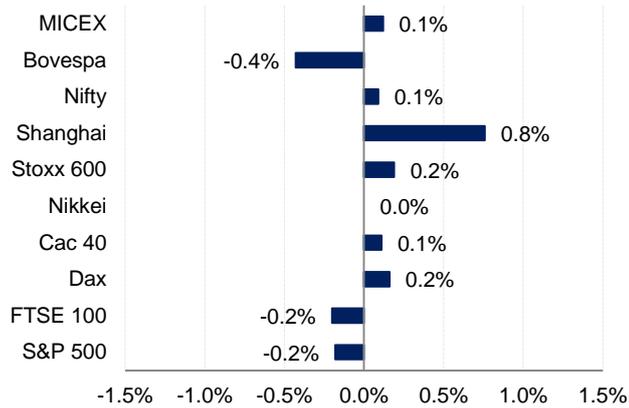
Global Bond Yields



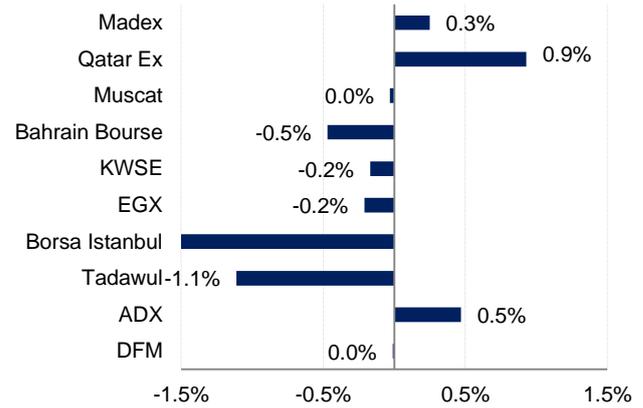
UAE liquid bond index



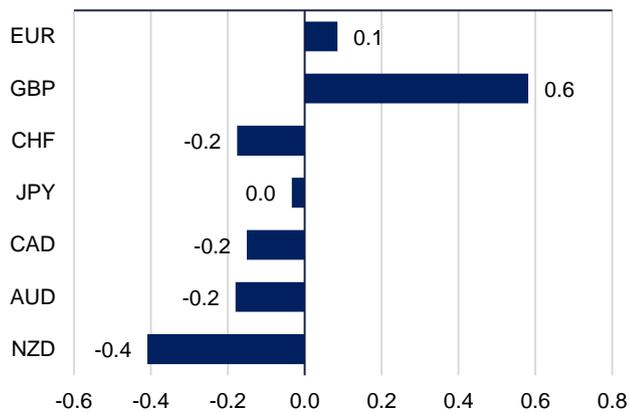
Global Equity Indices



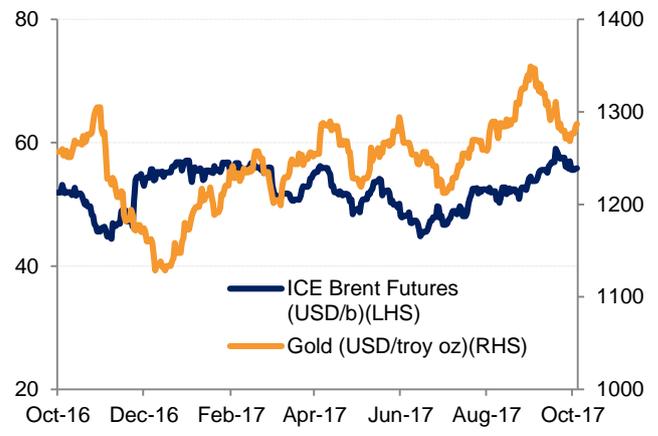
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1740	+0.09	1.2006	USDTRY	3.7023	+2.42	EURAED	4.3123	+0.08
GBPUSD	1.3142	+0.58	1.3292	USDEGP	17.6178	-0.32	GBPAED	4.8268	+0.56
USDJPY	112.68	+0.03	110.34	USDSAR	3.7502	-0.00	JPYAED	0.0326	-0.03
USDCAD	1.2551	+0.18	1.2538	USDQAR	3.6800	+0.38	CADAED	2.9266	-0.14
AUDUSD	0.7753	-0.18	0.7728	USDKWD	0.3022	-0.03	AUDAED	2.8480	-0.22
USDCHF	0.9798	+0.01	0.9543	USDBHD	0.3773	--	CHFAED	3.7489	-0.15
EURGBP	0.8935	-0.52	0.9034	USDOMR	0.3850	-0.00	TRYAED	0.9900	-2.57
USDAED	3.6730	--	3.6795	USDINR	65.2700	-0.16	INRAED	0.0562	+0.08

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3128	1.5652	1.7933	2.1837	USD 2 yr	1.778	+1
USD LIBOR	1.2372	1.3564	1.5249	1.8090	USD 5 yr	2.039	-0
GBP LIBOR	0.2755	0.3544	0.5112	0.7371	USD 10 yr	2.317	+0
JPY LIBOR	-0.0384	-0.0493	-0.0051	0.1039	EUR 2 yr	-0.173	-1
CHF LIBOR	-0.7826	-0.7260	-0.6486	-0.5108	EUR 5 yr	0.241	-2
					EUR 10 yr	0.886	-2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1284.05	+0.58	ADGB 6.75 19	1.90	--	Abu Dhabi	58	+2
Silver	16.97	+0.89	DUGB 7.75 20	2.52	-5	Dubai	126	-
Oil (WTI)	49.58	+0.59	QATAR 6.55 19	2.06	+1	Qatar	100	+3
Aluminium	2149.75	+0.89	US Tsy 2 yr	1.50	--	Saudi Arabia	84	+1
Copper	6615.25	-0.02	US Tsy 10 yr	2.36	--	Bahrain	237	+12

Source: Bloomberg, Emirates NBD Research

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