بنك الإمارات دبي الوطني
Emirates NBD

Daily
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Daily Outlook

Turkey's economy expanded by 5.2% in Q2, slightly slower than expected. The pace of growth was a slowdown from the rapid 7.4% experienced in the first quarter of the year and included a period of accelerating lira weakness along with an uptick in inflation. **Turkey's central bank meets later this week with the market calling for an interest rate hike of as much as 500bps to arrest the current decline in the lira and to restore some confidence in economy policymaking**. The CBRT had signalled to markets last week that it would take "necessary action" to keep prices under control and risks leaving markets disappointed if it were to fail to take a meaningful step on interest rates.

Inflation in Egypt hit 14.2% in August compared with 13.5% a month earlier. Headline inflation in Egypt has ticked higher in the last few prints as the economy endures the full impact of subsidy cuts. **The Central Bank of Egypt holds a policy meeting later this month and the recent pick-up in inflation may give the CBE room to hold rates steady.**

Sterling soared on the back of comments from Michel Barnier, the EU's Brexit negotiator, saying that a deal could be achieved by November if the UK gave ground on some of its more steadfast positions. Sterling moved back above a 1.30 handle after falling to recent lows of 1.2791. Barnier said that obstacles still remain around the Irish border and EU single market regulations which would need to apply if the UK wanted to retain goods and services access to the currency bloc's economy. **A solid July GDP print also helped support sterling overnight as the UK's economy grew by 0.6% in the three month period up to July** compared with the three months up to June. Good weather and the football World Cup helped support consumer spending, adding to more positive sentiment in the UK's services sector.

Egyptian inflation picks up slightly

Source: EIKON, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
UK unemployment rate	12:30	4%	DE ZEW sentiment	13:00	-14
CA housing starts	16:15	210k	US JOLTS survey	18:00	n/a

Source: EIKON, Emirates NBD Research.

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Fixed Income

Treasuries traded mixed in a narrow range to start the week. Yields on the 2y UST, 5y UST and 10y UST closed at 2.71% (unchanged), 2.82% (unchanged) and 2.93% (unchanged) respectively.

GCC bonds drifted marginally lower. The YTW on the Bloomberg Barclays GCC Credit and High Yield index increased +1bp to 4.47% and credit spreads gained marginally to 169 bps.

DP World plans to issue new USD, EUR or GBP denominated 10 year and 30 year debt to fund growth and finance buyback of USD 650mn of JAFZA sukuk which was maturing in 2019. The company said it will pay USD 1032.50 for every USD 1000 of bonds by principal value in the buyback offer. The offer closes on 17 September 2018 and is subject to the company selling new debt.

Elsewhere, National Bank of Oman has mandated banks for a benchmark 5 year USD RegS bond offering under the bank's EMTN program.

FX

GBP outperformed on Monday, gaining on all the other majors amid firmer than expected economic data and more optimism over a deal being worked out between the U.K. and the EU (see macro). Over the course of the day, GBPUSD rose 0.82% to reach 1.3026. This morning, the cross has risen further to 1.3038 and is back above the 50-day moving average. Should it close the day above this level, it could catalyze further gains towards the 1.32 handle. Not far from the 100-day moving average (1.3204).

This afternoon, markets will turn their attention towards the U.K. where employment data is expected to show further tightening of the labour market. While economic data is likely to be overlooked in favour of progress with Brexit negotiations, any upside surprises in the data could add further fuel to GBP's rally.

Equities

Developed market equities closed higher amid lack of development on the trade front. The S&P 500 index and the Euro Stoxx 600 index added +0.2% and +0.5% each.

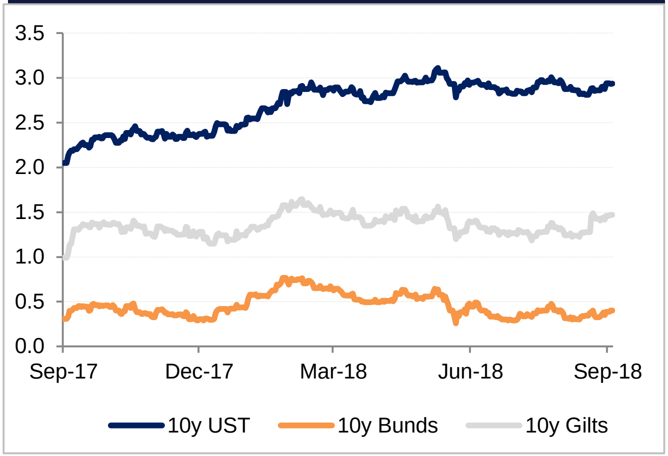
Most regional markets closed higher with the ADX index and the Qatar Exchange adding +1.4% and +1.2% respectively. Midcap stocks continued their rally in the UAE with Salama adding +12.0% and Deyaar gaining +5.9%. UNB (+4.8%) too continued its positive run.

Commodities

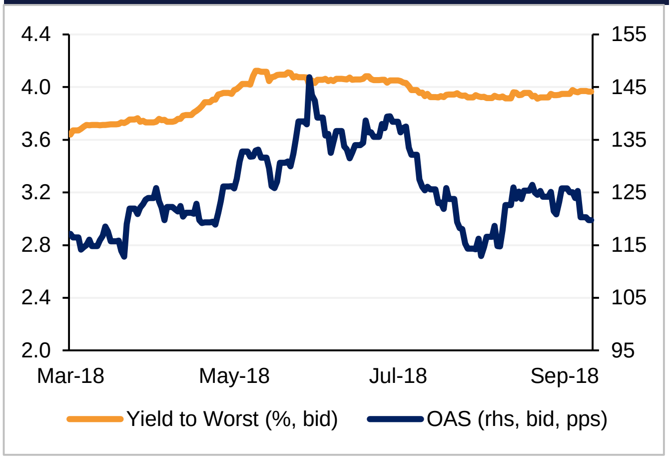
Oil prices split overnight with a 0.7% gain in Brent futures and a dip of 0.3% for WTI. An attack on the headquarters of the Libyan national oil company may have shaken confidence in international markets even though the attack was far removed from any production facilities. The US and Saudi energy ministers hold talks today in Washington DC as the US government pushes major oil producers to keep output at elevated levels to compensate for a drop in output expected from Iran in the coming months.

The split performance in WTI and Brent overnight pushed the spread between the two benchmarks back to USD 10/b, levels it last saw in June this year. The divergent performance also pushed the forward curves in different directions with the backwardation at the front end of the Brent curve hitting USD 0.45/b, its widest level since April this year and the same spread in WTI hovering just above neutral.

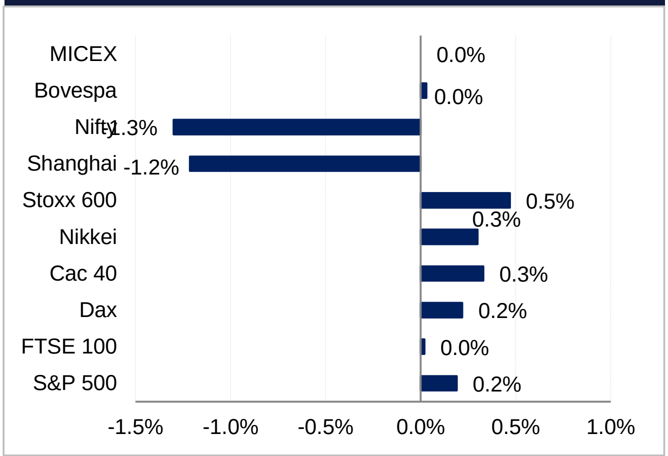
Global Bond Yields



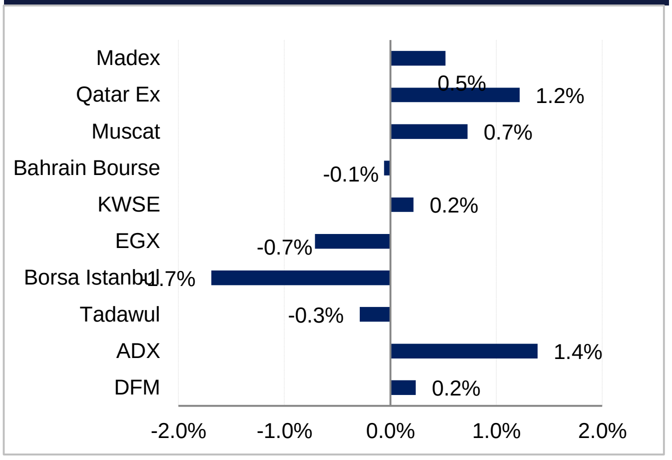
UAE liquid bond index



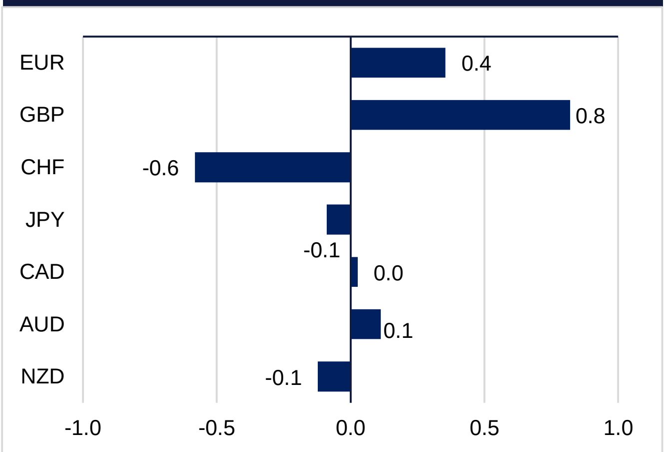
Global Equity Indices



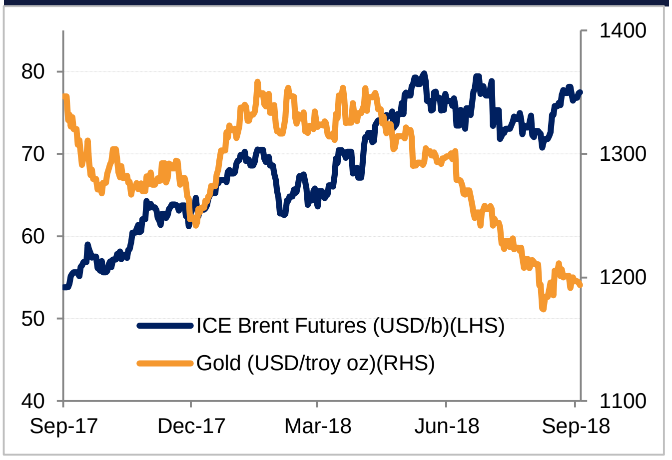
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1594	+0.35	1.1968	USDTRY	6.4643	+0.86	EURAED	4.2584	+0.35
GBPUSD	1.3026	+0.82	1.3267	USDEGP	17.9256	+0.19	GBPAED	4.7845	+0.87
USDJPY	111.13	+0.13	107.81	USDSAR	3.7510	+0.00	JPYAED	0.0330	-0.14
USDCAD	1.3164	+0.02	1.3083	USDQAR	3.6800	+0.59	CADAED	2.7901	+0.01
AUDUSD	0.7115	+0.11	0.7149	USDKWD	0.3030	+0.09	AUDAED	2.6127	+0.10
USDCHF	0.9751	+0.61	0.9409	USDBHD	0.3772	+0.01	CHFAED	3.7668	-0.61
EURGBP	0.8900	-0.46	0.9020	USDOMR	0.3850	--	TRYAED	0.5700	-0.54
USDAED	3.6730	--	3.6768	USDINR	72.4313	+0.97	INRAED	0.0552	+8.41

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.2638	2.4915	2.9040	3.1913	USD 2 yr	2.899	+0
USD LIBOR	2.1389	2.3343	2.5523	2.8626	USD 5 yr	2.955	-0
GBP LIBOR	0.7246	0.8023	0.8971	1.0414	USD 10 yr	2.993	-1
JPY LIBOR	-0.0775	-0.0382	0.0243	0.1378	EUR 2 yr	-0.148	-1
CHF LIBOR	-0.7768	-0.7284	-0.6488	-0.5162	EUR 5 yr	0.305	-0
					EUR 10 yr	0.918	+1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1195.88	-0.09	ADGB 6.75 19	2.42	--	Abu Dhabi	63	-
Silver	14.18	+0.00	DUGB 7.75 20	3.45	+1	Bahrain	376	+2
Oil (WTI)	67.54	-0.31	QATAR 6.55 19	2.65	+2	Dubai	117	-7
Aluminium	2057.25	+1.29	US Tsy 2 yr	2.71	+1	Qatar	82	-
Copper	5891.50	-0.40	US Tsy 10 yr	2.93	-1	Saudi Arabia	80	-

Source: Bloomberg, Emirates NBD Research

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