



بنك الإمارات دبي الوطني  
Emirates NBD

Daily  
11 April 2017

# Daily Outlook

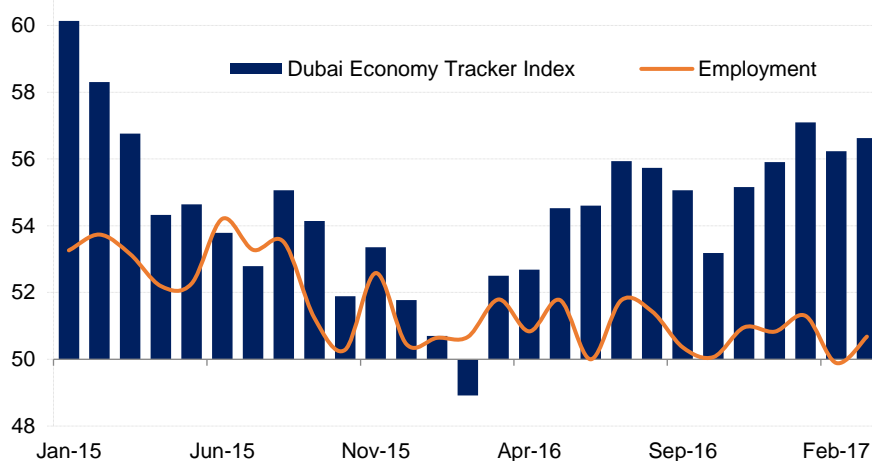
The Emirates NBD Dubai Economy Tracker Index (DETI) rose to 56.6 in March from 56.2 in February, on the back of stronger output and new work growth. Inventories also increased at a faster rate last month. The DETI for Q1 2017 averaged 56.7, indicating the fastest rate of growth in Dubai's non-oil private sector since Q1 2015. **Employment grew marginally in March**, with this index rising to 50.7 in March from 49.9 in February. Overall, employment growth has been slow in Q1 2017, with this index averaging just 50.6, compared with 53.4 in Q1 2015.

Fed chair Janet Yellen gave some positive indicators about the US economy yesterday **saying inflation was 'reasonably' close to the Fed's 2% target and that the Fed didn't need to keep its 'foot on the gas' as heavily**. Yellen described the appropriate policy stance for the Fed now as neutral which may create some worries about timing of future rate hikes, particularly if the Fed does carry on with plans to unload its balance sheet starting later this year. Treasuries moved slightly downward on the comments with 10yr yields on USTs closing marginally lower

**Haruhiko Kuroda, governor of the Bank of Japan, said the bank was planning to keep its extensive monetary stimulus in place as inflation remains below its 2% target**, at just 0.2% yoy in February. Kuroda also indicated that the BOJ could adjust policy if necessary which would likely mean more easing to help inflation move closer to target. More constructively for Japan, the current account surplus jumped 18% yoy in February thanks to some JPY weakness in Q1 compared with the second half of 2016. **The size of the surplus, however, may bring Japan into the focus of the White House which now plans to target currency 'misalignment' in countries which have large trade imbalances with the US.**

**Egypt's headline inflation accelerated to 30.9% y/y in March, up from 30.2% in February.** Core inflation stood at 32.3% y/y last month, down from 33.1% in February. While the rate of inflation appears to be stabilizing for now, as the initial devaluation shock wears off, further subsidy cuts (expected in H2 2017) will again add to inflationary pressures in the economy.

## Dubai Economy Tracker at highest since Q1 2015



Source: Markit, Emirates NBD Research.

## Day's Economic Data and Events

	Time	Cons		Time	Cons
UK CPI m/m	12:30	0.3%	GE ZEW	13:00	77.5%
US JOLTS Job Openings	18:00	N/a			

Source: Bloomberg.

## Fixed Income

Rates and credit markets were stuck in a narrow range as risk appetite remained muted in the face of geopolitical events around Syria/North Korea and Fed chair Janet Yellen's speech doing little to alter the view on rate hike trajectory. UST curve shifted slightly downwards with 2yr and 10yr yields easing a bp each to 1.27% and 2.37% respectively after a 2bp easing in 10yr Bund yields to 0.20%. 10yr Gilt yields remained entrenched at opening levels of 1.07%.

Credit spreads were also range bound. CDS levels on US IG were unchanged at 66bps though those on Euro Main were wider by 2bps to 76bps. Locally in GCC, CDS spreads on regional sovereigns reflected slight widening barring Saudi Arabia which remained unchanged at 95bps. In the cash bond space, the liquid UAE bond index recorded six bps tightening in credit spreads to 133bps as oil prices remained supported around \$56/b level.

Idiosyncratic news in the region was thin ahead of commencement of quarterly result announcements soon.

## FX

In line with [yesterday's expectations](#) JPY trades firmer against the other major currencies this morning after being supported by safe haven bids in the absence of risk appetite. After failing to sustain its break above 111.16 (the one year 61.8% Fibonacci retracement), USDJPY currently trades at 110.71. With the 110.54-110.60 region acting as a supportive base since the 27<sup>th</sup> of March 2017, there remains the risk that this support breaks with a test of the psychological level of 110 likely to follow.

## Equities

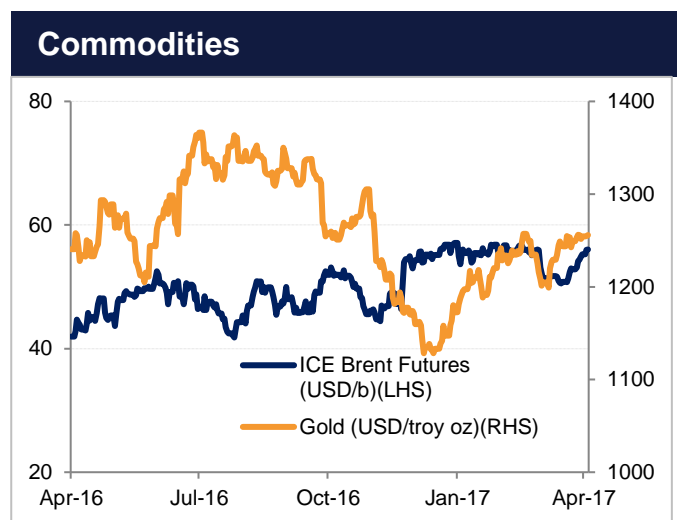
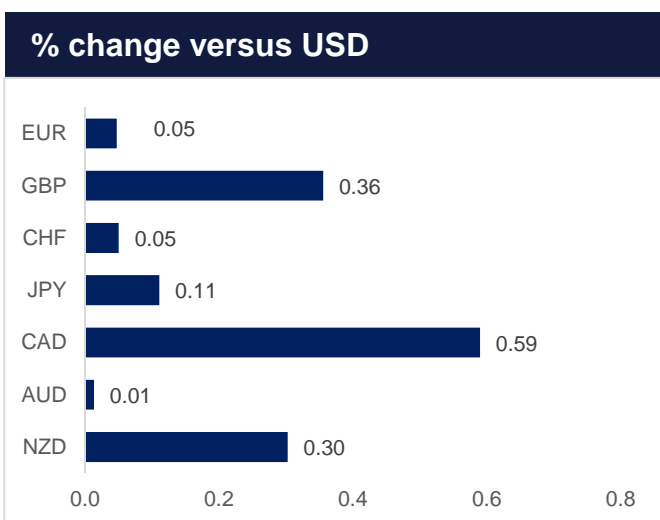
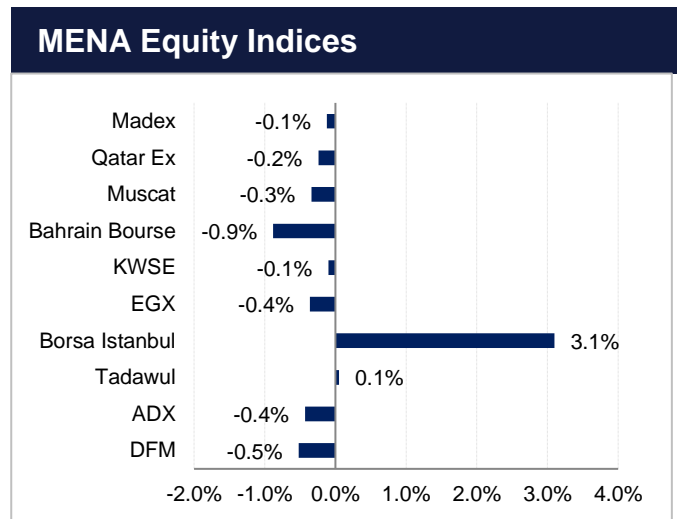
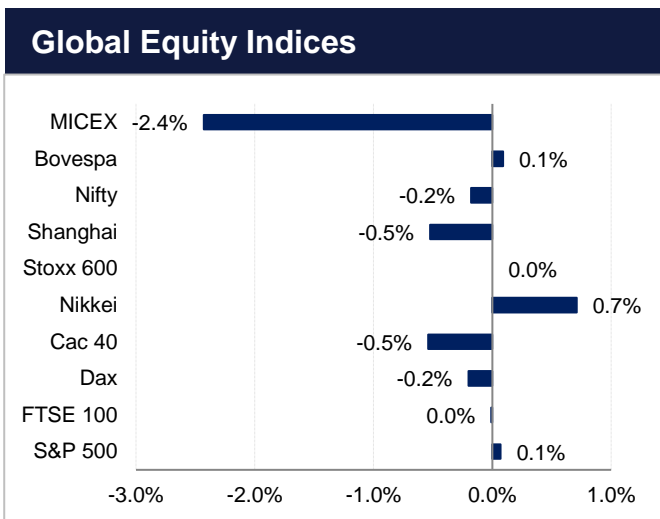
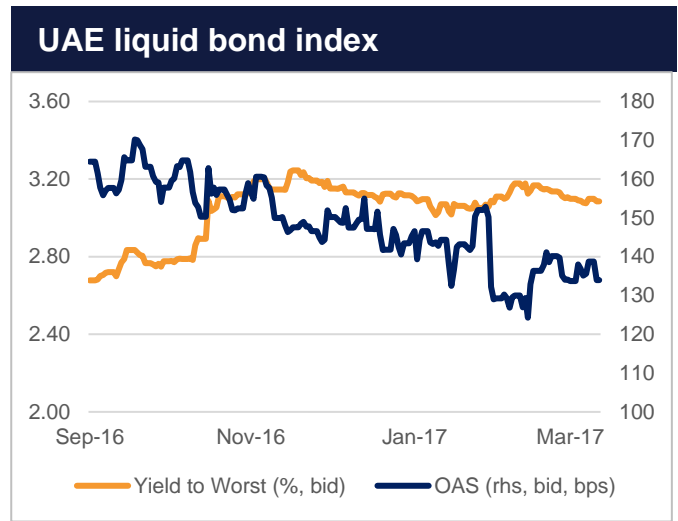
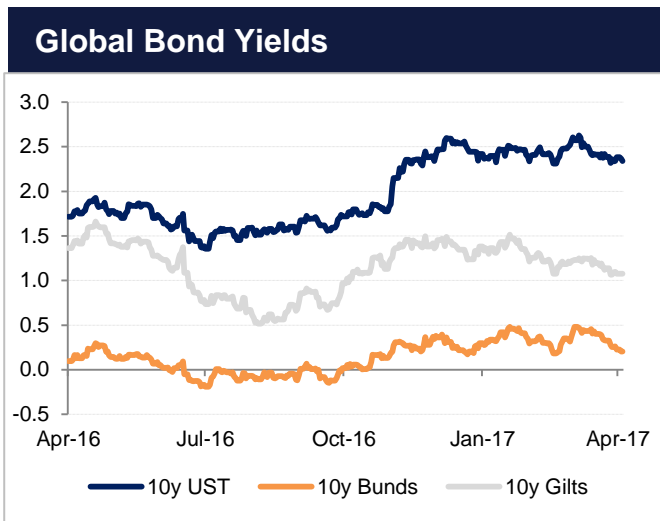
Developed market equities closed flat as investors paused to reassess the current geo-political risks including the French election. Asian equities are trading lower this morning amid pull back in Chinese and Japanese stocks. The Nikkei index was trading -0.6% at the time of this writing as the JPY strengthened to below 111.0 levels.

Most regional markets gave up their previous session gains as volumes reverted back to the lower end of the scale. The DFM index and the Qatar Exchange dropped -0.5% and -0.2% respectively. The EGX 30 index (-0.4%) continues to trade lower following the recent attack.

## Commodities

Oil markets bounced higher yesterday on news that production at a major Libyan oilfield had been shut in again as a pipeline to export terminals was being blocked. Output at the Sharara field had been as high as 230k b/d as recently as Sunday, helping Libyan production carry on its recovery. Kuwait's oil minister also gave a statement saying he expected OPEC adherence to its production cut detail to be higher in March than it had been in the prior two months. Brent crude futures are now trading back above USD 56/b while WTI is holding onto levels higher than USD 53/b.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0596	+0.05	1.0813	USDTRY	3.7294	-0.10	EURAED	3.8919	+0.05
GBPUSD	1.2415	+0.36	1.2557	USDEGP	18.0847	+0.21	GBPAED	4.5605	+0.38
USDJPY	110.94	-0.14	108.89	USDSAR	3.7503	-0.00	JPYAED	0.0331	+0.12
USDCAD	1.3326	-0.54	1.3248	USDQAR	3.6406	--	CADAED	2.7563	+0.59
AUDUSD	0.7501	+0.01	0.7465	USDKWD	0.3052	+0.05	AUDAED	2.7552	+0.02
USDCHF	1.0087	-0.04	0.9832	USDBHD	0.3770	+0.01	CHFAED	3.6423	+0.07
EURGBP	0.8535	-0.24	0.8611	USDOMR	0.3850	-0.01	TRYAED	0.9800	-0.39
USDAED	3.6730	+0.00	3.6800	USDINR	64.5625	+0.44	INRAED	0.0568	-0.54

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.0725	1.4623	1.6713	2.1735	USD 2 yr	1.599	-2
USD LIBOR	0.9900	1.1576	1.4296	1.7990	USD 5 yr	1.999	-3
GBP LIBOR	0.2555	0.3384	0.4878	0.7044	USD 10 yr	2.331	-3
JPY LIBOR	-0.0003	0.0283	0.0457	0.1453	EUR 2 yr	-0.160	-1
CHF LIBOR	-0.7740	-0.7298	-0.6688	-0.4966	EUR 5 yr	0.131	-2
					EUR 10 yr	0.712	-2

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1254.68	+0.01	ADGB 6.75 19	1.68	-1	Abu Dhabi	45	+1
Silver	17.95	-0.31	DUGB 7.75 20	2.71	-0	Dubai	120	-5
Oil (WTI)	53.08	+1.61	QATAR 6.55 19	1.91	-4	Qatar	68	--
Aluminium	1911.50	-1.82	US Tsy 2 yr	1.27	-1	Saudi Arabia	102	+1
Copper	5714.25	-1.46	US Tsy 10 yr	2.37	-2	Bahrain	225	-4

Source: Bloomberg, Emirates NBD Research

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