



بنك الإمارات دبي الوطني
Emirates NBD

Daily
11 July 2017

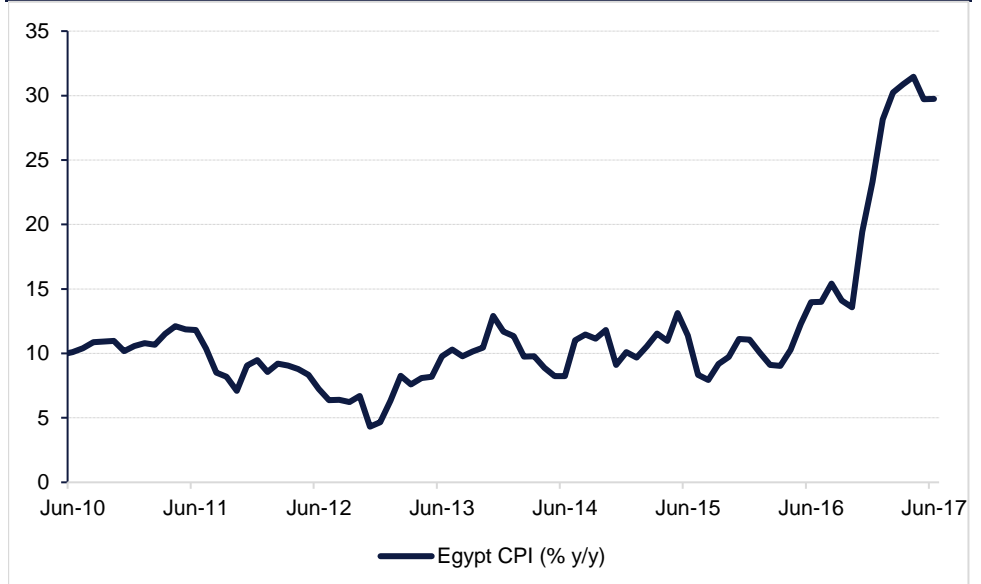
Daily Outlook

Egypt's consumer inflation accelerated slightly to 29.8% y/y in June, although the m/m change was the slowest since July 2016 at 0.8%. Food inflation has eased but remains high at 40.3% y/y. The cuts to fuel and electricity subsidies which came into effect in July are likely to fuel inflation in the coming months, even as the impact from November's currency devaluation moderates. The authorities have passed a package to help compensate lower income households from the subsidy cuts, and the central bank last week hiked interest rates 200bps in a bid to keep inflation contained. In our view, **higher interest rates are unlikely to have an impact on CPI as the inflationary pressures in Egypt are not demand driven,** but due to one off price adjustments from subsidy cuts, VAT and the impact of a weaker EGP.

In a television interview yesterday, the **Saudi Finance Minister said the ministry plans to issue domestic sukuk this month**, which would be the first domestic debt issuance so far this year. He indicated that the Q2 budget deficit was lower than expected but was approaching planned levels. The ministry had previously announced that the Q1 budget deficit was substantially below their forecasts.

ADNOC is preparing to offer public stakes in parts of its business according to local press reports. The CEO of ADNOC, Sultan al Jaber, noted that there would be no group level IPO similar to what Aramco is carrying out but that service companies that fall within the ADNOC group could be listed. It is unclear which unit or units could be offered up for sale and how much could potentially be raised at this stage. **This would be the third Gulf NOC to consider an IPO, after Aramco and Oman Oil Company.**

Prices in Egypt show signs of stabilizing



Source: Haver, Emirates NBD Research. Note: Headline CPI NSA Urban Areas

Day's Economic Data and Events

	Time	Cons		Time	Cons
BOE's Andy Haldane speaks in London	13:00	N/A	US JOLTS Job Openings	18:00	5950
US NFIB Small Business Optimism	14:00	104.4	Fed's Brainard Speaks on Monetary Policy in New York	20:30	N/A

Source: Bloomberg.

Fixed Income

In an uneventful day, US Treasury curve had marginal bull flattening with yields on 2yr and 10yr UST closing at 1.39% (-1bp) and 2.38% (-1bp) respectively. Across the pond, yields on 10yr Gilts tightened 3bps to 1.27% as economic data out of UK become a bit subdued. 10 yr Bund yields also closed lower at 0.54% (-3bps)

Local GCC bond market remained under pressure from continued political tension among the GCC members leading to average credit spreads on Bloomberg Barclays GCC index to rise by a bp to 154bps. On the corporate development front Etisalat is negotiating its exit from Nigeria; Emirates Airlines is engaging in head count reduction and Equate group had an unplanned shutdown of one unit in Kuwait. None of the news was worthy of impacting the respective bond prices. Looking ahead, investors await for quarterly result announcements to begin soon.

Primary market continues to be quiet, though Saudi Arabia has announced plans to issue benchmark sized SAR denominated sukuk in its local market.

FX

NZD underperforms and softens against the other major currencies following softer than expected economic data. Data showed that in June, retail credit spending remained unchanged compared with expectations for growth of 0.8%. As we go to print, NZDUSD current trades 0.51% lower at 0.7238, having broken out of the two hour uptrend that has been in effect since May 12th 2017, signalling further declines seem the most likely immediate path forward.

A break below 0.7231 (the one year 61.8% Fibonacci retracement) and a close below 0.7204 would indicate a break out of the daily uptrend that has been in effect since May 2017 and indicate larger losses with the 50 day moving average of 0.7120 being a realistic target.

Equities

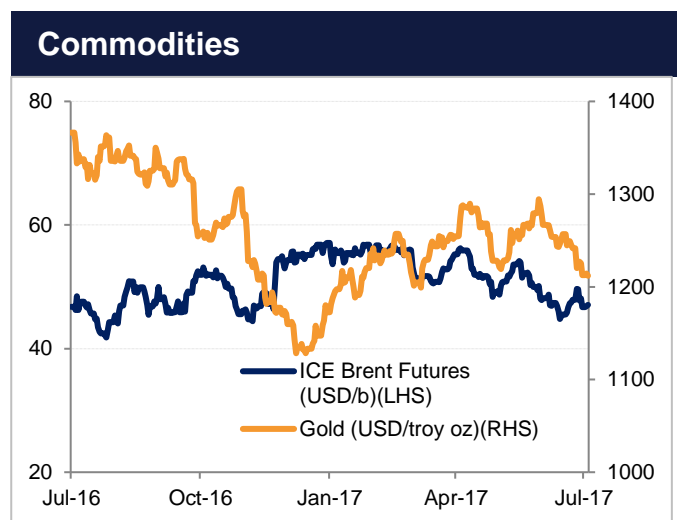
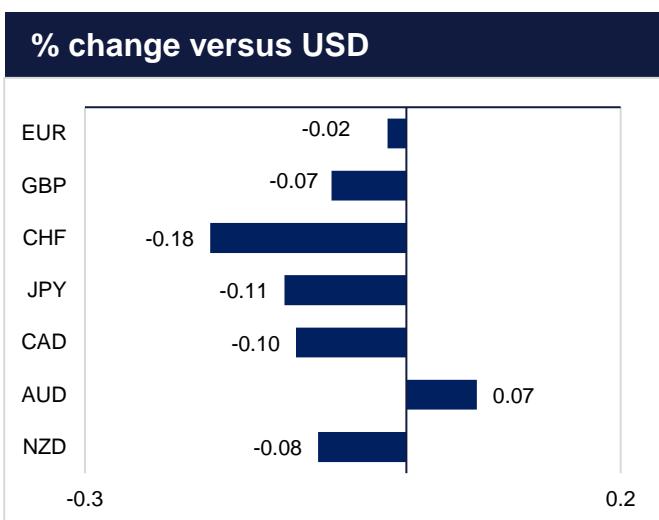
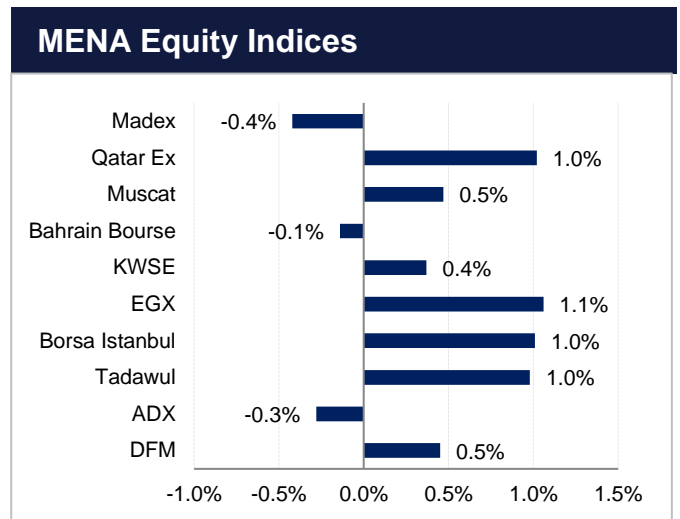
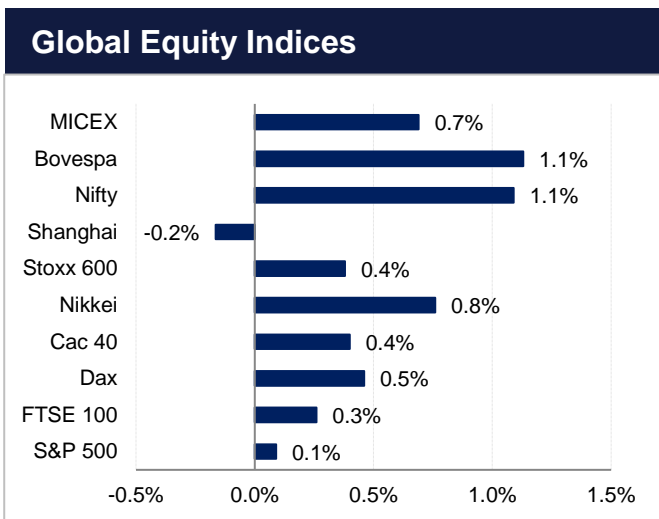
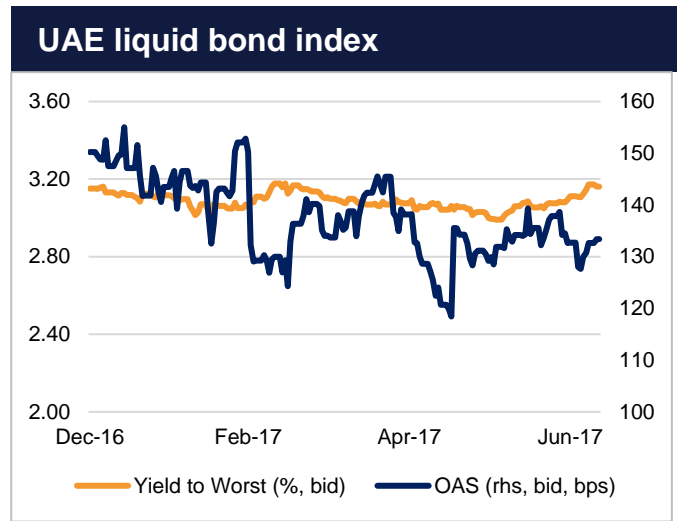
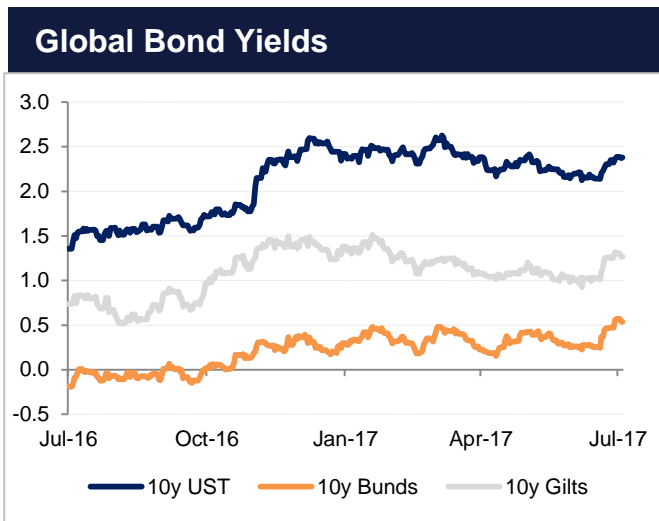
It was a generally positive day for equities to start the week as most benchmark developed markets closed higher. The FTSE ended up 0.3% while the S&P 500 closed 0.1% higher. Regional markets were also positive with the DFM and Tadawul both gaining 0.5% and the Qatar exchange up 0.8%. The ADX was largely unchanged on the day.

Commodities

Oil markets managed to squeak out a small gain during the day on reports that Nigeria and Libya would attend an upcoming meeting between OPEC and its partners to discuss the effectiveness of production cuts. Nigeria and Libya are not participating in the production cuts and their increasing output is helping to undo some of the impact of lower volumes from other producers. Brent futures closed the day below USD 47/b while WTI is hanging below USD 45/b.

Elsewhere among OPEC members, the CEO of Aramco warned that a shortage of conventional discoveries would threaten oil balances going forward. Amin Nasser said Aramco planned to spend USD 300bn over the next 10 years to maintain Saudi Arabia's position as the leading global exporter of crude and said that the Aramco IPO was on track to be delivered in the second half of 2018.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1399	-0.02	1.1634	USDTRY	3.6086	-0.27	EURAED	4.1870	-0.01
GBPUSD	1.2881	-0.07	1.3028	USDEGP	17.8830	+0.05	GBPAED	4.7312	-0.03
USDJPY	114.04	+0.11	111.91	USDSAR	3.7502	+0.01	JPYAED	0.0322	-0.11
USDCAD	1.2891	+0.12	1.2846	USDQAR	3.7450	+2.86	CADAED	2.8497	-0.10
AUDUSD	0.7606	+0.07	0.7572	USDKWD	0.3033	+0.02	AUDAED	2.7940	+0.05
USDCHF	0.9657	+0.18	0.9421	USDBHD	0.3772	-0.01	CHFAED	3.8034	-0.10
EURGBP	0.8850	+0.04	0.8930	USDOMR	0.3850	-0.02	TRYAED	1.0200	+0.49
USDAED	3.6730	--	3.6810	USDINR	64.4662	-0.20	INRAED	0.0570	+0.28

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.2905	1.5510	1.7592	2.1658	USD 2 yr	1.641	-1
USD LIBOR	1.2263	1.3052	1.4654	1.7576	USD 5 yr	2.004	-1
GBP LIBOR	0.2542	0.2984	0.4520	0.6599	USD 10 yr	2.336	-2
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	0.310	-2
					EUR 10 yr	0.958	-3

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1214.36	+0.16	ADGB 6.75 19	1.72	--	Abu Dhabi	61	-3
Silver	15.67	+0.37	DUGB 7.75 20	2.71	+2	Dubai	133	-1
Oil (WTI)	44.40	+0.38	QATAR 6.55 19	2.49	-11	Qatar	123	-1
Aluminium	1883.00	-1.84	US Tsy 2 yr	1.38	-2	Saudi Arabia	111	-3
Copper	5796.00	-0.14	US Tsy 10 yr	2.37	-1	Bahrain	248	-6

Source: Bloomberg, Emirates NBD Research

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Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
 12th Floor
 Baniyas Road, Deira
 P.O.Box 777
 Dubai

Jonathan Morris
 General Manager Wholesale Banking
 JonathanM@emiratesnbd.com

Aazar Ali Khwaja
 Group Treasurer & EVP Global Markets &
 Treasury
 +971 4 609 3000
 aazark@emiratesnbd.com

Tim Fox
 Head of Research &
 Chief Economist
 +9714 230 7800
 timothyf@emiratesnbd.com

Research

Khatija Haque
 Head of MENA Research
 +9714 230 7803
 khatijah@emiratesnbd.com

Anita Yadav
 Head of Fixed Income Research
 +9714 230 7630
 anitay@emiratesnbd.com

Shady Shafer Elborno
 Head of Macro Strategy
 +9714 2012300
 shadyb@emiratesnbd.com

Athanasios Tsetsonis
 Sector Economist
 +9714 230 7629
 athanasios@emiratesnbd.com

Edward Bell
 Commodity Analyst
 +9714 230 7701
 edwardpb@emiratesnbd.com

Mohammed Al-Tajir
 Manager, FX Analytics and Product Development
 +9714 609 3005
 mohammedtaj@emiratesnbd.com

Aditya Pugalia
 Analyst
 +9714 230 7802
 adityap@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
 Tariq Chaudhary
 +971 4 230 7777
 tariqmc@emiratesnbd.com

Saudi Arabia Sales
 Numair Attiyah
 +966 11 282 5656
 numaira@emiratesnbd.com

Singapore Sales
 Supriyakumar Sakhalkar
 +65 65785 627
 supriyakumars@emiratesnbd.com

London Sales
 +44 (0) 20 7838 2241
 vallancel@emiratesnbd.com

Egypt
 Gary Boon
 +20 22 726 5040
 garyboon@emiratesnbd.com

Emirates NBD Capital

Ahmed Al Qassim
 CEO- Emirates NBD Capital
 AhmedAQ@emiratesnbd.com

Hitesh Asarpota
 Head of Debt Capital Markets.
 +971 50 4529515
 asarpotah@EmiratesNBD.com

Investor Relations

Patrick Clerkin
 +9714 230 7805
 patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
 +9714 609 4113
 ibrahims@emiratesnbd.com

Claire Andrea
 +9714 609 4143
 clairea@emiratesnbd.com