



بنك الإمارات دبي الوطني  
Emirates NBD

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# Daily Outlook

**Markets were rattled briefly overnight as more disclosures potential Russian involvement with the Trump presidential campaign came to light.** The president's son reportedly met with a Russian national last year to seek damaging information about rival Hillary Clinton, raising concerns about external interference in the election process. Equities and the dollar both dropped on Donald Trump Jr confirming details of the meeting and treasury yields also pitched lower in response.

**Fed officials overnight again warned about muted levels of inflation and low wages as barriers to the trajectory for rates, a day ahead of Fed Chair Janet Yellen's testimony to the US Congress.** Lael Brainard, a Fed governor, said she supported the Fed moving "cautiously" on rates and that they may end up at a maximum of only 2% in the current tightening cycle. **The president of the Minneapolis Fed, Neel Kashkari, also cautioned on the need for more rate hikes, saying that there were few signs of overheating as wage growth continues to linger.**

**Data from the US showed further improvement on the labour front as the quits rate, or employees voluntarily quitting their jobs, increased to 2.2% in May from 2.1% in April as a sign of confidence in the economy.** At the same time job openings declined which would be expected as the economy moves toward full employment. **One sign of concern was from wholesale trade figures released overnight which showed a build in inventories, caused by poor sales, and dampening investment in inventories will mean worries for overall GDP performance in the second quarter.**

## USD continues to decline in 2017



Source: Bloomberg, Emirates NBD Research.

## Day's Economic Data and Events

	Time	Cons		Time	Cons
Japan Tertiary Industry Index m/m	08:30	N/A	EZ Industrial Production WDA y/y	13:00	3.5%
UK ILO Unemployment Rate 3Mths	12:30	4.6%	Fed Releases Chair Yellen's testimony to Congress	16:30	N/A
UK Average Weekly Earnings 3M/y/y	12:30	1.8%	Bank of Canada Rate Decision	18:00	0.75%

Source: Bloomberg.

## Fixed Income

Fixed income markets will be focused on Fed Chair Janet Yellen's testimony to the US Congress later day but have been reacting to other Fed speakers in the interim. Treasury yields dipped in response to political clouds in the US related to the Trump campaign's interaction with a Russian national last year and also to dovish tones coming out from Governor Lael Brainard and Minneapolis Fed president Neel Kashkari. Yields on 10yr USTs ended the day below 2.36% after nearly hitting 2.4% at the start of trading.

Local GCC bonds received some support from rising oil prices and increasing hopes of diplomatic impasse getting resolved amicably. Average credit spreads on GCC index declined 2 bps to 152bps and yield closed at 3.55bps (-2bps).

QNB, Qatar's largest bank reported quarterly result reflecting 2% increase in 2Q profit to QAR 3.45bn. Customer deposits increased 15% to QAR 562 billion against an 11% increase in loans to QAR 552 bn - leading to Loan-to-deposit ratio of 98%. As per media reports based on statements from QNB officials, only 4% of QNB's deposits come from the Gulf states involved in the blockade and the bank has seen minimal withdrawals.

## FX

The dollar continues to drop, for potentially a third consecutive day, following comments from Brainard and the release of emails from Donald Trump Jr (see macro). Currently, the Dollar Index trades at 95.64 and continues to remain in the daily downtrend that has been in effect since Jan 3rd 2017. We expect further declines in the short term, with the next key level of support being in the 94.08-94.19 range, a zone which contains both the one year 0% Fibonacci retracement as well as the five year 61.8% Fibonacci retracement.

This evening, investors will be turning their attention towards Canada, where the central bank is widely expected to raise interest rates by 25bps to 0.75%. Speculation on this has helped the CAD appreciate 4.56% against the USD since June 1st 2017. However, with a 92.9% chance of a hike currently priced in (according to the OIS), it is unlikely that these gains can be sustained unless Poloz and Wilkins indicate further tightening on the horizon at their post meeting press conference.

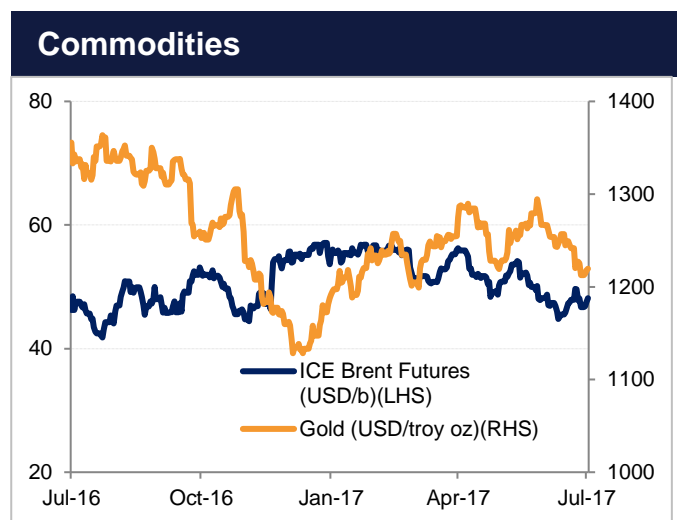
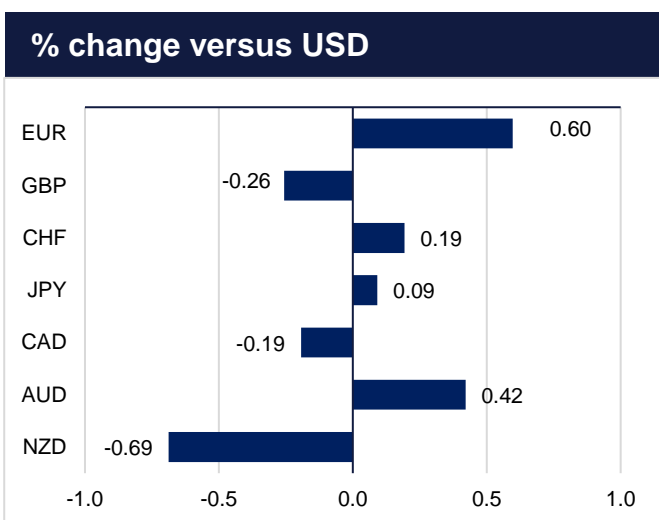
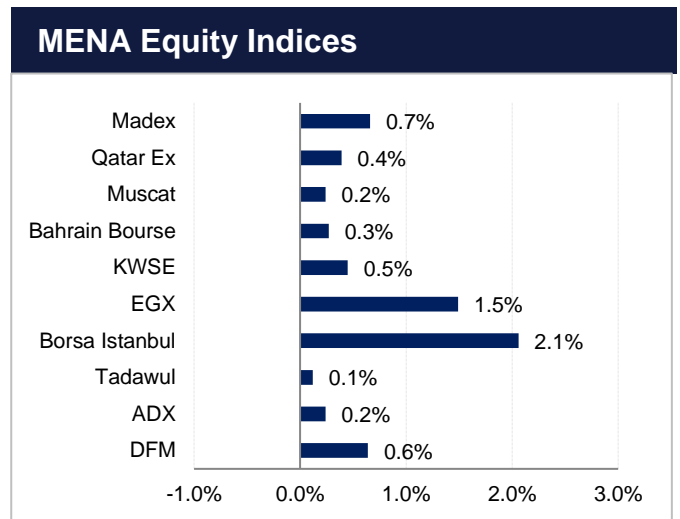
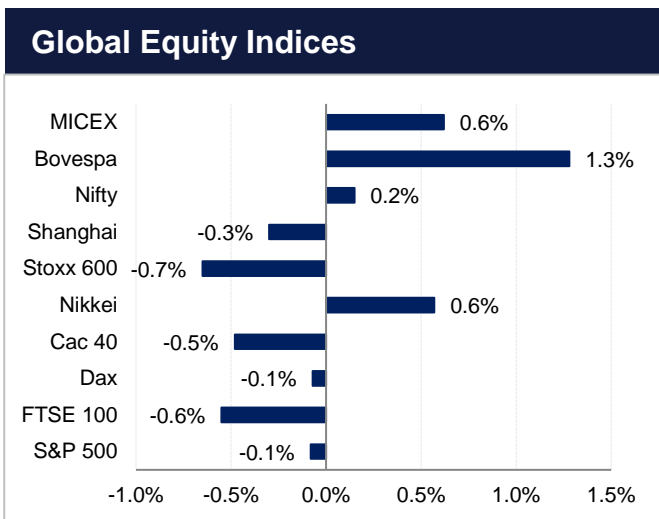
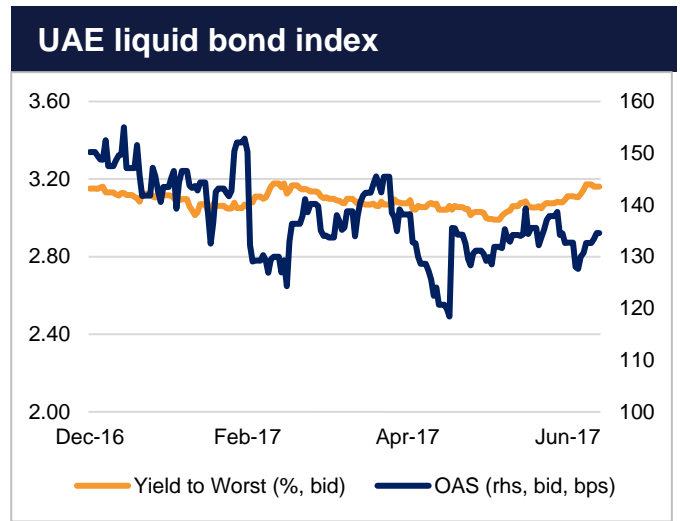
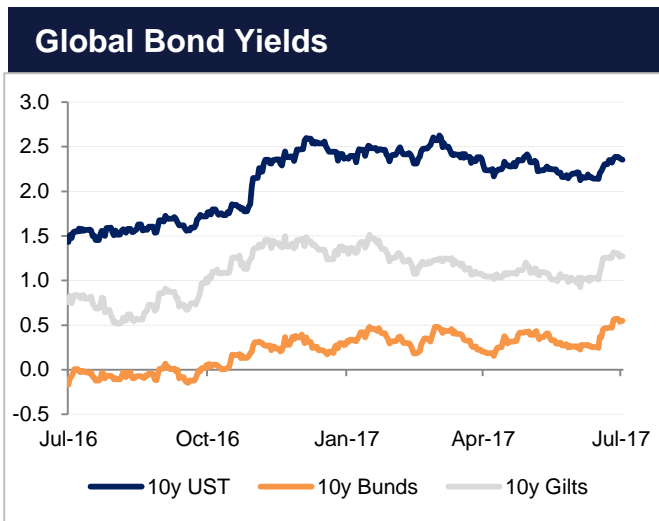
## Equities

Global equity markets wobbled in response to the latest political developments out of the US but managed to recover by the end of trading. The S&P 500 closed essentially flat on the day while the TSX ended up 0.3%. Regional markets had a more constructive performance with the DFM and ADX respectively closing 0.6% and 0.2% higher, while the Tadawul rose 0.1%.

## Commodities

Oil prices bounced strongly following private sector data which showed another decline in US crude and product inventories. The API estimated a draw of over 8m bbl last week helping push oil prices onto a more solid footing. The EIA also cut its expectations for US supply growth in 2018 to 9.9m b/d, a 570kb/d increase compared with a nearly 700k b/d increase expected last month. The current step downward in oil prices and poor hedging environment for US shale producers may act as a brake on the relentless growth in US crude output.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1467	+0.60	1.1702	USDTRY	3.6131	+0.12	EURAED	4.2121	+0.60
GBPUSD	1.2848	-0.26	1.2995	USDEGP	17.8610	-0.12	GBPAED	4.7185	-0.27
USDJPY	113.94	-0.09	111.79	USDSAR	3.7502	--	JPYAED	0.0322	+0.09
USDCAD	1.2915	+0.19	1.2868	USDQAR	3.7150	-0.80	CADAED	2.8441	-0.20
AUDUSD	0.7638	+0.42	0.7602	USDKWD	0.3033	--	AUDAED	2.8053	+0.40
USDCHF	0.9637	-0.21	0.9403	USDBHD	0.3772	+0.00	CHFAED	3.8111	+0.20
EURGBP	0.8926	+0.85	0.9005	USDOMR	0.3850	+0.00	TRYAED	1.0200	+0.21
USDAED	3.6729	-0.00	3.6810	USDINR	64.5925	+0.09	INRAED	0.0569	-0.15

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.2950	1.5452	1.7557	2.1690	USD 2 yr	1.627	-1
USD LIBOR	1.2239	1.3041	1.4621	1.7509	USD 5 yr	1.979	-2
GBP LIBOR	0.2545	0.2966	0.4486	0.6509	USD 10 yr	2.316	-2
JPY LIBOR	-0.0299	-0.0061	0.0129	0.1164	EUR 2 yr	-0.119	--
CHF LIBOR	-0.7816	-0.7264	-0.6514	-0.4888	EUR 5 yr	0.315	+1
					EUR 10 yr	0.962	--

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1217.72	+0.28	ADGB 6.75 19	1.71	-1	Abu Dhabi	60	-2
Silver	15.84	+1.06	DUGB 7.75 20	2.70	-2	Dubai	130	-3
Oil (WTI)	45.04	+1.44	QATAR 6.55 19	2.36	-13	Qatar	115	-8
Aluminium	1883.25	+0.01	US Tsy 2 yr	1.38	-1	Saudi Arabia	108	-3
Copper	5847.25	+0.88	US Tsy 10 yr	2.36	-1	Bahrain	246	-3

Source: Bloomberg, Emirates NBD Research

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