



بنك الإمارات دبي الوطني
Emirates NBD

Daily
12 September 2017

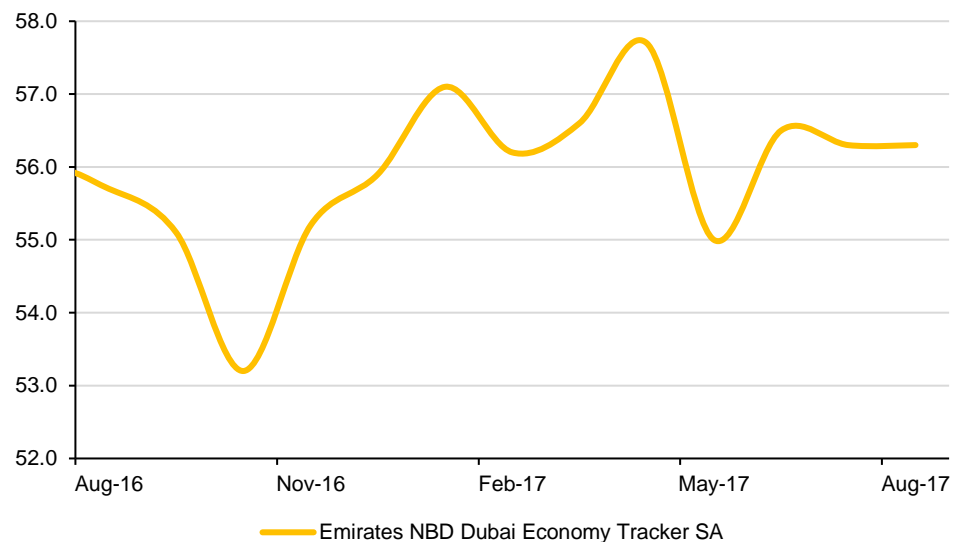
Daily Outlook

Markets generally tuned back to risk-on trades to begin the week as there were no new escalation of geopolitical tension between North Korea and the US and Hurricane Irma began to weaken as it made landfall over Florida. A **unanimous decision in the UN Security Council to impose new sanctions on North Korea helped to bolster hope that a conflict in North Asia could be contained** as both Russia and China have agreed to step up measures against the country. Risk assets generally were higher on the day with major equity indices, the dollar and oil all closing up. The euro was helped lower by comments from senior ECB official Benoit Coeure implied that policy would remain loose even as the bank considers drawing down stimulus and the euro reaches multi-year highs.

The Emirates NBD Dubai Economy Tracker Index was unchanged in August at 56.3, signaling a solid expansion in the non-oil private sector. Output and new orders remain above 60, reflecting a sharp increase in business activity and new work. Employment was marginally higher (50.5) and input costs rose faster in August, generally reflecting some of the trends observed in the broader Emirates NBD UAE PMI.

Turkey's economy expanded 5.1% y/y in Q2 slightly slower than market expectations and roughly on track with Q1. Overall growth in 2017 is significantly higher than Turkey experienced in 2016 where annual GDP growth was 3.2% according to recently revised data. Turkey's economy will benefit from base effects in H2 2017 and improving tourism receipts, according to the finance minister. **The lira has strengthened considerably during the course of the year, last trading at USDTRY 3.4 compared with levels approaching 4 earlier this year.**

Emirates NBD Dubai Economy Tracker unchanged in August



Source: HIS Markit, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
UK CPI y/y	12:30	2.8%	IN CPI y/y	16:00	3.23%
IN Industrial production y/y	16:00	1.7%	US JOLTS job openings	18:00	5975

Source: Bloomberg

Fixed Income

US Treasuries closed lower across the board as risk appetite returned following weaker than expected damage from Hurricane Irma and no developments on the North Korea front. More than any trend change, the moves appeared to be a case of reverting back to default position after the weekend. Yields on the 2y USTs, 5y USTs and 10y USTs closed at 1.31% (+5 bps), 1.71% (+7 bps) and 2.13% (+8 bps) respectively.

Regional bonds moved in line with change in benchmark yields. The yield to worst on the Bloomberg Barclays GCC Credit and High Yield index increased by 1 bps to 3.36% while credit spreads tightened by 4 bps to 162 bps.

Following the downgrade of Qatar's sovereign rating, Fitch continues to downgrade the rating of government-related corporates. The rating of Ooredoo was downgraded to A from A+ and the outlook was negative. The impact of the change on cash price was minimal with QTEL26s closing marginally lower at 100.81. Additionally, S&P affirmed ratings on Qatari banks but changed the outlook to negative. The banks included Qatar National Bank, Commercial Bank of Qatar, Doha Bank and Qatar Islamic Bank.

While the current primary activity remains rather dull, the future pipeline continues to build. Union Properties informed that the company will finance its AED 8bn Motor City project through bonds or sukuk. The company will be looking to raise AED 2bn every year for the next four years.

FX

CAD outperformed on Monday, appreciating against all the other major currencies. Over the course of the day USDCAD fell 0.41%, declining to 1.2110 after minor support was found at 1.21. The biggest gains were realized against the JPY which was the subject of selling after investor risk appetite was bolstered by the absence of a North Korean response to the new sanctions. Over the course of the day CADJPY rose 1.86% to 90.34.

This morning the dollar is trading slightly firmer with the Dollar Index having risen 0.05% to 91.92. In spite of this, the daily downward trend remains in effect and with the 14 day Relative Strength Index looking neutral at 38.55 and showing that the dollar is no longer oversold, the dollar may come under pressure selling pressure again as markets begin to consider the slowdown in inflation and whether President Trump can deliver on any of his promises.

Equities

Risk appetite returned at the start of the week as none of the concerns i.e, over North Korea and Hurricane Irma materialized over the weekend. In fact, the US diluted its proposed package of UN sanctions against North Korea. The S&P 500 index and the Euro Stoxx 600 index added +1.1% and +1.0% respectively.

Regional equities closed mixed with the Qatar Exchange (-1.6%) continuing to weaken and the Tadawul (+0.5%) continuing to find favour with investors.

In terms of stocks, Alinma Bank (+3.5%) along with NCB (+1.5%) led the rally on the Tadawul. Union Properties saw some interest following its announcement of an AED 8bn Motor City project in Cityscape. The stock closed with gains of +0.9%.

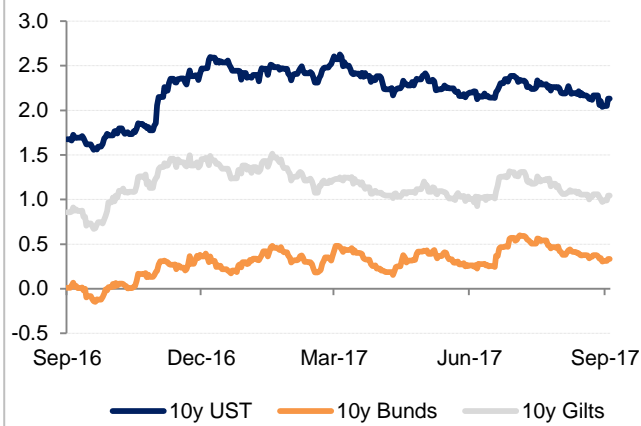
Commodities

Oil prices ended the day higher as the market anticipates a return to normal refinery levels after the restart of several large facilities along the Gulf of Mexico coast. WTI closed up 1.2% at above USD 48/b while Brent was only a little higher and failed to close back above USD 54/b. The spread between the two contracts continues to widen—at more than USD 5.70/b yesterday—as there will likely be more transparent signals about the US market retuning to balance.

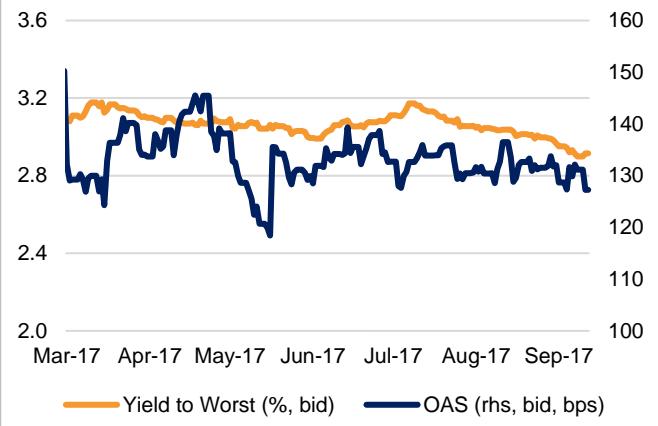
China's net imports of crude oil slowed in August, taking growth for the first eight months of the year to 11.8% y/y, its slowest pace so far in 2017. Imports had been higher for much of 2016 and the start of this year as China sought to fill strategic inventories but as these stocks get closer to capacity the growth in imports is bound to slow further. Apparent Chinese oil demand has been relatively muted so far in 2017 at around 2% y/y in the first seven months of the year. China's economy is expected to slow into the final months of the year which could keep oil demand growth at flat levels.

Markets in Charts

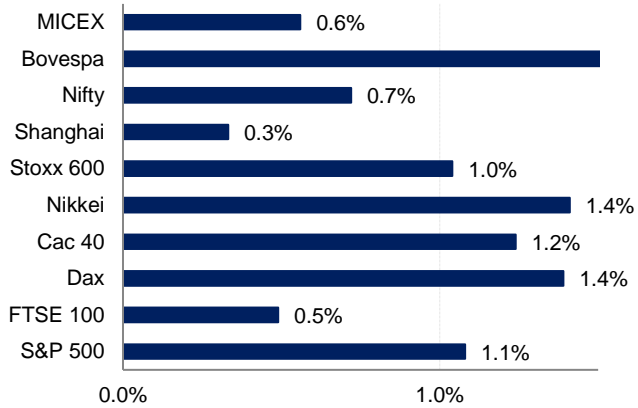
Global Bond Yields



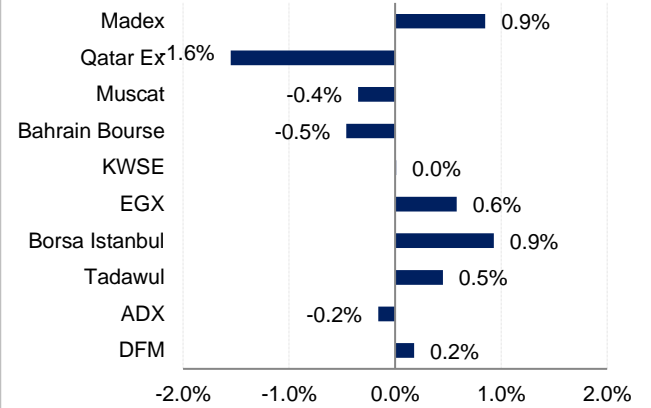
UAE liquid bond index



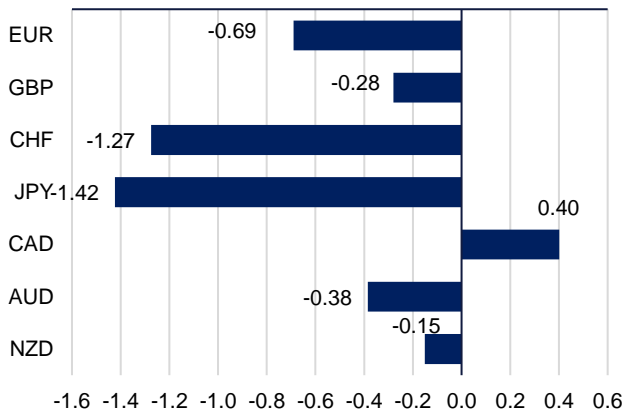
Global Equity Indices



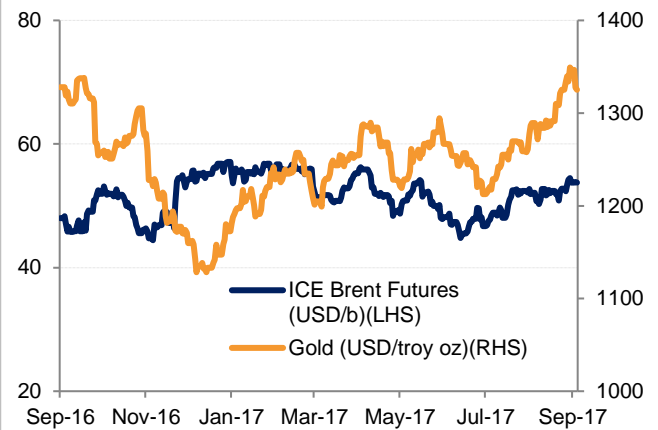
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1953	-0.69	1.2202	USDTRY	3.4076	-0.11	EURAED	4.3904	-0.69
GBPUSD	1.3163	-0.28	1.3318	USDEGP	17.6526	+0.07	GBPAED	4.8350	-0.25
USDJPY	109.39	+1.44	107.32	USDSAR	3.7502	--	JPYAED	0.0336	-1.41
USDCAD	1.2110	-0.40	1.2120	USDQAR	3.6800	-0.41	CADAED	3.0335	+0.41
AUDUSD	0.8029	-0.38	0.7991	USDKWD	0.3011	+0.06	AUDAED	2.9498	-0.33
USDCHF	0.9563	+1.28	0.9328	USDBHD	0.3771	--	CHFAED	3.8407	-1.26
EURGBP	0.9081	-0.42	0.9162	USDOMR	0.3850	--	TRYAED	1.0800	+0.31
USDAED	3.6730	--	3.6800	USDINR	64.0050	+0.34	INRAED	0.0574	-0.05

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3403	1.5470	1.7627	2.1278	USD 2 yr	1.548	+5
USD LIBOR	1.2361	1.3103	1.4477	1.6951	USD 5 yr	1.785	+7
GBP LIBOR	0.2517	0.2855	0.3979	0.5873	USD 10 yr	2.085	+7
JPY LIBOR	-0.0480	-0.0321	-0.0049	0.1121	EUR 2 yr	-0.199	-0
CHF LIBOR	-0.7856	-0.7262	-0.6516	-0.5086	EUR 5 yr	0.151	+1
					EUR 10 yr	0.794	+2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1327.54	-1.41	ADGB 6.75 19	1.65	+3	Abu Dhabi	57	--
Silver	17.80	-0.90	DUGB 7.75 20	2.49	+3	Dubai	122	+1
Oil (WTI)	48.07	+1.24	QATAR 6.55 19	2.00	--	Qatar	90	--
Aluminium	2091.25	+0.95	US Tsy 2 yr	1.32	+6	Saudi Arabia	85	--
Copper	6729.25	+0.85	US Tsy 10 yr	2.13	+8	Bahrain	232	--

Source: Bloomberg, Emirates NBD Research

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