



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

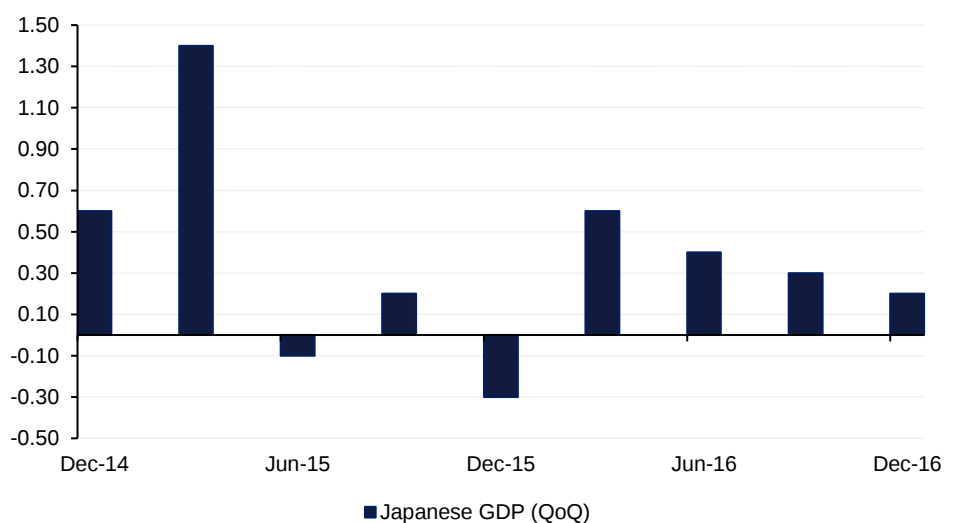
Japan's Prime Minister Abe's visit to Washington DC over the weekend was a welcome development for markets as it appears that some of the aggressive tone by the Trump administration has begun to soften. The dollar rose against the yen on Monday on relief that there was little mention of currency policy in the meeting. Furthermore markets took favourably to President Donald Trump's call to Chinese President Xi Jinping reaffirming support for the "One China" policy under which the US recognises Beijing as the sole legal government in China. The developments come as US equity markets reached new highs last week as President Donald Trump said he would be doing 'something phenomenal in terms of tax' in the next two to three weeks. The President also reiterated that he would look to roll back regulations.

Economic data released this morning showed **the Japanese GDP slowed to 0.2% q/q in Q4 2016 compared with 0.3% in Q3.** On an annualized basis growth expanded 1.0% with net exports contributing 0.2% to growth while private consumption remained flat.

Pressure on Greece eased over the weekend as it moved closer towards a deal with international lenders that would keep Athens on track to make a EUR 7bn debt repayment in July. Eurozone lenders and the IMF appeared to narrow their differences over measures that Greece would enact to widen the tax base and cut pension costs. The IMF has requested that Greece "pre-legislates" belt tightening measures that would kick in if Greece fails to meet fiscal targets, something so far resisted by the Greek government.

OPEC has managed to achieve compliance of 90% according to the latest assessment by the IEA. Total production from members who had agreed to cut was 29.93m b/d while even including Nigeria and Libya OPEC managed to produce less than its 32.5m b/d target. OPEC's own assessment will be published later today in its monthly oil market report and will be the official view on compliance with the production target. The cuts in OPEC's output may already have been priced into the market and attention will need to fixate on whether inventories are actually decreasing, which is the ultimate aim of the deal.

Japanese GDP slows to 0.2% expansion in Q4 2016



Source: Bloomberg, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
India Inflation y/y	16:00	3.24%			

Source: Bloomberg.

Fixed Income

Treasuries fell last week as demand for haven assets, driven by fading expectations for near term fiscal stimulus and French election risk, was offset by President Trump's Thursday pledge of action on taxes within weeks and the administration's affirmation of the One-China policy.

UST yields were higher by 3-4 basis points at the shorter dated end of the curve with 2yr yielding 1.19% (+4bps) and 5yr at 1.89% (+3bps) though that on 10yr remained unchanged at 2.41%. UST curve flattening was supported by expectations that Fed Chair, Janet Yellen, slated to address Congress next week on the economy and monetary policy, might seek to lift market-implied odds of a March rate increase toward even. Most European 10-year yields rose 3-7 basis points.

GCC bonds reflected resilience amid rising benchmark yields, partly supported by the stability in oil prices. Average yield on liquid UAE bonds, that are mostly high grade, was up only a bp to 3.07% with credit spreads unchanged at 144bps. However, BBG Barclays GCC index that includes high yield bonds from the region recorded 6bps tightening in credit spreads to 135bps thereby offsetting benchmark yield widening.

FX

Japanese yen is trading lower against all the other majors after economic data showed that GDP grew 1.0% annualized in Q4, compared with market expectations for 1.1% (see above). As we go to print, USDJPY trades 0.61% higher at 113.9 after a rise which clearly takes the pair out of the daily downtrend that had been in effect since the 4th of January 2017. We expect further upside for the pair, with a break of 114.02 (the one year 76.4% Fibonacci retracement) opening the way for a test of 115.13 (the 50 day moving average).

Equities

Asian equities are trading higher this morning on the back of strength in Japanese equities. The Nikkei index was trading +0.6% as the JPY weakened to 114.0 levels.

Regional equities made a positive start to the week. The Tadawul rallied +0.8% on the back of strength in petrochemical and financial sector stocks. Kingdom Holdings gained +2.2% after the company traded 90% of its shares in Euro Disney into Walt Disney which translated into net profit of USD 61mn.

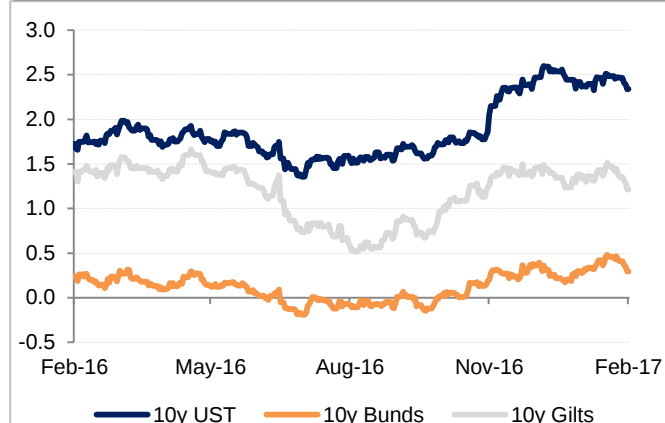
Elsewhere, the DFM closed +0.5% higher with Dubai Investments adding +1.6%. The company said it has acquired a shopping centre in California. Arabtec lost -2.2% ahead of its earnings release. A report also suggested that the company is studying options for its capital structure.

Commodities

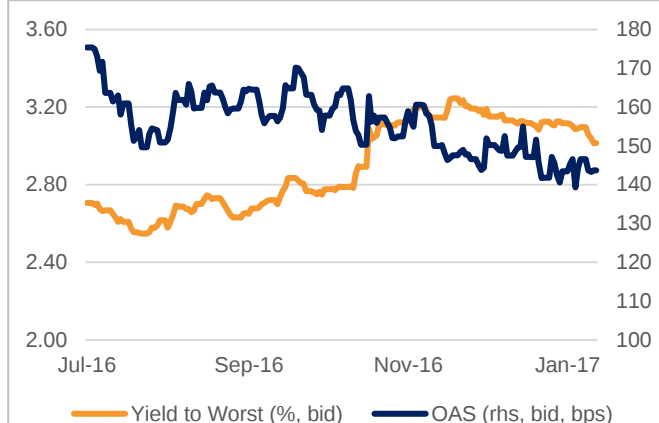
Oil markets bounced higher to end the week thanks to the IEA's latest assessment of OPEC production which put the producers' bloc at 90% compliance with its agreement to cut output. According to the IEA global oil supply fell 1.5m b/d in January, thanks largely to greater than agreed cuts from producers like Saudi Arabia. Brent futures closed the week at USD 56.70/b while WTI is still holding below USD 54/b. Despite gaining the final two days of the week Brent actually closed slightly down week on week while WTI was essentially flat. Spot prices are effectively in a holding pattern, struggling to break much out of their current range but longer-dated prices are showing a firm view on a tightening market: Dec 17-19 spreads closed at a backwardation of USD 1.44/b, its widest since September 2014.

Markets in Charts

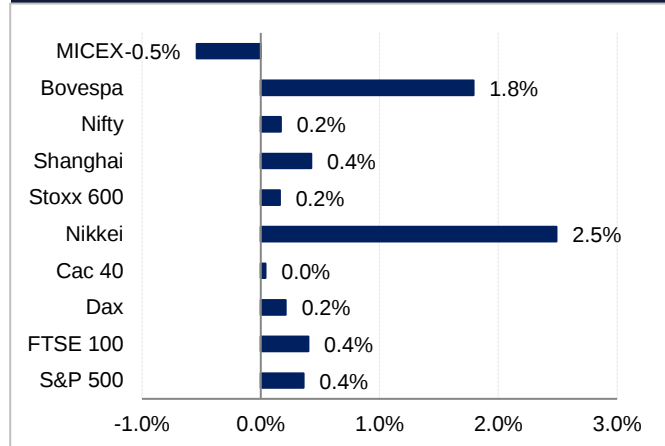
Global Bond Yields



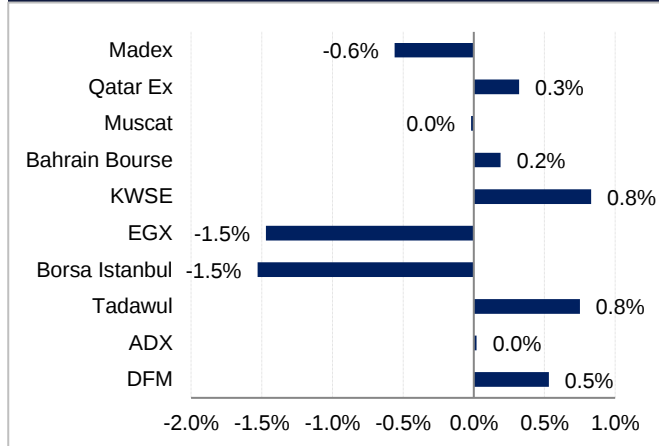
UAE liquid bond index



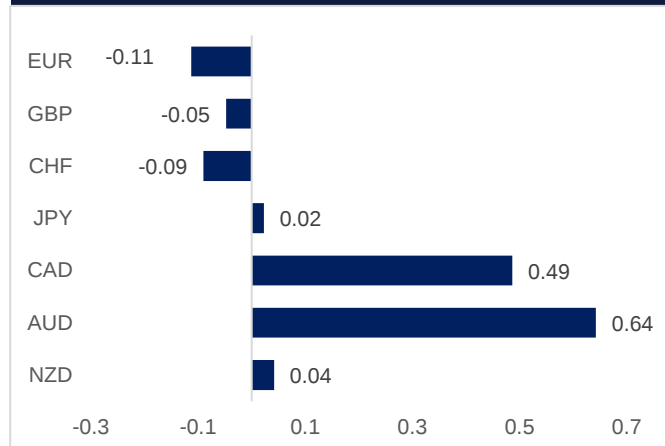
Global Equity Indices



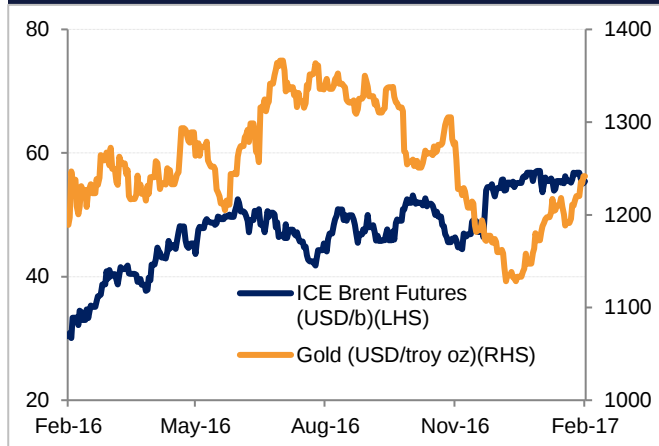
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0643	-0.46	1.0855	USDTRY	3.6976	-0.58	EURAED	3.9085	-0.47
GBPUSD	1.2491	-0.22	1.2619	USDEGP	17.7390	-2.29	GBPAED	4.5882	-0.22
USDJPY	113.22	+0.95	111.06	USDSAR	3.7506	+0.00	JPYAED	0.0324	-0.94
USDCAD	1.3083	-0.49	1.3023	USDQAR	3.6412	--	CADAED	2.8077	+0.50
AUDUSD	0.7674	+0.66	0.7622	USDKWD	0.3053	+0.08	AUDAED	2.8190	+0.66
USDCHF	1.0024	+0.72	0.9779	USDBHD	0.3770	--	CHFAED	3.6642	-0.71
EURGBP	0.8513	-0.32	0.8593	USDOMR	0.3850	+0.01	TRYAED	0.9900	+0.25
USDAED	3.6730	--	3.6820	USDINR	66.9950	+0.02	INRAED	0.0549	+0.19

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.9714	1.3809	1.6200	2.1000	USD 2 yr	1.507	+5
USD LIBOR	0.7711	1.0362	1.3382	1.7026	USD 5 yr	1.976	+7
GBP LIBOR	0.2653	0.3621	0.5204	0.7529	USD 10 yr	2.337	+7
JPY LIBOR	-0.0030	-0.0090	0.0287	0.1309	EUR 2 yr	-0.144	--
CHF LIBOR	-0.7894	-0.7244	-0.6624	-0.5080	EUR 5 yr	0.144	+2
					EUR 10 yr	0.749	+3

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1233.62	-0.64	ADGB 6.75 19	1.52	-1	Abu Dhabi	55	-1
Silver	17.96	+1.00	DUGB 7.75 20	2.76	+0	Dubai	131	-3
Oil (WTI)	53.86	+2.90	QATAR 6.55 19	1.86	-2	Qatar	75	-1
Aluminium	1866.25	+1.98	US Tsy 2 yr	1.19	+4	Saudi Arabia	106	-3
Copper	6082.50	+3.48	US Tsy 10 yr	2.41	+7	Bahrain	245	-2

Source: Bloomberg, Emirates NBD Research

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