



بنك الإمارات دبي الوطني  
Emirates NBD

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www.emiratesnbdresearch.com

## Daily Outlook

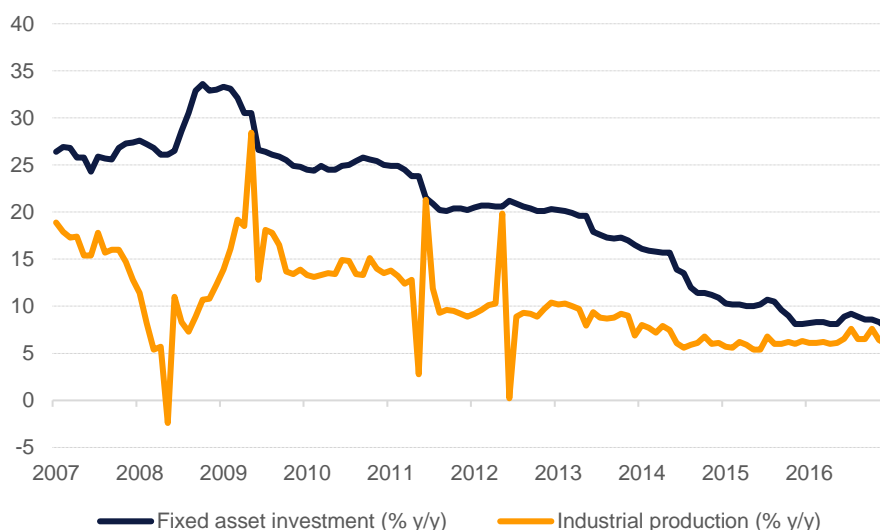
The unemployment rate in the UK continued to improve in the three months to July, declining to 4.3% from 4.4% previously. Wages missed expectations and held steady at 2.1% for average earnings yearly growth. The conundrum facing the Bank of England which sets policy later today is how to rationalize good labour market figures with lackluster signals from the rest of the economy such as softening services sector output and inflation running higher than targeted. A rate hike too early could threaten the employment figures but holding off too long could result in inflation shooting up even higher.

Eurozone-wide industrial production data showed an expansion of 0.1% m/m in July, confirming the trend that came out from leading economies earlier this month. Energy production was a significant drag on overall output and we expect that the high level of the euro will also act as a barrier on industrial production for Q3.

China's economy showed some signs of slowing in August as factory output and fixed asset investment (FAI) both came in lower than market expectations. FAI expanded by 7.8% as rising financing costs likely bite into construction spending. We would expect construction activity to drop off further toward the end of the year and into next as China's government has unleashed heavy stimulus measures this year to support growth ahead of the party congress expected in the coming months.

The IEA revised upward its estimate of oil demand growth in 2017 to 1.6m b/d from 1.5m b/d previously as strong demand from OECD nations pushed consumption higher. Demand growth in Q3 will be stunted by the impact of Hurricane Harvey in the US. The IEA also estimated that total global oil supply fell in August (0.7m b/d) and that inventories in July held steady rather than showing a seasonal increase.

### China's economy showing signs of slowdown in Q3



Source: EIKON, Emirates NBD Research

### Day's Economic Data and Events

	Time	Cons		Time	Cons
JN industrial production y/y	8.30	n/a	UK BoE Target rate	15:00	0.25%
TU Repo rate	15:00	8.00%	US CPI y/y	16:30	1.8%

Source: Bloomberg

### **Fixed Income**

Safe haven bid receded in absence of any new negative headline on the geopolitical front which in turn saw sovereign bonds to slip somewhat. Yields on UST closed up by 2bps across the curve with 2yr, 10yr and 30yr closing at 1.35%, 2.19% and 2.79% respectively while those on 10yr Bunds and Gilts were up by a bp each to 0.40% and 1.14% respectively.

Corporate bonds were well bid with CDS levels on US IG and Euro Mian reflecting tightening bias. Barring any material catalyst, CDS levels on GCC sovereigns traded in a tight range. 5yr CDS on Bahrain closing largely unchanged at 233bps showed little impact of the new issue.

The sukuk holder committee of Dana Gas made a settlement offer to the company wherein they sought a cash paydown of USD 300mn with 3 year extension and distribution rate unchanged at 9% and 7%. The committee said that the proposal is backed by 70% of sukuk holders by value. While the company has not yet commented officially on the proposal, reports indicate that they see it as unacceptable.

In the primary market, Kingdom of Bahrain raised \$3 billion spread across three tranches that included a) \$850 million 7.5yr sukuk at 5.25%, b) \$1.25 billion 12yr bond at 6.75% and c) \$900 million 30yr bond at 7.50%.

### **FX**

Most currencies reversed against USD yesterday with GBP giving up most of the previous day's gains. Good unemployment but disappointing wage figures dragged on cable ahead of today's BoE meeting where the market will be watching the split of votes in favour and against hikes more than any expectation of a change in policy. As we go to print, the Dollar Index is currently trading 92.48 however strong resistance can be expected on rises towards 93.00, which is close to the resistive cap of the currently daily downtrend.

CAD was a notable gainer against the dollar, helped by higher oil prices and constructive commentary from finance minister Bill Morneau that the recent appreciation of the loonie was down to the performance of Canada's economy. Over the course of the day USDCAD fell by 0.11% to 1.2172. Currently trading at 1.2181, the cross remains in a daily downtrend and a retest of the one year (and 2017) lows of 1.2062 is likely.

### **Equities**

Developed market equities closed higher helped by strength in commodity stocks following a sharp rally in oil prices. The S&P 500 index and the Euro Stoxx 50 index added +0.1% and +0.3% respectively.

Regional equity indices closed lower with the Tadawul and the Qatar Exchange losing -0.3% and -0.5% respectively. Almarai closed 9% lower after Savola said that it will sell a 2% stake in the company at a 14% discount to market price. Savola, too, closed lower by 2%.

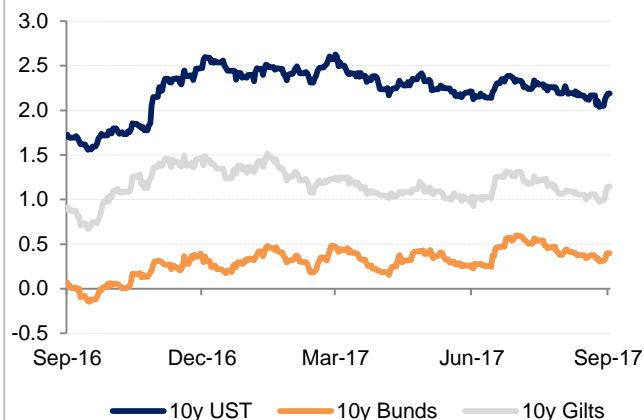
### **Commodities**

Oil markets bounced strongly on upward revisions to demand expectations from the IEA. The agency expects oil consumption at 1.6m b/d this year from 1.5m b/d previously and noted that OECD inventories held stable in July against what should have been a seasonal build. The IEA also expects to see a greater need for OPEC oil in 2018 albeit by less of an increase than the producers' bloc itself was projecting. WTI futures closed up 2.2% and Brent moved 1.6% higher to close above USD 55/b for the first time since April.

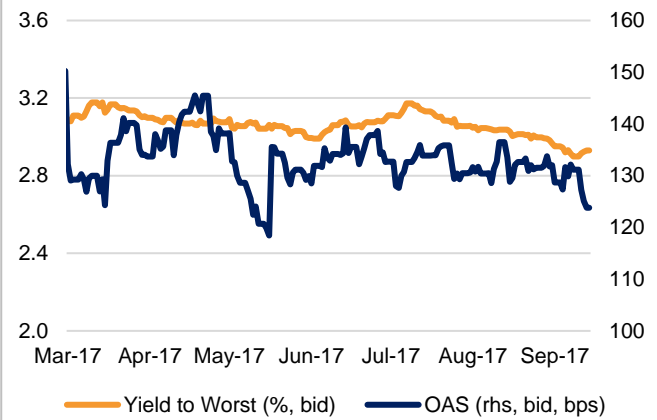
The weekly EIA data showed a sharp recovery in US oil production, up 572k b/d, as the impact of Hurricane Harvey wore off. Crude stocks built by nearly 6m bbl last week as a result while gasoline and distillate stocks both declined heavily. Overall refinery utilisation remains low at 77% while exports of crude recovered strongly to 774k b/d.

## Markets in Charts

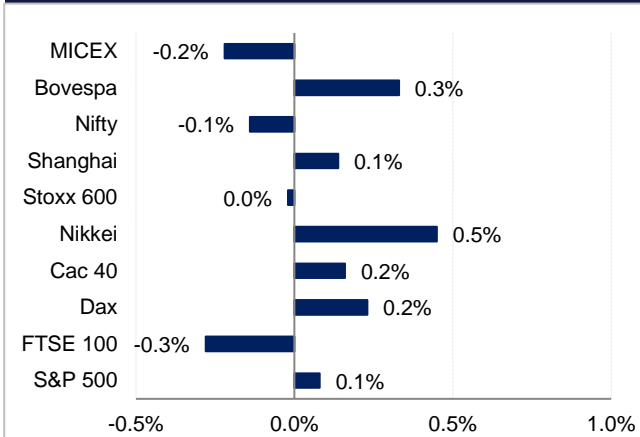
### Global Bond Yields



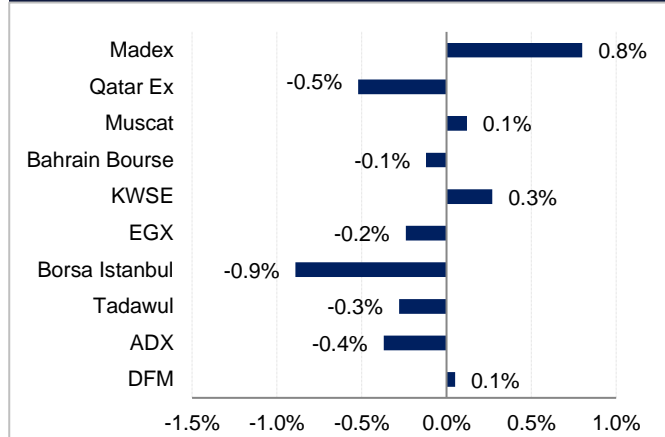
### UAE liquid bond index



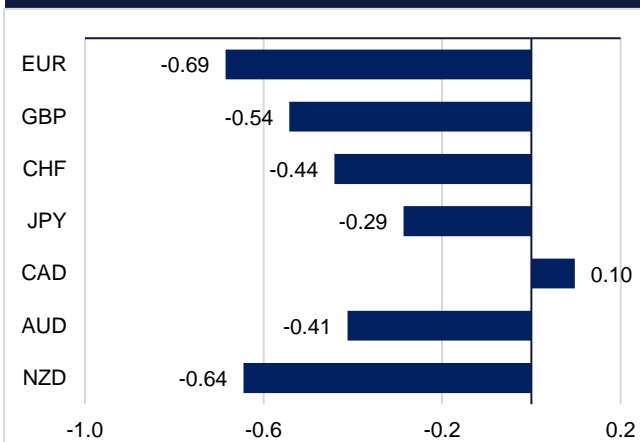
### Global Equity Indices



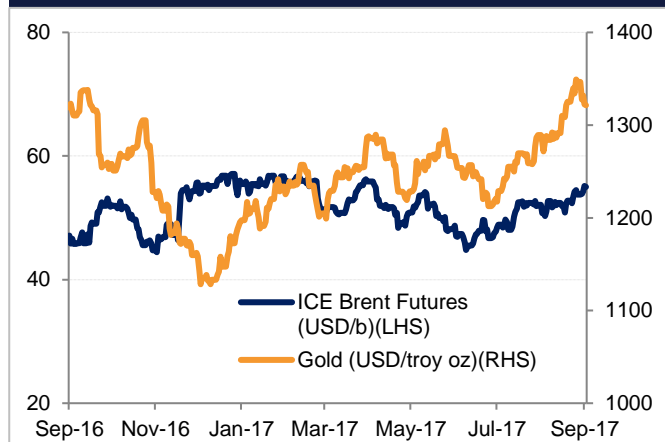
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1885	-0.69	1.2136	USDTRY	3.4579	+0.73	EURAUD	4.3654	-0.68
GBPUSD	1.3211	-0.54	1.3361	USDEGP	17.6583	+0.02	GBPAED	4.8519	-0.55
USDJPY	110.49	+0.29	108.37	USDSAR	3.7502	--	JPYAED	0.0332	-0.30
USDCAD	1.2172	-0.11	1.2180	USDQAR	3.6800	-0.45	CADAED	3.0169	+0.10
AUDUSD	0.7986	-0.41	0.7949	USDKWD	0.3014	+0.00	AUDAED	2.9335	-0.41
USDCHF	0.9641	+0.39	0.9402	USDBHD	0.3771	+0.01	CHFAED	3.8087	-0.43
EURGBP	0.8998	-0.13	0.9085	USDOMR	0.3850	--	TRYAED	1.0600	-0.93
USDAED	3.6730	--	3.6800	USDINR	64.1150	+0.12	INRAED	0.0573	-0.19

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3388	1.5510	1.7638	2.1365	USD 2 yr	1.589	+2
USD LIBOR	1.2367	1.3192	1.4544	1.7096	USD 5 yr	1.845	+3
GBP LIBOR	0.2520	0.2923	0.4185	0.6193	USD 10 yr	2.148	+3
JPY LIBOR	-0.0456	-0.0321	-0.0004	0.1069	EUR 2 yr	-0.189	-0
CHF LIBOR	-0.7850	-0.7260	-0.6494	-0.5056	EUR 5 yr	0.182	+0
					EUR 10 yr	0.840	-0

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1322.37	-0.71	ADGB 6.75 19	1.76	-5	Abu Dhabi	56	--
Silver	17.78	-0.71	DUGB 7.75 20	2.47	+3	Dubai	140	-1
Oil (WTI)	49.30	+2.22	QATAR 6.55 19	1.95	-5	Qatar	90	--
Aluminium	2078.25	-1.22	US Tsy 2 yr	1.35	+1	Saudi Arabia	84	--
Copper	6511.25	-1.75	US Tsy 10 yr	2.19	+2	Bahrain	233	--

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  
anitayb@emiratesnbd.com

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

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

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

**Mohammed Altajir**  
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 Sakhalakar  
+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