



بنك الإمارات دبي الوطني
Emirates NBD

Daily
15 February 2017

www.emiratesnbdresearch.com

Daily Outlook

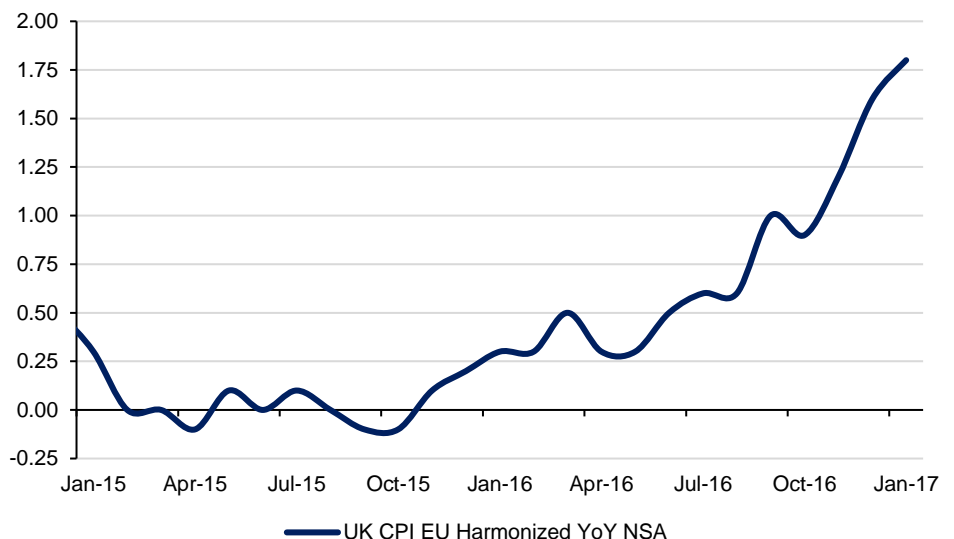
Federal Reserve Chair Janet Yellen warned about raising rates too slowly, as economic growth in the US accelerates, inflation edges higher and the labour market remains robust. Pointing out that "waiting too long to remove accommodation would be unwise, the Fed chair declined to say whether the next rate hike would fall in March or June, saying each meeting is "live". Ms Yellen did caution that the new administration plans for tax cuts and infrastructure spending would lead to more rapid growth and looser fiscal policy.

Germany's GDP for Q4 2016 grew at a rate of 0.4% in the final quarter of 2016, slightly below consensus estimates of 0.5%. An increase in state spending, stronger construction activity and higher private consumption offset the drag from weaker foreign trade for the quarter. This brought the full year 2016 GDP growth rate to 1.9% the highest in 5 years.

UK inflation hits its highest level since June 2014, as CPI hit 1.8% against market consensus of 1.9% Higher fuels costs where a key driver up almost 88% on a year back, the highest such rise since June 2000, driven by a global rebound in oil prices and a weaker pound .

Inflation in Egypt has continued to rise at the start of 2017, with headline CPI hitting 28.2% y/y in January, compared to 23.3% in December and 10.1% in January 2016. In month-on-month terms, prices rose 4.1%. Core CPI meanwhile surged 5.0% m/m and 30.8% y/y. The introduction of new excise taxes in September and subsidy reforms in November have played some role in this inflationary spike, but the biggest factor has obviously been the devaluation of the EGP. Given the magnitude of the EGP's devaluation last year, inflation is likely to remain at these levels for the majority of 2017, and only trend lower once the pass-through from the exchange rate fluctuation fades out of the base.

UK inflation rises in January



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
EU Trade Balance SA	14:00	n/a	US CPI y/y	17:30	2.40%
US Industrial Production m/m	18:15	0.00%	Fed Chair Yellen Speech	N/A	N/A

Source: Bloomberg.

Fixed Income

Benchmark bond market slipped yesterday on the back of Fed chair Janet Yellen's comments to congress. Ms Yellen appeared to set the stage for more rate moves than the market had been expecting, regardless of fiscal policy under the Trump administration. Yields on 10yr USTs ended the day just under 2.47% and have now broken through that level. Moves on the shorter-dated 2yr UST were a little more muted despite the market increasing expectations for a March rate move to 34% from 30% a day earlier.

The soft performance of USTs spread across the developed world markets with Asia Pacific debt as the only significant outlier. Regionally the BUAEL index ticked marginally higher while spreads compressed for a second day running.

Majid al Futtaim has hired banks for an upcoming perpetual USD bond but as far as new issues go the market is still awaiting a Kuwait sovereign issue around the shoulder of Q1-Q2. The sovereign has planned a roadshow for London scheduled for early March.

Dana Gas, a high yield name, said that a consortium including the company was awarded USD 121m by an arbitration tribunal in its dispute with the Kurdish Regional Government. The tribunal also dismissed the counter claims of the Kurdish government.

FX

The dollar rose overnight following the comments from Janet Yellen that kept open the option of the Fed raising interest rates in March. Previously the markets had more or less discounted the possibility of a March hike, with the odds of one prior to yesterday falling to 14%. However, in the wake of Yellen's remarks the markets now see a 34% chance of a March rate rise. The dollar rose across the board in the last 24 hours with the exception of against the CAD and the AUD which are benefiting from recovering risk appetite and strength in commodities.

Equities

Developed market equities closed higher as Janet Yellen exuded confidence in the US economy and said that waiting too long to raise rates could disrupt financial markets. The S&P 500 index and the Euro Stoxx 50 index added +0.4% and +0.1% respectively.

Asian equities are trading higher this morning tracking positive close to developed markets overnight. The Topix index was trading +1.1% at the time of this writing.

Regional equities had a mixed day of trading with stock specific news dominating flows. The DFM index added +0.4% while the Tadawul lost -0.4%.

Drake & Scull closed +6.9% higher after the company even as the company reported a net loss of AED 490mn for Q4 2016. The company's announcement that it was considering proposing a rights issue of AED 500mn in equity to a strategic investor gained greater investor traction. DXB Entertainments rallied +2.8% after the company reported revenue of AED 75.9mn in its first quarter of operations.

Dana Gas gained +6.4% after a consortium including the company was awarded USD 121mn by an arbitration tribunal in its dispute with the Kurdish government.

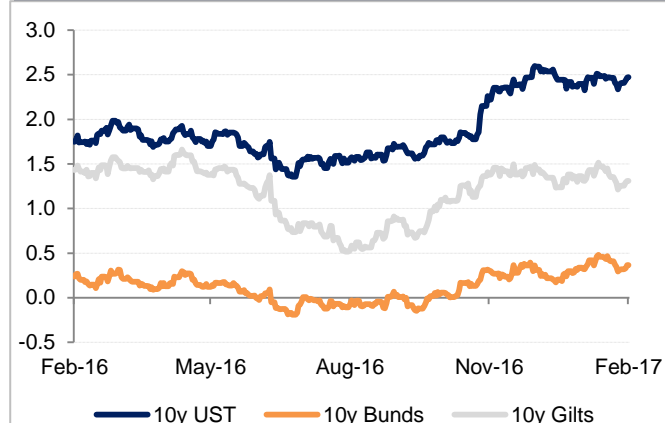
Commodities

Oil prices managed to recover some ground yesterday, up 0.5% and 0.7% for WTI and Brent futures respectively, but not enough to recoup Monday's losses. Brent futures are down a little this morning at USD 55.66/b while WTI is holding below USD 53/b.

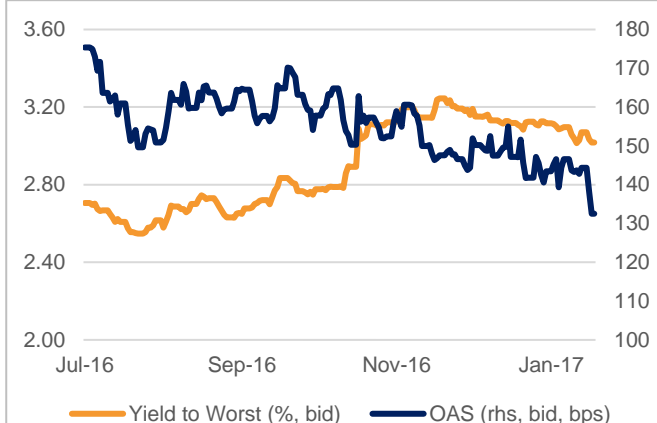
The market's shrug at OPEC's high level of compliance sets a worrying tone for future data prints: if OPEC members actually show some increase in output the downside appears more wide open. Private sector surveys of US inventories showed another large build in stocks—over 9.9m bbl. If confirmed by the EIA later this evening it would quash at least the market's sentiment that the surplus in crude was indeed narrowing. The Brent curve is a little flatter than it was yesterday while WTI's long-term contango (1-24 month) has actually widened.

Markets in Charts

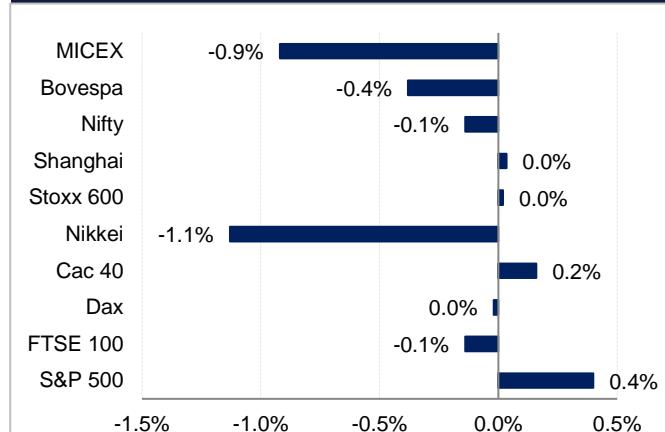
Global Bond Yields



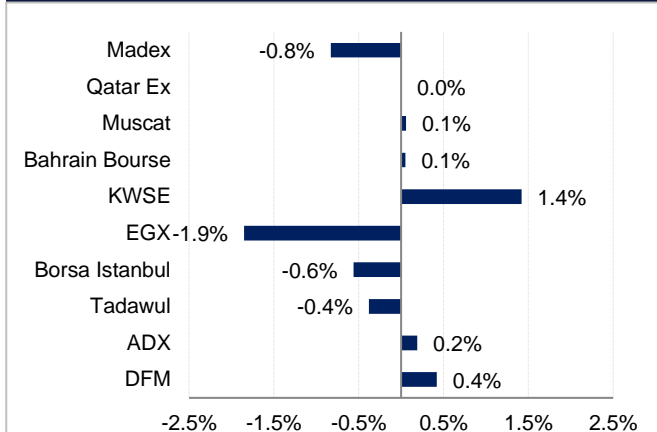
UAE liquid bond index



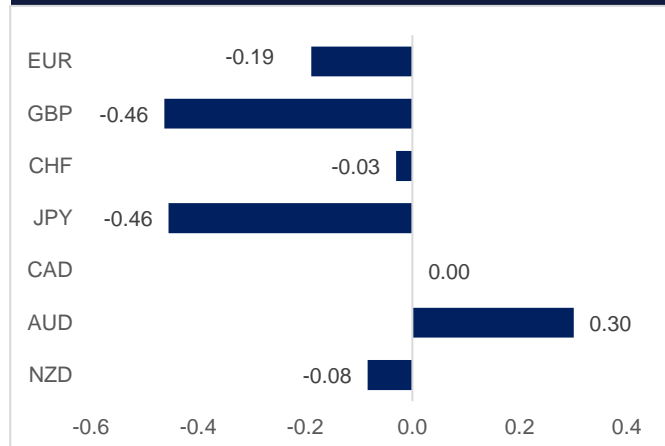
Global Equity Indices



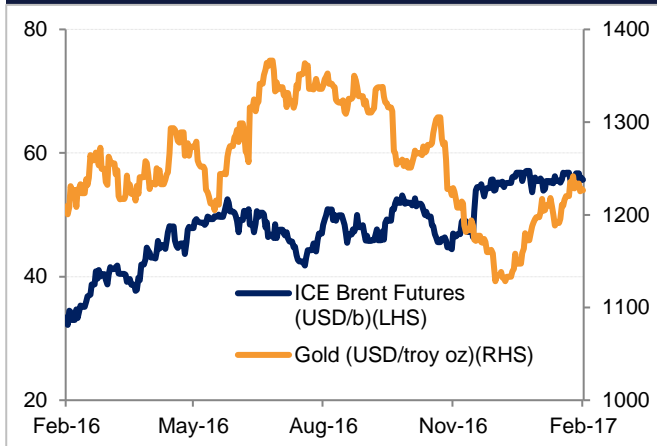
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0578	-0.19	1.0792	USDTRY	3.6515	-0.57	EURAUD	3.8852	-0.18
GBPUSD	1.2468	-0.46	1.2600	USDEGP	16.5683	-3.95	GBPAED	4.5801	-0.44
USDJPY	114.26	+0.46	112.10	USDSAR	3.7503	-0.01	JPYAED	0.0321	-0.46
USDCAD	1.3076	+0.04	1.3014	USDQAR	3.6413	--	CADAED	2.8098	--
AUDUSD	0.7663	+0.30	0.7613	USDKWD	0.3053	+0.01	AUDAED	2.8146	+0.30
USDCHF	1.0062	+0.05	0.9814	USDBHD	0.3770	+0.01	CHFAED	3.6502	-0.03
EURGBP	0.8483	+0.26	0.8563	USDOMR	0.3850	-0.01	TRYAED	1.0100	+0.98
USDAED	3.6729	--	3.6812	USDINR	66.9350	-0.12	INRAED	0.0550	+0.22

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.9743	1.3881	1.6250	2.0493	USD 2 yr	1.556	+4
USD LIBOR	0.7700	1.0390	1.3379	1.7104	USD 5 yr	2.043	+4
GBP LIBOR	0.2649	0.3621	0.5204	0.7529	USD 10 yr	2.402	+3
JPY LIBOR	-0.0224	-0.0249	0.0230	0.1266	EUR 2 yr	-0.135	+0
CHF LIBOR	-0.7894	-0.7244	-0.6624	-0.5080	EUR 5 yr	0.171	+1
					EUR 10 yr	0.810	+4

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1228.13	+0.23	ADGB 6.75 19	1.53	+1	Abu Dhabi	53	-1
Silver	17.96	+0.73	DUGB 7.75 20	2.77	+0	Dubai	125	+3
Oil (WTI)	53.20	+0.51	QATAR 6.55 19	1.86	+1	Qatar	73	-2
Aluminium	1875.00	+0.37	US Tsy 2 yr	1.23	+3	Saudi Arabia	101	-2
Copper	6004.25	-1.63	US Tsy 10 yr	2.47	+3	Bahrain	241	+8

Source: Bloomberg, Emirates NBD Research

Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report. The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

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

Jean Paul Pigat
Senior Economist
+9714 230 7807
jeanp@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

Athanasios Tsetsonis
Sector Economist
+9714 230 7629
athanasiost@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