



بنك الإمارات دبي الوطني  
Emirates NBD

Daily  
16 February 2017

# Daily Outlook

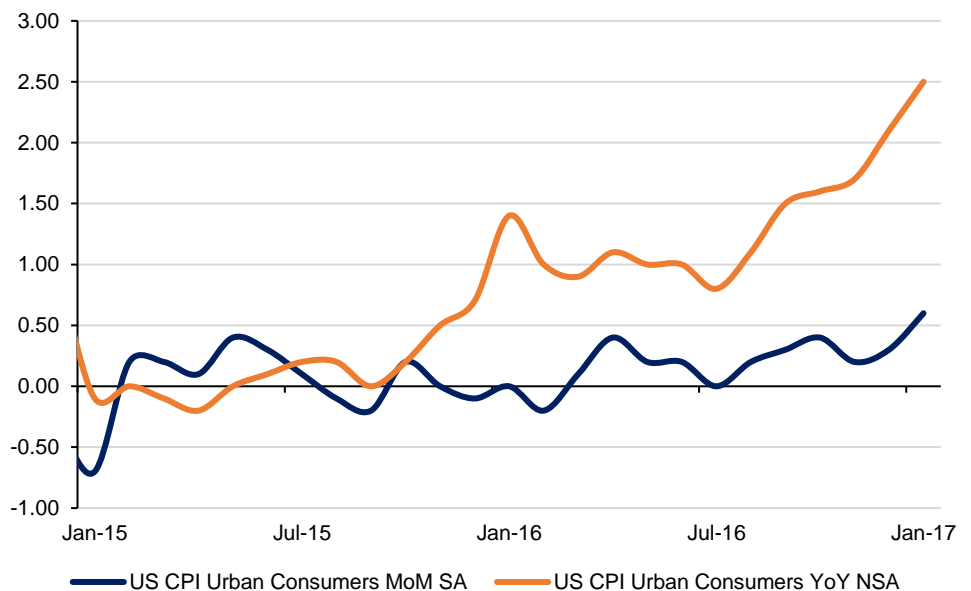
**The US consumer price index rose 0.6% m/m in January the biggest m/m increase since February 2013, following a 0.3% m/m rise in December.** In the 12 months through January the CPI jumped 2.5%, the biggest such increases in almost 4 years following a 2.1% y/y rise in December. The core CPI increased 0.3% m/m following a 0.2% m/m gain in December, and 2.3% y/y in January against 2.2% y/y in December. **The data adds to the argument for raising interest rates earlier than expected, with the markets now seeing a 44% chance of a March move.**

**US retail sales beat expectations in January rising 0.4% m/m, and 5.6% y/y,** with core retail sales, the component most closely correlated to the consumer spending component of GDP climbing 0.4%. December retail sales data were revised upwards to show a 1.0% rise against an earlier reading of 0.6%. Sales of electronics and appliances boosted the January print, with households spending more on dining out, sporting goods and hobbies.

**US Industrial production fell 0.3% in January as unseasonably warm weather reduced demand for utilities.** The measure which comprises manufacturing, mining, and electrical and gas utilities, was dragged down by a 5.7% drop in utilities as demand for heating was weak. However manufacturing and mining output rose 0.2% and 2.8% m/m respectively.

**UK wage growth slowed towards the end of 2016, however employment in the three months to December picked up** after two previous reports reflected falling employment. The ONS data showed that employment hit a new high of 74.6% between October to December 2016, while the unemployment rate held an 11 year low of 4.8%. Total earning in the three months to December slowed to 2.6% against 2.8% in the three months to November.

## US CPI remains above Fed's 2% inflation target rate



Source: Bloomberg, Emirates NBD Research

## Day's Economic Data and Events

	Time	Cons		Time	Cons
US Housing Starts	17:30	1226K	US Building Permits	17:30	1230K
US Initial Jobless Claims	17:30	244K			

Source: Bloomberg.

## Fixed Income

Better than expected retail sales and higher than expected inflation data in the US justified a relatively upbeat senate banking committee testimony by Fed Chair, Janet Yellen and caused treasury yields to rise. Probability of a rate hike in March has now soared to 44% from 28% last week. Yields on 2yr and 10yr UST rose by 2bps each to 1.25% and 2.49% respectively while 30yr was up a bp to 3.07%.

Sovereign bonds in the Eurozone traded within narrow ranges with Bund yields closing less than a bp up to 0.37% and Gilt yields down by a bp to 1.29%. Global credit spreads reflected minimal reaction to positive macro data with US IG and Euro Main closing close to opening levels at 63bps and 72bps respectively.

GCC bonds reflected slight pressure from rising credit spreads amid stable oil prices, possibly in response to rising new supply. BUAEUL index yield closed at 3.07% (+5bps). In the primary market Ahli Bank priced \$500 million 5yr bond at MS+155bps, 20bps tighter than initial guidance and KIPCO released IPT in the 4.875% area for its \$500 million 10 year bond.

## FX

Despite strong inflation data (see above), the US dollar pared gains from earlier in the session and finished the day softer against most of the other majors. These declines have continued this morning and the Dollar Index currently trades 0.22% lower at 100.95. We expect further declines to be limited as the fundamentals behind the US dollar remain supportive with the odds of an interest rate hike in March increasing (see above). We expect the first level of support to be near the 30 day MA of 100.724.

## Equities

Developed market equities closed higher as banking sector stocks derived strength Janet Yellen's stance on rate hikes in the US. The S&P 500 index and the Euro Stoxx 600 index added +0.5% and +0.3% respectively.

Asian equities are trading mixed this morning. The Nikkei index was trading -0.7% at the time of this writing as the JPY strengthened below 114.

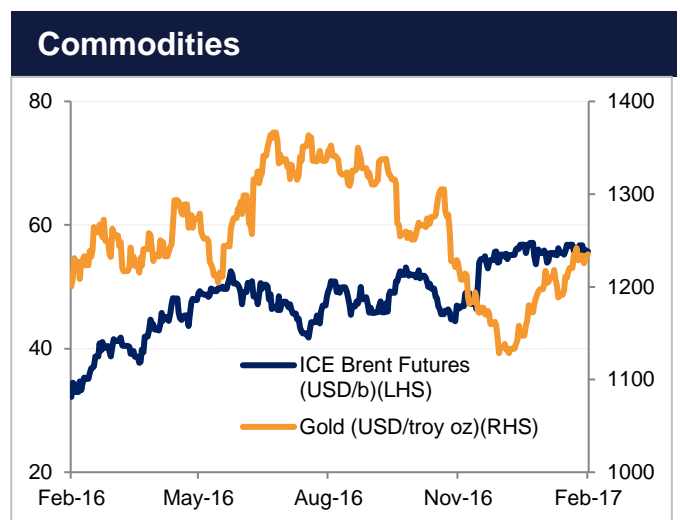
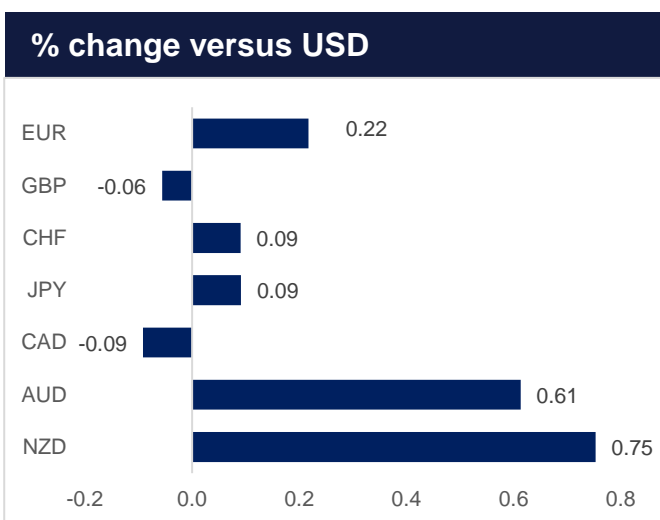
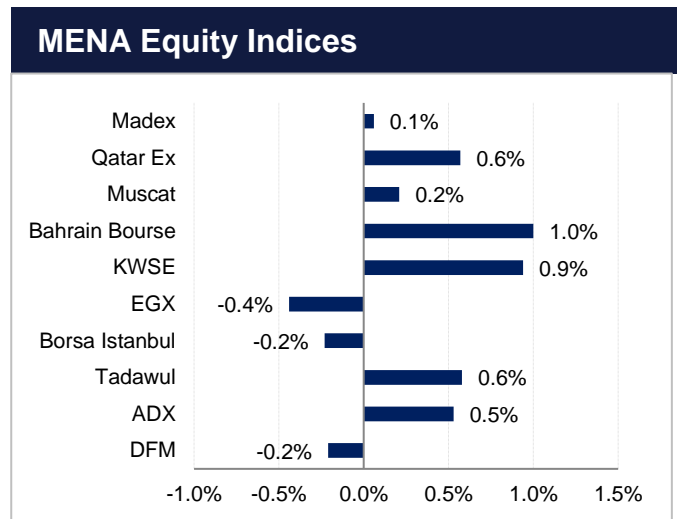
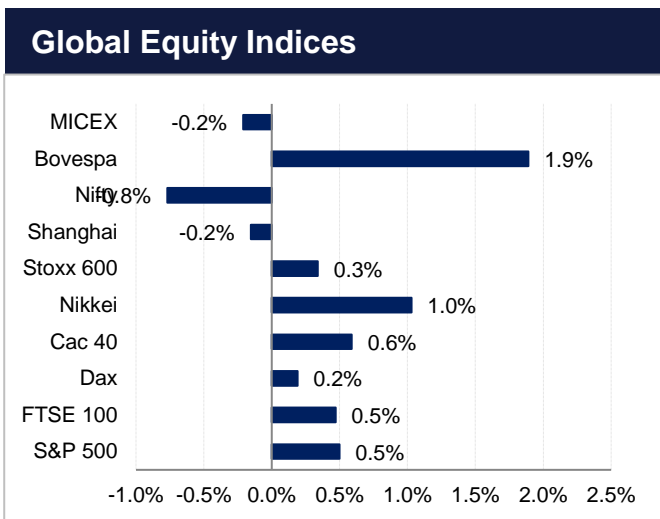
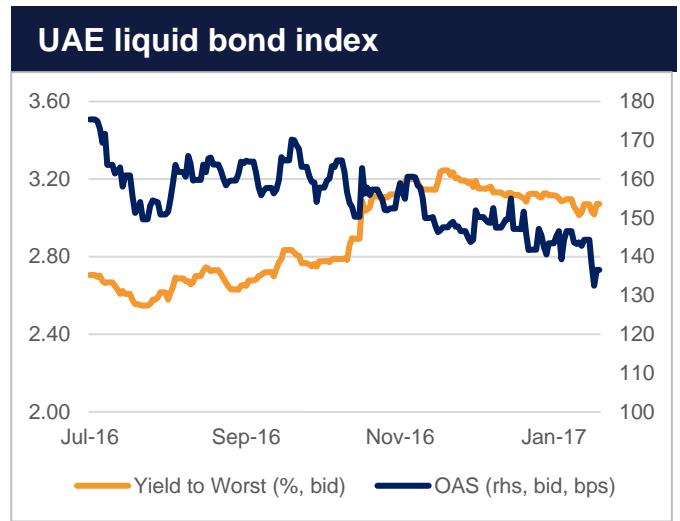
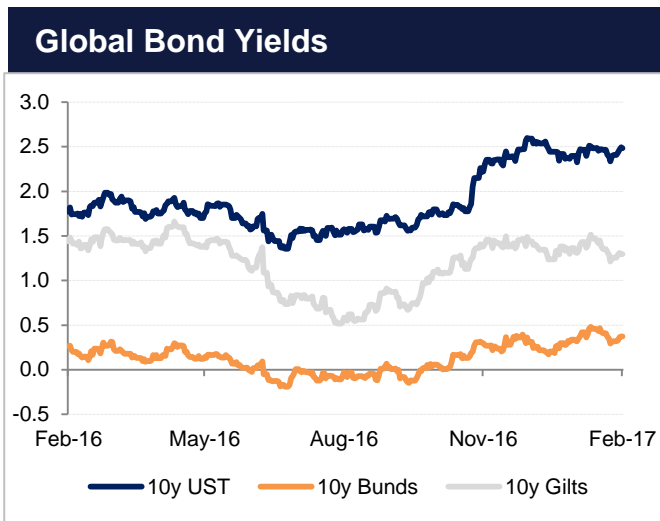
It was largely a positive day of trading for regional equities. The Bloomberg GCC 200 index gained +0.6%.

The DFM declined -0.2% as focus remained on midcap stocks. Arabtec lost a further -5.6% to take its losses to -22.5% since announcing its 2016 earnings. However, the stock found some support at AED 1.0 level. The Tadawul (+0.6%) drifted higher on low volumes. Dallah Healthcare (+2.6%) and Dar Al Arkan (+3.1%) led the gains.

## Commodities

Inventories of crude oil in the US hit a new record level of over 518m bbl last week thanks to the sixth consecutive weekly build in stocks. Despite the fact that nearly 40m bbl of crude have been put into storage in the US in the last month and a half oil markets responded to the data with casual insouciance; WTI futures dipped less than 0.2% and Brent dropped 0.4%. Production held steady while exports from the US jumped 459k b/d in one week to a new high of over 1m b/d. If these export levels are sustained they would take some of the bite out of OPEC's cuts in their effort to balance the market.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0601	+0.22	1.0819	USDTRY	3.6599	+0.23	EURAED	3.8932	+0.21
GBPUSD	1.2461	-0.06	1.2598	USDEGP	16.4507	-0.71	GBPAED	4.5769	-0.07
USDJPY	114.16	-0.09	111.96	USDSAR	3.7503	--	JPYAED	0.0322	+0.08
USDCAD	1.3080	+0.03	1.3016	USDQAR	3.6413	--	CADAED	2.8072	-0.09
AUDUSD	0.7710	+0.61	0.7660	USDKWD	0.3056	+0.10	AUDAED	2.8325	+0.64
USDCHF	1.0055	-0.07	0.9802	USDBHD	0.3770	-0.00	CHFAED	3.6531	+0.08
EURGBP	0.8507	+0.29	0.8588	USDOMR	0.3850	+0.00	TRYAED	1.0000	-0.58
USDAED	3.6729	--	3.6814	USDINR	66.9650	+0.07	INRAED	0.0549	-0.07

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.9743	1.3804	1.6186	2.0417	USD 2 yr	1.586	+3
USD LIBOR	0.7700	1.0373	1.3366	1.7079	USD 5 yr	2.073	+3
GBP LIBOR	0.2609	0.3581	0.5191	0.7502	USD 10 yr	2.428	+3
JPY LIBOR	-0.0046	-0.0034	0.0273	0.1294	EUR 2 yr	-0.136	--
CHF LIBOR	-0.7894	-0.7244	-0.6624	-0.5080	EUR 5 yr	0.165	-1
					EUR 10 yr	0.797	-1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1233.70	+0.45	ADGB 6.75 19	1.52	-0	Abu Dhabi	51	-2
Silver	17.99	+0.19	DUGB 7.75 20	2.77	--	Dubai	121	-4
Oil (WTI)	53.11	-0.17	QATAR 6.55 19	1.87	+1	Qatar	73	--
Aluminium	1899.50	+1.31	US Tsy 2 yr	1.25	+1	Saudi Arabia	103	+2
Copper	6048.00	+0.73	US Tsy 10 yr	2.49	+2	Bahrain	233	-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 Sakhalkar  
+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