



بنك الإمارات دبي الوطني  
Emirates NBD

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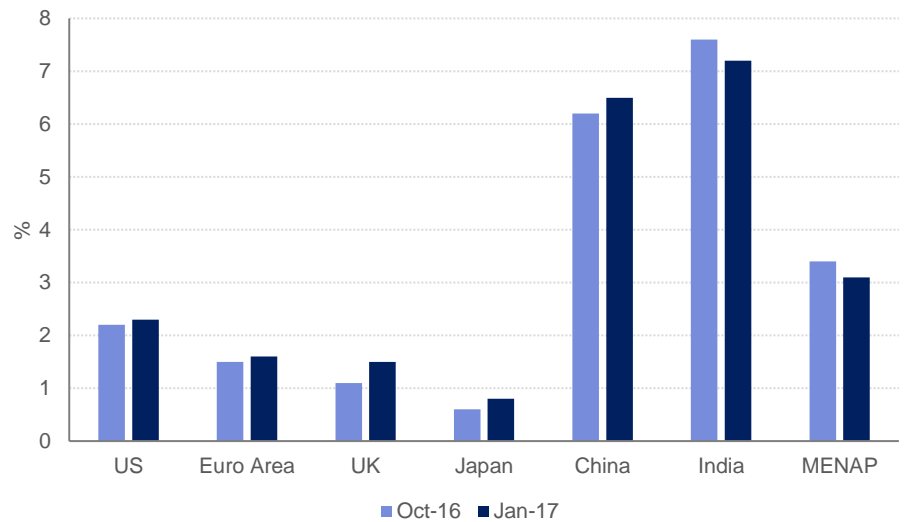
# Daily Outlook

The IMF kept its forecast for global growth unchanged at 3.4% this year in the January update to its World Economic Outlook report. However, most forecasts for developed markets growth were revised higher (unwinding the downward revisions in October 2016), while the Fund has downgraded growth prospects for many emerging markets. **The US growth forecast for 2017 was revised up slightly to 2.3%** from the October report while the IMF reversed its October downgrade of the UK's growth taking it back up to 1.5% from 1.1% previously. 2017 forecasts for the Eurozone, Japan and China were revised higher to 1.6%, 0.8% and 6.5% respectively. The IMF has downgraded the growth outlook for emerging markets, with Mexico now expected to grow just 1.7% in 2017, 0.6pp lower than the previous forecast. India and Brazil 2017 forecasts have been revised down to 7.2% and 0.2% respectively. In the MENA region, the **Fund's forecast for growth in Saudi Arabia this year was revised down quite sharply to just 0.4% from 2.0% previously**, as cuts to oil production were taken into account. We remain more optimistic than the IMF on Saudi Arabia, which we expect to grow by 1.8% this year.

India's wholesale price inflation for December 2016 came in at 3.4%, up from November's 3.2% but lower than consensus expectations of 3.5%. The increase can be attributed to base effect and increasing commodity prices. Food price inflation drifted lower to -0.7% compared to +1.5% in November 2016. With high frequency economic indicators suggesting a slowdown in demand, the benign inflation trajectory does offer the Reserve Bank of India additional room to fast-track monetary easing. However, the annual budget scheduled for early February is likely to be a critical determinant for the central bank.

The focus today will be on PM May's Brexit speech, as well as UK inflation data. Sterling is broadly unchanged overnight.

## IMF 2017 growth forecasts revised



Source: IMF, Emirates NBD Research.

## Day's Economic Data and Events

	Time	Cons		Time	Cons
Japan Industrial Production	08:30	n/f	UK CPI	13:30	1.4%
Germany ZEW Expectations	14:00	18.4	US Empire Manuf.	17:30	8.5

Source: Bloomberg.

## Fixed Income

Sovereign bonds had a slight bias towards yield tightening as risk aversion became evident ahead of speeches by Theresa May and Donald Trump later this week. Yields on 2yr and 10yr UST closed lower at 1.18% (-1bp) and 2.37% (-3bps) respectively while those on 10yr Bunds and Gilts were at 0.32% (-2bps) and 1.31% (-5bps) respectively.

Locally, GCC bond market traded in a tight range as investors resisted taking prices higher despite lower benchmark yields. BBG Barclays GCC index reflected a bp widening in credit spreads to 144bps though option adjusted spread on liquid UAE bonds was unchanged at 147bps.

There was no material idiosyncratic news and ongoing results announcements mostly met expectations. Moody's released a report about GCC sovereigns, citing negative outlook for sovereign creditworthiness in 2017 as a result of subdued economic growth and fiscal pressures.

Primary market awaits further update from ICD, DIB and GIB this week. In addition ENOC is believed to have mandated banks for a \$500 million bond deal.

## FX

Sterling underperformed yesterday, losing ground on all the other major currencies amid market concerns over a hard Brexit. Having opened 1% lower than Friday's close, GBPUSD depreciated a further 1.1% to close at 1.2047, having hit lows of 1.1986. The pound's biggest losses were against the Japanese yen which benefited from safe haven bid, GBPJPY declining 1.4% to 137.57.

This afternoon, with investors watching Prime Minister May's speech on her approach towards Brexit, further volatility can be expected for the pound.

## Equities

European equities started the week on a negative note on concerns that the United Kingdom will pursue a hard Brexit. The Euro Stoxx 600 index dropped -0.8% while the FTSE 100 declined -0.2% to end its streak of 14 straight advances.

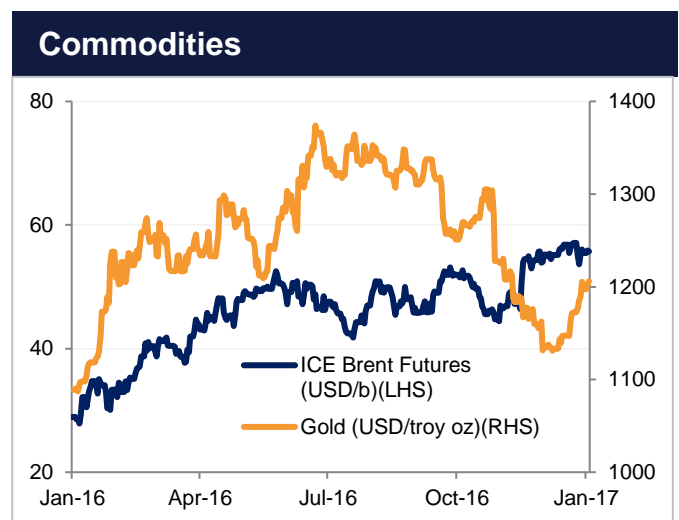
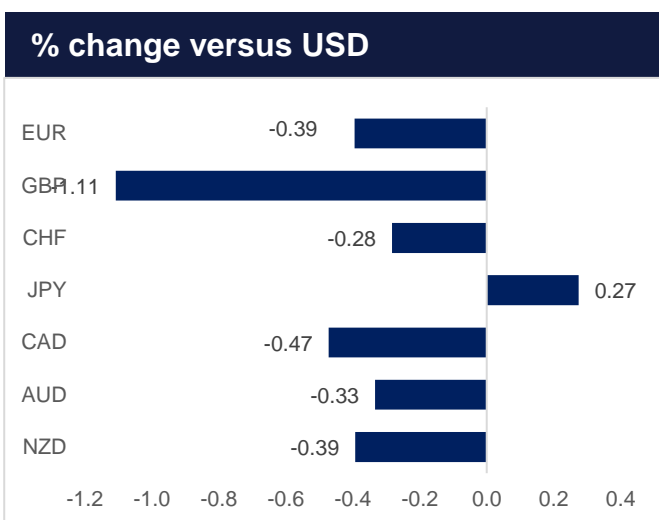
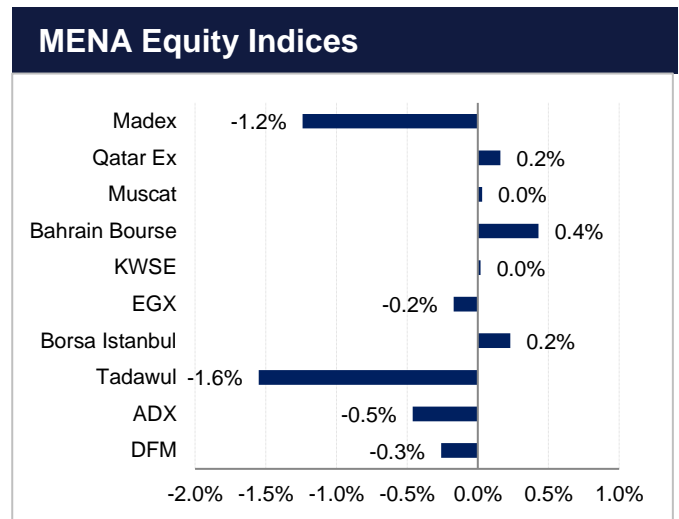
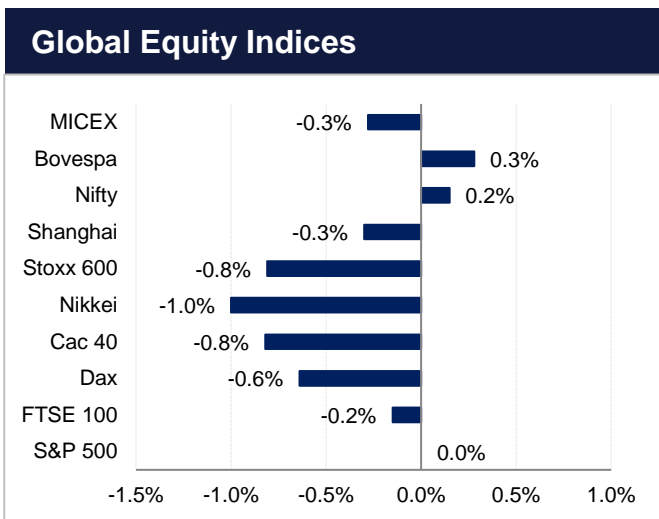
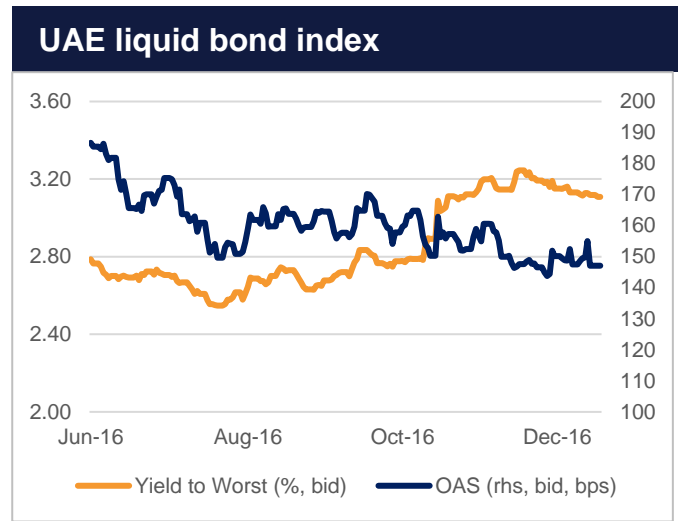
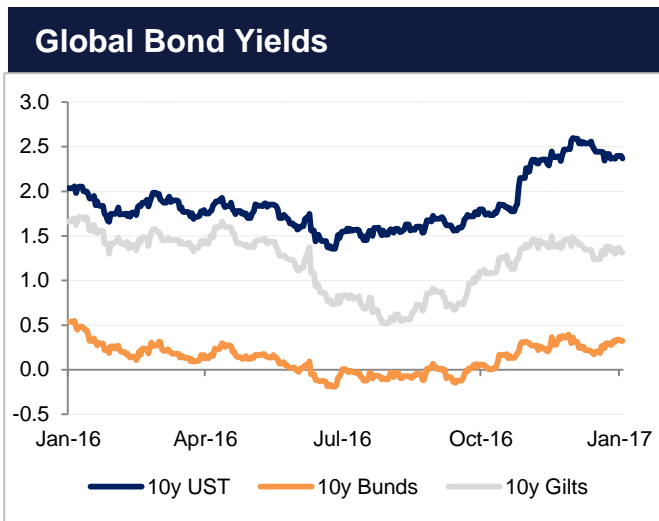
Regional equities drifted lower on the back of weakness in Saudi equities. The Bloomberg GCC 200 index closed the day -0.8% lower as the Tadawul declined -1.6%.

The decline on the Tadawul can be attributed to weak corporate earnings. Riyadh Bank dropped -3.1% after the bank reported -66.0% y/y drop in Q4 2016 earnings. National Shipping dropped -4.8% after the company reported a -42.0% y/y drop in Q4 2016 earnings.

## Commodities

Oil closed higher to start the week on comments from Saudi Arabia's energy minister that the market would be rebalanced by the end of the first half of 2017 and that OPEC won't need to renew its production cut agreement. For now the futures market appears to be believing him with a small backwardation from eight months forward. Preliminary crude export estimates from the Gulf region are showing a dip from December levels but these are at risk of blowing out as Iraq appears to be keeping its exports unchanged.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0586	-0.54	1.0803	USDTRY	3.7736	+1.35	EURAED	3.8883	-0.53
GBPUSD	1.2058	-1.02	1.2188	USDEGP	18.7920	+0.34	GBPAED	4.4289	-1.30
USDJPY	114.27	-0.19	112.00	USDSAR	3.7507	--	JPYAED	0.0321	+0.39
USDCAD	1.3147	+0.25	1.3083	USDQAR	3.6409	--	CADAED	2.7938	-0.03
AUDUSD	0.7468	-0.45	0.7413	USDKWD	0.3056	+0.04	AUDAED	2.7430	-0.28
USDCHF	1.0127	+0.43	0.9878	USDBHD	0.3770	-0.01	CHFAED	3.6269	-0.46
EURGBP	0.8780	+0.72	0.8864	USDOMR	0.3850	--	TRYAED	0.9700	-1.67
USDAED	3.6730	+0.00	3.6860	USDINR	68.0675	-0.13	INRAED	0.0539	+0.13

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.9829	1.4090	1.6603	2.0511	USD 2 yr	1.492	+3
USD LIBOR	0.7678	1.0237	1.3329	1.7018	USD 5 yr	1.933	+3
GBP LIBOR	0.2626	0.3566	0.5224	0.7678	USD 10 yr	2.263	+3
JPY LIBOR	-0.0297	-0.0241	0.0178	0.1273	EUR 2 yr	-0.183	--
CHF LIBOR	-0.7890	-0.7272	-0.6614	-0.5030	EUR 5 yr	0.080	--
					EUR 10 yr	0.690	+2

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1202.73	+0.45	ADGB 6.75 19	1.72	-5	Abu Dhabi	58	--
Silver	16.82	+0.16	DUGB 7.75 20	2.84	-	Dubai	146	+1
Oil (WTI)	#N/A		QATAR 6.55 19	2.02	+2	Qatar	82	--
Aluminium	1797.50	-0.75	US Tsy 2 yr	1.19	--	Saudi Arabia	116	+1
Copper	5843.50	-0.68	US Tsy 10 yr	2.40	--	Bahrain	276	+8

Source: Bloomberg, Emirates NBD Research

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