



بنك الإمارات دبي الوطني
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Daily Outlook

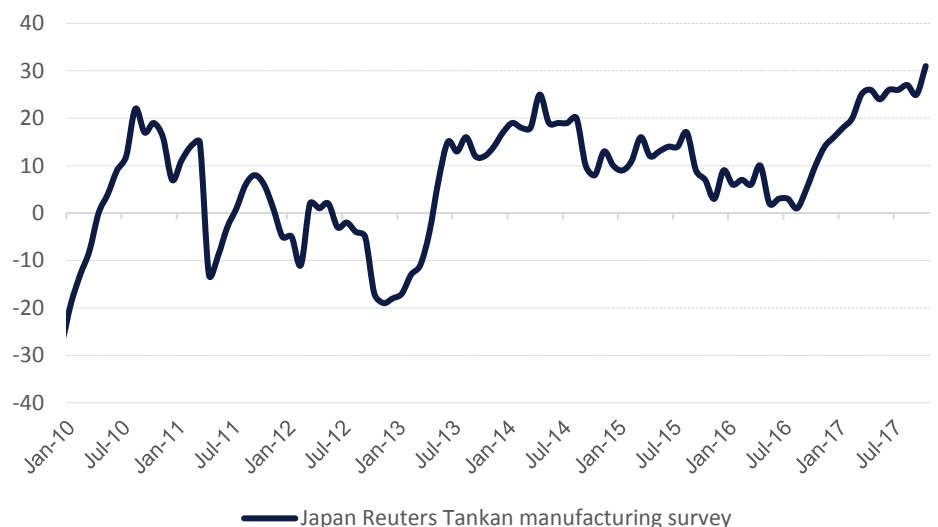
European political risks again came to a head at the start of the week as the standoff between Spain's central government and Catalonia escalates. The president of Catalonia, Carles Puigdemont, now has until Thursday to either affirm the region's intention to split from Spain or choose to remain. Were Catalonia to follow through on the independence ambitions of separatists, the central government in Spain would likely impose its rule on the region including taking over regional police and regional finances. Elsewhere in Europe, elections in Austria returned the right wing People's Party as the largest group in parliament, with 31-year old Sebastian Kurz likely to be prime minister. The party's goals appear to be generally in favour of establishment EU policies, albeit favouring a more slimmed down European Commission. Kurz's People's Party may seek to form a coalition with the far-right Freedom Party, showing that populist politics remain a risk in the Eurozone.

The Eurozone recorded a smaller trade surplus in August of EUR 16.1bn compared with more than EUR 23bn in July. A stronger euro helped push imports higher, up 8.6% y/y. Exports outside the bloc rose 6.8%, damped somewhat by the impact of the strong single currency. The appreciation in the euro, particularly at its elevated levels in Q3 will act as a headwind against regional inflation which is expected to show growth of 1.5% y/y for September

The Reuters Tankan survey of Japanese manufacturers hit its highest level since mid-2007, highlighting the good underlying performance of Japan's economy. The services component of the Tankan slipped but still remains at high levels. The relative competitiveness of the yen in recent months will have helped boost sentiment among manufacturers despite political uncertainties as Japan carries out lower house elections later this week.

Egypt's central bank governor told local press that the UAE and Saudi Arabia had agreed to renew USD 4bn of deposits at the institution that were set to expire in 2018. The governor did not indicate how long the deposits would be renewed for but it sends another positive message for the stability in Egypt's capital account. FX reserves at the central bank have recovered to around USD 36bn in Q3 2017 from hitting a low of less than USD 15bn in July 2016.

Japan Tankan survey hits highest levels since mid-2007



Source: EIKON, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
UK CPI y/y	12:30	3.00%	EC CPI y/y	13:00	1.5%
GE ZEW Expectations	13:00	n/a	US Industrial production	17:15	0.2%

Fixed Income

Yield on US treasuries rose across the curve in response to increasing speculation about Kevin Warsh – a known hawk, leading the race for the next Fed Chair. Yield on 2yr, 5yr and 10yr treasuries closed at 1.54% (+5bps), 1.95% (+5bps) and 2.30% (+3bps) respectively. Credit spreads on corporate bonds in the US and Europe were largely stable with CDS levels on US IG and Euro Main remaining at 54bps and 56bps respectively.

Regionally, GCC bonds had little catalyst for change. Option adjusted spread on Barclays Bloomberg GCC index were 3bps lower 132bps amid stable yield at 3.40%. CDS levels on GCC sovereign generally had a tightening bias. 5yr CDS on Qatar drifted lower by a bp to 99bps, possibly in response to Qatari finance minister announcing projections of reduced budget deficit. KSA CDS remained unchanged at 83bps.

Fitch yesterday affirmed rating on several Kuwaiti banks including NBK at AA-/stable, Ahli United bank at A+, Boubyan Bank at A+/stable and Burgan Bank at A+/stable.

In the primary market, Oman's OMGRID is believed to have mandated banks for a USD sukuk. Also after the success of its debt raising earlier this year, Dubai Aerospace is considering another round of debt raising via sukuk issuance in mid-2018.

FX

USD climbed to the highest levels in a week over rumours that President Trump had a bias towards selecting Stanford University's John Taylor as the next Chairman of the Federal Reserve. Taylor views on monetary policy say that the central bank should have raised interest rates three times as high as they currently are and so should he be the next Chairman, it is likely that interest rates will go a lot higher. As we go to print, the Dollar Index trades at 93.356, with risks for further rises towards the 23.6% one year Fibonacci retracement of 94.034.

Equities

Equity benchmarks fluctuated across the world after the S&P 500 Index eked out a fresh record high but North Korea risk sparking a slight pullback in the Asian markets this morning. Dow Jones closed up by 0.37%, Euro Stoxx up by 0.05% and FTSE down by 0.11%.

Regionally, MSCI GCC index as a whole was up marginally by 0.4% yesterday though individual markets had mixed performance. Dubai index was flattish, Abu Dhabi index was marginally up while Tadawul All share index was up by half a percent.

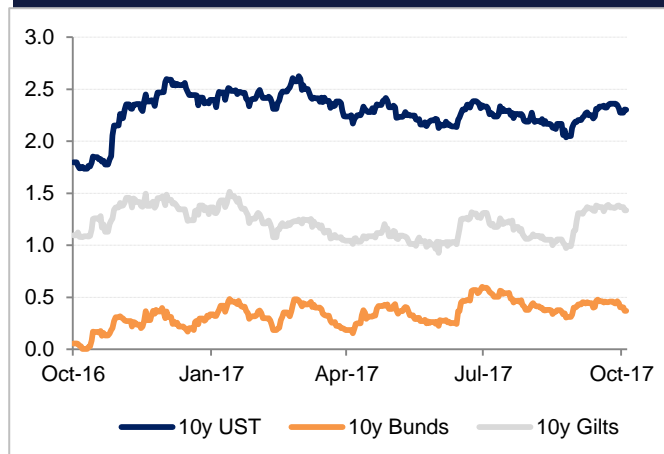
Commodities

Geopolitical risks returned to oil markets to start the week, helping Brent futures rise more than 1% to close at USD 57.82/b and WTI at USD 51.78/b. Reports of clashes between KRG forces and troops from the central government of Iraq around the key production area of Kirkuk has raised concern over the supply of oil from the region.

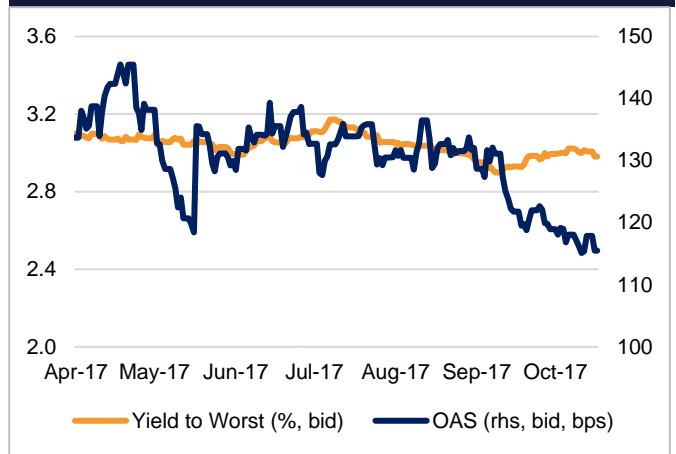
The EIA expects oil production from shale regions to rise further in November, up 82k b/d to total of 6.12m b/d. The number of drilled but uncompleted wells now stands at 7,270, a record high in data stretching back to 2013.

Markets in Charts

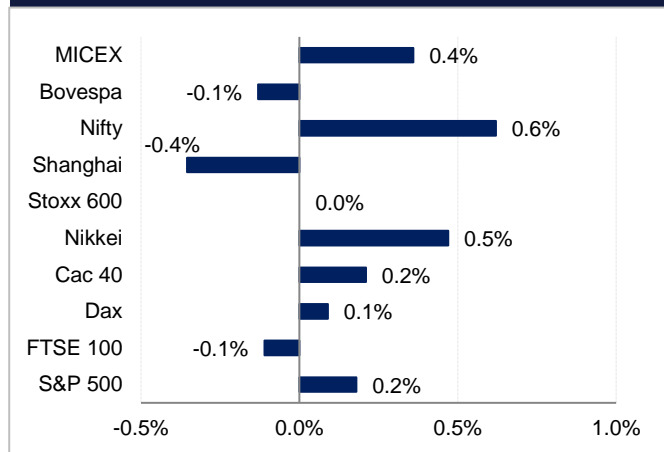
Global Bond Yields



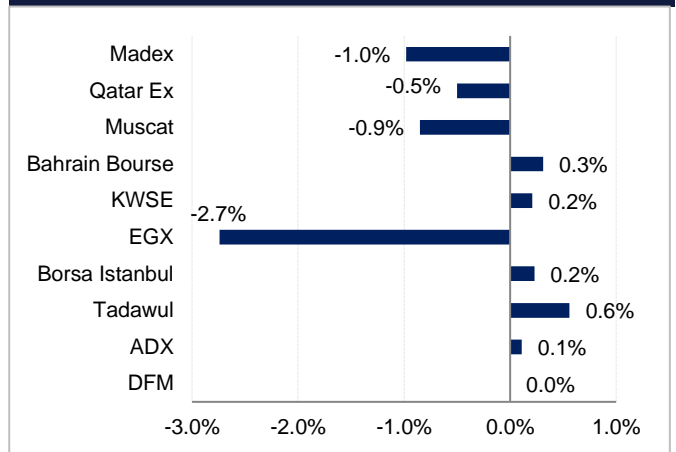
UAE liquid bond index



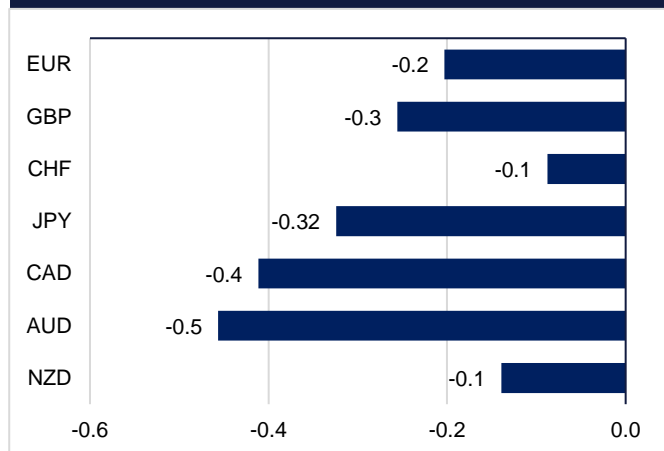
Global Equity Indices



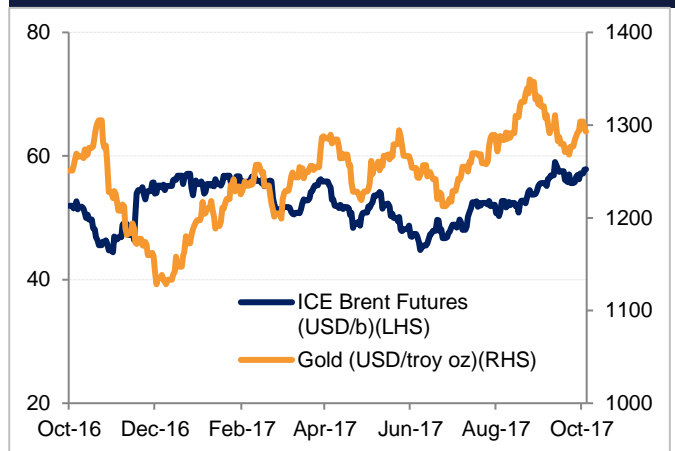
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1796	-0.20	1.2065	USDTRY	3.6464	+0.31	EURAED	4.3329	-0.20
GBPUSD	1.3251	-0.26	1.3401	USDEGP	17.6509	+0.15	GBPAED	4.8673	-0.26
USDJPY	112.19	+0.33	109.86	USDSAR	3.7504	--	JPYAED	0.0327	-0.32
USDCAD	1.2518	+0.40	1.2501	USDQAR	3.6800	-0.23	CADAED	2.9332	-0.44
AUDUSD	0.7851	-0.46	0.7827	USDKWD	0.3020	-0.01	AUDAED	2.8837	-0.41
USDCHF	0.9756	+0.11	0.9501	USDBHD	0.3773	--	CHFAED	3.7653	-0.07
EURGBP	0.8901	+0.04	0.9002	USDOMR	0.3850	--	TRYAED	1.0100	-0.04
USDAED	3.6730	--	3.6785	USDINR	64.8800	-0.07	INRAED	0.0568	-0.06

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3173	1.5673	1.7980	2.1905	USD 2 yr	1.798	+4
USD LIBOR	1.2367	1.3533	1.5343	1.8129	USD 5 yr	2.037	+6
GBP LIBOR	0.2924	0.3738	0.5262	0.7440	USD 10 yr	2.276	+4
JPY LIBOR	-0.0291	-0.0375	0.0032	0.1041	EUR 2 yr	-0.190	-1
CHF LIBOR	-0.7830	-0.7264	-0.6486	-0.5118	EUR 5 yr	0.192	-2
					EUR 10 yr	0.836	-3

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1295.79	-0.62	ADGB 6.75 19	1.77	-0	Abu Dhabi	60	-1
Silver	17.23	-1.13	DUGB 7.75 20	2.52	-5	Dubai	147	-4
Oil (WTI)	51.87	+0.82	QATAR 6.55 19	1.97	+0	Qatar	100	+4
Aluminium	2110.00	+0.01	US Tsy 2 yr	1.54	+4	Saudi Arabia	83	--
Copper	7122.00	+3.83	US Tsy 10 yr	2.30	+3	Bahrain	237	--

Source: Bloomberg, Emirates NBD Research

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