



بنك الإمارات دبي الوطني
Emirates NBD

Daily

18 December 2017

Daily Outlook

Japanese trade data was released today, with exports climbing by 16.2% y/y in November, outstripping October's growth of 14.0%, and analyst expectations of 14.7%. The growth was driven by demand for electronics in neighbouring Asian countries. Japanese exports to China have seen particularly strong growth, expanding by 25.1% y/y. Imports expanded by 17.2%, slower than October's 18.9%, and slower than consensus estimates of 18.0%. This contributed to a significant narrowing of Japan's trade balance, from JPY285.4bn in October to JPY113.4bn in November. The data comes in the days leading up to the Bank of Japan's monetary policy meeting scheduled to begin on Wednesday. Despite the run of positive trade data and years of very easy monetary policy, Japanese inflation remains stubbornly low, making any chance of a change to current policy slim.

The US tax bill, which would be the greatest overhaul of US taxes in decades, could be signed off by President Trump by the end of the week, if Republican hopes to get it through the Senate by Tuesday are realised. Given the slim 52-48 majority the Republican Party holds in the Senate, the full support of the party is crucial to get the bill through. Bob Corker, who has previously voted against the bill, has indicated that he will now support it, as has previously on-the-fence Marco Rubio. Passing the wide-ranging tax bill before Christmas would be a major boost to the Trump administration and could see consumers and corporations benefitting as early as March 2018.

South Africa's ruling African National Congress (ANC) is voting on its next leader, with results expected this morning. The contest is between Deputy President Cyril Ramaphosa and former cabinet minister Nkosazana Dlamini-Zuma. The winner will likely succeed Jacob Zuma as president following elections scheduled for 2019, with the ANC almost certain to retain power, even despite its popularity having waned from previous highs. The South African rand has strengthened against the dollar, with markets seemingly pricing in a win for Ramaphosa, who's perceived as the more market-friendly candidate.

USD/ZAR



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
Eurozone CPI (YoY)	14:00	1.5%	UK CBI Trends Total Orders	15:00	15
Eurozone CPI Core (YoY)	14:00	0.9%	NAHB Housing Market Index	19:00	70

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed the week lower with the curve continuing to flatten following the Federal Reserve meeting. Comments from the Fed Chair Yellen on inflation and unchanged dot plot chart provided fresh impetus to flattening. Yields on the 2y USTs increased 4 bps to 1.83%, on 5y USTs by 2 bps to 2.15%, on 10y USTs it dropped by 2 bps to 2.35% and on 30y USTs it declined by 8 bps to 2.68%.

Regional bonds ended the week flat with YTW on the Bloomberg Barclays GCC Credit and High Yield index closing at 3.71% and credit spreads unchanged at 157 bps.

In terms of ratings action, Moody's affirmed Sharjah's rating at A3 with stable outlook and Fitch affirmed Abu Dhabi's rating at AA with stable outlook. Fitch expects fiscal deficits of 5% of GDP in 2018 and 3% of GDP in 2019.

FX

The dollar gained on most of the other major currencies on Friday, boosted by increased investor optimism on the U.S. tax reforms. Over the course of the day, the Dollar Index rose by 0.47% to close the week at 93.932. This level takes the index back above the 50-day moving average (93.801) which had previously acted as a resistance level. Also of note is that this weekly close means that the index has now closed above the 200-week moving average (93.537) for a second consecutive week.

At these levels, we see weak resistance at 94.034 (the 23.6% one year Fibonacci retracement) and stronger resistance at the psychological level of 95.000. On the downside, we support at the 100-day moving average (93.335), a former resistance level which has now acted as a firm support since being breached on December 5, 2016.

Equities

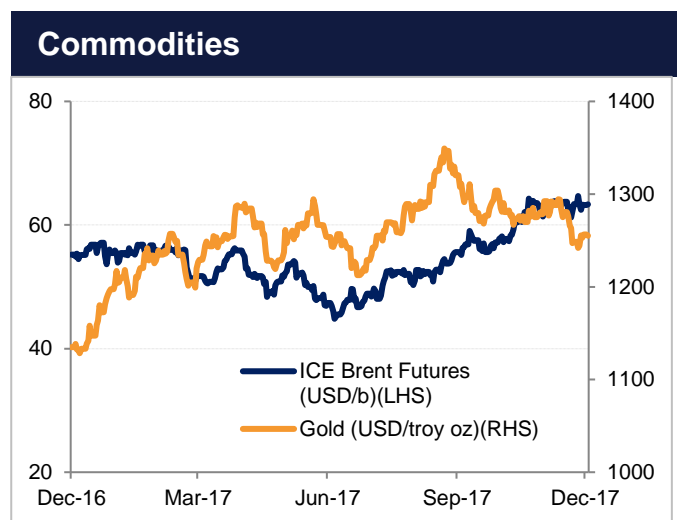
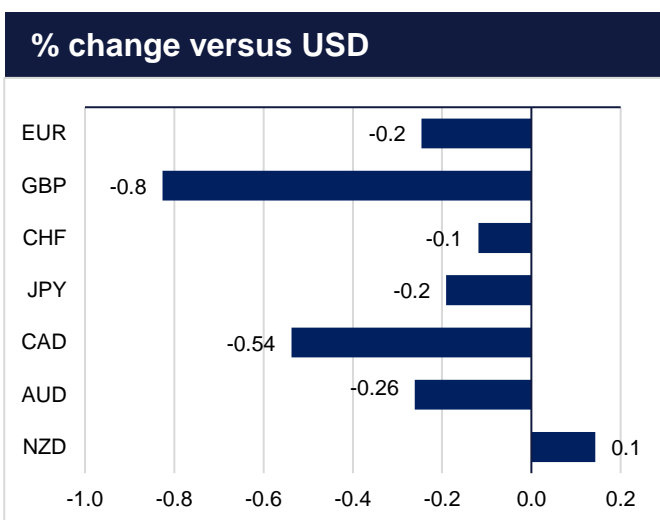
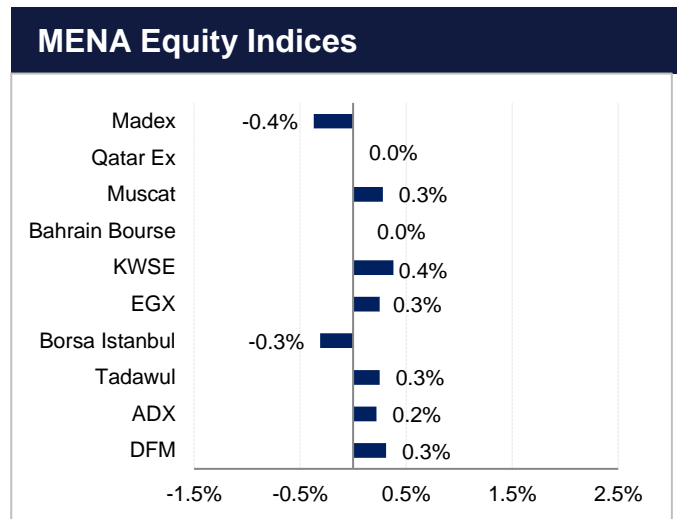
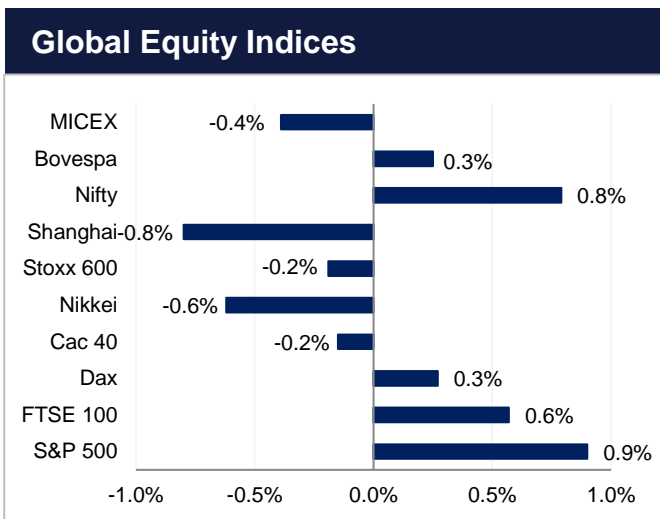
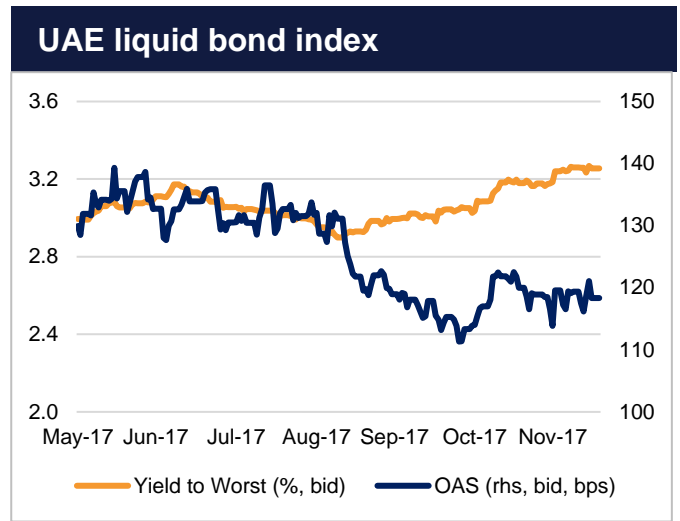
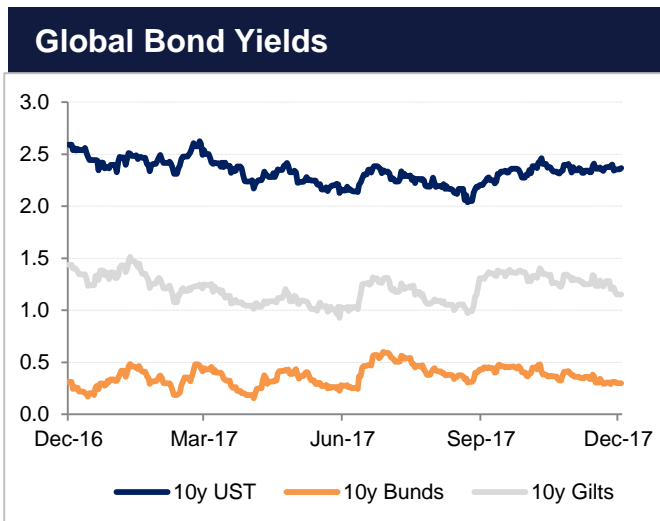
Regional equity markets made a positive start to the week with the Tadawul adding +0.3% and the DFM index gaining +0.3%. The focus remained on real estate and construction stocks following reports that the Saudi budget, scheduled for announcement on Tuesday, is expected to be expansionary. Cement companies dominated the top performers with Najran Cement adding 4.5%.

Commodities

Gold ended the week higher for the first time in four weeks. The precious metal gained +0.6% 5d as the USD declined following the Federal Reserve meeting where they eased concerns over the pace of interest rate hikes in 2018.

Industrial metals also had a positive week with Copper prices rallying for an eighth consecutive session. Copper futures ended the week with gains of +5.3% 5d as the data indicated broad based economic growth resulting in increased demand.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1749	-0.25	1.2063	USDTRY	3.8622	-0.64	EURAED	4.3161	-0.22
GBPUSD	1.3320	-0.83	1.3521	USDEGP	17.866	--	GBPAED	4.8936	-0.80
USDJPY	112.60	+0.19	109.97	USDSAR	3.7503	+0.01	JPYAED	0.0326	-0.21
USDCAD	1.2866	+0.54	1.2805	USDQAR	3.6800	+1.07	CADAED	2.8545	-0.55
AUDUSD	0.7646	-0.26	0.7642	USDKWD	0.3020	--	AUDAED	2.8081	-0.27
USDCHF	0.9905	+0.14	0.9605	USDBHD	0.3771	-0.03	CHFAED	3.7084	-0.13
EURGBP	0.8821	+0.58	0.8923	USDOMR	0.3850	--	TRYAED	0.9500	+0.53
USDAED	3.6728	-0.01	3.6788	USDINR	64.6225	+0.43	INRAED	0.0573	+0.30

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.5367	1.7242	1.9578	2.4717	USD 2 yr	2.025	+1
USD LIBOR	1.4950	1.6133	1.7744	2.0476	USD 5 yr	2.200	+1
GBP LIBOR	0.4912	0.5162	0.5698	0.7582	USD 10 yr	2.343	-0
JPY LIBOR	-0.0492	-0.0237	0.0187	0.1152	EUR 2 yr	-0.180	+1
CHF LIBOR	-0.8393	-0.7582	-0.6578	-0.5334	EUR 5 yr	0.203	+0
					EUR 10 yr	0.785	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1256.44	+0.28	ADGB 6.75 19	2.04	+1	Abu Dhabi	63	--
Silver	16.07	+1.11	DUGB 7.75 20	2.65	+2	Dubai	153	--
Oil (WTI)	57.30	+0.46	QATAR 6.55 19	2.22	-6	Qatar	104	--
Aluminium	2050.50	+0.85	US Tsy 2 yr	1.84	+2	Saudi Arabia	94	--
Copper	6855.00	+1.39	US Tsy 10 yr	2.35	+0	Bahrain	287	+3

Source: Bloomberg, Emirates NBD Research

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