



بنك الإمارات دبي الوطني
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Daily Outlook

Inflation in the US continues to gradually build as the latest data showed consumer prices rose 0.2% m/m in November, boosting the headline figure to 1.7% y/y. Much of this increase can be directly attributed to a monthly jump of 1.2% in energy prices. However, in contrast with the headline figure, core CPI remained unchanged at 2.1% y/y, falling short of market expectations for an increase of 2.2% y/y. **Such data suggests that the Fed will not feel an immediate rush to follow December's increase in interest rates with any further tightening in January.** Today, markets will listen carefully to Janet Yellen's address to the University of Baltimore for any clues on the future direction of monetary policy.

On the other side of the Atlantic, **December's aggregated Eurozone Composite PMI remained unchanged at 53.9, giving evidence that growth may have expanded in the fourth quarter.** However, with real income growth vulnerable to rising energy prices, it remains doubtful that these higher levels of activity can persist. Elsewhere in Europe, **the Monetary Policy Committee of the Bank of England left interest rates unchanged at 0.25% on 15 December** and indicated that they had been reassured by recent economic data which had demonstrated a "remarkably steady path of activity".

From Asia, the highlight of the week will be the BOJ meeting on 20th December, at which the central bank is expected to keep monetary policy on hold. The BOJ is likely to be more optimistic following the moderate improvements in economic data and the recent weakening in the yen which should help boost exports and inflation.

Fitch ratings agency affirmed Egypt's sovereign credit rating at B on 15 December, while maintaining a stable outlook. According to Fitch, the B rating is balanced by low external debt and progress implementing a reform program, with a large fiscal deficit, high general government debt, and strains on the balance of payments. Fitch also sees real GDP growth slowing to 3.3% in FY2016/17, while government debt-to-GDP will peak around 99% this fiscal year.

U.S. Inflation Rises in November



Source: Bloomberg, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
IFO Business Climate	13:00	110.6	Markit US Services PMI	18:45	55.2
IFO Current Assessment	13:00	115.9	Yellen Speaks in Baltimore	22:30	N/A

Source: Bloomberg.

Fixed Income

Last week, the US Treasury curve steepened further on the back of a slightly more hawkish than expected stance of the Federal Reserve. Yields on 2y, 5y and 10y closed at 1.25% (+12 bps 5d), 2.06% (+17 bps 5d) and 2.59% (+12 bps 5d) respectively. Yield on European sovereigns too rose following the Fed's meeting. Yields on UK's 10y and 10y bunds rose +5 bps and +2bps respectively. High yield bonds remained resilient as option adjusted spreads tightened. The Bloomberg Barclays Global High Yield index ended the week 2 points lower with spreads tightening by 7 bps.

GCC bonds too showed some strength with the BUAEUL index losing -0.2% since the Fed meeting. The spread widened by merely 1bps.

According to a report in Reuters, Oman Central Bank has said that it will not automatically imitate Fed's interest rate hike and will monitor interest rates offered by local banks.

Equities

Asian equities have started the week on a negative note amid growing concerns over the relationship between China and the US. The Topix index was trading -0.3% while the Shanghai Composite index was down -0.1% at the time of this writing.

It was a positive day of trading for regional equities even as volumes dwindled. The Bloomberg GCC 200 index added +0.4%.

The Tadawul gained +0.7% on the back of strength in petrochemical stocks. All petchem stocks closed in the green with Sahara Petrochemicals adding +7.1%. National Shipping gained +1.5% after the company announced that its board has proposed a cash dividend of SAR 2.5 per share for 2016.

Elsewhere, the EGX 30 index closed +0.6% higher. Ezz Steel gained +8.0% after the company reported higher third-quarter sales at the end of last week.

FX

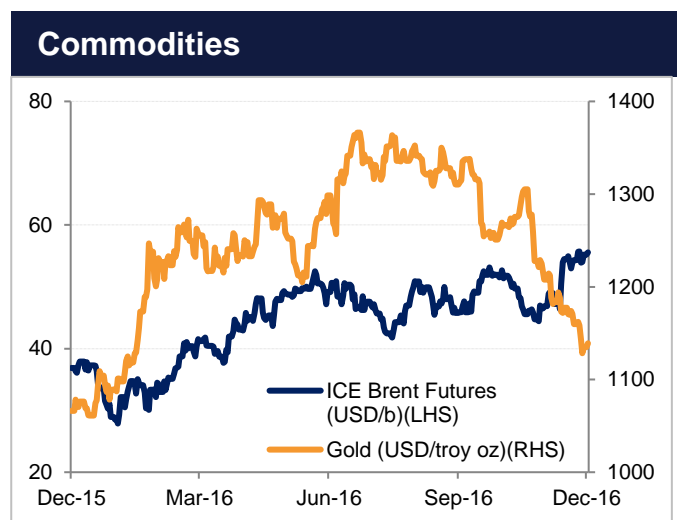
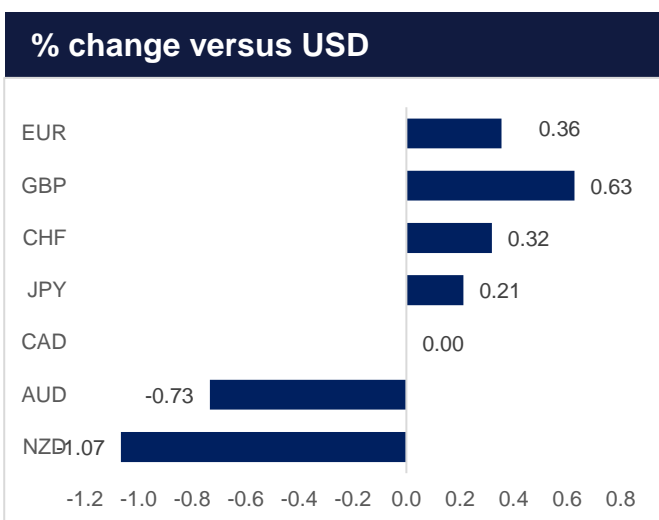
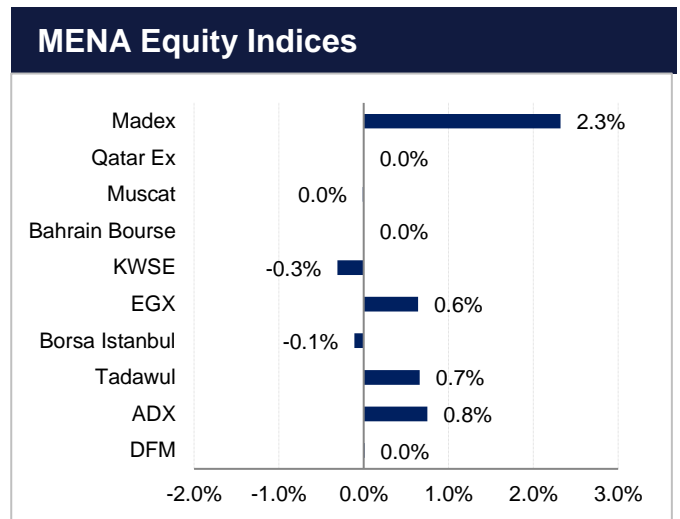
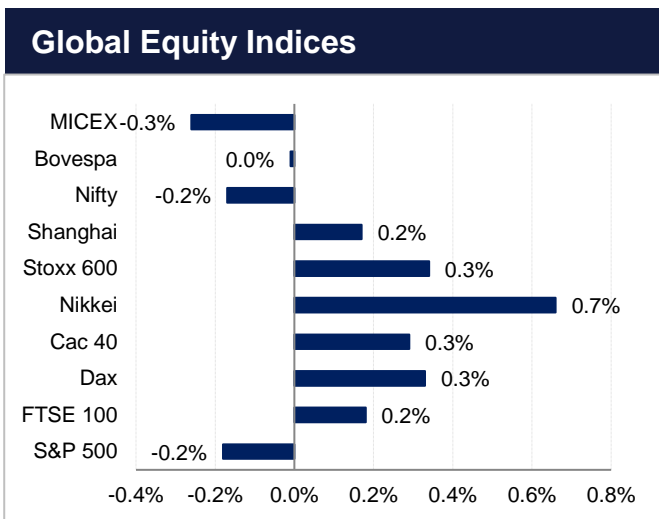
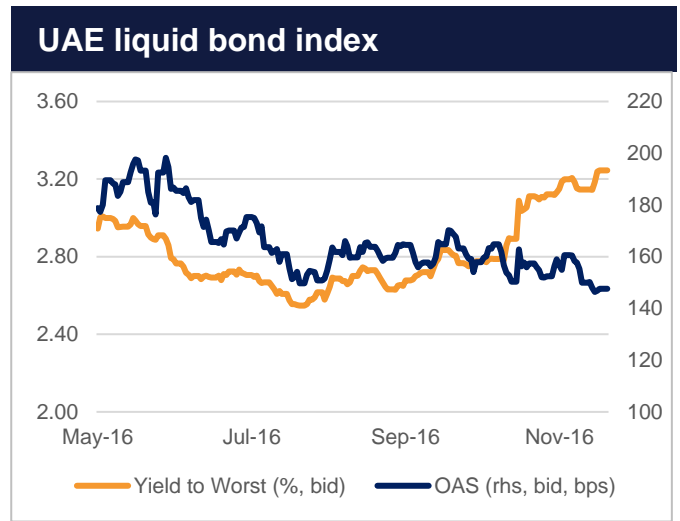
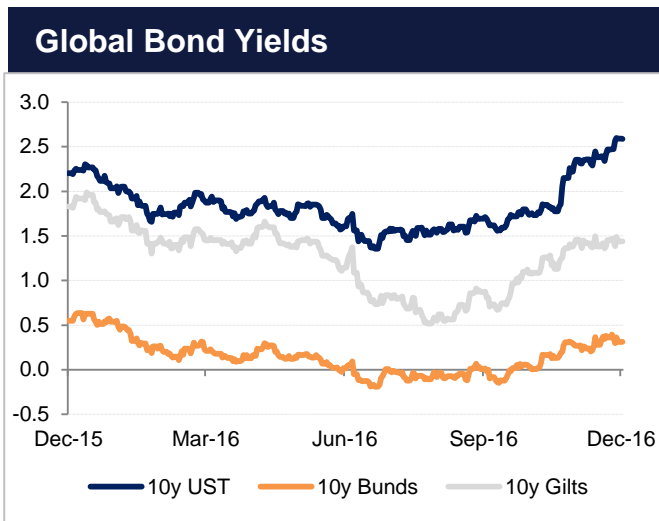
The dollar has softened against most other majors amid geopolitical concerns over China's seizure of a US naval drone on Friday. This event coincides with the 14 day RSI being overbought and amid profit taking on the USD's strongest rally since 2008, the Dollar Index has fallen by 0.2% to 102.74.

This morning's outperformer is JPY, which has benefited from safe haven bid to gain on all the other majors. As we go to print, USDJPY has declined 0.51% since the market opening to 117.34. It is likely that investors would have also decided to lock in profits on the USDJPY, which has risen more than 12% since Trump's victory before the BOJ meeting. As we go into the meeting, the market has the biggest short yen positions against USD in over 12 months and investors will be weary of any shock changes to policy.

Commodities

Oil prices closed higher on Friday with NYMEX WTI Crude futures rising 1.96% to close at USD51.90/b while ICE Brent Crude futures closed 2.20% higher at USD55.21/b. The rally has continued as markets open this morning, amid concerns that increases in maritime tensions could hinder deliveries. Currently, NYMEX WTI Crude futures are trading 0.85% higher at USD52.34/b, while ICE Brent Crude futures are trading 0.65% higher at USD55.57/b.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0451	+0.36	1.0660	USDTRY	3.5053	-0.19	EURAED	3.8385	+0.35
GBPUSD	1.2496	+0.63	1.2618	USDEGP	18.5945	+1.45	GBPAED	4.5867	+0.56
USDJPY	117.93	-0.21	115.68	USDSAR	3.7509	+0.01	JPYAED	0.0311	+0.22
USDCAD	1.3336	--	1.3272	USDQAR	3.6416	+0.00	CADAED	2.7547	+0.02
AUDUSD	0.7304	-0.73	0.7251	USDKWD	0.3061	+0.01	AUDAED	2.6824	-0.73
USDCHF	1.0261	-0.38	1.0007	USDBHD	0.3770	+0.01	CHFAED	3.5774	+0.33
EURGBP	0.8374	-0.14	0.8459	USDOMR	0.3850	--	TRYAED	1.0500	+0.40
USDAED	3.6729	--	3.6874	USDINR	67.7737	-0.09	INRAED	0.0541	+0.02

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.8019	1.3233	1.6861	2.1931	USD 2 yr	1.517	--
USD LIBOR	0.7390	0.9973	1.3199	1.6934	USD 5 yr	2.100	-2
GBP LIBOR	0.2605	0.3730	0.5431	0.7986	USD 10 yr	2.497	--
JPY LIBOR	-0.0811	-0.0306	0.0166	0.1280	EUR 2 yr	-0.159	--
CHF LIBOR	-0.8284	-0.7388	-0.6690	-0.5032	EUR 5 yr	0.140	--
					EUR 10 yr	0.762	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1134.88	+0.57	ADGB 6.75 19	1.89	+2	Abu Dhabi	64	-1
Silver	16.10	+0.81	DUGB 7.75 20	2.92	+1	Dubai	141	-2
Oil (WTI)	51.90	+1.96	QATAR 6.55 19	2.05	+1	Qatar	80	-1
Aluminium	1724.25	-1.05	US Tsy 2 yr	1.25	-2	Saudi Arabia	119	--
Copper	5629.75	-1.64	US Tsy 10 yr	2.59	-1	Bahrain	300	--

Source: Bloomberg, Emirates NBD Research

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