



بنك الإمارات دبي الوطني
Emirates NBD

Daily
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Daily Outlook

Preliminary outcomes for Saudi Arabia's 2017 fiscal year were released late last night, showing that the shortfall narrowed to -8.9% of GDP, well below our -12.8% forecast and down from 2016. The 2018 Saudi budget will reportedly be approved by the Council of Ministers today, and this will be followed by a press conference reporting the priorities and key figures. We are expecting the 2018 budget plan to show a further narrowing of the overall deficit. On the revenue side, higher expected oil prices will help and non-oil revenue should rise as well relative to 2017 on the back of recently introduced taxes and VAT. We expect total spending to rise slightly next year, as cuts to subsidies will likely be offset by increased spending in other components of the budget.

The UK's CBI manufacturing survey was released yesterday, with orders remaining at the highest levels seen since 1988. The factory index stood at 17 for the second month running, exceeding analyst expectations of 15. The UK manufacturing industry has been benefitting from the positive effect on exports of a weaker pound since the Brexit vote, coupled with a more general resurgence in global trade. Export orders fell from 20 in November to 16 this month, but remain significantly higher than seen long-term averages. Motor vehicles and transport equipment have seen particularly strong demand.

In South Africa, it was confirmed last night that Deputy President Cyril Ramaphosa had defeated Nkosazana Dlamini-Zuma in the contest to succeed President Jacob Zuma as the next leader of the ruling African National Congress (ANC). Ramaphosa won the close-run contest by 2,440 votes to 2,261, and will most likely be South Africa's next president following 2019 elections. Ramaphosa's promises of tackling corruption and revitalising the economy have found favour with investors, and the rand strengthened to a six-month high on the news.

CBI manufacturing survey at 30-year high



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
US Housing Starts, '000	17:30	1,250	US Building Permits, '000	17:30	1,270
US 3Q Current Account Balance, USDbn	17:30	-116.2			

Source: Bloomberg, Emirates NBD Research.

Fixed Income

US Treasuries sold off with the curve steepening following sharp rise in 30y UST yields to 2.74 % (+6 bps). Regional bonds continued to gain ground with yield on the Bloomberg Barclays GCC Credit and High Yield index dropping 1 bps to 3.70% and credit spreads tightening 3 bps to 154 bps.

FX

With little change in the FX markets this morning, NZD is the outperformer trading slightly firmer against the other major currencies. As we go to print NZDUSD trades 0.06% higher at 0.7000. Despite the gains of the previous days, the kiwi has been unable to hold onto gains past 0.7027. We see this as the resistance level and 0.6935 (close to the 50 day moving average of 0.6933) as the next support level.

This morning's underperformer is JPY, with USDJPY currently sitting at 112.62. We expect the main driver behind the cross to be risk appetite and from a technical viewpoint, we see strong support at 111.80 (near the 100-day moving average of 111.75) and resistance at the 50% one year Fibonacci retracement (112.96).

Equities

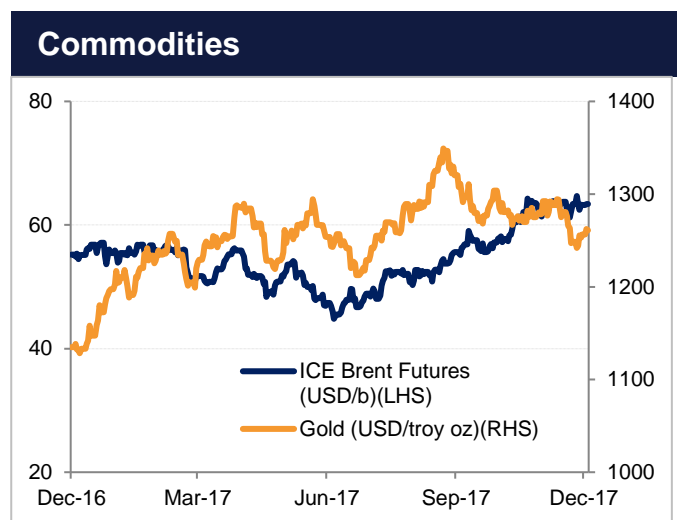
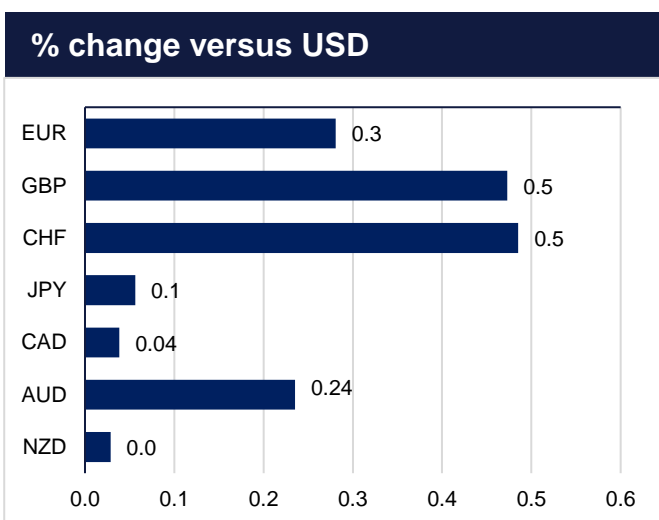
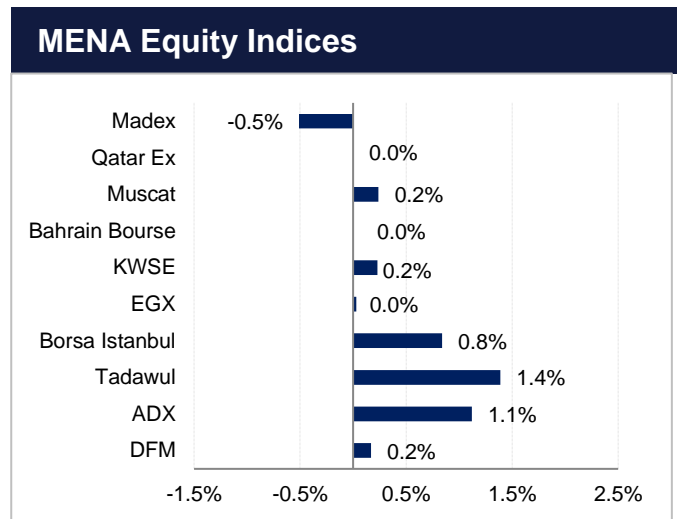
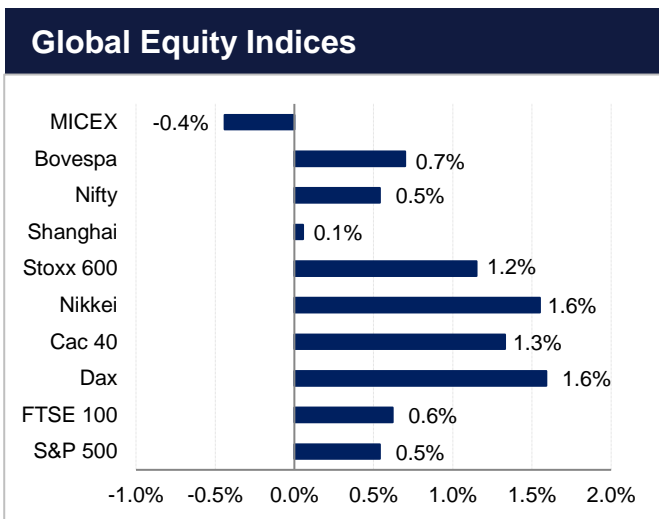
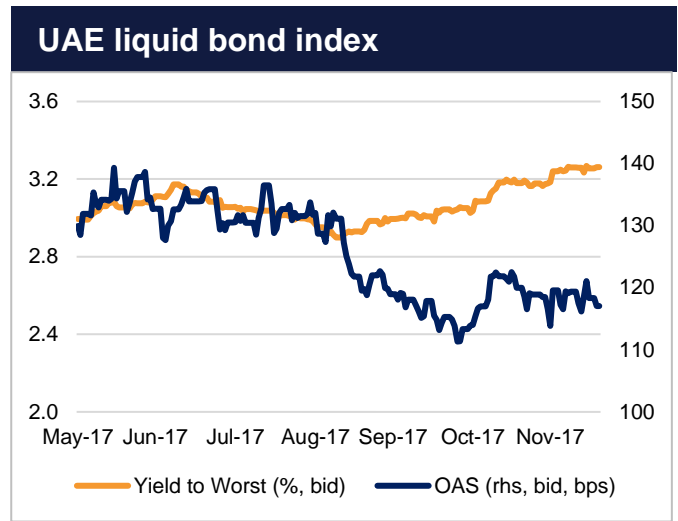
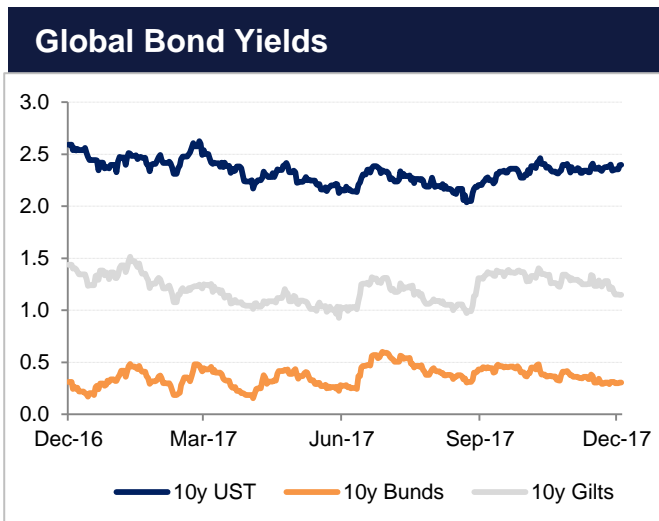
Developed market equities closed higher following reports that the tax bill in the US is on the brink of passing the legislative hurdle. The S&P 500 index and the Euro Stoxx 600 index added +0.5% and +1.2% respectively.

It was a positive day for regional equities as well with all indices posting strong gains. The Tadawul added +1.4% on the back of continued gains in cement stocks. Banking stocks too joined the rally with the Tadawul Banking index adding +2.0%. Elsewhere, ADNOC DIS continued its positive run with gains of +2.6%.

Commodities

Oil prices remained range bound ahead of stockpiles data from US later today. Both Brent and WTI traded around same level with marginal gains.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1782	+0.28	1.2094	USDTRY	3.8300	-0.83	EURAED	4.3273	+0.26
GBPUSD	1.3383	+0.47	1.3582	USDEGP	17.8605	-0.02	GBPAED	4.9154	+0.45
USDJPY	112.55	-0.04	109.97	USDSAR	3.7502	-0.00	JPYAED	0.0326	+0.06
USDCAD	1.2862	-0.03	1.2803	USDQAR	3.6800	+1.07	CADAED	2.8557	+0.04
AUDUSD	0.7664	+0.24	0.7659	USDKWD	0.3020	--	AUDAED	2.8157	+0.27
USDCHF	0.9857	-0.48	0.9561	USDBHD	0.3772	+0.02	CHFAED	3.7264	+0.49
EURGBP	0.8803	-0.20	0.8904	USDOMR	0.3850	--	TRYAED	0.9600	+0.95
USDAED	3.6730	+0.01	3.6790	USDINR	64.2350	+0.30	INRAED	0.0572	-0.15

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.5367	1.7375	1.9638	2.4870	USD 2 yr	2.034	+1
USD LIBOR	1.4950	1.6133	1.7744	2.0476	USD 5 yr	2.219	+2
GBP LIBOR	0.4912	0.5162	0.5698	0.7582	USD 10 yr	2.385	+4
JPY LIBOR	-0.0492	-0.0237	0.0187	0.1152	EUR 2 yr	-0.186	-1
CHF LIBOR	-0.8393	-0.7582	-0.6578	-0.5334	EUR 5 yr	0.219	+2
					EUR 10 yr	0.792	+1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1262.26	+0.46	ADGB 6.75 19	2.01	-2	Abu Dhabi	63	--
Silver	16.14	+0.46	DUGB 7.75 20	2.62	-3	Dubai	153	--
Oil (WTI)	57.16	-0.24	QATAR 6.55 19	2.27	+5	Qatar	103	-1
Aluminium	2056.50	+0.29	US Tsy 2 yr	1.83	-1	Saudi Arabia	92	-2
Copper	6874.25	+0.28	US Tsy 10 yr	2.39	+4	Bahrain	285	-2

Source: Bloomberg, Emirates NBD Research

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