



بنك الإمارات دبي الوطني
Emirates NBD

Daily

19 October 2017

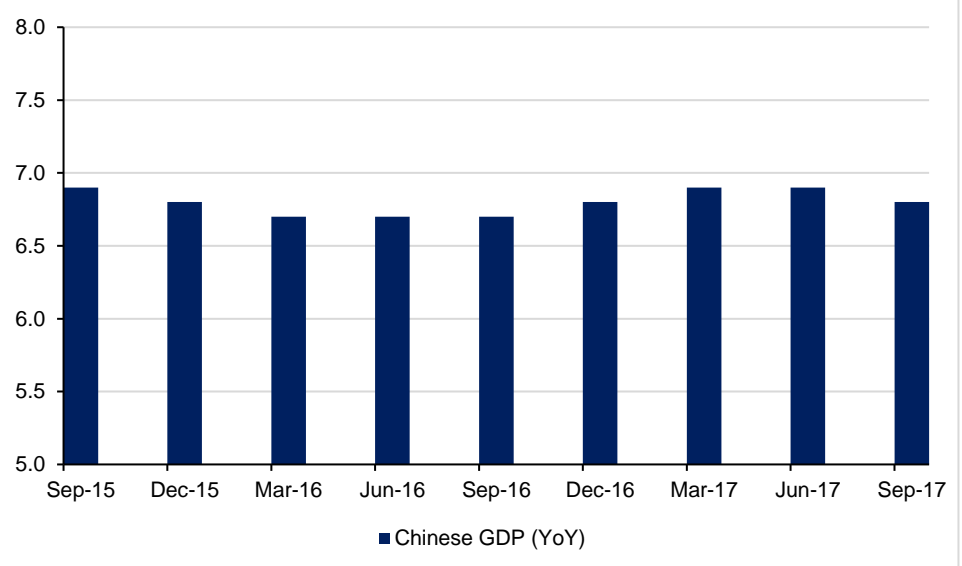
Daily Outlook

Labour data from the UK showed workers earning higher wages in the three months to August while overall unemployment held steady at 4.3%. Wage growth expanded 2.2%, slightly faster than market expectations while unemployment is holding near its lowest levels in more than 40 years. The labour figures come a day after UK CPI showed a jump up to 3%, highlighting how workers are grinding against higher prices even as the labour picture looks sanguine. **For the Bank of England the positive labour data and elevated inflation make balancing an expected rate hike challenging with overall economic output that has been drifting.**

China's economy slowed in Q3, expanding by 6.8% y/y compared with 6.9% in Q2. The decline in GDP growth was in line with market expectations as the authorities in China had been taking steps to try and control rampant property activity and get to grips with a large debt overhang, particularly at the province-level. Overall **the GDP performance falls neatly in line with China's targeted growth of 6.5% this year, leaving room for a further slowdown in Q4.** Also in China factory output in September expanded by 6.6% y/y, better than the market had expected and faster than August while fixed asset investment slowed further to growth of 7.5%.

The **Federal Reserve's Beige Book gave an upbeat assessment of US economic performance in September-October despite several regions being affected by hurricane damage.** In its Beige Book, the Fed noted that despite a tightening labour market most Fed districts only reported 'modest to moderate' wage pressures. US president **Donald Trumps is set to make his pick for the next chair of the Fed in 'coming days', according to press reports with the race seemingly still competitive between all potential candidates.** Mr Trump meets Janet Yellen, the incumbent chair, later today with the market likely to parse their interactions closely given the president's tendency to favour officials with whom he can build rapport.

Chinese GDP slows to 6.8% y/y in Q3



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
UK Retail Sales m/m	12:30	-0.2%	US initial Jobless Claims	16:30	240k
US Phil Fed Business Outlook	16:30	22			

Source: Bloomberg

Fixed Income

The guessing game over who will be the next Fed chair kept bond investors on the edge, pushing treasury yields up across the curve. Traders are hedging against the risk that John Taylor, who is perceived as the most hawkish of the five candidates on the President's short list, may end-up as Trump's pick. Yield on 2yr, 5yr, 10yr and 30yr UST closed at 1.56% (+2bps), 1.99% (+3bps), 2.35% (+5bps) and 2.85% (+5bps) respectively. Yields on sovereign bonds across the Atlantic also increased in sympathy with 10yr Gilt yields rising to 1.31% (+4bps) and Bunds to 0.39% (+3bps). Credit spreads were range bound with CDS levels on US IG and Euro main closing unchanged at 54bps and 55bps respectively.

Regionally, credit spreads had a mixed performance. CDS levels on Dubai and KSA tightened to 123bps (-2bps) and 83bps (-1bp) respectively while those on Qatar widened by a bp to 102bps. Cash bonds also reflected mixed performance. Average yield rose in sync with the benchmark yield albeit somewhat balanced off by credit spread tightening. Barclays GCC index closed with YTW at 3.42% (+1bp) and option adjusted spread at 131bps (-2bps).

Activity in the primary market is robust with Apicorp on the road for a benchmark sized dollar denominated sukuk and Bahrain's Oil and Gas Holding Company (NOGA) providing initial guidance of high 7% for its 10yr USD benchmark offering.

FX

In a market with risk appetite, JPY underperformed on Wednesday, softening against the other major currencies. Over the course of the day USDJPY rose for a third consecutive day, gaining 0.66% to close at 112.94 and reinforce the break out of the former daily downtrend that had been in effect. While the cross stays above the 200 day MA (111.76) and 61.8% one year Fibonacci retracement, we expect further gains towards 114.50 in the medium term. The risk of this outcome is compounded further by the pattern of Q4 seasonality in USDJPY price action to be biased to the upside.

As we go to print GBPUSD trades at 1.3213, trading 0.54% lower than at the start of the week. This afternoon, markets will be awaiting retail sales data which are expected to show a 0.2% m/m contraction in September. Should the data show a bigger decline than this, it can be expected that we shall see a larger decline in cable.

Equities

Equity benchmarks advanced in most of the developed world though were flat in Asia despite China reporting healthy GDP growth of 6.8% in Q3. The S&P 500 index hit another all-time high overnight, boosted by solid earnings announcements. In contrast Hong Kong's Hang Seng Index was down 0.1% and the Shanghai Composite Index slid 0.8%.

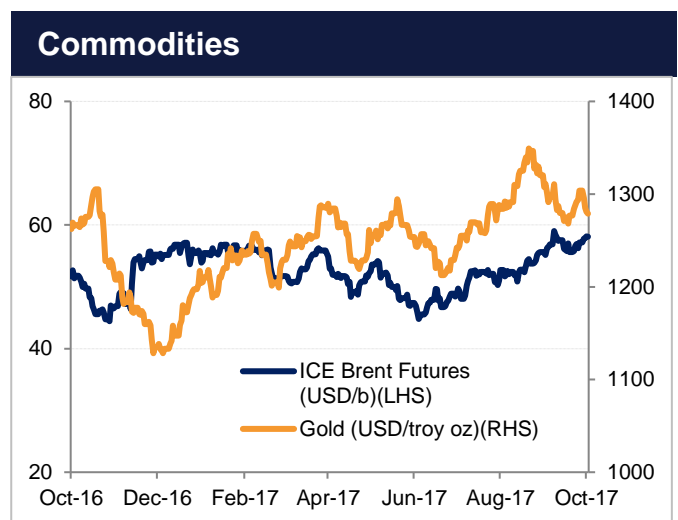
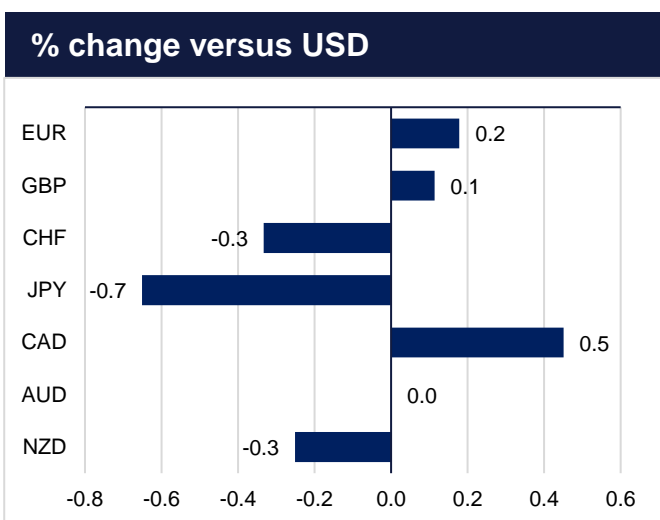
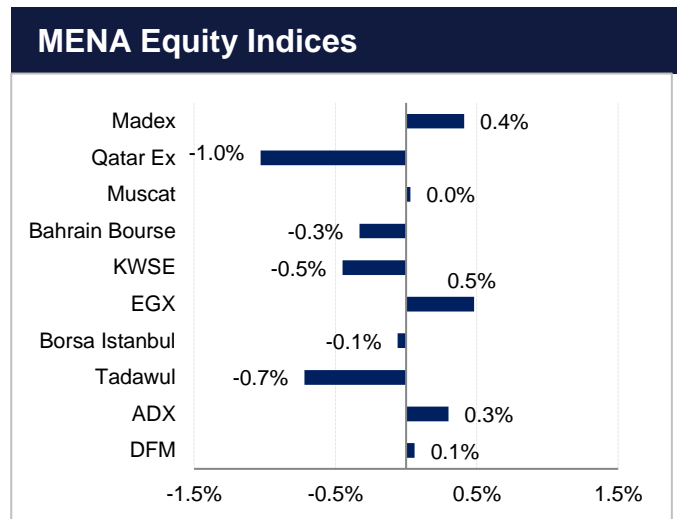
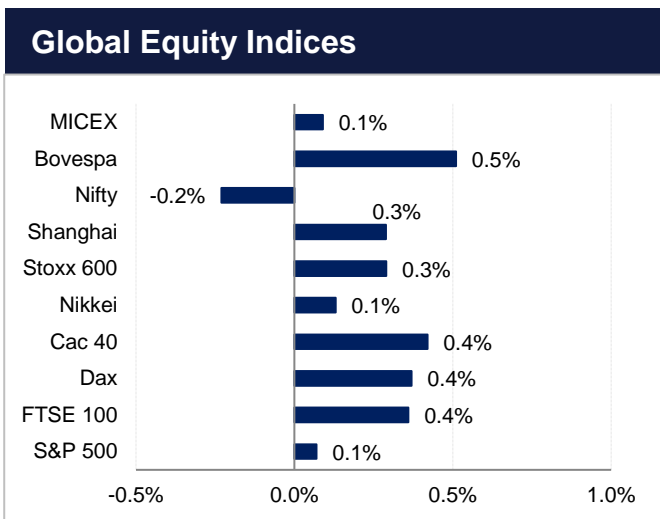
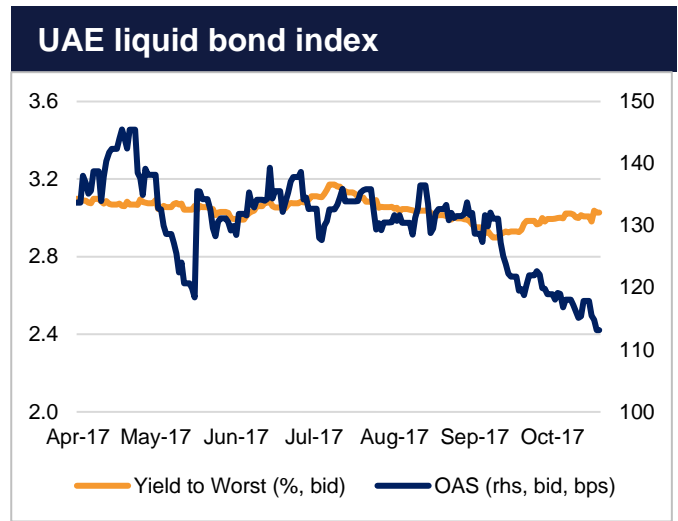
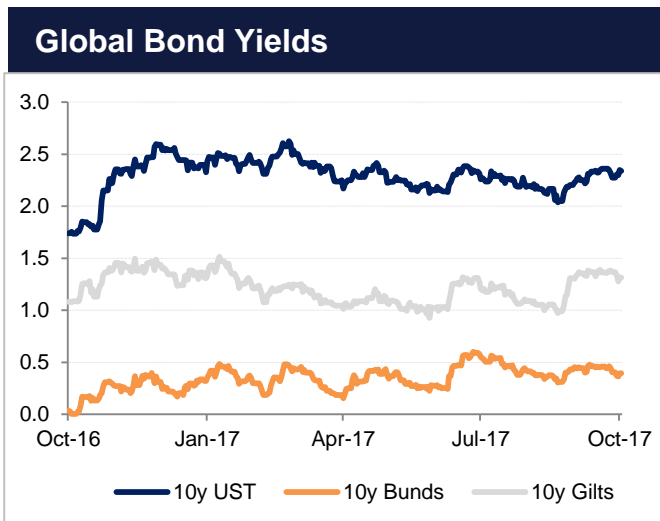
Regional equities had mixed performance. Dubai (+0.06%) and Abu Dhabi (+0.30%) gained mostly due to improvement in banks and property companies' shares while Tadawul (-0.28%) fell. Qatar's index led the losses closing down by -1.03%.

Commodities

Oil markets perked up slightly yesterday as a draw in US inventories and a decline in production reported by the EIA helped boost prices. Brent futures closed up 0.47% while WTI ended the day higher up 0.3%. Production in the US was affected by Hurricane Nate and output fell more than 1m b/d but judging by past responses to hurricanes, we would expect the recovery to be reasonably swift.

Market chatter is suggesting OPEC will agree to a nine-month extension of its existing production cuts with its partners, taking the cuts to the end of 2018 instead of just the end of Q1. If OPEC succeeds in extending and enforcing the cut then the oil market balance would appear much healthier next year but the pressure to stick with the deal and limit production may be severely challenging for OPEC economies to endure.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1787	+0.18	1.2058	USDTRY	3.6767	+0.29	EURAED	4.3294	+0.18
GBPUSD	1.3205	+0.11	1.3358	USDEGP	17.6360	-0.16	GBPAED	4.8499	+0.10
USDJPY	112.94	+0.66	110.57	USDSAR	3.7504	--	JPYAED	0.0325	-0.65
USDCAD	1.2467	-0.44	1.2446	USDQAR	3.6800	+0.36	CADAED	2.9465	+0.45
AUDUSD	0.7846	--	0.7824	USDKWD	0.3022	+0.02	AUDAED	2.8819	+0.01
USDCHF	0.9816	+0.33	0.9557	USDBHD	0.3773	+0.00	CHFAED	3.7419	-0.32
EURGBP	0.8926	+0.06	0.9027	USDOMR	0.3850	--	TRYAED	1.0000	-0.19
USDAED	3.6730	+0.00	3.6785	USDINR	65.0387	+0.02	INRAED	0.0565	-0.22

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3083	1.5680	1.7998	2.1950	USD 2 yr	1.811	+1
USD LIBOR	1.2378	1.3573	1.5452	1.8212	USD 5 yr	2.076	+4
GBP LIBOR	0.3033	0.3838	0.5319	0.7515	USD 10 yr	2.324	+4
JPY LIBOR	-0.0126	-0.0343	0.0040	0.1043	EUR 2 yr	-0.184	+1
CHF LIBOR	-0.7828	-0.7264	-0.6486	-0.5138	EUR 5 yr	0.213	+2
					EUR 10 yr	0.854	+3

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1281.08	-0.31	ADGB 6.75 19	1.78	+1	Abu Dhabi	60	--
Silver	17.00	+0.17	DUGB 7.75 20	2.53	+1	Dubai	147	-4
Oil (WTI)	52.04	+0.31	QATAR 6.55 19	1.99	-1	Qatar	100	+4
Aluminium	2101.50	-0.65	US Tsy 2 yr	1.56	+2	Saudi Arabia	83	-1
Copper	6949.00	-0.67	US Tsy 10 yr	2.35	+5	Bahrain	239	+1

Source: Bloomberg, Emirates NBD Research

Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report. The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
 12th Floor
 Baniyas Road, Deira
 P.O.Box 777
 Dubai

Jonathan Morris
 General Manager Wholesale Banking
 JonathanM@emiratesnbd.com

Aazar Ali Khwaja
 Group Treasurer & EVP Global Markets &
 Treasury
 +971 4 609 3000
 aazark@emiratesnbd.com

Tim Fox
 Head of Research &
 Chief Economist
 +9714 230 7800
 timothyf@emiratesnbd.com

Research

Khatija Haque
 Head of MENA Research
 +9714 230 7803
 khatijah@emiratesnbd.com

Anita Yadav
 Head of Fixed Income Research
 +9714 230 7630
 anitay@emiratesnbd.com

Shady Shafer Elborno
 Head of Macro Strategy
 +9714 2012300
 shadyb@emiratesnbd.com

Athanasios Tsetsonis
 Sector Economist
 +9714 230 7629
 athanasios@emiratesnbd.com

Edward Bell
 Commodity Analyst
 +9714 230 7701
 edwardpb@emiratesnbd.com

Mohammed Altajir
 Manager, FX Analytics and Product Development
 +9714 609 3005
 mohammedtaj@emiratesnbd.com

Aditya Pugalia
 Analyst
 +9714 230 7802
 adityap@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
 Tariq Chaudhary
 +971 4 230 7777
 tariqmc@emiratesnbd.com

Saudi Arabia Sales
 Numair Attiyah
 +966 11 282 5656
 numaira@emiratesnbd.com

Singapore Sales
 Supriyakumar Sakhalkar
 +65 65785 627
 supriyakumars@emiratesnbd.com

London Sales
 +44 (0) 20 7838 2241
 vallancel@emiratesnbd.com

Egypt
 Gary Boon
 +20 22 726 5040
 garyboon@emiratesnbd.com

Emirates NBD Capital

Ahmed Al Qassim
 CEO- Emirates NBD Capital
 AhmedAQ@emiratesnbd.com

Hitesh Asarpota
 Head of Debt Capital Markets.
 +971 50 4529515
 asarpotah@EmiratesNBD.com

Investor Relations

Patrick Clerkin
 +9714 230 7805
 patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
 +9714 609 4113
 ibrahims@emiratesnbd.com

Claire Andrea
 +9714 609 4143
 clairea@emiratesnbd.com