



بنك الإمارات دبي الوطني  
Emirates NBD

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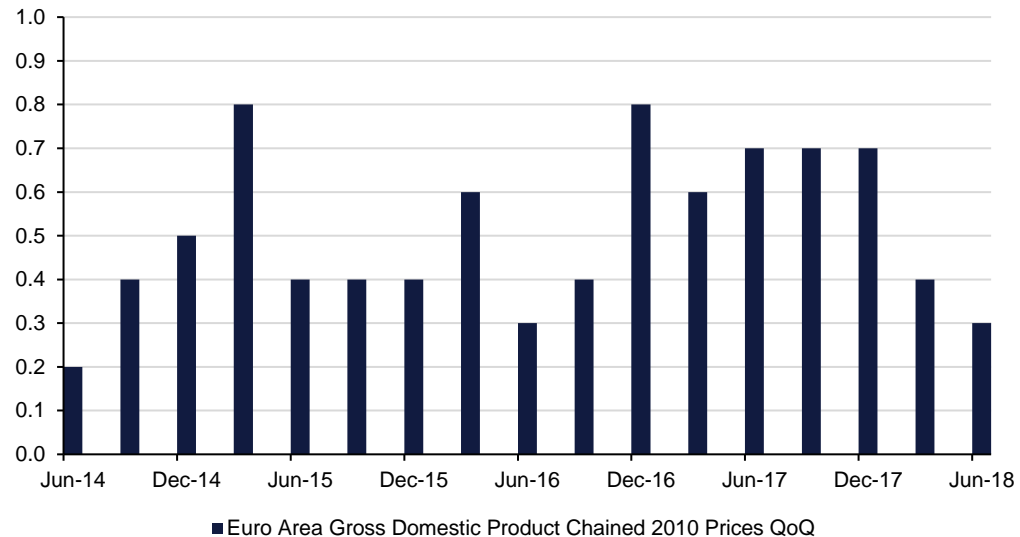
# Daily Outlook

**Eurozone GDP growth slowed to 0.3% q/q in Q2 from 0.4% q/q rate in Q1**, with the annual rate falling back to 2.1% y/y from 2.5% y/y. This was weaker than expected but not a complete surprise after the lower than anticipated national data from France, Spain and Austria. Draghi had already acknowledged that some of the weakness from the first quarter spilled over into the second, but looking ahead confidence numbers continue to point to a slight slowing in growth momentum. Eurozone unemployment stood at 8.3% in June, unchanged from May, which was revised down from 8.4% reported previously.

**The outcome of the two-day FOMC policy meeting will be in focus today**, although the decision will probably be a relative non-event with no formal changes expected. The Fed has already hiked the Fed funds rate by 25bp twice this year, and has guided market expectations for two further 25bp hikes, one in probably in September and another in December. No press conference is scheduled today and only minor changes are likely compared to the Fed's June policy statement. **The stage looks set, however, for the Reserve Bank of India to follow up its June rate hike with further tightening today**, a 25bp rise in both the repo and reverse repo rates expected, to 6.50% and 6.25% respectively.

**Turkish central bank governor, Murat Cetinkaya, issued the TCMB's quarterly inflation report yesterday**, raising the 2018 inflation forecast to 13.4%, from the 8.4% predicted in April. Inflation has spiked on the back of a sharp depreciation in the lira. Crucially, any investors looking for indications that monetary policy will tighten in order to help stem the currency's fall were disappointed as the report now projects price growth of 6.7% at end-2019, meaning that the bank expects inflation to remain above its 5.0% target level over the next three years. The surprise hold at the last MPC meeting was explained by Cetinkaya as a result of rebalancing in the growth drivers in Turkey, as external demand 'maintains its strength' while 'signs of deceleration in domestic demand became more visible.'

## Eurozone growth loses momentum in Q2



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
UK Manufacturing PMI	12.30	54.2	US ISM manufacturing	18.00	59.3
India RBI repo rate decision	13.00	6.50%	US FOMC rate decision	22:00	1.75-2.0

Source: Bloomberg

## **Fixed Income**

U.S. Treasuries have continued to decline in the build-up to the FOMC meeting. With trade tensions between the US and China easing, U.S. 10 year yields are rising with the 3% psychological level within reach. As we go to print 2 year yields sit at 2.67%, while 5 year yields and 10 year yields sit at 2.85% and 2.97% respectively.

## **FX**

USDJPY has continued to firm in the aftermath of the Bank of Japan meeting yesterday, with profit-taking the main factor responsible for the JPY's softness, even though more volatile bond yields could cause the JPY to strengthen ultimately. Elsewhere the USD is broadly steady awaiting the outcome of the FOMC meeting, at which two more rate hikes this year are likely to be endorsed. Threats of increased US tariffs on China harmed the AUD, which was also hurt by soft Australian economic data including the manufacturing PMI and home prices.

## **Equities**

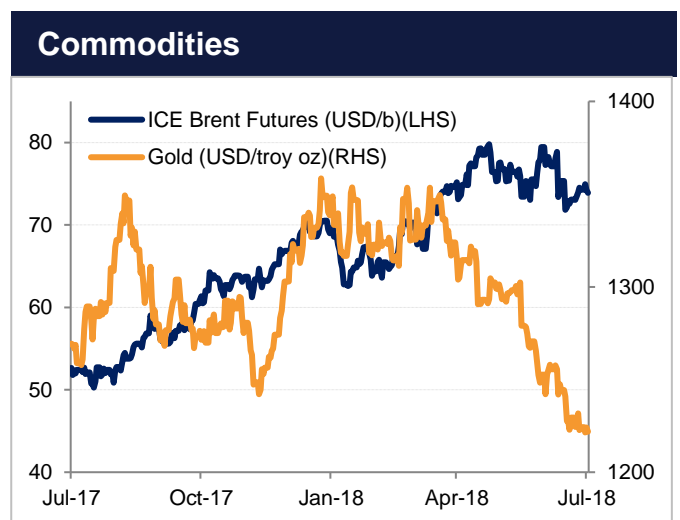
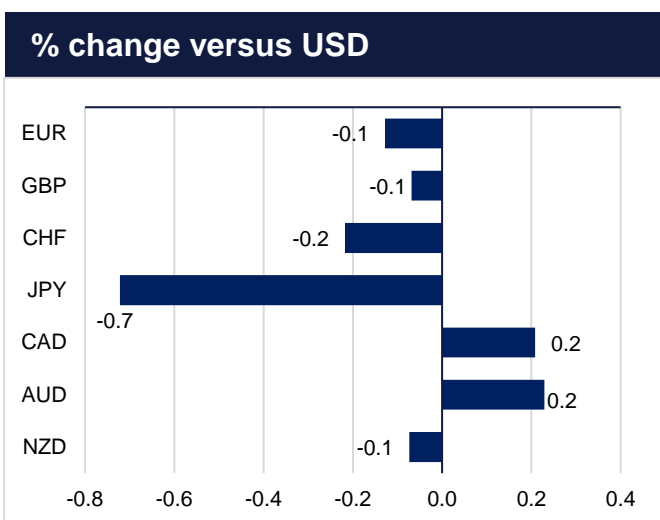
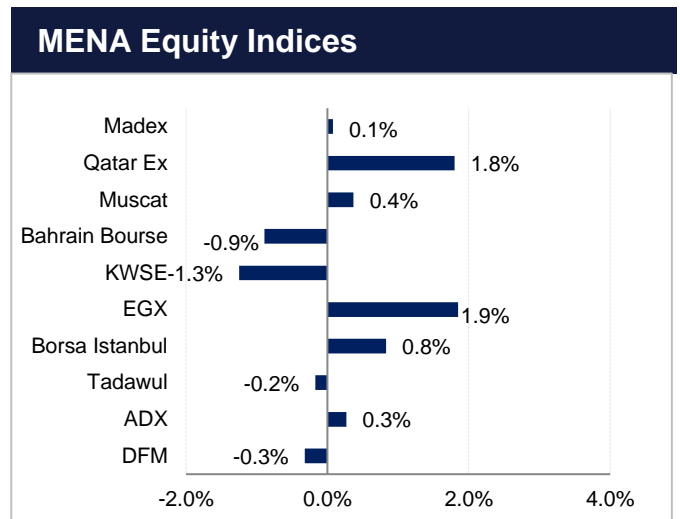
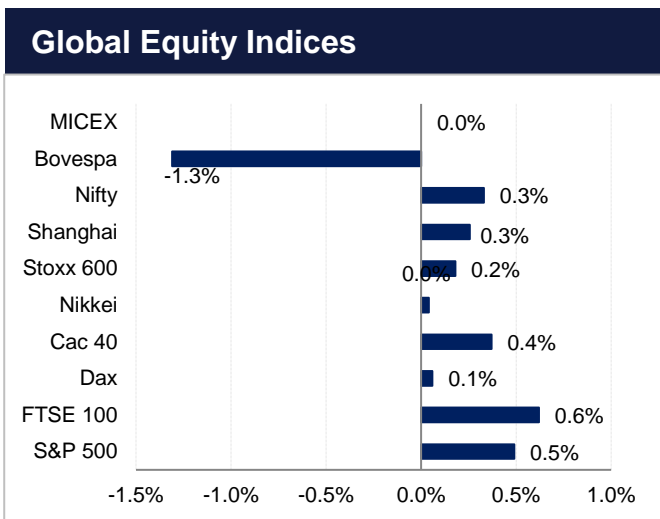
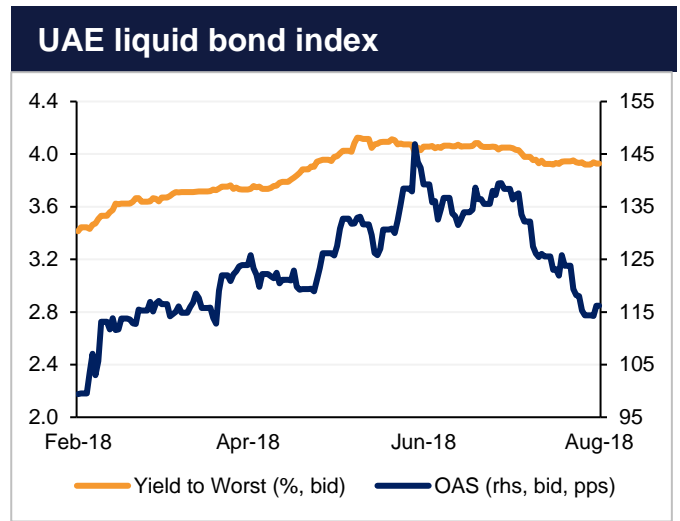
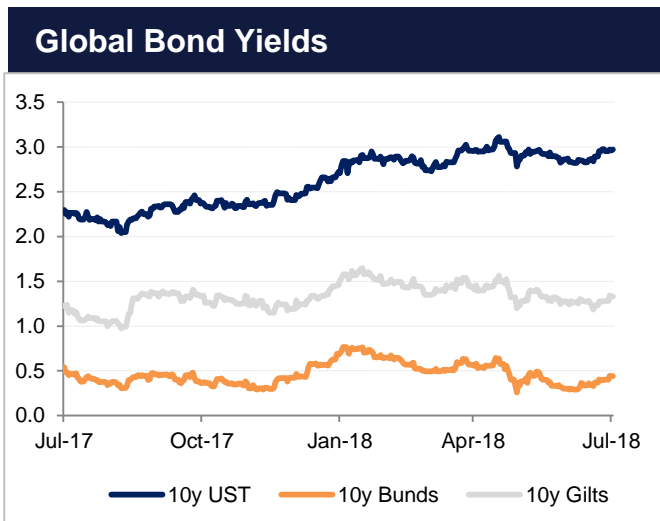
Developed global equity markets closed in the green yesterday after posting gains. In the U.S., the S&P500 posted a gain of 0.49%, while the Dow Jones rose 0.43% and Nasdaq rose 0.55%. European markets fared almost as well with the Euro Stoxx 50 rising by 0.38% and the Dax rose by 0.06%. Regional markets were mixed with the DFM and Tadawul closing 0.30% and 0.22% lower respectively, while the ADX gained 0.31%.

This morning, Asian equity markets are having mixed performances and the Nikkei is currently trading 0.69% higher while the Shanghai composite is 0.32% lower.

## **Commodities**

Brent futures closed down 1.0% at USD74.25/b overnight, while WTI declined 2.0% to USD68.76/b as US inventories surprised to the upside in data released yesterday. According to the American Petroleum Institute, US stockpiles of crude climbed 5.6mn b last week, compared to Bloomberg analyst survey expectations of a decline.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

EURUSD	1.1706	+0.42	1.2072	USDTRY	4.8818	+0.62	EURAED	4.2992	+0.42
EURUSD	1.1691	-0.13	1.2057	USDTRY	4.9140	+0.66	EURAED	4.2941	-0.12
GBPUSD	1.3124	-0.07	1.3354	USDEGP	17.8593	-0.20	GBPAED	4.8213	-0.05
USDJPY	111.86	+0.74	108.62	USDSAR	3.7503	-0.00	JPYAED	0.0328	-0.72
USDCAD	1.3006	-0.23	1.2928	USDQAR	3.6800	+1.06	CADAED	2.8237	+0.21
AUDUSD	0.7424	+0.23	0.7451	USDKWD	0.3025	-0.05	AUDAED	2.7285	+0.30
USDCHF	0.9903	+0.21	0.9563	USDBHD	0.3785	+0.15	CHFAED	3.7089	-0.20
EURGBP	0.8909	-0.05	0.9030	USDOMR	0.3850	-0.00	TRYAED	0.7500	-0.32
USDAED	3.6730	--	3.6763	USDINR	68.5300	-0.22	INRAED	0.0552	+3.28

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.2050	2.6193	2.7450	3.2693	USD 2 yr	2.881	+0
USD LIBOR	2.0815	2.3431	2.5305	2.8213	USD 5 yr	2.978	-0
GBP LIBOR	0.6681	0.7939	0.8988	1.0476	USD 10 yr	3.028	-1
JPY LIBOR	-0.0693	-0.0352	0.0100	0.1220	EUR 2 yr	-0.146	-0
CHF LIBOR	-0.7766	-0.7216	-0.6484	-0.5148	EUR 5 yr	0.332	+1
					EUR 10 yr	0.940	--

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1224.15	+0.22	ADGB 6.75 19	2.42	--	Abu Dhabi	62	+1
Silver	15.52	+0.20	DUGB 7.75 20	3.55	-1	Dubai	124	-2
Oil (WTI)	68.76	-1.95	QATAR 6.55 19	2.63	+1	Qatar	83	+1
Aluminium	2060.75	-0.69	US Tsy 2 yr	2.67	+1	Saudi Arabia	83	--
Copper	6279.25	+0.90	US Tsy 10 yr	2.96	-1	Bahrain	344	-7

Source: Bloomberg, Emirates NBD Research

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## 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**  
Senior Executive Vice President  
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

**Aditya Pugalia**  
Director - Financial Markets Research  
+9714 230 7802  
adityap@emiratesnbd.com

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

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

**Daniel Richards**  
MENA Economist  
+9714 609 3032  
danielricha@emiratesnbd.com

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

**Hessa Al Khawaja**  
Research Associate  
+9714 609 3015  
Hessaalkh@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