



بنك الإمارات دبي الوطني  
Emirates NBD

Daily

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# Daily Outlook

China's official manufacturing PMI rose in August to 50.4, above estimates and better than last month. The other unofficial Caixin China manufacturing PMI measure also stood at 50 in August. A reading above 50 indicates that the manufacturing sector is expanding rather than contracting, so the data is all the more encouraging considering the bad flooding that has occurred during the summer that has disrupted supply lines and affected output in July. **The improving conditions appear to have been more concentrated in big firms rather than SMEs but nevertheless signs of stabilization in China's economy will always be taken as a positive when the outlook is not very clear.** If the good numbers for manufacturing continue, it will give the government confidence to carry out reforms to clean up much of China's excess heavy industry for instance in steel or coal markets.

Today it will be the turn of the US ISM index which will set the stage for the US jobs data tomorrow. **Yesterday saw the ADP private sector employment report show that 177k jobs were added in the US in August, which is consistent with the consensus expectation for non-farm payrolls growth of 180k.** However, with the US at or near full-employment it may not be necessary for payrolls to rise quite so strongly to continue exerting downward pressure on the unemployment rate and upward pressure on wages.

India's GDP for Q2 FY 2016 came in at 7.1% y/y. **This was the slowest pace of growth in the last five quarters and considerably lower than 7.9% y/y growth in Q4 FY 2016 and consensus expectations of 7.6% y/y.** Agriculture, mining and construction sectors were major drags. The gross value added (GVA) number came in line with expectations at 7.3% however. Having said that, it does appear from high frequency economic data and from the progress of the current monsoon season that growth is likely to gain pace in the second half of the year.

## India's GDP growth slows in Q2 2016



Source: Bloomberg, Emirates NBD Research.

## Day's Economic Data and Events

	Time	Cons		Time	Cons
Markit Eurozone Manufacturing PMI	12:00	51.8	US Initial Jobless Claims	16:30	265k
Markit UK PMI Manufacturing SA	12:30	49.0	US Markit US Manufacturing PMI	17:45	52.1
Challenger Job Cuts YoY	15:30	N/A	ISM Manufacturing	18:00	52.0

Source: Bloomberg.

## Fixed Income

Another day of holding steady in benchmark markets ahead of Friday's NFP report. US Treasuries closed roughly flat yesterday although yields did whipsaw pretty violently during the day to close more or less unchanged. The move was likely spurred by more diverging commentary from Fed officials: Boston Fed president Eric Rosengren warning that property prices helped along by low rates could pose a risk to the banking sector while Chicago Fed president Charles Evans suggested that the expectation of low rates for longer is providing an anchor to financial markets.

Locally, Sharjah Islamic Bank set price guidance for a new 5yr issue at 250bps over midswaps. Market pricing could begin today when we will also see how much gets printed. In Qatar, QNB set guidance for a USD 1bn 5yr bond at 115bps.

## Equities

Developed market equities closed lower on the back of weakness in commodity stocks as oil prices dropped. The Euro Stoxx 600 index declined -0.4% while the S&P 500 index dropped -0.2%.

Asian equities are trading mixed as Japanese equities continue to benefit from a weaker JPY. Elsewhere, Chinese equities are marginally lower this morning despite better than expected PMI data.

Regional equity markets closed lower amid broad based weakness. The EGX 30 index with gains of +1.0% was the only notable exception.

The Qatar Exchange dropped -2.9% as investors locked in gains ahead of the announcement from FTSE. After the market closed, the index provider published the names of 21 Qatar companies which were included in its emerging markets index. All of them were on expected lines and included stocks like Qatar National Bank, Ooredoo and Industries Qatar among others.

Elsewhere, Telecom Egypt rallied +2.7% after the company said it had acquired the country's first 4G mobile licence for EGP 7.08 billion, paving the way for it to become the fourth mobile provider in Egypt.

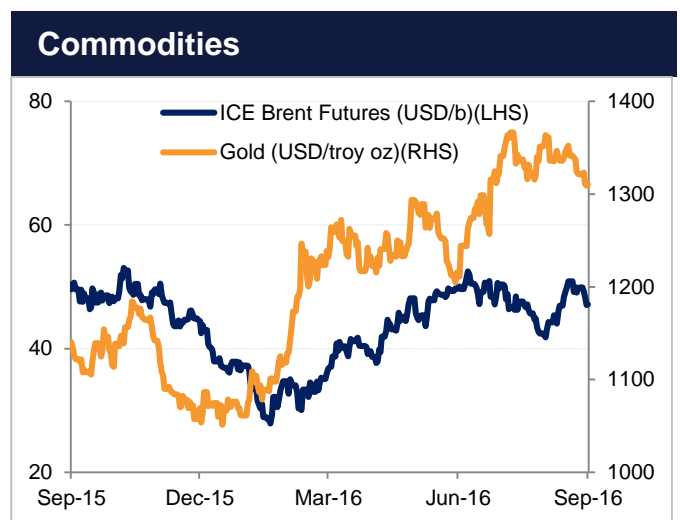
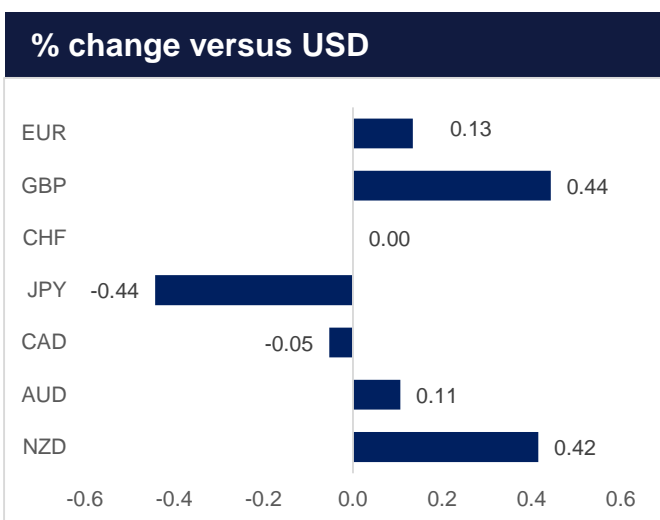
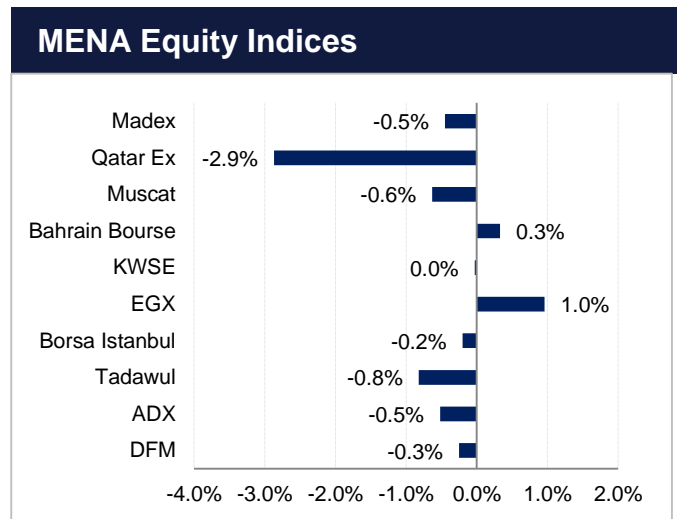
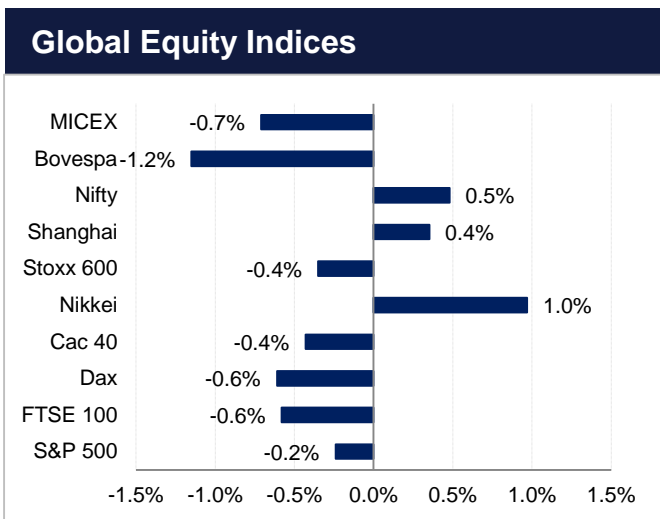
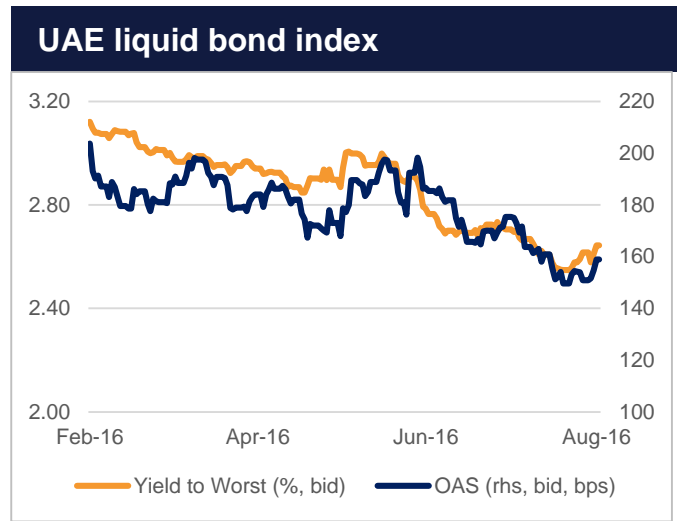
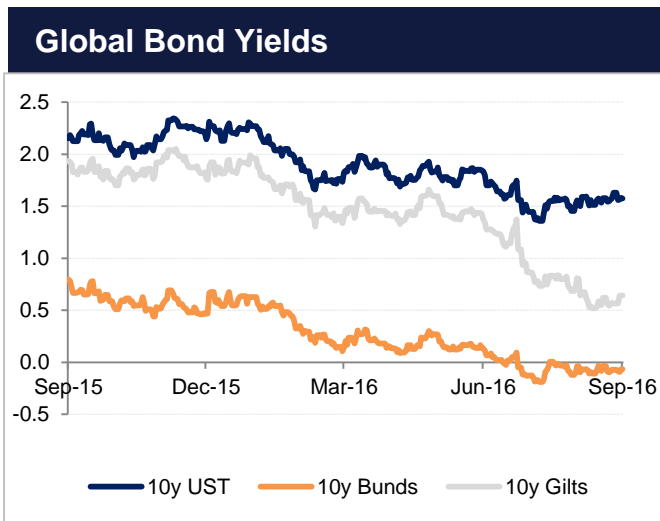
## FX

The dollar appears to be consolidating at firmer levels ahead of the key economic data releases today and tomorrow. The markets are still unsure whether a September Fed rate hike is likely with the probability of a move currently standing at 36%, up from 20% a fortnight ago but down from 42% at the start of the week. However, the real bets are likely to be deferred until after tomorrow's US jobs data, where non-farm payroll growth of 180k is expected. The JPY has been the biggest casualty of USD strength in the last week, as the prospect of monetary policy divergence in the event that the BOJ might also ease monetary policy further takes its toll.

## Commodities

Oil markets remained on the backfoot yesterday. Brent futures expired just above USD 47/b, down 2.8% while WTI dipped 3.6% to close below USD 45/b. Both contracts remain below their 100-day moving averages. The weekly EIA numbers helped push oil lower yesterday following a 2.3m bbl build in overall crude stockpiles. Poor weather in the Gulf of Mexico has likely delayed loadings from the region, allowing stocks to build in US PADD 3, which covers much of the Gulf coast.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1158	+0.13	1.1355	USDTRY	2.9579	-0.17	EURAED	4.0982	+0.13
GBPUSD	1.3138	+0.44	1.3253	USDEGP	8.7835	-1.10	GBPAED	4.8258	+0.44
USDJPY	103.43	+0.46	101.57	USDSAR	3.7502	--	JPYAED	0.0355	-0.45
USDCAD	1.3105	+0.05	1.3074	USDQAR	3.6413	--	CADAED	2.8027	-0.05
AUDUSD	0.7517	+0.11	0.7461	USDKWD	0.3020	+0.05	AUDAED	2.7612	+0.09
USDCHF	0.9839	--	0.9618	USDBHD	0.3770	--	CHFAED	3.7333	-0.01
EURGBP	0.8492	-0.31	0.8567	USDOMR	0.3850	+0.00	TRYAED	1.2400	+0.03
USDAED	3.6730	--	3.6835	USDINR	66.9825	-0.07	INRAED	0.0548	+0.25

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.7114	1.2251	1.4856	1.7879	USD 2 yr	1.052	+2
USD LIBOR	0.5232	0.8421	1.2445	1.5593	USD 5 yr	1.220	+2
GBP LIBOR	0.2753	0.3900	0.5203	0.7374	USD 10 yr	1.447	+2
JPY LIBOR	-0.0793	-0.0279	0.0011	0.0960	EUR 2 yr	-0.208	--
CHF LIBOR	-0.8108	-0.7366	-0.6536	-0.4900	EUR 5 yr	-0.118	+1
					EUR 10 yr	0.282	+2

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1308.97	-0.16	ADGB 6.75 19	1.33	+12	Abu Dhabi	75	--
Silver	18.66	+0.28	DUGB 7.75 20	2.66	+3	Dubai	160	+1
Oil (WTI)	44.70	-3.56	QATAR 6.55 19	1.54	-0	Qatar	92	--
Aluminium	1595.25	-1.01	US Tsy 2 yr	0.81	+1	Saudi Arabia	150	--
Copper	4605.75	+0.23	US Tsy 10 yr	1.58	+1	Bahrain	386	+1

Source: Bloomberg, Emirates NBD Research

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