



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

Saudi Arabia announced an expansionary budget for 2018, projecting a 5.6% rise in spending next year and a budget deficit of just -SAR 195bn or around -7.2% of GDP, down from -8.9% of GDP in 2017. However, the official budget allocations of SAR 978 excludes an additional SAR 133bn of spending from the Public Investment Fund and National Development Funds. If these figures are added, overall public spending next year would reach SAR 1.111tn, the highest annual government spending on record in the kingdom. However, the overall deficit would rise to -12% of GDP in 2018. The authorities expect growth to accelerate to 2.7% next year, from an estimated -0.5% in 2017, as the higher government spending boosts non-oil growth, and oil sector growth is also forecast to recover.

The US tax reform bill looks likely to be passed today, after the version passed by the House of Representatives 227-203 on Tuesday fell foul of Senate budget rules, delaying its passage through the second chamber. The adjustments to be made are relatively minor and the delay is perceived as more of a procedural issue than anything more substantial. The House of Representatives and Senate will likely pass the bill today, meaning that there remains time for President Donald Trump to sign it off before Christmas.

Despite declining modestly from 117.6 in November to 117.2 in the December print, released yesterday, Germany's Ifo business sentiment index remains well above long-term averages. This suggests that the ongoing absence of government in Germany since September elections has not overly concerned businesses, and production will remain strong in the eurozone's largest economy. With the chances of a renewed grand coalition between the SPD and the CDU looking stronger, there is scope for sentiment to strengthen further in the months to come.

German Ifo business sentiment



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
German PPI (YoY)	11:00	2.6%	UK CBI Retailing Reported Sales	15:00	20
ECB Current Account SA	13:00	N/A	US Existing Home Sales	19:00	5.53m

Source: Bloomberg, Emirates NBD Research.

Fixed Income

US Treasuries sold off with the curve steepening following sharp rise in 30y UST yields to 2.82% (+8 bps) and 10y USTs to 2.46% (+7 bps). There was marginal impact of move in USTs on regional bonds with yield on the Bloomberg Barclays GCC Credit and High Yield index increasing 2 bps to 3.72% even as credit spreads tightened 3 bps to 151 bps.

FX

NZD underperforms in the Asia session following softer than expected economic data. Data from Statistics New Zealand showed that the trade deficit widened to NZD 1193m in November from NZD 843m the previous month, confounding expectations for the deficit to narrow to NZD 550m. As we go to print, NZDUSD trades 0.16% lower at 0.69611 with price action that has reflected our [weekly expectations](#). While the price remains below 0.7027 (a level rejected multiple times on the four hour candle chart), we expect a test of the 50 day moving average (0.6930), a break of which may cause a retest of the one year low (0.6781). The risk of this move is compounded by yesterday's decline in average milk prices at yesterday's Global Dairy Auction from USD 3091 to USD 2969 per ton and market expectations for data tomorrow to show that economic growth slowed to 0.6% q/q in Q3 compared with 0.8% the previous quarter.

Equities

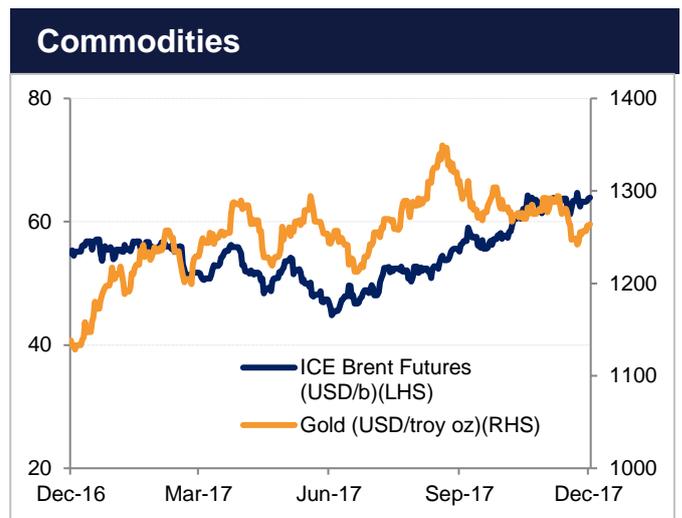
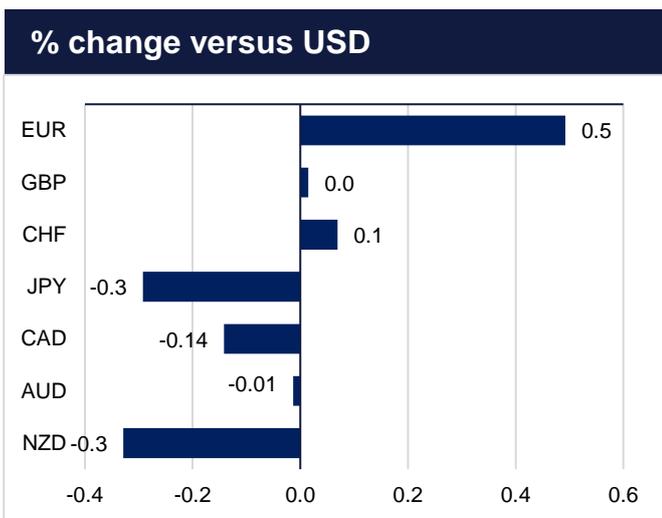
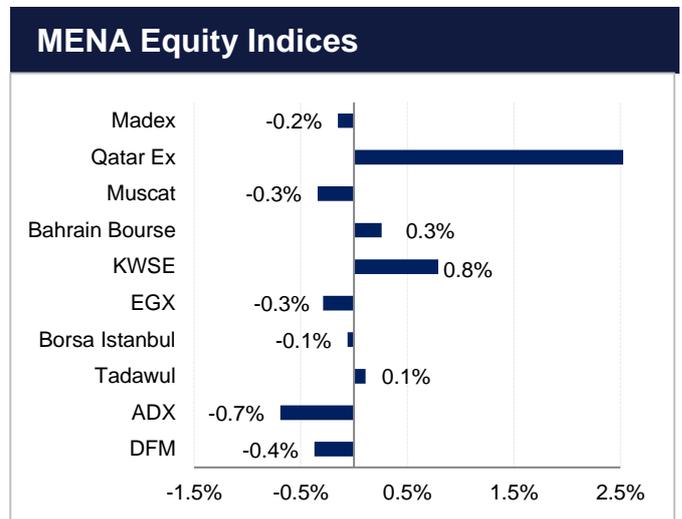
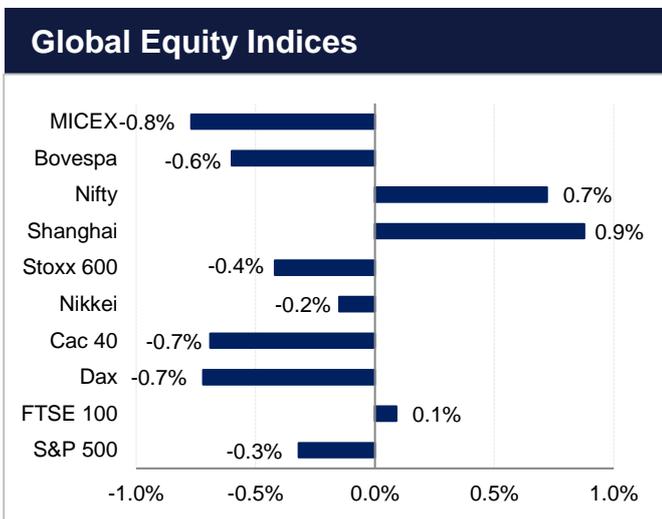
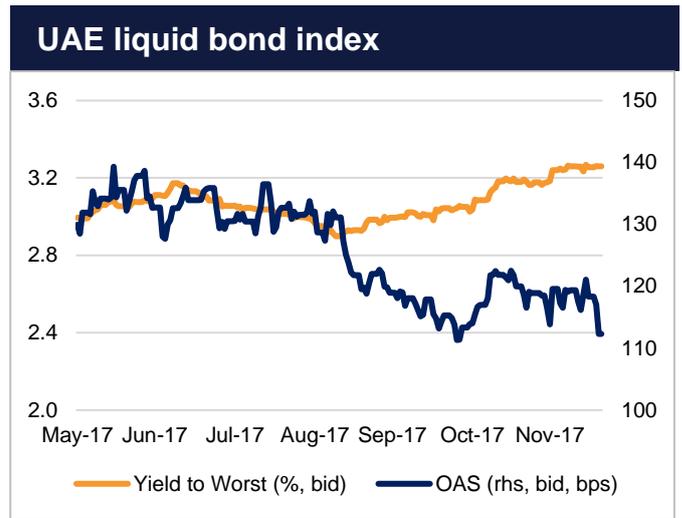
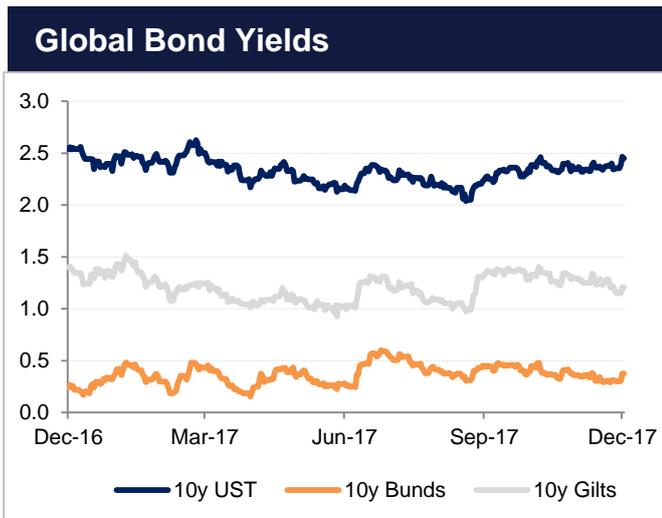
Developed market equities closed lower as investors locked in gains ahead of the vote on the US tax bill. Barring any last minute surprises, the bill is expected to be passed relatively easily. The S&P 500 index and the Euro Stoxx 600 index dropped -0.3% and -0.4% respectively.

Regional equities closed mixed. The Qatar Exchange was the big outperformer with gains of +3.8% to close above the 8,500 levels. There is no apparent catalyst for the move but renewed inflow from foreign investors. Elsewhere, Emaar-related shares dragged the DFM index lower with Emaar Properties losing -0.7% and Emaar Development -1.9%.

Commodities

Oil prices made marginal gains with the Brent gaining +0.6% and the WTI +0.5%. The strength was on account of reports that the stockpiles in the US have showed a bigger drop than anticipated by analysts.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1840	+0.49	1.2146	USDTRY	3.8335	+0.09	EURAED	4.3485	+0.49
GBPUSD	1.3385	+0.01	1.3579	USDEGP	17.8696	+0.05	GBPAED	4.9164	+0.02
USDJPY	112.89	+0.30	110.31	USDSAR	3.7502	--	JPYAED	0.0325	-0.30
USDCAD	1.2878	+0.12	1.2824	USDQAR	3.6800	+1.07	CADAED	2.8515	-0.15
AUDUSD	0.7663	-0.01	0.7659	USDKWD	0.3021	+0.05	AUDAED	2.8145	-0.04
USDCHF	0.9849	-0.08	0.9556	USDBHD	0.3771	-0.02	CHFAED	3.7289	+0.07
EURGBP	0.8844	+0.46	0.8942	USDOMR	0.3850	-0.00	TRYAED	0.9600	+0.10
USDAED	3.6728	-0.01	3.6788	USDINR	64.0350	-0.31	INRAED	0.0573	+0.10

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.5583	1.7250	1.9400	2.4150	USD 2 yr	2.062	+3
USD LIBOR	1.5011	1.6255	1.7817	2.0583	USD 5 yr	2.268	+5
GBP LIBOR	0.4924	0.5128	0.5689	0.7569	USD 10 yr	2.445	+6
JPY LIBOR	-0.0340	-0.0205	0.0187	0.1185	EUR 2 yr	-0.178	+1
CHF LIBOR	-0.8413	-0.7588	-0.6580	-0.5346	EUR 5 yr	0.251	+3
					EUR 10 yr	0.850	+6

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1261.70	-0.04	ADGB 6.75 19	2.04	+3	Abu Dhabi	63	--
Silver	16.13	-0.06	DUGB 7.75 20	2.65	+3	Dubai	153	--
Oil (WTI)	57.46	+0.52	QATAR 6.55 19	2.39	+12	Qatar	103	--
Aluminium	2080.50	+1.17	US Tsy 2 yr	1.85	+2	Saudi Arabia	92	--
Copper	6905.75	+0.46	US Tsy 10 yr	2.46	+7	Bahrain	285	--

Source: Bloomberg, Emirates NBD Research

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