



بنك الإمارات دبي الوطني  
Emirates NBD

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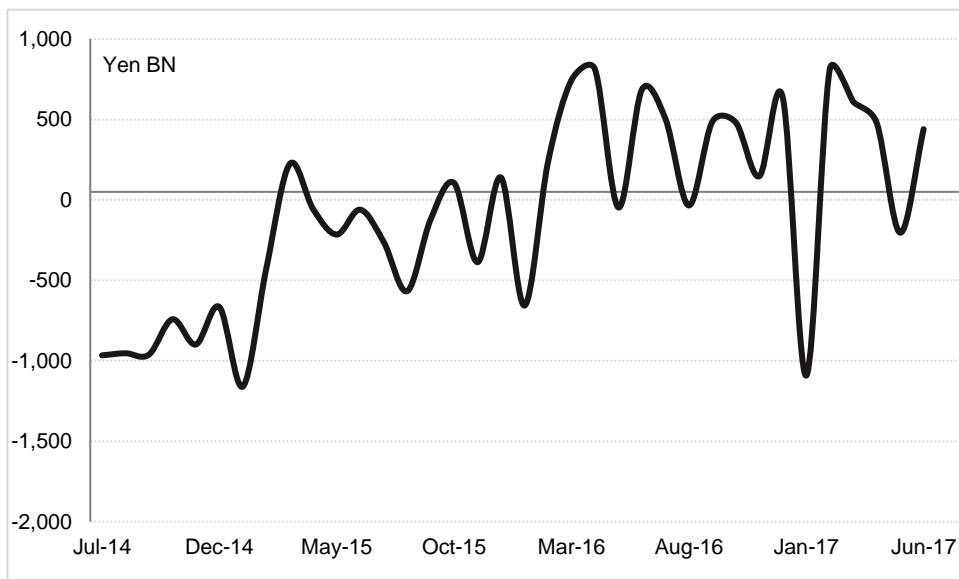
# Daily Outlook

**Japan recorded trade surplus last month, collecting 440 billion Yen (\$3.9 billion) more than spending on imports.** YoY growth in exports was 9.7% vs expectations of 9.5% while imports rose by 15.5% vs expectations of 14.4%. Shipments rose to China by 19%, to the US by 7% and to the EU by 9%. That said, **BoJ this morning left policy rates unchanged and now expects to reach its 2% inflation target by April 2019** vs a previous projection of around mid-2018. It also **lowered inflation forecast for the current year to 1.1% and 2018 to 1.5%, down from previous estimates of 1.4% and 1.7% respectively.** The central bank pledged to maintain its yield-curve control program and asset purchases.

Australia reported unemployment rate at 5.6%. Though the level is in line with the previous month, overall there has been an increase in participation rate from 64.9 to 65%. Full-time jobs surged by 62k after a 53.4k gain in May, the biggest two-month increase since January 1988, though part-time roles fell by 48k. **AUD sustained its strengthening trend amid expectations that the next move by the central bank would be upwards towards raising rates after eight years of continual reduction in rates.**

**Housing Start data out of the US was better than expected with residential starts increasing by 8.3% to a 1.22 million annualised rate vs the estimate of 1.16 million.** Also May data was revised upwards to 1.12 million from 1.09 million. Permits, a proxy for future construction climbed 7.4% to 1.25 million annualised. The number is at four month high and augurs well for better 2Q GDP growth. The upcoming data today about jobless claims is likely to have reduced to 245k vs previous recording of 247k.

## Japan trade surplus



Source: Bloomberg, Emirates NBD Research.

## Day's Economic Data and Events

	Time	Cons		Time	Cons
JN trade balance	03:50	488bn	UK retail sales	12:30	2.5%
AU Unemployment rate	05:30	5.6%	US initial jobless claims	16:30	245k

## Fixed Income

Strong Housing starts data boosted confidence in the economy and saw slight uptick in yields on the UST curve. Yields on 2yr, 5yr, 10yr and 30yr treasuries closed at 1.36% (+1bp) , 1.83% (+2bps), 2.27% (+1bp) and 2.85% (unchanged) respectively. That said, across the pond, sovereign bonds were well bid as view on what ECB will deliver from its meeting today remained mixed. Yield on 10yr Gilts and Bunds closed down by a bp each to 1.19% and 0.54% respectively.

Global cash corporate bonds were in demand and credit spreads largely remained unchanged overnight with CDS levels on US IG and Euro Main closing unchanged at 57bps and 53bps respectively.

Stabilizing oil prices boosted sentiment on GCC risk. CDS levels on GCC sovereign had slight tightening bias and yields on average cash bonds in the Barclays GCC index tightened by 3bps to 3.41%, much in line with 3bp tightening in credit spread to 146bps.

Half year results from Emirates NBD and DIB beat analysts' expectations and testify the benefits of Dubai's economy being more diversified with relatively lower reliance on hydrocarbon revenue than other sovereigns in the region.

## FX

Dollar index closed at 94.91, not too far from its opening level yesterday. Pound weakened slightly against the dollar to 1.3021 and Euro was range bound at 1.1510. With the Bank of Japan delaying the time-frame for reaching its inflation target -- a sign its stimulus is in place for a long time to come --JPY receded marginally against the dollar this morning, currently trailing at 112.10.

The Aussie traded at 79.37 U.S. cents. It jumped after a characteristically volatile monthly jobs report for June showed a surge in full-time employment. It's the best-performing G-10 currency this year, having climbed more than 10 percent

## Equities

Global equities had a constructive day yesterday with most bourses closing in the green. S&P 500 and Dow Jones were boosted by strong quarterly result announcements from likes of Morgan Stanley and closed up by 0.54% and 0.31% respectively. European equities also rebounded from previous day's losses on the back of healthy results from the technology sector. Euro Stoxx and FTSE 100 closed up by 0.62% and 0.55% respectively.

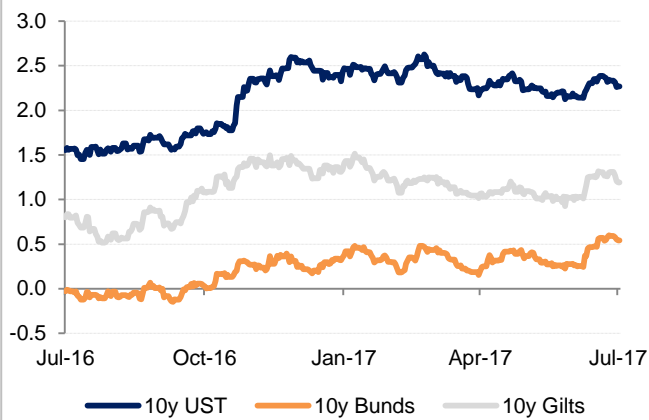
Regional equities performance was more mixed. DFMG (up 0.11%), Abu Dhabi (+0.49%), Qatar (+1.16%) and Bahrain (+0.31%) stock exchanges closed up while Tadawul (-0.50%) and Kuwait (-0.28%) closed slightly lower. UAE exchanges are benefiting from healthy banking sector results.

## Commodities

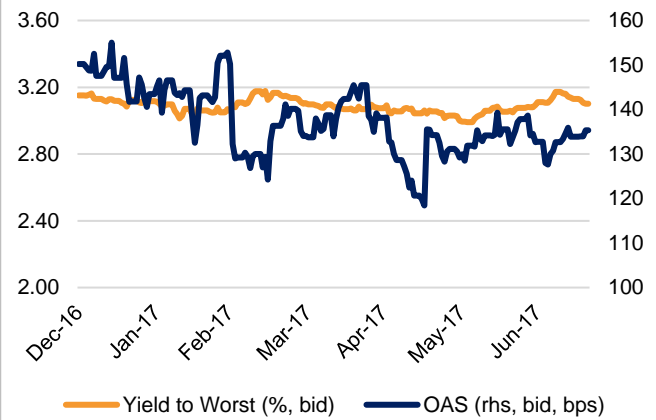
Oil markets were supported overnight by larger than expected declines in US crude inventories, which fell 4.7m bbl last week. Production, however, rose to 9.43m b/d at the same time as the market was digesting news that Saudi Arabia may cut exports by as much as 1m b/d. A cut to exports would have a far more significant effect in limiting global inventories than the current strategy of cutting production only.

## Markets in Charts

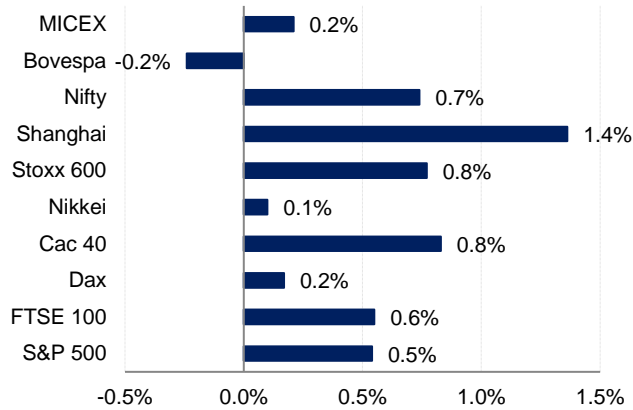
### Global Bond Yields



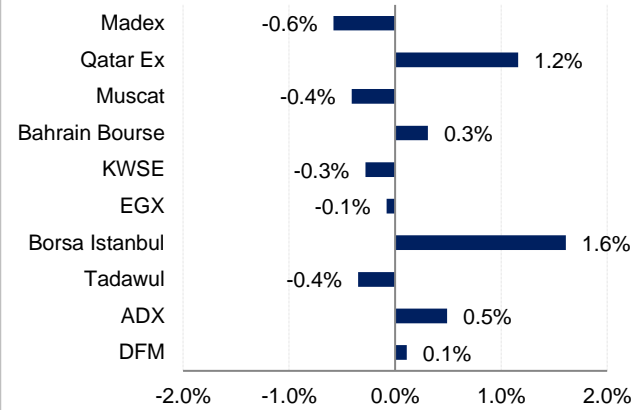
### UAE liquid bond index



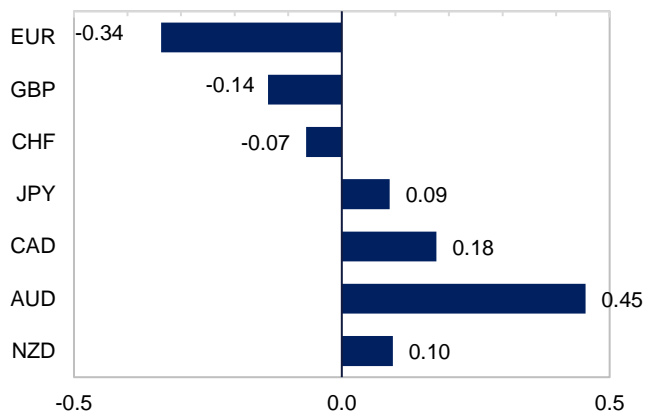
### Global Equity Indices



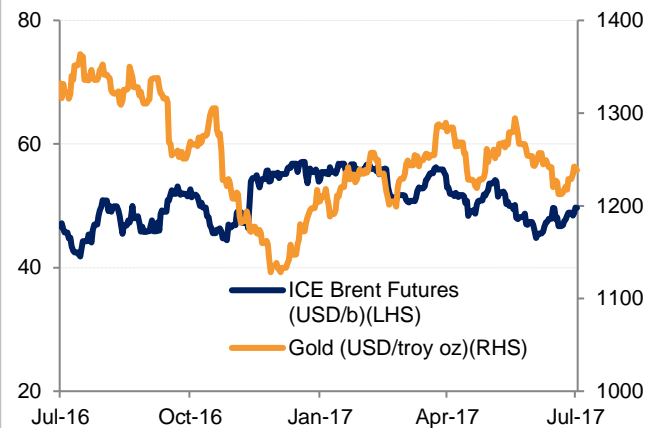
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1515	-0.34	1.1754	USDTRY	3.5217	-0.04	EURAED	4.2295	-0.33
GBPUSD	1.3022	-0.14	1.3175	USDEGP	17.9490	+0.00	GBPAED	4.7835	-0.13
USDJPY	111.97	-0.09	109.88	USDSAR	3.7501	-0.00	JPYAED	0.0328	+0.09
USDCAD	1.2606	-0.17	1.2568	USDQAR	3.6800	-0.14	CADAED	2.9137	+0.18
AUDUSD	0.7952	+0.45	0.7912	USDKWD	0.3027	+0.03	AUDAED	2.9207	+0.44
USDCHF	0.9556	+0.08	0.9321	USDBHD	0.3772	+0.01	CHFAED	3.8436	-0.07
EURGBP	0.8842	-0.21	0.8920	USDOMR	0.3850	--	TRYAED	1.0400	-0.24
USDAED	3.6730	--	3.6805	USDINR	64.4063	+0.11	INRAED	0.0571	+0.03

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3067	1.5488	1.7522	2.1330	USD 2 yr	1.595	+2
USD LIBOR	1.2278	1.3069	1.4560	1.7334	USD 5 yr	1.901	+2
GBP LIBOR	0.2524	0.2884	0.4290	0.6379	USD 10 yr	2.234	+3
JPY LIBOR	-0.0387	-0.0149	0.0020	0.1133	EUR 2 yr	-0.147	-1
CHF LIBOR	-0.7842	-0.7286	-0.6480	-0.4920	EUR 5 yr	0.281	-1
					EUR 10 yr	0.911	-1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1241.25	-0.10	ADGB 6.75 19	1.56	-1	Abu Dhabi	59	-1
Silver	16.29	--	DUGB 7.75 20	2.67	-0	Dubai	124	-1
Oil (WTI)	47.12	+1.55	QATAR 6.55 19	2.14	-6	Qatar	100	--
Aluminium	1894.00	-0.56	US Tsy 2 yr	1.36	+1	Saudi Arabia	102	--
Copper	5929.50	-0.74	US Tsy 10 yr	2.27	+1	Bahrain	239	-1

Source: Bloomberg, Emirates NBD Research

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