بنك الإمارات دبي الوطني
Emirates NBD

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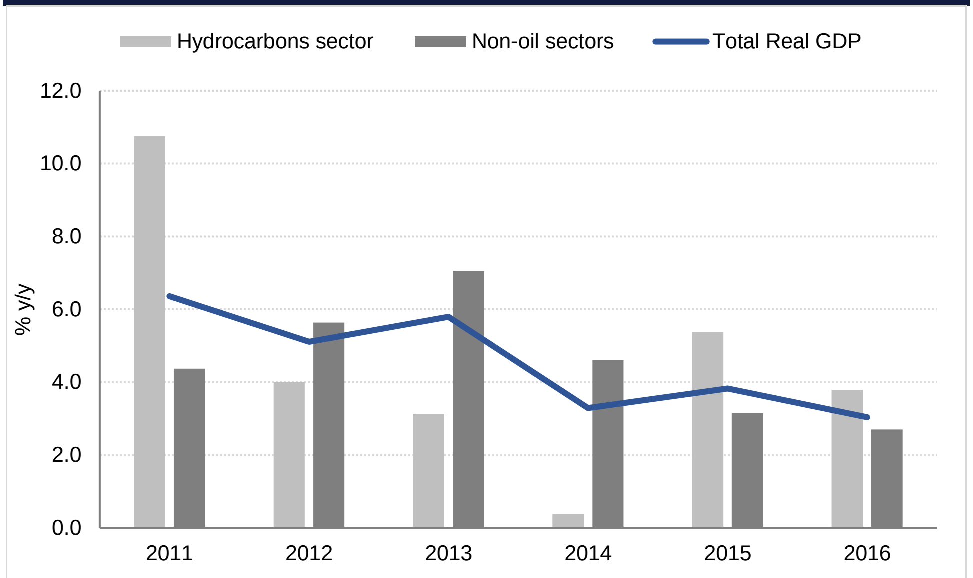
Daily Outlook

New York Fed President Bill Dudley speaking yesterday said that rate hikes haven't tightened financial conditions to significant degree, and suggested that a third rate increase this year remains likely. Dudley said he was 'very confident' that there is 'quite a long ways to go' in the economic expansion. **His comments caused bond yields to rise with the 2-year yield reaching 1.364%, compared with 1.319% on Friday, and the highest close since March 14.** Chicago Fed President Charles Evans while being a little more cautious, and predicting several months of better inflation data, said that the Fed could wait until December before tightening policy further.

Provisional data released by the Federal Competitiveness and Statistics Authority shows that the UAE's economy grew 3.0% in real terms last year, in line with our forecast and slower than the 3.8% growth recorded in 2015. **Mining & quarrying, which includes crude oil and gas extraction, expanded 3.8% in 2016, while the non-oil sectors grew 2.7%.** The slowdown in non-oil growth last year (from 3.2% in 2015) is consistent with the UAE PMI survey data. **The fastest growing non-oil sector (and the biggest contributor to overall growth last year) was transport & storage which expanded 7.4% y/y, up from 5.7% in 2015.** Manufacturing and construction were the other key drivers of growth up 6.0% y/y and 3.0% y/y respectively. We have revised down our 2017 UAE real GDP growth forecast to 2.0% from 3.4% previously on the back of extended OPEC production cuts**.**

UK Brexit negotiations kicked off yesterday, with hopes of a softer Brexit approach already receding as both of the negotiators from the UK and the EU acknowledged that Britain would be leaving the single market and the customs union. The UK appears to have acquiesced to the EU's timetable that sees no discussion of trade related issues until other matters have been dealt with first including the financial settlement, the status of UK/EU citizens abroad, as well issues related to the border between Ireland and the UK.

UAE GDP grew 3.0% in 2016 in line with our forecast



Source: Bloomberg, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
EU Current account	12.00		US Q1 Current account $bn	16.30	-123.6

Source: Bloomberg.

Fixed Income

Benchmark yields nudged higher to start the week. Yields on 10yr USTs rose 3bps to 2.188% while gilts and bunds also ticked higher but by lower levels. Chicago Fed president Charles Evans said the Fed should move slowly in raising rates as the bank had a "serious" policy miss with inflation remaining stubbornly low.

Dubai Aerospace Enterprise is planning to raise up to USD 2bn over the summer to finance its acquisition of an aircraft leasing firm. Dana Gas has also secured an investment from Goldilocks Investment, an Abu Dhabi-listed investment firm, for 5% of the firm's equity while it invites sukuk-holders to a discussion over its recent notification that its existing sukuk were not shariah compliant.

Fitch revised its outlook on Oman to negative from stable and affirmed the sovereign rating at BBB. The agency expects Oman's economy to contract in 2017 and recover next year and estimates a fiscal deficit as wide as 21% of GDP in 2016.

FX

The dollar benefited from the comments from New York Fed President Bill Dudley yesterday in which he spoke confidently about the strength of the US economy, saying that the expansion still has a long way to go, and maintained the likelihood of a further interest rate rise in the second half of 2017. This view appeared to be echoed by Charles Evans of the Chicago Fed who also indicated that rates could still go up again before the end of the year. The USD rose the most against the JPY, reaching a 3-week high, while gains against the GBP and AUD were also pronounced. More Fed officials are due to give speeches this week, with Vice Chair Stanley Fischer speaking later today.

Equities

It was a broadly positive day across equity markets as the FTSE, S&P 500, Dax and Nikkei all ended the day in positive territory. The apparent stabilization of Eurozone politics following the large parliamentary win for French president Emmanuel Macron helped the CAC end the day nearly 1% higher.

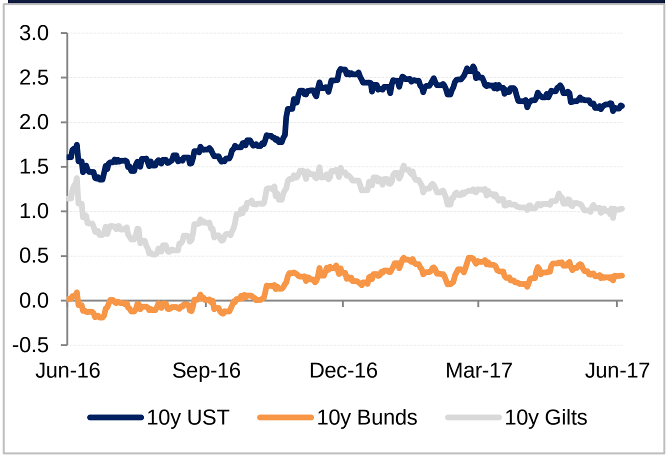
Local markets were mixed with the Tadawul jumping more than 3% as the market anticipates being put on watch for potential classification as an emerging market. Equity markets in the UAE were little changed but with a slight negative tone while the Qatar Exchange gave up 2%.

Commodities

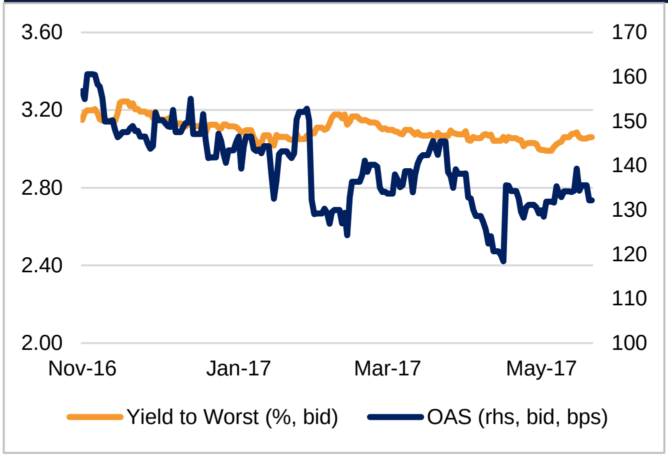
Oil markets lagged again yesterday, giving up 1.2% for WTI futures and nearly 1% for Brent. There were few fundamental catalysts behind the market. Saudi Arabia's energy minister said that he believed market fundamentals were heading in "the right direction" and that the OPEC and partner cuts needed time to work. Libya managed to reach an agreement in a contract dispute with Germany oil company Wintershall that has allowed production there to rise to 885k b/d currently with 900k b/d expected soon according to government officials. A broad day of dollar strength also put downward pressure on commodities more generally.

Markets in Charts

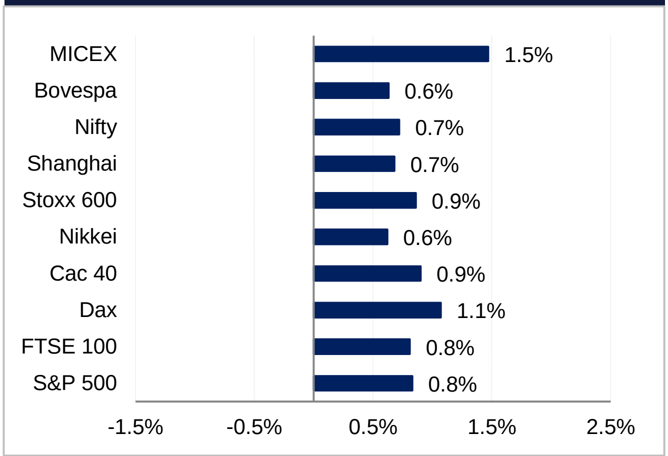
Global Bond Yields



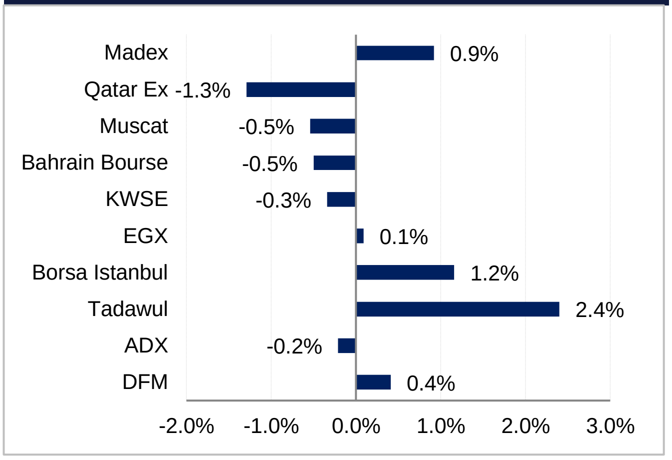
UAE liquid bond index



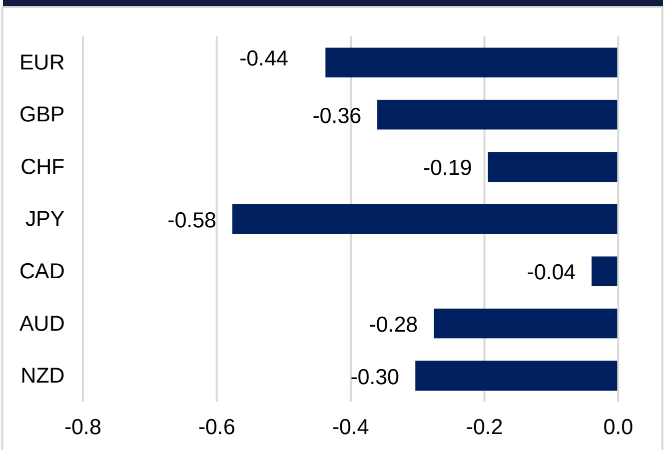
Global Equity Indices



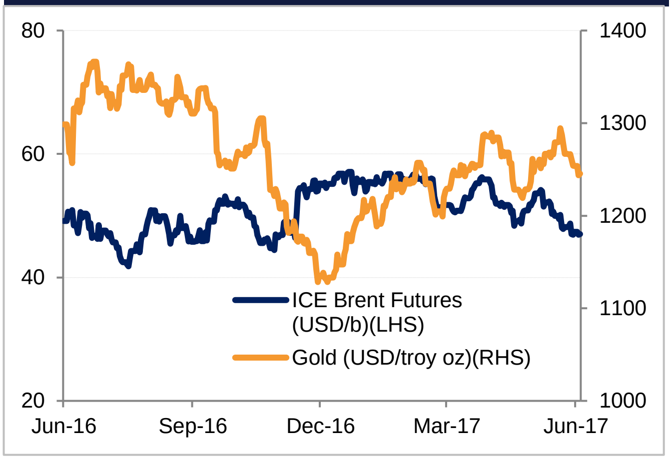
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1149	-0.44	1.1380	USDTRY	3.5229	+0.58	EURAED	4.0947	-0.44
GBPUSD	1.2737	-0.38	1.2885	USDEGP	18.1007	-0.23	GBPAED	4.6784	-0.35
USDJPY	111.53	+0.59	109.52	USDSAR	3.7500	+0.00	JPYAED	0.0329	-0.57
USDCAD	1.3219	+0.05	1.3155	USDQAR	3.6699	+0.00	CADAED	2.7785	-0.05
AUDUSD	0.7600	-0.28	0.7566	USDKWD	0.3035	-0.02	AUDAED	2.7909	-0.28
USDCHF	0.9757	+0.25	0.9515	USDBHD	0.3773	+0.02	CHFAED	3.7649	-0.21
EURGBP	0.8752	-0.08	0.8831	USDOMR	0.3849	-0.01	TRYAED	1.0400	-0.82
USDAED	3.6729	--	3.6799	USDINR	64.5175	+0.14	INRAED	0.0569	-0.07

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.1775	1.5207	1.7197	2.1103	USD 2 yr	1.561	+3
USD LIBOR	1.2122	1.2736	1.4327	1.7323	USD 5 yr	1.861	+4
GBP LIBOR	0.2520	0.2956	0.4328	0.6341	USD 10 yr	2.171	+5
JPY LIBOR	-0.0375	-0.0109	0.0191	0.1293	EUR 2 yr	-0.185	+0
CHF LIBOR	-0.7876	-0.7306	-0.6640	-0.4942	EUR 5 yr	0.146	+1
					EUR 10 yr	0.754	+1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1243.84	-0.79	ADGB 6.75 19	1.59	-1	Abu Dhabi	47	--
Silver	16.50	-1.13	DUGB 7.75 20	2.59	-0	Dubai	120	--
Oil (WTI)	44.20	-1.21	QATAR 6.55 19	2.33	-1	Qatar	92	+3
Aluminium	1874.50	+1.00	US Tsy 2 yr	1.36	+4	Saudi Arabia	99	--
Copper	5702.75	+1.13	US Tsy 10 yr	2.19	+4	Bahrain	230	-2

Source: Bloomberg, Emirates NBD Research

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