



بنك الإمارات دبي الوطني
Emirates NBD

Daily
21 December 2016

Daily Outlook

The Dow Jones Industrial Average closed at a record high level and the Stoxx Europe 600 Index rose to its highest level this year yesterday, as markets shrugged off incidents in Europe and Turkey. With no major economic news yesterday, investors continue to look forward to expected fiscal stimulus in the US next year. The calendar is a little busier today, with Eurozone consumer confidence and US existing home sales due to be released later.

Oil prices rose overnight as EIA data showed that US crude stockpiles declined by more than expected last week. Crude inventories fell by 4.15mn barrels, well above the forecast for a 2.5mn barrel decline. This was the fourth consecutive week of crude inventory declines in the US. However, Libya has reopened two of its biggest oil fields and looks set to start exporting from its largest terminal for the first time in two years. Libya and Nigeria are exempt from recently agreed OPEC production cuts.

In the GCC, Bloomberg reports that Saudi Arabia is mulling another increase in retail fuel prices next year as the government continues to diversify budget revenues. The government cut subsidies on petrol and diesel last year, raising the retail price by about 50%. However, retail fuel prices in Saudi Arabia remain well below most other countries. The authorities are reportedly looking to link retail prices with benchmark crude oil prices, or to average international petrol and diesel costs. The UAE adopted the second methodology in August 2015 when it liberalised petrol prices and removed subsidies. Average petrol prices declined in 2016, but as oil prices are expected to rise in 2017, this will feed through to higher retail fuel prices and thus higher inflation next year.

Three Qatari banks are in talks to merge, according to a statement by one of the banks, Masraf Al Rayan. The others are Barwa Bank and International Bank of Qatar. Talks are at an early stage and no details on the structure of the deal were released.

Dow Jones Industrial Average closes at record high



Source: Bloomberg, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
Japan All Industry Activity	8:30	0.1%	Eurozone consumer confidence	19:00	-6.0
US Existing Home Sales	19:00	5.5m			

Source: Bloomberg.

Fixed Income

Unwinding of previous day's safe haven bid saw sovereign bonds give up some of their gains with yields on government bonds rising across the developed world. UST curve steepened mildly with yields 2yr and 10yr treasuries closing at 1.21% (-1bp) and 2.56% (+2bp) respectively. Yields on 10yr Bunds and Gilts also closed higher at 0.26% (+2bps) and 1.40% (+1bp) respectively.

Owing to the rising benchmark yields, investment grade cash corporate bonds in the US and Europe closed lower albeit only mildly. In contrast high yield and emerging market bonds continued their recent outperforming streak. CDS levels on US IG and Euro Main were lower by a bp each to 67bps and 71bps respectively.

GCC bonds traded in a tight range amid thin volumes. Credit spreads on BUAEL index were a bp higher at 149bps while those on the wider GCC universe, Bloomberg Barclays GCC index, were a bp tighter at 142bps as oil prices remained stable.

Corporate developments are thin ahead of the holidays barring the news about possible three way merger between Qatari banks – Masraf Al Ryan, Barwa Bank and the International Bank of Qatar. Although the merger is yet to be approved by shareholders and regulators, A2/A+ rated INTBOQ 20s closed slightly weaker at yield of 3.11% (+4bps) on the day.

Equities

Developed market equities closed higher, shrugging off concerns over rise in geopolitical tensions. The S&P 500 index and the Euro Stoxx 50 index added +0.4% and +0.7% respectively.

Asian equities are trading higher this morning tracking strong close to developed markets overnight. The MSCI Asia Pacific index was trading +0.4% at the time of this writing.

It was a mixed day of trading for regional equities as the Qatar Exchange (+1.2%) continued its positive run while the Tadawul (-0.7%) declined ahead of the year-end.

Reports of a possible three-way merger between Masraf Al Rayan, Barwa Bank and International Bank of Qatar spurred investor interest in the sector. Masraf Al Rayan gained +6.1% while Qatar National Bank rallied +2.5%.

Elsewhere, the EGX 30 index rallied +3.4% to close at new all-time highs. The index has rallied +73.4% ytd. Foreign investors were net buyers to the tune of USD 6mn.

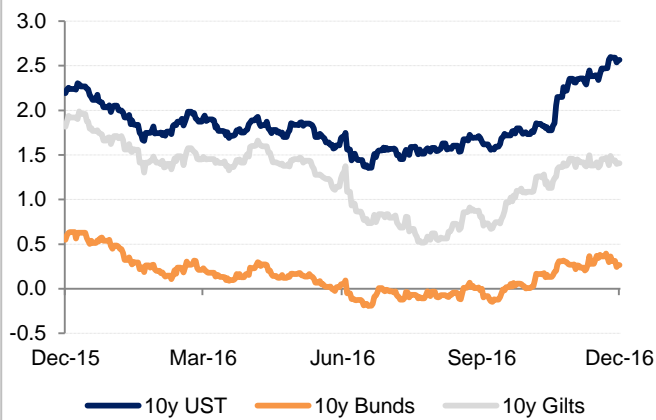
FX

This morning, AUD is trading lower against the other G10 currencies as economic data showed the Leading Index remained muted in November, growing 0.02% m/m, while the number of skilled vacancies remained flat at 0% m/m. The AUDUSD currently trades at 0.7248, not far from our end of year forecast of 0.72, and looks set to test the 38.2% one year Fibonacci retracement of 0.7212, a level not tested since June 2016.

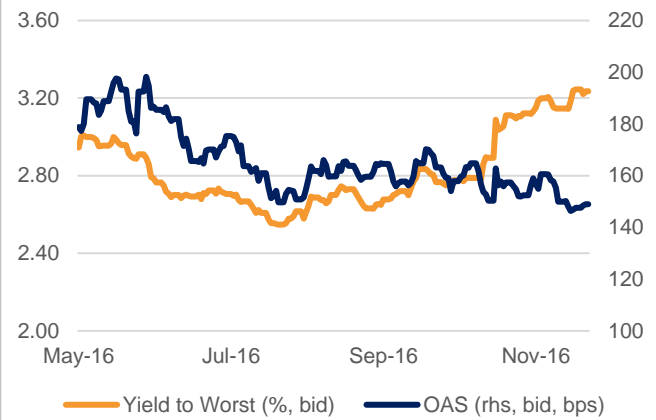
This morning's outperformer is the NZD, which has found itself bid before the release of economic data tomorrow which is expected to show that the economy expanded by 0.8% in Q3 2016. As we go to print, NZDUSD has appreciated 0.25%, currently trading at 0.6934.

Markets in Charts

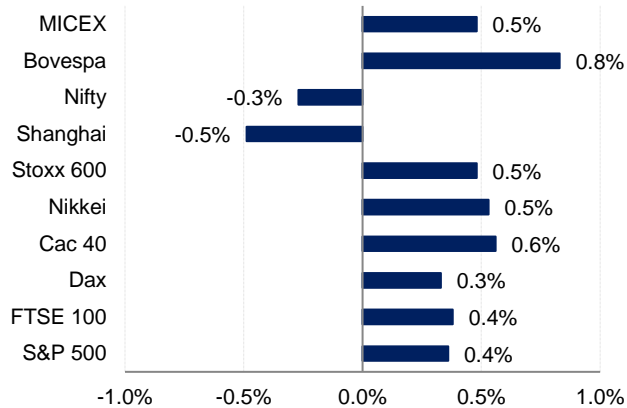
Global Bond Yields



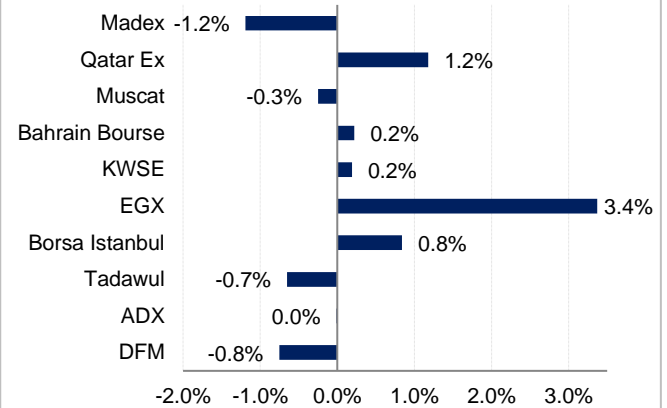
UAE liquid bond index



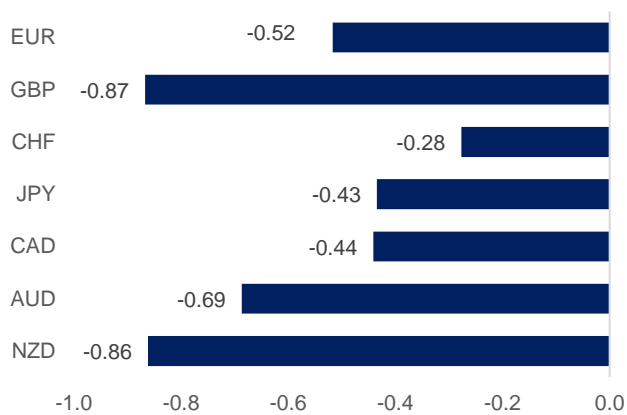
Global Equity Indices



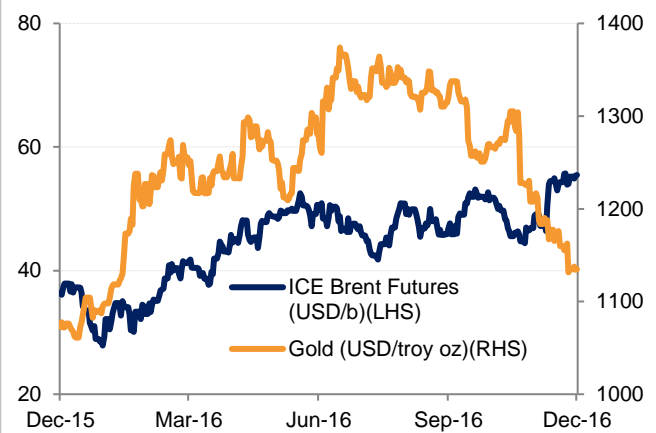
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0390	-0.52	1.0598	USDTRY	3.5110	+0.39	EURAUD	3.8160	-0.51
GBPUSD	1.2343	-0.87	1.2463	USDEGP	19.6720	+3.96	GBPAED	4.5333	-0.86
USDJPY	117.91	+0.44	115.67	USDSAR	3.7513	+0.01	JPYAED	0.0311	-0.45
USDCAD	1.3426	+0.46	1.3361	USDQAR	3.6413	-0.00	CADAED	2.7358	-0.45
AUDUSD	0.7232	-0.69	0.7177	USDKWD	0.3063	+0.05	AUDAED	2.6565	-0.67
USDCHF	1.0287	+0.28	1.0033	USDBHD	0.3770	--	CHFAED	3.5704	-0.27
EURGBP	0.8417	+0.34	0.8503	USDOMR	0.3850	+0.00	TRYAED	1.0500	-0.02
USDAED	3.6728	+0.00	3.6883	USDINR	67.9525	+0.11	INRAED	0.0540	-0.28

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.8350	1.3539	1.7167	2.1957	USD 2 yr	1.504	--
USD LIBOR	0.7490	0.9962	1.3204	1.6907	USD 5 yr	2.081	--
GBP LIBOR	0.2549	0.3653	0.5360	0.7954	USD 10 yr	2.475	-1
JPY LIBOR	-0.0526	-0.0106	0.0209	0.1264	EUR 2 yr	-0.160	--
CHF LIBOR	-0.8184	-0.7388	-0.6690	-0.5036	EUR 5 yr	0.098	-2
					EUR 10 yr	0.697	-5

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1132.35	-0.51	ADGB 6.75 19	1.87	--	Abu Dhabi	64	--
Silver	15.87	-1.11	DUGB 7.75 20	2.90	-1	Dubai	142	+1
Oil (WTI)	52.23	+0.21	QATAR 6.55 19	2.03	-2	Qatar	81	--
Aluminium	1729.25	+0.49	US Tsy 2 yr	1.22	-1	Saudi Arabia	120	+1
Copper	5488.50	+0.04	US Tsy 10 yr	2.56	+2	Bahrain	299	-1

Source: Bloomberg, Emirates NBD Research

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