بنك الإمارات دبي الوطني
Emirates NBD

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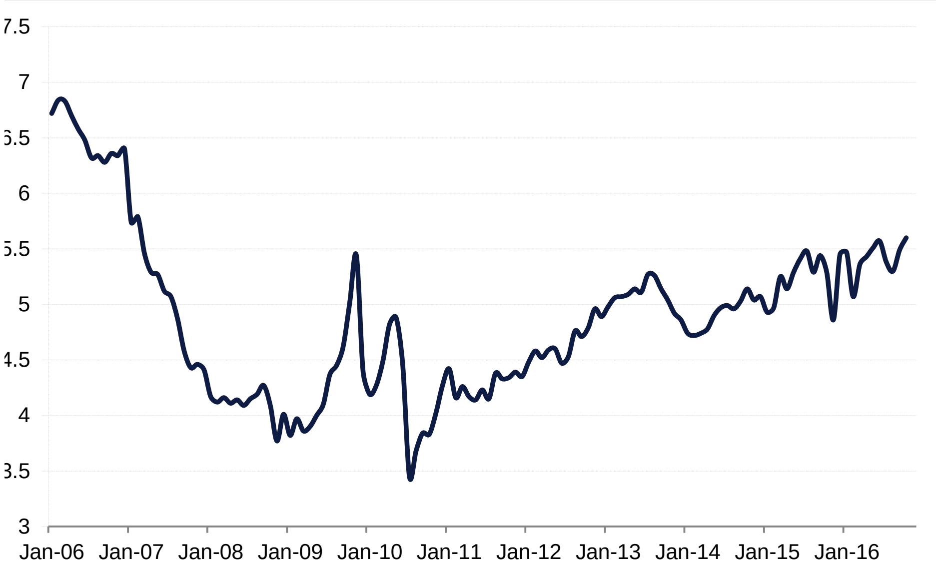
Daily Outlook

Yesterday saw a continuation of the recent trend of strong data releases out of the U.S. Existing home sales were particularly firm, with October's report showing sales of previously owned homes jumping to their highest level in nearly ten years to 5.6mn, representing an increase of 5.9% y/y. This follows on the back of data released last week that showed the level of housing starts rising to a nine-year high, and providing further evidence that the American housing market is performing reasonably well as we head into 2017 (New Home Sales for October will be published later today). The latest Richmond Fed Manufacturing Index was also published yesterday, which rose to a four-month high of +4, compared to -4 in October.

The main data point to watch out for today in the U.S. is the latest Durable Goods report for October, with expectations for a strong gain in headline orders of 1.7%, although this will presumably be a result of a jump in the volatile aircraft orders component. The minutes from the last FOMC meeting will also be published, however as that took place before the presidential election and follows on Fed Chair Yellen's testimony to Congress last week, might not provide much insight. In Europe, latest PMI surveys will be released, while in the U.K. attention will focus on the Chancellor's Autumn Statement.

Consumer confidence in Turkey fell sharply in November according to data released yesterday. The headline index came in at 68.9, compared to 74.0 in October. The 5.1pp drop appears to have been the largest monthly fall since the global financial crisis in 2008. Economic data of late has been almost uniformly negative, and pointed to a relatively sharp slowdown in growth in the second half of 2016. The Central Bank of Turkey will meet on Thursday, and although monetary policy has been on a clear easing bias this year, further rate cuts are unlikely given ongoing weakness in the Turkish lira, which continues to trade near record lows.

US Existing Home Sales Trending Higher



Source: Bloomberg, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
EZ Manufacturing PMI	13:00	53.3	US Durable Goods Orders	19:30	1.7%
US New Home Sales	19:00	590k	Michigan Cons Conf (final)	19:00	91.6

Source: Bloomberg.

Fixed Income

Continued positive economic data out of the US further solidified the path of rate hikes in the US with yields on 2yr treasuries rising another 2bps to close at 1.09% yesterday. However longer dated yields remained largely unchanged in sympathy with the lowered yields on other developed market sovereign bonds. Gilts and Bunds 10yr yields closed down at 1.36% (-6bps) and 0.22% (-5bps) as economic outlook remains uncertain in Europe and UK pre/post Brexit.

Well cemented hopes for a positive agreement on oil production freeze at the upcoming OPEC meeting left oil prices on its upward march. This in turn helped support sentiment on credit spreads with US IG and Euro Main CDS levels closing tighter at 74bps (-2bps) and 80bps (-1bp) respectively. Cash corporate globally were largely in green with stable benchmark yields and mild tightening of credit spreads.

Amid the calmer sentiment, GCC bonds enjoyed a slight reversal of previous losses. High beta and high yield names improved marginally in price on the back of slight tightening of credit spreads. BUAEUL Index closed with OAS at 154bps (-2bps).

Primary market is thin on public deal, however Etihad Airways private placement appears to be doing well, having received over 2.5x oversubscription for $500 million 5year offering at circa MS+215bps.

Equities

Developed market equities continued their positive run with the S&P 500 index closing above the 2,200 levels for the first time. The momentum created following the election results received a further boost from strong economic data with sales of previously owned US home climbing to the highest level since 2007. The Euro Stoxx 600 index added 0.2% on the back of strength in mining stocks.

Asian equities are trading higher this morning tracking strong close to developed markets overnight. The MSCI Asia Pacific index was trading +0.6% at the time of this writing.

It was a mixed day of trading for regional equities as the Tadawul (+1.6%) rebounded from recent losses while the DFM index and the ADX index drifted lower.

The rally on the Tadawul was broad based with all recent underperformers rallying. Saudi Telecom Co added +3.0% while Yansab gained +4.6%. Banking sector stocks were mixed with Samba adding +0.8%.

In UAE, the focus remained on small cap stocks with them accounting for nearly 60% of total volumes on the index. Looking at the recent moves, it appears that investors' seem to be rotating among these stocks. In yesterday's session Shuaa Capital dropped -8.6% while Amanat added +5.1%.

FX

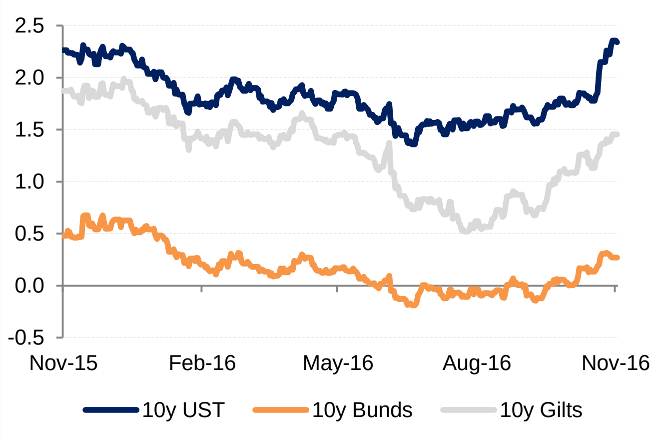
The USD has continued to consolidate after the gains of the last two weeks although it retains a bullish bias underpinned by firm economic data with existing home sales rising by 2.0% in October. US Thanksgiving holidays tomorrow will reduce liquidity between now and the end of the week, keeping currency markets quiet for the duration. GBP may see a reaction to the Chancellor's Autumn fiscal statement later today, in which he is expected to reduce the pace of fiscal tightening. Otherwise major currency pairs should remain relatively quiet.

Commodities

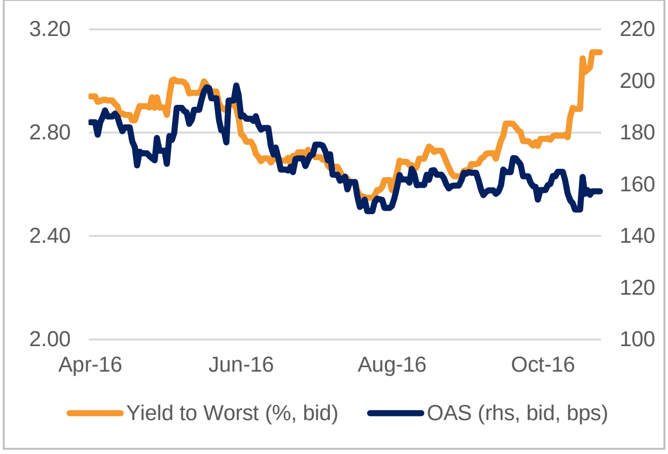
Oil markets drifted lower yesterday on news that issues over the participation of Iraq and Iran in any cuts had yet to be resolved. Putting off a key issue to the last minute, so to speak, threatens to derail the acceptance and implementation of any deal. ICE Brent futures is currently trading at 49 levels while WTI futures dropped below 48.0 levels.

Markets in Charts

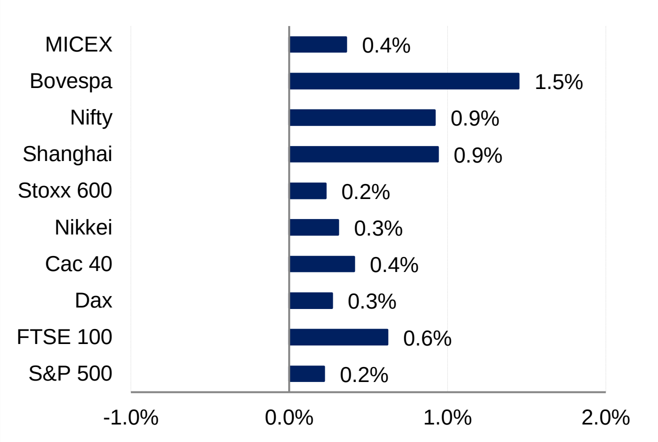
Global Bond Yields



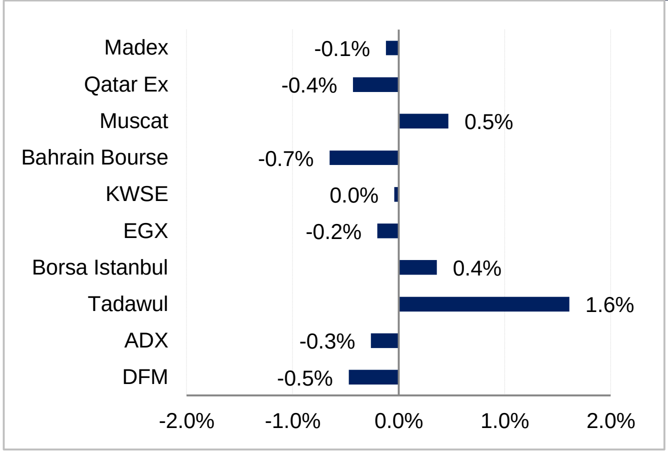
UAE liquid bond index



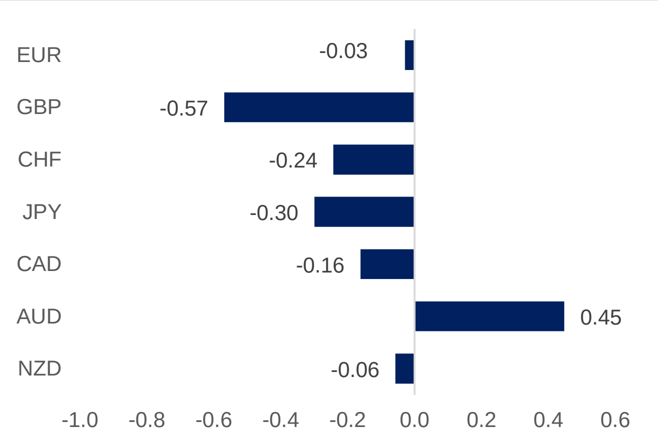
Global Equity Indices



MENA Equity Indices

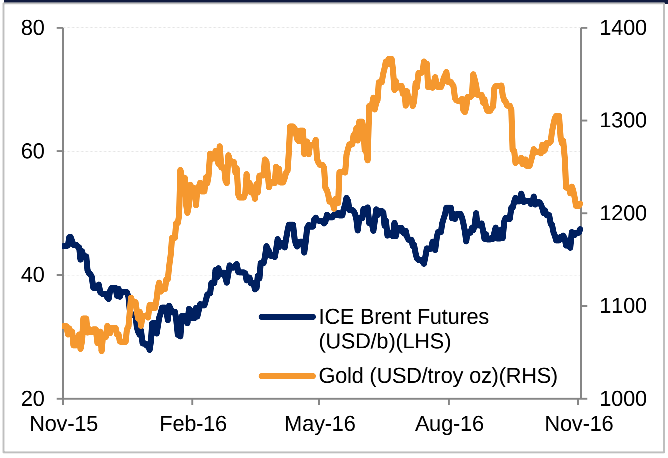


% change versus USD



Source: Bloomberg, Emirates NBD Research

Commodities



Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0627	+0.30	1.0828	USDTRY	3.3845	+0.19	EURAED	3.9035	+0.31
GBPUSD	1.2423	+0.69	1.2533	USDEGP	17.5475	+10.05	GBPAED	4.5629	+0.69
USDJPY	111.14	+0.04	109.07	USDSAR	3.7508	+0.01	JPYAED	0.0330	-0.04
USDCAD	1.3441	-0.30	1.3384	USDQAR	3.6413	--	CADAED	2.7328	+0.32
AUDUSD	0.7402	+1.16	0.7343	USDKWD	0.3048	+0.01	AUDAED	2.7188	+1.16
USDCHF	1.0113	+0.11	0.9872	USDBHD	0.3770	--	CHFAED	3.6320	-0.10
EURGBP	0.8553	-0.40	0.8638	USDOMR	0.3850	+0.01	TRYAED	1.0800	-0.67
USDAED	3.6730	--	3.6860	USDINR	68.4400	+0.43	INRAED	0.0537	-0.37

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.7620	1.4266	1.7070	2.0063	USD 2 yr	1.278	-2
USD LIBOR	0.5842	0.9248	1.2782	1.6279	USD 5 yr	1.755	-5
GBP LIBOR	0.2618	0.3984	0.5585	0.7990	USD 10 yr	2.133	-5
JPY LIBOR	-0.0646	-0.0626	0.0062	0.1146	EUR 2 yr	-0.148	
CHF LIBOR	-0.7874	-0.7454	-0.6740	-0.5024	EUR 5 yr	0.102	-2
					EUR 10 yr	0.646	-3

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1212.32	+0.15	ADGB 6.75 19	1.62	-4	Abu Dhabi	66	-6
Silver	16.65	+0.04	DUGB 7.75 20	2.91	-4	Dubai	155	-10
Oil (WTI)	48.03	+3.92	QATAR 6.55 19	1.89	-1	Qatar	88	-6
Aluminium	1766.25	+3.43	US Tsy 2 yr	1.09	+2	Saudi Arabia	126	-10
Copper	5597.00	+3.42	US Tsy 10 yr	2.31	-3	Bahrain	381	-9

Source: Bloomberg, Emirates NBD Research

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