



بنك الإمارات دبي الوطني
Emirates NBD

Daily
23 August 2017

www.emiratesnbdresearch.com

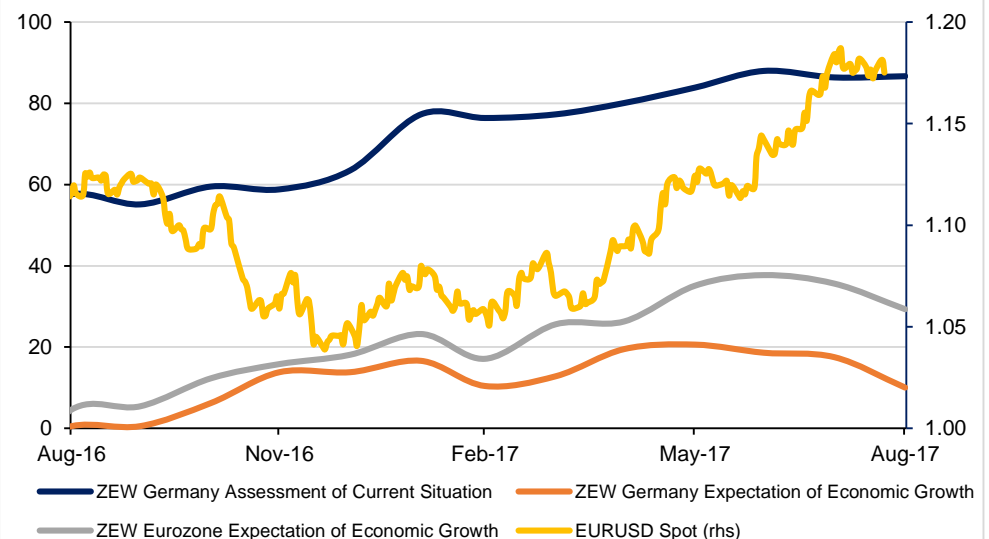
Daily Outlook

The German ZEW's Assessment of the Current Situation improved to 86.7 in August from 86.4 the previous month, against the market consensus for a drop back to 85.2. However, in the same period, the ZEW Expectations component fell to 10.0 from 17.5, worse than the expected. **German investor confidence has now declined for three consecutive months amid concerns that the strengthening euro will dampen export prospects and weigh down on the Eurozone's largest economy.** The same measure for expectations in the Eurozone declined to 29.3 from 35.6 which may also be attributed to the 12% appreciation of EURUSD in 2017 and recent geopolitical uncertainty.

According to a report from the UK's Office for National Statistics, the UK posted a budget surplus of GBP 184m in July compared with expectations for a deficit of GBP 1bn. The surplus is a result of the Treasury benefitting from higher than expected income tax receipts thanks to an 11% y/y increase in self-assessed receipts as well as a 5% y/y rise in VAT revenue. **It is noteworthy that this is the first July in 15 years that there has been a budget surplus.** The same report showed that downside risks to the economy remain, as a result of reduced spending and debt costs rising 23% year to date for the fiscal year, the largest increase since 2010.

Saudi Arabia plans to transfer ownership of all its airports to the Public Investment Fund, the kingdom's principal sovereign wealth fund. A Saudi official with the General Authority of Civil Aviation (GACA) was quoted saying companies will be set up for each airport under Saudi Civil Aviation Holding, a spin-off from the General Authority of Civil Aviation (GACA), which will continue to regulate the industry. The official added that a company had already been established for Dammam's main airport, while Singapore's Changi Airport Group would start managing the expanded King Abdulaziz International Airport in Jeddah which would start operating in the second half of 2018. **The airport privatization drive comes under the umbrella of a wider economic reform program needed to support the kingdom's long term economic diversification vision.** The privatization push will culminate with the IPO of Saudi Aramco sometime next year, expected to be the biggest IPO in history.

Euro appreciation weighs on Eurozone investor confidence



Source: Bloomberg, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
Eurozone Composite PMI	12:30	55.5	US New Home Sales	18:00	610k
US Composite PMI	13:00	N/A	EZ Consumer Conf.	18:00	-1.8

Source: Bloomberg.

Fixed Income

US Treasuries ended the day lower as political risk premium reduced and the focus shifted to a possible tax reform. The yields were higher by 2-3 bps across the curve with 2y USTs yielding 1.32% (+2 bps), 5y USTs 1.78% (+3 bps) and 10y USTs 2.21% (+3 bps).

There was limited impact of rising UST yields on regional bonds. The yield on the Bloomberg Barclays GCC Credit and High Yield index remained flat at 3.47% and credit spreads tightened 3 bps to 166 bps. It appears that the recent strength in oil prices has boosted investor sentiment.

Moody's downgraded the long-term local currency rating of five Tunisian banks including Arab Tunisian Bank (B1 from Ba3), Banque Internationale Arabe de Tunisie (B1 from Ba3), Banque de Tunisie (B1 from Ba3), Amen Bank (B2 from B1) and Societe Tunisienne de Banque (B2 from B1). This follows the rating downgrade of Tunisia to B1 negative from Ba3 negative.

Elsewhere, the Egyptian central bank governor said that most of the Egypt's USD 13bn obligations maturing in 2018 will be rolled over or extended. However, he added that anywhere between USD 4bn to USD 5bn could be repaid.

FX

Sterling has underperformed, depreciating against the other G-10 currencies over the course of yesterday, despite the UK posting its first July budget surplus in 15 years (see macro). Sentiment stayed sour on Sterling after the same report showed that spending remains under pressure and investors remained concerned over how long it will take the U.K. to cement post-Brexit trade agreements with the European Union.

Of technical importance is the GBPUSD breaking below the 100 day moving average (1.2879) which had held as a support for the previous five trading days. Furthermore, the latest move confirms a break below the baseline of the former daily uptrend that had been in effect since 15 March 2017 and paves the way for further declines towards the 200 day MA of 1.2648.

Equities

Developed market equities closed higher as political risk premium reduced. The S&P 500 index and Euro Stoxx 600 index added +1.0% and +0.8% respectively.

Regional equities closed mixed. Both the Tadawul (+0.4%) and KWSE index (+0.3%) continued their positive run as investors' added position ahead of a possible upgrade in the FTSE indices. However, volumes continued to remain low.

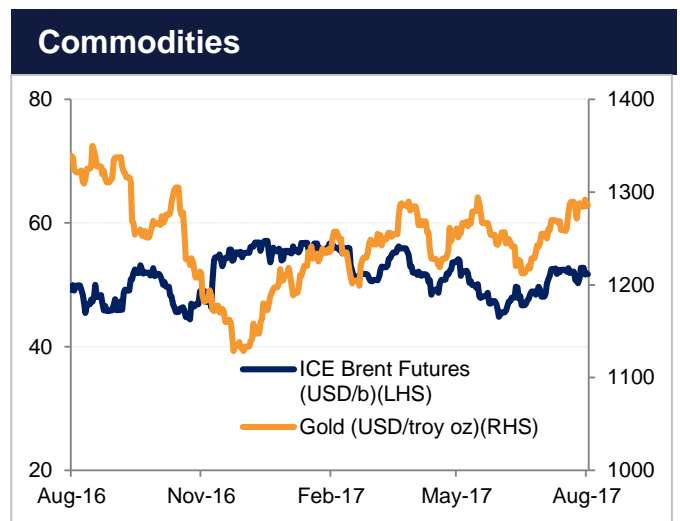
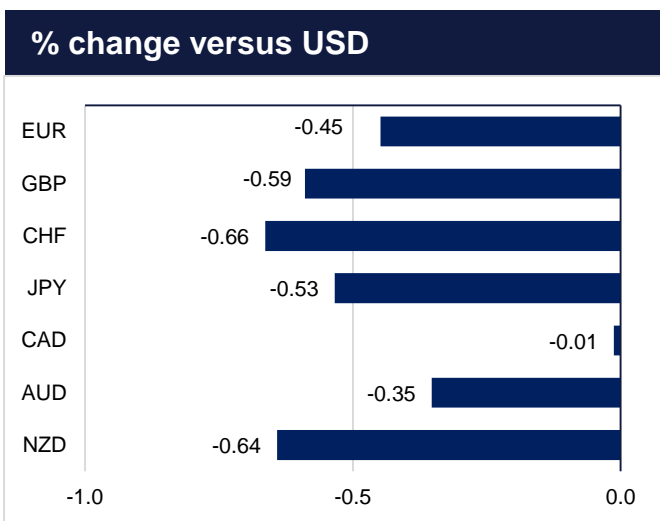
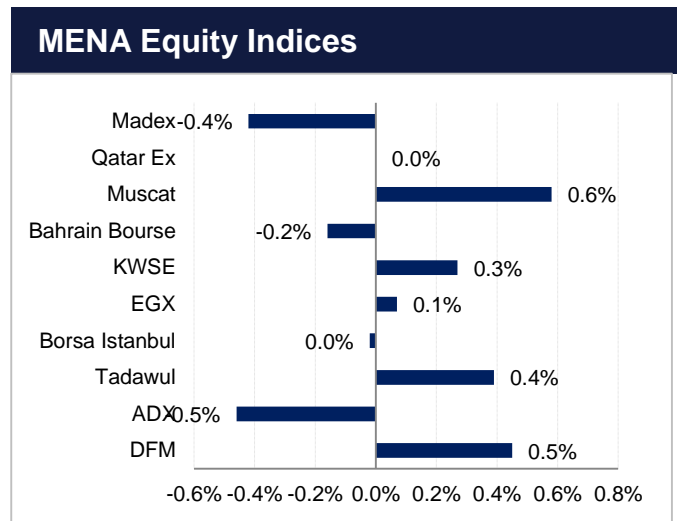
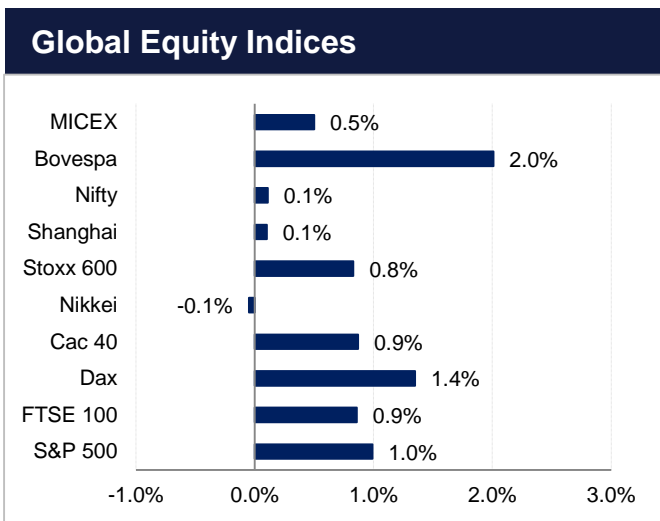
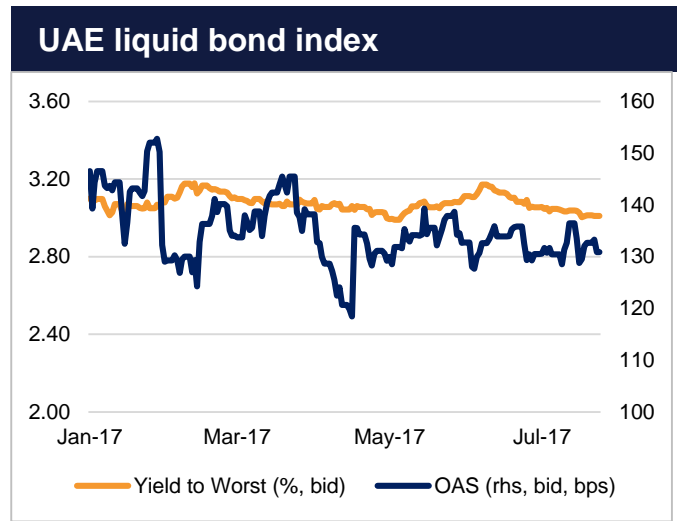
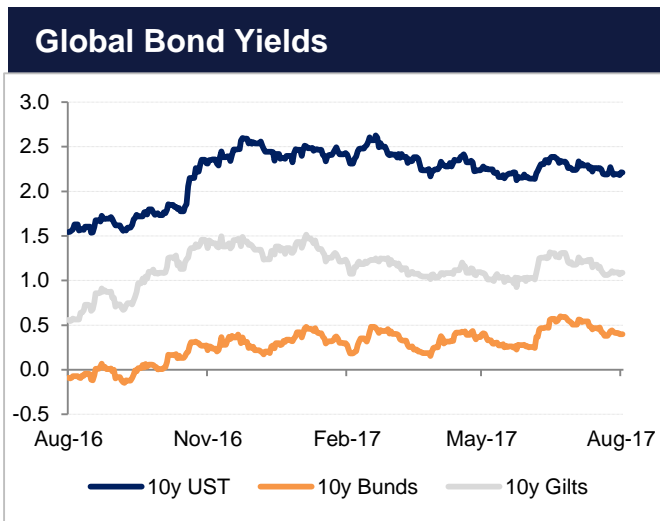
Commodities

Oil markets moved in a listless direction overnight, failing to make up Monday's steep decline. Brent settled at USD 51.87/b and WTI at USD 47.64/b. The market is largely devoid of fundamental news with supply issues from Libya the only major catalyst to shape flows. The Sharara field, Libya's largest, has been opened and shut several times over the past week as pipelines are blocked by protesters.

Data from the API estimated US crude inventories fell 3.6m bbl last week, roughly in line with market expectations. The API also estimated a decline in refinery demand while an increase in gasoline stocks of 1.4m bbl may signal the end of driving season is upon us.

A moderate push higher in the USD helped weigh on commodities generally with all the precious metals losing ground and a generally negative performance from the LME complex. Iron ore futures were up 0.7% but are reportedly down sharply this morning in Asia trade.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1762	-0.45	1.2008	USDTRY	3.4949	-0.04	EURAED	4.3200	-0.45
GBPUSD	1.2824	-0.59	1.2983	USDEGP	17.7335	-0.09	GBPAED	4.7102	-0.58
USDJPY	109.57	+0.54	107.42	USDSAR	3.7502	--	JPYAED	0.0335	-0.53
USDCAD	1.2565	+0.06	1.2531	USDQAR	3.6700	--	CADAED	2.9238	-0.04
AUDUSD	0.7911	-0.35	0.7874	USDKWD	0.3019	+0.01	AUDAED	2.9060	-0.36
USDCHF	0.9681	+0.64	0.9444	USDBHD	0.3771	--	CHFAED	3.7932	-0.66
EURGBP	0.9172	+0.13	0.9250	USDOMR	0.3850	-0.01	TRYAED	1.0500	-0.05
USDAED	3.6730	--	3.6805	USDINR	64.0875	-0.08	INRAED	0.0573	+0.16

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3080	1.5345	1.7590	2.1292	USD 2 yr	1.583	+2
USD LIBOR	1.2361	1.3172	1.4561	1.7273	USD 5 yr	1.843	+3
GBP LIBOR	0.2513	0.2815	0.4051	0.5943	USD 10 yr	2.156	+3
JPY LIBOR	-0.0316	-0.0294	-0.0069	0.1131	EUR 2 yr	-0.179	+0
CHF LIBOR	-0.7838	-0.7262	-0.6512	-0.5024	EUR 5 yr	0.190	+1
					EUR 10 yr	0.816	+1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1285.08	-0.53	ADGB 6.75 19	1.76	+1	Abu Dhabi	56	-2
Silver	17.04	+0.14	DUGB 7.75 20	2.56	+1	Dubai	115	-5
Oil (WTI)	47.64	+0.57	QATAR 6.55 19	2.14	-1	Qatar	94	-
Aluminium	2086.50	-0.13	US Tsy 2 yr	1.32	+2	Saudi Arabia	91	-1
Copper	6547.25	-0.06	US Tsy 10 yr	2.21	+3	Bahrain	235	+1

Source: Bloomberg, Emirates NBD Research

Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report. The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O.Box 777
Dubai

Jonathan Morris
General Manager Wholesale Banking
JonathanM@emiratesnbd.com

Aazar Ali Khwaja
Group Treasurer & EVP Global Markets &
Treasury
+971 4 609 3000
aazark@emiratesnbd.com

Tim Fox
Head of Research &
Chief Economist
+9714 230 7800
timothyf@emiratesnbd.com

Research

Khatija Haque
Head of MENA Research
+9714 230 7803
khatijah@emiratesnbd.com

Anita Yadav
Head of Fixed Income Research
+9714 230 7630
anitay@emiratesnbd.com

Shady Shafer Elborno
Head of Macro Strategy
+9714 2012300
shadyb@emiratesnbd.com

Athanasios Tsetsonis
Sector Economist
+9714 230 7629
athanasiost@emiratesnbd.com

Edward Bell
Commodity Analyst
+9714 230 7701
edwardpb@emiratesnbd.com

Mohammed Al-Tajir
Manager, FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

Aditya Pugalia
Analyst
+9714 230 7802
adityap@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
Tariq Chaudhary
+971 4 230 7777
tariqmc@emiratesnbd.com

Saudi Arabia Sales
Numair Attiyah
+966 11 282 5656
numaira@emiratesnbd.com

Singapore Sales
Supriyakumar Sakhalkar
+65 65785 627
supriyakumars@emiratesnbd.com

London Sales
+44 (0) 20 7838 2241
vallancel@emiratesnbd.com

Egypt
Gary Boon
+20 22 726 5040
garyboon@emiratesnbd.com

Emirates NBD Capital

Ahmed Al Qassim
CEO- Emirates NBD Capital
AhmedAQ@emiratesnbd.com

Hitesh Asarpota
Head of Debt Capital Markets.
+971 50 4529515
asarpotah@EmiratesNBD.com

Investor Relations

Patrick Clerkin
+9714 230 7805
patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com