Emirates NBD
بنك الإمارات دبي الوطني

Daily

23 January 2018

Daily Outlook

The US government has reopened after a three day partial shutdown, after Democrats agreed to support a stop-gap spending bill that would fund the government through 8 February. In return, senate majority leader Mitch McConnell agreed that Congress would tackle the issue of protection for 'dreamers', although there are already indications that any deal on immigration will be difficult to achieve over the next fortnight.

Trade policy issues and protectionism will come to the fore again this week, as the next NAFTA negotiations resume in Montreal today. Separately, President Trump announced new import tariffs on solar panels and washing machines that will largely affect Asian exporters. A tariff of 30% will be imposed on most solar panels imported into the US, while the tariff on washing machines will range from 20%-50%. The president is likely to reiterate his 'America first' policy at his speech at the World Economic Forum in Davos where is due to speak on Friday.

The Bank of Japan has kept rates on hold as expected today, in line with market expectations. Although the BoJ's growth and inflation outlook were unchanged, the market perceived a slightly hawkish tone in the Bank's description of inflation expectations as being 'unchanged' compared to 'weakening' in previous statements. The yen spiked firmer after the statement.

In Europe, the key release today is the German ZEW sentiment indicator, which is expected to show slight improvement this month relative to December.

MSCI WEI: Global equities reach new highs

Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
Japan All Industry Activity Index (m/m)	8:30	0.8%	Germany ZEW urrent Situation	14:00	89.6
Germany ZEW Expectations	14:00	17.7	Eurozone Consumer Conf.	19:00	0.6

Source: Bloomberg

Fixed Income

US Treasuries remained rather quiet even as an agreement was reached to reopen the US government. In fact, yields across the curve remained unchanged with the 2y USTs yielding 2.06%, 5y USTs 2.44% and 10y USTs 2.65%.

Regional bonds continue to drift lower amid high benchmark yields. The YTW on the Bloomberg Barclays GCC Credit and High Yield index rose 1 bps to 3.86% while credit spreads remained flat at 146 bps.

According to reports, talks between Dana Gas and sukuk holders broke down after the company proposed a 15% haircut on some of the debt.

In terms of rating action, S&P revised the outlook on Dewa and DIFC to negative even as it affirmed the ratings at BBB+ for Dewa and BBB for DIFC.

FX

The yen strengthened sharply on what was perceived to be a hawkish tone by the Bank of Japan on inflation, reaching 110.63/ before retracing slightly. The dollar remains relatively weak, despite the US government re-opening and equities reaching new records.

Equities

Developed market equities closed higher following the passage of a stopgap funding bill by the US Congress which ended the three-day partial government shutdown. The S&P 500 index and the Euro Stoxx 600 index added +0.8% and +0.3% respectively.

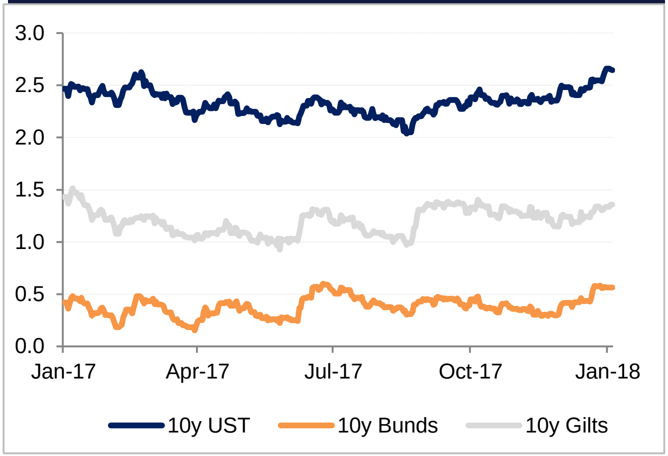
Regional equity markets closed mixed with the DFM index losing -0.3% and the Qatar Exchange adding +0.7%. Trading volumes remained on the lower side. In terms of stocks, National Bank of Kuwait added +2.0% after the company reported earnings that topped consensus estimates.

Commodities

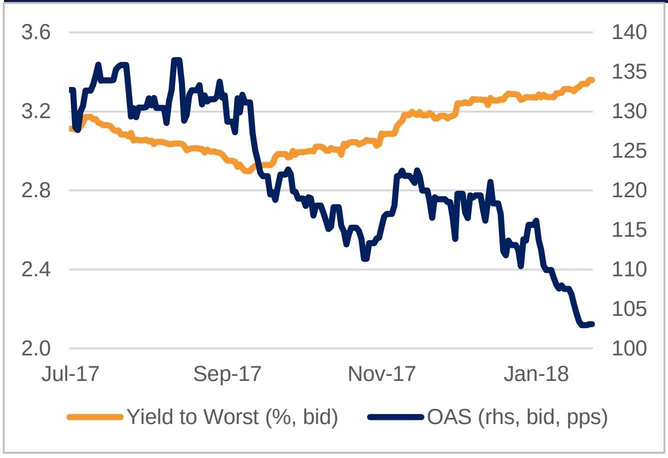
Oil markets continued to push higher overnight, responding to comments from the Saudi energy minister that OPEC may extend its production cut deal into 2019. Brent futures closed at over USD 69/b and WTI ended the day just short of USD 63.50/b. There were few fundamentals to push the market in either direction at the start of the week and the persistent slide in the dollar, which has accelerated in January, will be acting as a near-term support for oil and commodities generally.

Markets in Charts

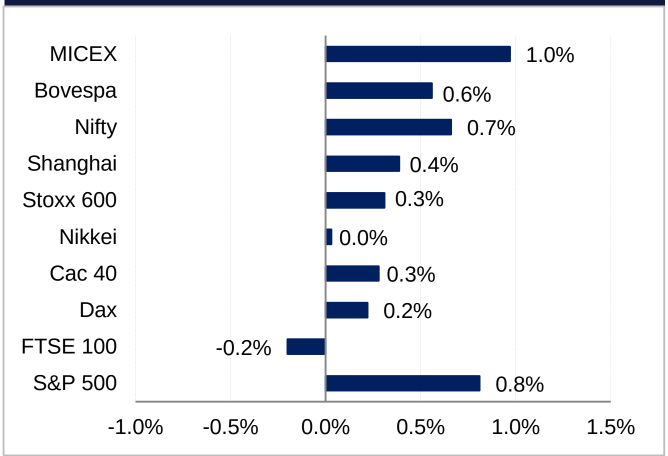
Global Bond Yields



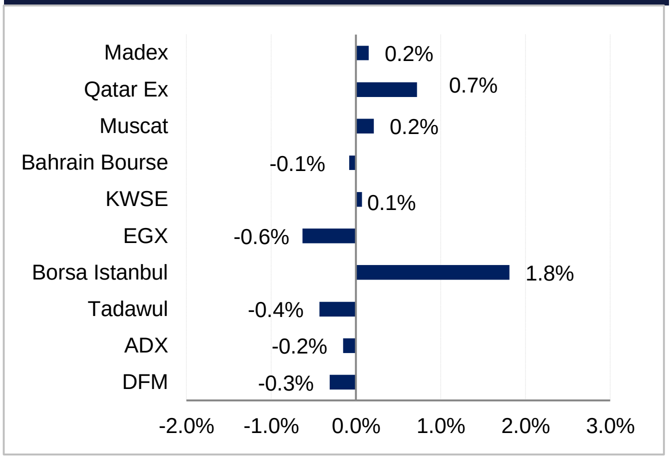
UAE liquid bond index



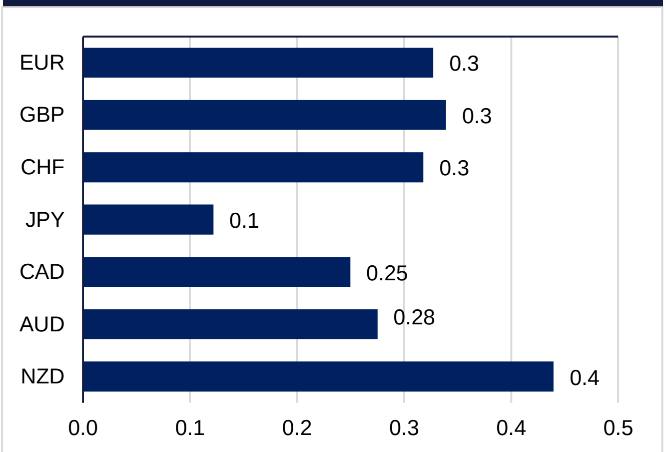
Global Equity Indices



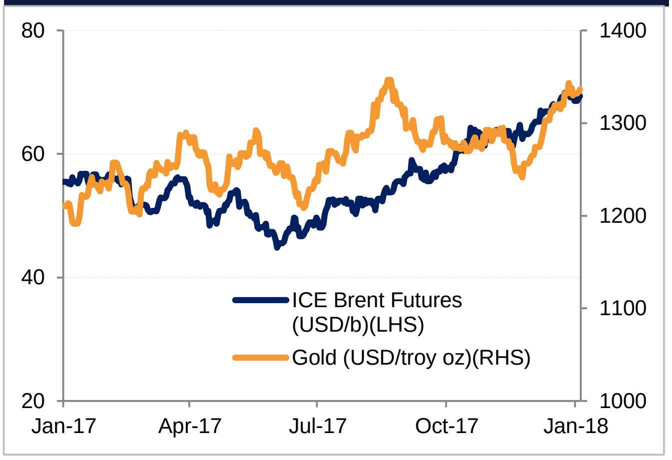
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2262	+0.33	1.2594	USDTRY	3.8103	+0.10	EURAED	4.5038	-0.09
GBPUSD	1.3905	+0.34	1.4114	USDEGP	17.7098	-0.05	GBPAED	5.1071	+0.00
USDJPY	110.69	-0.07	107.99	USDSAR	3.7502	-0.00	JPYAED	0.0332	-0.03
USDCAD	1.2463	-0.24	1.2418	USDQAR	3.6800	+0.14	CADAED	2.9471	-0.37
AUDUSD	0.8017	+0.28	0.8021	USDKWD	0.3005	+0.01	AUDAED	2.9447	+0.03
USDCHF	0.9604	-0.25	0.9313	USDBHD	0.3765	-0.13	CHFAED	3.8239	-0.33
EURGBP	0.8819	+0.01	0.8924	USDOMR	0.3850	-0.00	TRYAED	0.9600	-0.51
USDAED	3.6730	--	3.6777	USDINR	63.7913	-0.09	INRAED	0.0575	-0.07

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.6200	1.8233	2.0627	2.6038	USD 2 yr	2.272	+2
USD LIBOR	1.5601	1.7413	1.9255	2.2278	USD 5 yr	2.521	+4
GBP LIBOR	0.4970	0.5229	0.5812	0.7833	USD 10 yr	2.689	+5
JPY LIBOR	-0.0426	-0.0378	0.0187	0.1108	EUR 2 yr	-0.135	-0
CHF LIBOR	-0.8013	-0.7420	-0.6426	-0.5280	EUR 5 yr	0.382	+0
					EUR 10 yr	0.981	+1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1333.92	+0.16	ADGB 6.75 19	2.29	+0	Abu Dhabi	53	--
Silver	17.07	-0.12	DUGB 7.75 20	2.81	+1	Dubai	115	--
Oil (WTI)	63.49	+0.19	QATAR 6.55 19	2.52	+5	Qatar	95	--
Aluminium	2245.25	+1.21	US Tsy 2 yr	2.06	-0	Saudi Arabia	84	--
Copper	7025.00	+0.37	US Tsy 10 yr	2.65	-1	Bahrain	254	-1

Source: Bloomberg, Emirates NBD Research

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