



بنك الإمارات دبي الوطني
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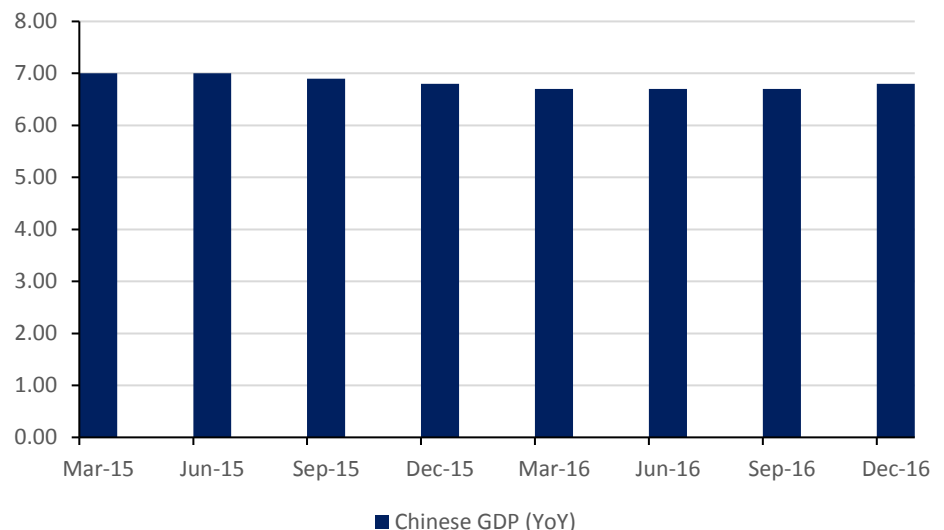
Daily Outlook

President Trump's 'America first' inauguration speech is likely to maintain a degree of alarm about the protectionist bias of the new White House. Trump talked about protecting America's borders and American jobs in a relatively harsh analysis of the US's economic situation, arguing that protection will 'lead to greater prosperity and wealth'. Markets fell back on the speech and are likely to start the week under pressure, with the dollar likely to be a particular casualty. Trump had already earlier in the week warned that the dollar was too strong and could prevent American companies from competing.

This subsequently drew out a clarification from Treasury Secretary nominee, **Steve Mnuchin, who said that Trump's concerns about the strength of the dollar applied to the short term, while it is still in the interests of the US economy for the dollar to be strong over the long term**, a message that is consistent with the Treasury Department's long held view. However the fact that officials already need to correct Trump's words, so early in the new administration, does not provide reassurance about what else might be in store.

Markets had been hoping for more details about the US government's new fiscal plans, which would have been viewed bullishly by equity markets as well as by the dollar. **Last week's economic news was quite positive, but with inflation rising above 2.0% in December**, any further stimulus could easily see price pressures rise further, causing the Fed to raise interest rates more quickly. **The coming week will see Q4 GDP growth data for the US as well as for the UK, which are expected to show the pace of growth slowing slightly in both countries. Growth in China firmed slightly to 6.8% in Q4, but for 2016 as whole it rose by 6.7% y/y in line with the Chinese government's target of between 6.5-7.0%.**

Chinese growth picks up to 6.8% in Q4



Source: Bloomberg, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
Japan All Industry Activity Index m/m	08:30	0.4%	EZ Consumer Confidence	19:00	-4.8

Source: Bloomberg.

Fixed Income

Short term yields declined marginally post Trump's comment about stronger dollar and lack of any material new information in his inauguration speech. 2yr UST yields declined 3bps to 1.19% on Friday and are down another bp this morning while 10yr is now trailing at 2.43%, 4bps lower than its Friday close.

Longer dated bonds in the GCC universe had declined in response to steepening UST curve early last week after the stronger than expected inflation data out of the US and UK, however, are likely to gain some ground today as benchmark yields tighten. Many investors are sitting on the sidelines, waiting for more evidence to support the currently priced-in assumption of two to three rate hikes in the US this year.

Global cash corporate bonds were mostly in the green and CDS levels were mainly unchanged with US IG and Euro Main closing unchanged at 66bps and 70bps respectively on Friday. CDS levels on GCC sovereigns had a slight narrowing bias as oil remained supported around the \$55/b level. Dubai Inc is generally outperforming the rest of the region given its diversified economy and healthy result announcements from most Dubai based corporates. CDS level on Dubai closed lower by 3bps to 142bps yesterday while those on Abu Dhabi, Qatar and Saudi Arabia were each down by a bp to 70bps, 85bps and 114bps respectively.

GCC primary market has Investment Corp of Dubai on the road this week with a benchmark sukuk offering that could be up to \$1 billion in size and 10 years in tenure. Kuwait sovereign is also believed to have finalised banks for its anticipated \$10 billion offering.

FX

USD underperforms as markets open for the week, as investors continue to react to Trump's speech with uncertainty. In the Asian session, the Dollar Index has depreciated 0.39%, and currently stands at 100.35, on target to decline for a third consecutive day. While USD looks likely to remain under pressure at the start of the week, downside could be limited by strong support at 99.30, a level that lies between the 100 day MA of 99.303 and the 61.8% one year Fibonacci retracement of 99.274.

Equities

The S&P 500 and Dow Jones rose 0.34% and 0.48% respectively on Friday in response to Donald Trump's rhetoric speech about protecting America's borders and jobs. In Europe, Euro Stoxx 50 was in green rising 0.28%, however FTSE 100 declined 0.14% after weaker than expected retail sales data. Asia has opened weak this morning with Nikkei trailing down at -1.09% as USDJPY levels remain volatile.

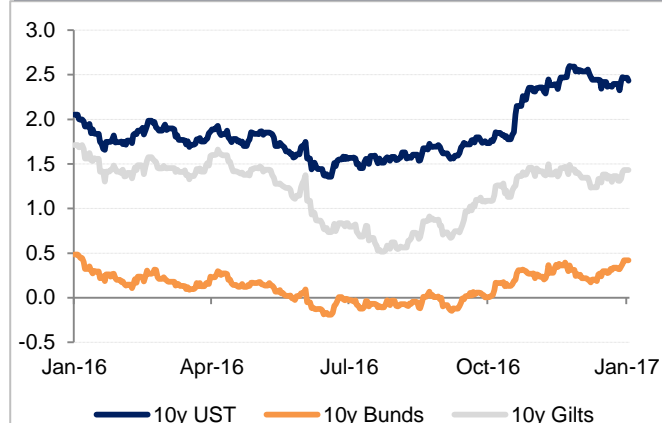
Locally, GCC bourses surged higher, partly on lead from the developed world performance and partly in response to stable oil prices. Kuwait Stock Exchange led the gains, rising 3.2% followed by DFM Index at +0.72% though Abu Dhabi general index was at -0.13%.

Commodities

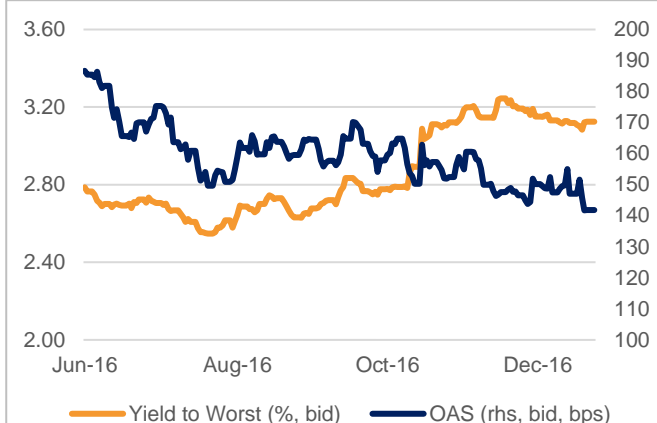
Despite the number of the active oil rigs in the US increasing by 29 to 551, the highest level since 2013, oil held prices continued to rise on the news that OPEC and other oil producing nations have reduced output by 1.5 million barrels a day and agreed on a way to monitor their pledged output cuts. As we go to print, NYMEX WTI Crude futures trade at USD53.30/b while ICE Brent Crude futures trade at USD55.61/b.

Markets in Charts

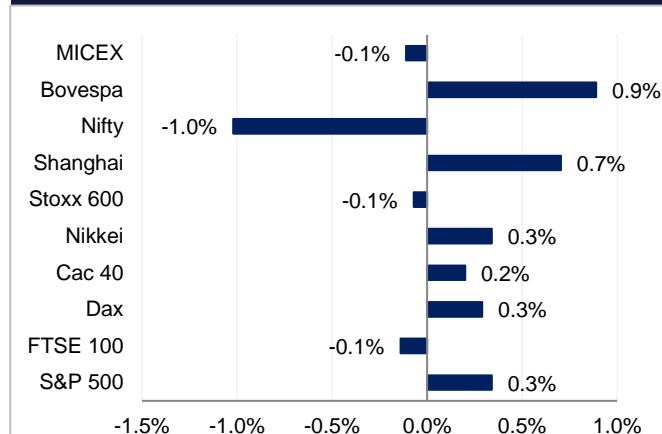
Global Bond Yields



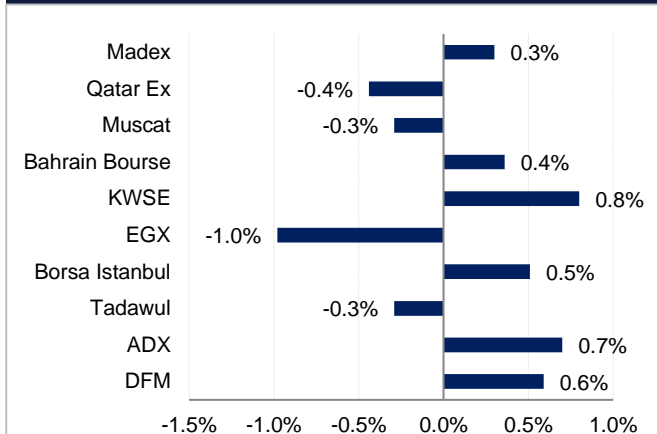
UAE liquid bond index



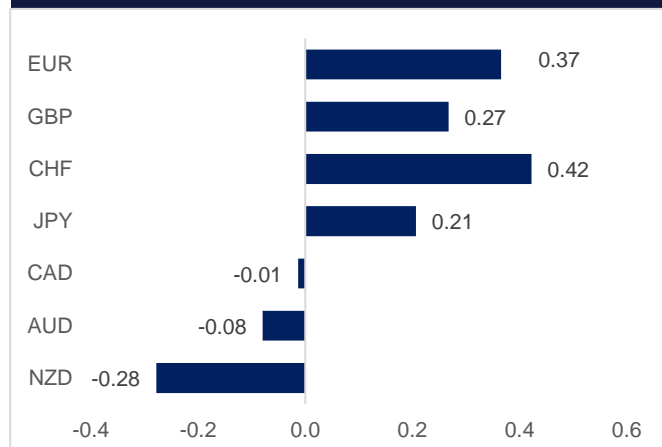
Global Equity Indices



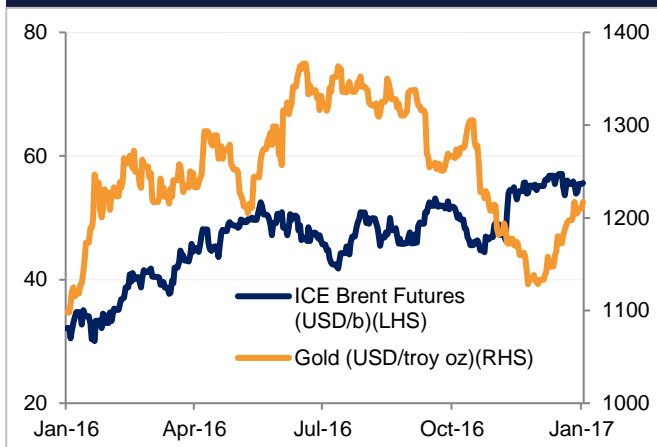
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0703	+0.37	1.0924	USDTRY	3.7682	-1.55	EURAUD	3.9309	+0.35
GBPUSD	1.2375	+0.27	1.2508	USDEGP	18.7542	-0.53	GBPAED	4.5447	+0.26
USDJPY	114.62	-0.21	112.35	USDSAR	3.7505	-0.00	JPYAED	0.0320	+0.22
USDCAD	1.3320	+0.02	1.3247	USDQAR	3.6412	-0.00	CADAED	2.7565	-0.04
AUDUSD	0.7555	-0.08	0.7501	USDKWD	0.3057	+0.10	AUDAED	2.7757	-0.06
USDCHF	1.0016	-0.46	0.9769	USDBHD	0.3770	+0.00	CHFAED	3.6663	+0.44
EURGBP	0.8652	+0.13	0.8737	USDOMR	0.3850	-0.00	TRYAED	0.9700	+1.08
USDAED	3.6730	--	3.6830	USDINR	68.0513	-0.11	INRAED	0.0539	-0.00

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.9814	1.3626	1.6269	2.0824	USD 2 yr	1.516	-2
USD LIBOR	0.7753	1.0434	1.3582	1.7329	USD 5 yr	2.002	-2
GBP LIBOR	0.2622	0.3596	0.5273	0.7753	USD 10 yr	2.364	-1
JPY LIBOR	-0.0250	-0.0167	0.0183	0.1274	EUR 2 yr	-0.158	+1
CHF LIBOR	-0.7882	-0.7294	-0.6636	-0.5032	EUR 5 yr	0.145	+1
					EUR 10 yr	0.767	+2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1210.32	+0.45	ADGB 6.75 19	1.71	-2	Abu Dhabi	60	--
Silver	17.09	+0.45	DUGB 7.75 20	2.84	--	Dubai	142	-3
Oil (WTI)	52.42	+2.04	QATAR 6.55 19	2.09	+2	Qatar	85	-1
Aluminium	1852.75	+1.02	US Tsy 2 yr	1.19	-3	Saudi Arabia	114	-1
Copper	5730.00	+0.29	US Tsy 10 yr	2.47	-1	Bahrain	269	-1

Source: Bloomberg, Emirates NBD Research

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