



بنك الإمارات دبي الوطني
Emirates NBD

Daily

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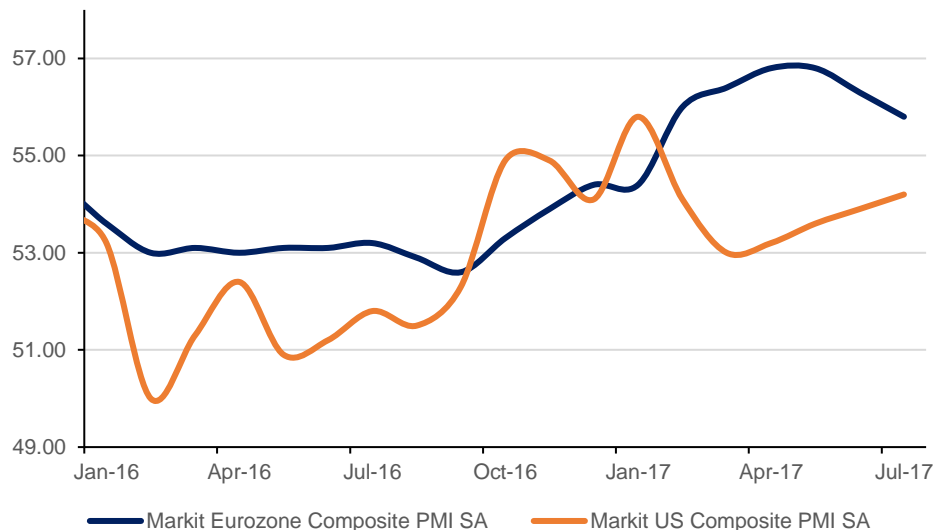
Daily Outlook

PMI data for the Eurozone showed the economy slowing somewhat in July. The July flash PMI data for manufacturing showed a decline to 56.8 from 57.4 in June, largely down to a miss from German manufacturing as France surprised on the upside. The services index was unchanged. Overall the data remains firmly at expansionary levels and is likely to reaffirm views that the ECB can begin a process of monetary policy normalization although the market may be pricing it in a little ahead of schedule.

In contrast, **US PMI data came in ahead of expectations yesterday as both the services and manufacturing component showed some expansion month on month for July.** The composite figure hit 54.2, above 53.9 a month earlier and beating market expectations. **The PMI data, which has been steadily holding in expansionary territory, will provide some comfort to the Fed today ahead of its rate setting meeting** although the market still expects no change this month. Existing home sales in the US, however, disappointed the market, falling 1.8% in June. House prices have been rising thanks to a shortage of supply which indicates strong demand for purchases in the US, itself a good indicator of the strength of the economy.

OPEC and its partners concluded their monitoring meeting in St Petersburg yesterday without affirming a need for deeper production cuts. The monitoring committee did recommend that Nigeria, which is not currently part of the production cut deal, limit output to 1.8m b/d but was unable to come up with a figure for Libya. **Saudi Arabia's energy minister said his country would limit crude exports to 6.6m b/d for August and that a faster draw in inventories would occur in the second half of 2017.** The minister also indicated that "mechanisms" could be put in place to ensure compliance by countries that have missed targets. OPEC traditionally has not had an enforcement mechanism for its quotas so it is unclear what action Saudi Arabia or other producers could take. OPEC officials also mooted an extension of the deal beyond the first quarter of 2018.

US PMIs surprise to the upside while Eurozone slows



Source: EIKON, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
GE IFO Business Climate	12:00	114.9	UK CBI Business Opt.	14:00	0
US Conf. Board Consumer Conf.	18:00	116			

Source: Bloomberg.

Fixed Income

The healthy PMI data out of the US overnight helped push UST yields higher: the 10yr UST closed up 2bps at above 2.25%. The Treasury curve postponed further flattening at the start of the week and the 2-10 spread held at 88.8bps although is slightly softer this morning. The market will likely be holding ground ahead of any statement coming out of the Fed's meeting this week, in particular concerning the timing of a drawdown of the Fed's balance sheet. Bund yields ended the day lower likely thanks to the softer than anticipated PMI data coming out from key Eurozone economies, and Germany in particular, while gilts were little changed.

Regionally, Saudi Arabia's latest domestic sukuk raised USD 4.53bn according to press reports. Demand for the sukuk was in the order of USD 13-14bn. In the UAE, Reuters has reported that ADNOC is exploring a benchmark sized project bond and large syndicated loan. The club loan could raise as much as USD 4-5bn while the project bond could be worth USD 3bn.

FX

The dollar continues to soften this morning, the dollar index trading 0.11% lower at 93.87, not far from its YTD lows of 93.86. Sentiment on the greenback is unlikely to change in the build up to tomorrow's announcement from the FOMC and we expect further declines in dollar strength today.

Elsewhere, NZD is trading lower against most of the other majors following reports that contagious disease was found in cattle. The biggest movement has been against AUD, with AUDNZD currently trading 0.20% higher at 1.0674.

Equities

Developed market equities drifted lower but closed off the lows amid mixed economic data and corporate earnings. The S&P 500 index declined -0.1% while the Euro Stoxx 600 index dropped -0.2%.

Regionally, the Qatar Exchange (+0.8%) was a notable mover amid positive signs over a possible solution to the current diplomatic impasse.

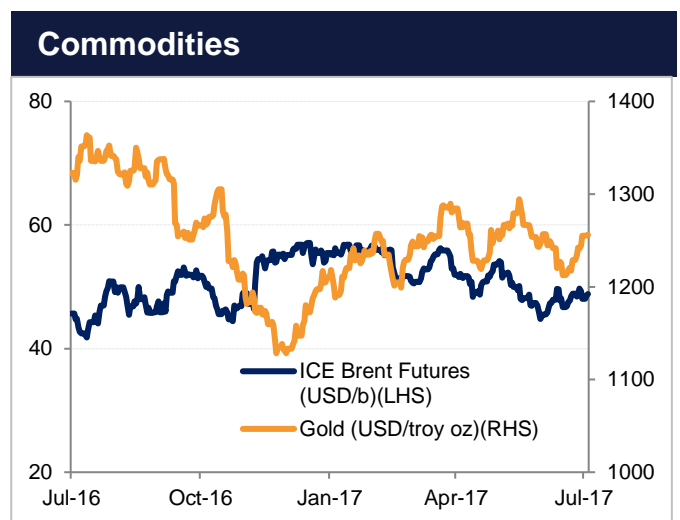
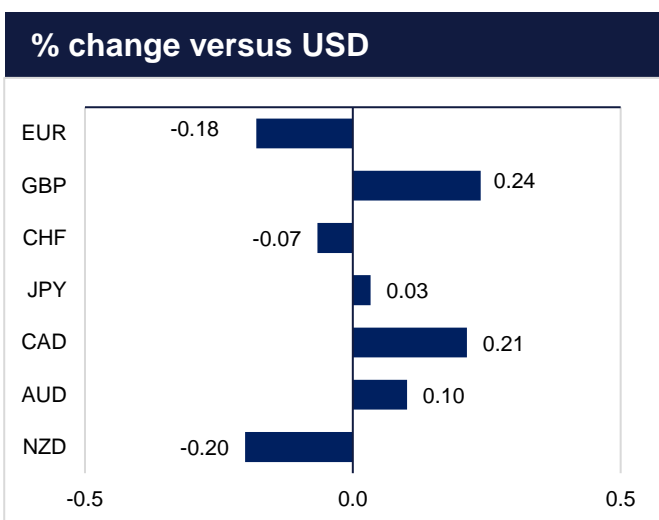
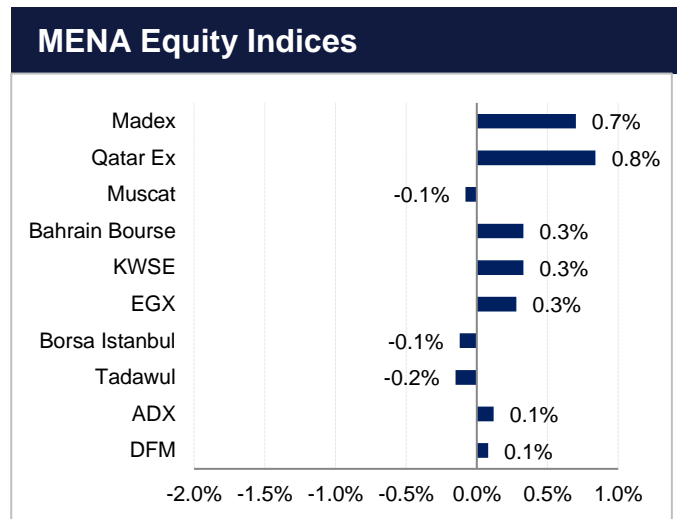
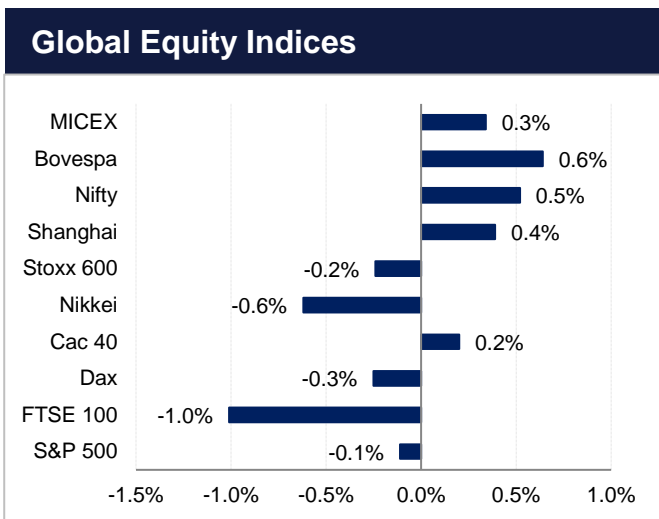
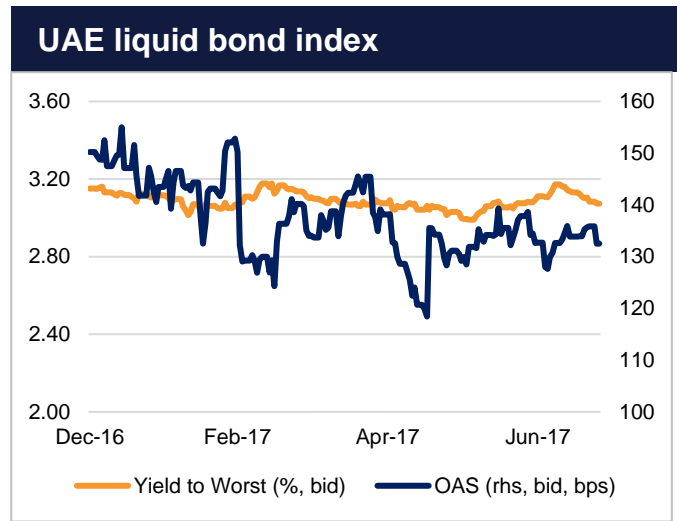
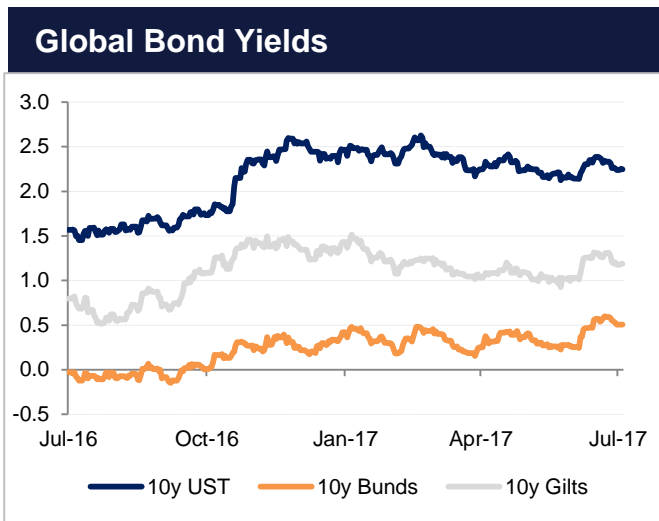
In terms of stocks, Etihad Etisalat dropped -7.1% after the company reported loss for Q2 2017. After the market closed, Safco reported Q2 2017 net profit of SAR 204mn, missing consensus estimates of SAR 292mn by 30%.

Commodities

Oil market received support from the outcome of the OPEC and partners monitoring committee meeting yesterday, in particular the news that the group was considering keeping its production cuts in place after March 2018. WTI and Brent both ended up more than 1% on the day and have maintained an upward push at the start of trading today. The news helped to flatten time spreads but the front of the curve has still some way to go before challenging the contango structure.

An extension of the deal past 2018 would throw more of a lifeline to producers outside the bloc and may not prompt sustainable price gains and would also threaten the market balance next, which we have already cautioned is likely to remain in surplus.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1642	-0.18	1.1884	USDTRY	3.5568	+0.59	EURAED	4.2764	-0.20
GBPUSD	1.3028	+0.24	1.3181	USDEGP	17.8843	+0.08	GBPAED	4.7854	+0.24
USDJPY	111.10	-0.03	109.02	USDSAR	3.7502	+0.00	JPYAED	0.0331	+0.03
USDCAD	1.2510	-0.23	1.2473	USDQAR	3.6725	-0.07	CADAED	2.9358	+0.22
AUDUSD	0.7924	+0.10	0.7887	USDKWD	0.3022	-0.05	AUDAED	2.9104	+0.12
USDCHF	0.9461	+0.04	0.9229	USDBHD	0.3772	+0.01	CHFAED	3.8810	-0.09
EURGBP	0.8936	-0.43	0.9015	USDOMR	0.3850	-0.00	TRYAED	1.0300	-0.84
USDAED	3.6730	+0.00	3.6805	USDINR	64.3700	+0.08	INRAED	0.0570	+0.15

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3125	1.5533	1.7550	2.1287	USD 2 yr	1.600	+1
USD LIBOR	1.2328	1.3139	1.4528	1.7357	USD 5 yr	1.896	+1
GBP LIBOR	0.2531	0.2893	0.4254	0.6335	USD 10 yr	2.220	+1
JPY LIBOR	-0.0264	-0.0060	0.0121	0.1164	EUR 2 yr	-0.158	--
CHF LIBOR	-0.7842	-0.7286	-0.6520	-0.5032	EUR 5 yr	0.247	-1
					EUR 10 yr	0.892	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1255.30	+0.03	ADGB 6.75 19	1.64	-1	Abu Dhabi	57	-1
Silver	16.49	-0.20	DUGB 7.75 20	2.64	-0	Dubai	123	+1
Oil (WTI)	46.34	+1.25	QATAR 6.55 19	2.15	+3	Qatar	93	-2
Aluminium	1890.50	-0.09	US Tsy 2 yr	1.36	+2	Saudi Arabia	99	-
Copper	5994.75	+0.40	US Tsy 10 yr	2.26	+2	Bahrain	236	+1

Source: Bloomberg, Emirates NBD Research

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