



بنك الإمارات دبي الوطني  
Emirates NBD

Daily  
26 January 2017

# Daily Outlook

The German IFO survey unexpectedly declined to 109.8 in January from 111.0 in December, suggesting the economy is starting to lose some momentum. Both the current situation and the expectations indices were weaker than forecast, but the current situation index increased marginally from December. The key focus today in Europe will be the UK's Q4 GDP growth reading, which is expected to show expansion of 0.5% q/q and 2.1% y/y.

Australia reported a rebound in headline CPI inflation from 1.3% in the third quarter of last year to 1.5% in Q4. However, excluding the most volatile items, core market goods inflation fell from 1.3% to a three-year low of 0.9%, and core market services inflation slipped from 0.9% to a seven-year low of 0.6%. While the data missed consensus, RBA is expected to refrain from cutting rates at least until mid-year as better global growth data may support commodity prices and bring inflation up again.

President Trump yesterday signed off on construction of a Mexican border wall and talked about increasing border controls. However, his tone was friendlier than during his campaign speeches. He stated that a strong and healthy Mexico is good for the US and that better border controls will actually improve the relationship between the two nations. Trump's eagerness to deliver on his campaign promises has seen him signing off on two oil pipelines, warning automakers about not shifting jobs overseas and directing funds to infrastructure projects such as the Mexican border wall within his first week in office. Equities rallied on stronger growth expectations, with the Dow Jones finally crossing 20,000 yesterday. The key economic data out of the US today are the Chicago Fed Activity Index, US PMIs and new home sales.

## Dow Jones breaks 20,000



Source: Bloomberg, Emirates NBD Research.

## Day's Economic Data and Events

	Time	Cons		Time	Cons
UK GDP q/q (Q4 2016)	13:30	0.5%	US Initial Jobless Claims	17:30	247k
US Advance Goods Trade Balance	17:30	-\$65.3b	Markit US Composite PMI	18:45	N/A
US Wholesale Inventories MoM	17:30	0.1%	New Home Sales	19:00	588k

Source: Bloomberg.

## Fixed Income

'Trumpenomics' euphoria continued to fuel risk appetite yesterday, causing sovereign bond yields to spike. UST curve shifted upwards with 2yr and 10yr yields closing up by 4bps each to 1.23% and 2.51% respectively and continuing to edge further higher this morning. Starting from a lower base, sovereign bond yields in Europe reflected even stronger uptick with 10yr Bunds and Gilt yields closing at 0.46% (+6bps) and 1.47% (+7bps) respectively.

The bid for risky assets supported global high yield bonds which remained in the green, however investment grade bonds lost ground amid rising benchmark yields. CDS levels on US IG and Euro Main closed tighter at 64bps (-2bps) and 69bps (-1bp) respectively.

Locally, while narrowing credit spreads provided some support, bond prices fell in tandem with the rising benchmark yields as BUAEUL index closed with overall YTW of 3.13% (+3bps). Corporate developments were thin barring better than expected results from Dubai Islamic Bank that reported net profit rising and NPLs falling. As has been alluded before, DIB plans to raise capital by \$1bn via issuance of Tier 1 sukuk this year.

In the primary market, Investment Corp of Dubai priced its \$1bn 10yr sukuk offering at MS+265bps, 25bps tighter than the initial guidance of MS+290bps. We find the price fair, particularly in view of DUGB 29s at yield of 4.37% aka circa MS+192bps.

## FX

GBP outperformed the other major currencies on Wednesday, with GBPUSD rising 0.9% to close at 1.2634. This move catalysed many changes in the technical outlook of the pair with the pair break through and closing convincingly above its one year 23.6% Fibonacci retracement of 1.2591. In addition, the 100 day MA of 1.2507 which acted as a level of resistance earlier in the week appears to have become a new level of support.

This morning, the pair continues to build on these gains and currently trades at 1.2654, the highest level since the 6<sup>th</sup> October 2016 and looks poised for more gains in the short term. This afternoon, investors will be anticipating GDP data which is expected to show the economy grew 0.5% q/q in Q4 2016. Following a string of firm UK data, any shocks to the downside may reverse the current bullish trend.

## Equities

Developed market equities closed higher on the back of better-than-expected corporate earnings. The Dow Jones Industrial Average index closed above the 20,000 level for the first time. The S&P 500 index added +0.8% while the Euro Stoxx 50 index rallied +1.4%.

Asian equities are trading higher this morning tracking positive close to developed markets overnight. The MSCI Asia Pacific index was trading +1.1% at the time of this writing.

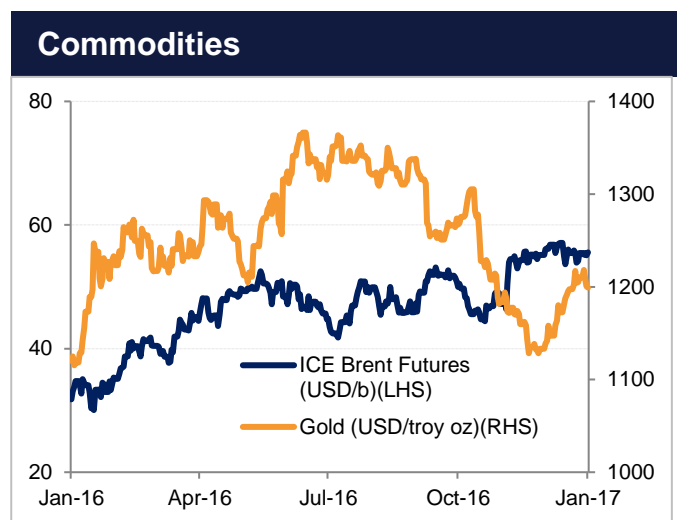
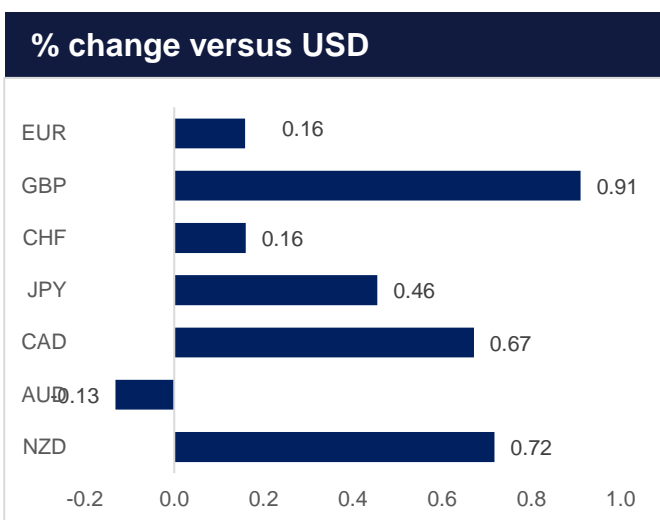
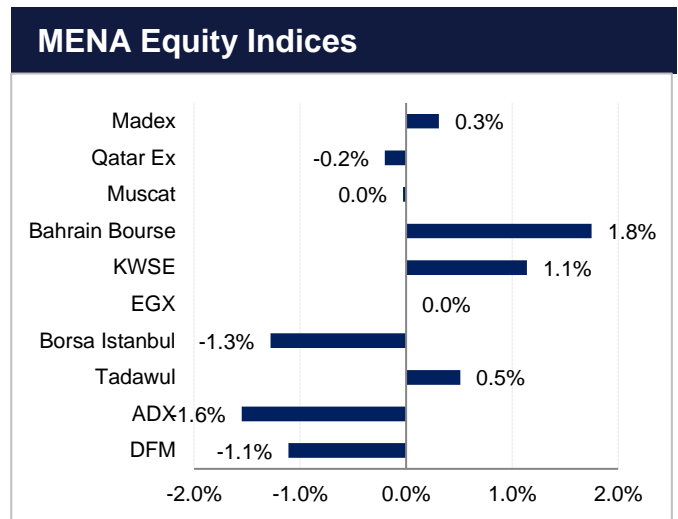
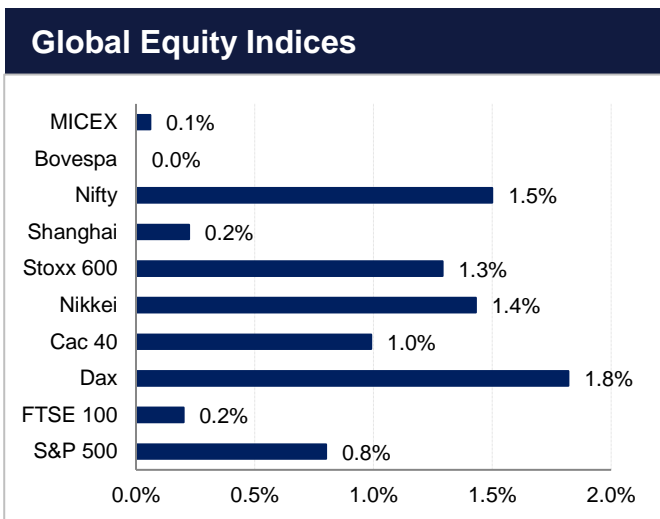
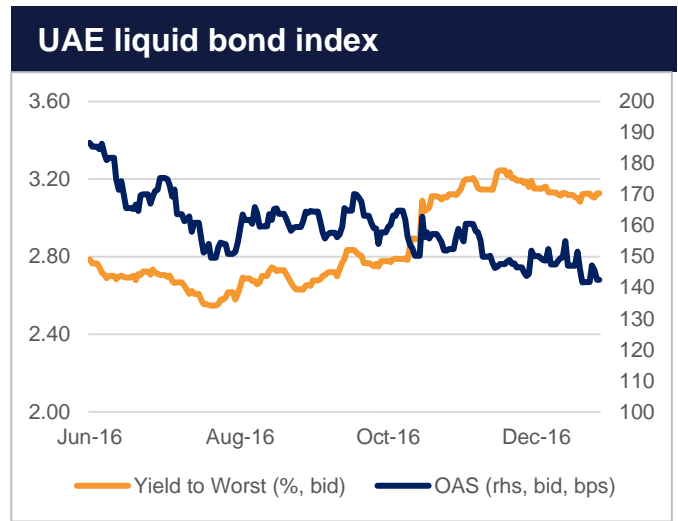
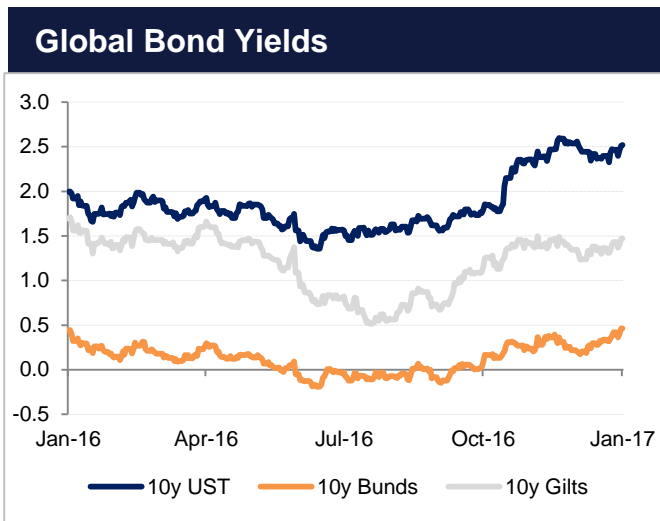
It was a mixed day of trading for regional equities. UAE bourses drifted lower while the Tadawul (+0.5%) continued its positive run.

Mouwasat Medical Services (+3.7%) rallied further after announcing a higher cash dividend for 2016. Elsewhere, Deyaar dropped -5.0% after reporting a weak earnings for Q4 2016. Dubai Islamic Bank added +0.5% after the bank reported earnings ahead of estimates.

## Commodities

Despite US inventories climbing by 2.84 million barrels last week, the third consecutive weekly gain, and US production increasing by 17,000 barrels a day, oil prices rose as investors focused on OPEC cuts. Comments from Kuwait's Oil Minister Essam Al-Marzouk stated that members of OPEC are "highly committed" to the pledge to cut by 1.8m barrels a day and will increase cuts over the coming months. As we go to print, NYMEX WTI Crude futures trade at USD53.20/b while ICE Brent Crude futures trade at USD55.56/b.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0748	+0.16	1.0969	USDTRY	3.8303	+1.24	EURAED	3.9478	+0.16
GBPUSD	1.2634	+0.91	1.2769	USDEGP	18.9009	-0.59	GBPAED	4.6404	+0.91
USDJPY	113.28	-0.45	111.05	USDSAR	3.7503	--	JPYAED	0.0324	+0.45
USDCAD	1.3070	-0.67	1.3004	USDQAR	3.6412	+0.00	CADAED	2.8104	+0.68
AUDUSD	0.7572	-0.13	0.7520	USDKWD	0.3049	-0.05	AUDAED	2.7820	-0.10
USDCHF	0.9994	-0.16	0.9749	USDBHD	0.3770	-0.01	CHFAED	3.6752	+0.15
EURGBP	0.8507	-0.75	0.8590	USDOMR	0.3850	--	TRYAED	0.9600	-1.12
USDAED	3.6730	--	3.6820	USDINR	68.0750	-0.10	INRAED	0.0540	+0.09

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.9814	1.3923	1.6631	2.0623	USD 2 yr	1.520	+2
USD LIBOR	0.7733	1.0318	1.3457	1.7073	USD 5 yr	2.033	+4
GBP LIBOR	0.2649	0.3634	0.5284	0.7746	USD 10 yr	2.412	+5
JPY LIBOR	-0.0057	-0.0096	0.0210	0.1289	EUR 2 yr	-0.150	+1
CHF LIBOR	-0.7872	-0.7294	-0.6636	-0.5032	EUR 5 yr	0.189	+4
					EUR 10 yr	0.823	+5

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1200.69	-0.68	ADGB 6.75 19	1.70	-1	Abu Dhabi	58	-1
Silver	17.00	-0.64	DUGB 7.75 20	2.83	-1	Dubai	140	-1
Oil (WTI)	52.75	-0.81	QATAR 6.55 19	2.05	+2	Qatar	83	-1
Aluminium	1836.75	-1.82	US Tsy 2 yr	1.23	+4	Saudi Arabia	113	+2
Copper	5922.25	-0.06	US Tsy 10 yr	2.51	+5	Bahrain	242	-27

Source: Bloomberg, Emirates NBD Research

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