



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

The dollar is recovering from overnight wobbles following reports that North Korea might be preparing for an ICBM missile launch. The dollar's tone improved as Fed nominee Jerome Powell signaled his expectation that interest rates would continue to rise gradually under his leadership. In prepared comments ahead of his testimony before the Senate Banking Committee later today Powell also said that the balance sheet would continue to be unwound further and that the Fed would consider ways to relax the regulatory burden on banks, while preserving the reforms undertaken by Congress to prevent a repeat of the financial crisis. The overall message conveyed was one of stability and continuity, although his remarks about deregulation are likely to be the area he will get questioned about more closely when he actually testifies, as some Senators will be concerned about a rolling back in the regulatory landscape to reflect the priorities of the Trump administration.

Meanwhile U.S. new home sales grew 6.2% in October to a 685k rate from a 645k pace in September, and stronger than expected. This set a new post-recession high and compares to a low of 270k in February 2011, with home sales appearing to be benefiting from a post-hurricane rebound. The strength in the housing data continues the recent run of strong economic news, and combined with Powell's comments keeps alive the prospects of a rate increase by the Fed next month.

Finally the Bitcoin bull-run shows no signs of abating, with the cryptocurrency rapidly approaching the XBTUSD 10,000 mark, having started 2017 at just XBTUSD 1,012. Despite scepticism and warnings from some corners that the currency is not a real asset, its extraordinary surge continues to attract both individual and institutional investors. With Bitcoin increasingly entering the mainstream, it remains to be seen if its rise will be thrown off course by greater regulation, as governments look to clamp down on its more nefarious uses.

U.S. new home sales, '000



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
Eurozone M3 Money Supply y/y	13:00	5.1%	U.S. Consumer Confidence	19:00	124.0

Source: Bloomberg

Fixed Income

Treasuries ended higher with the curve steepening slightly. Reports that Japan had received a signal indicating North Korea missile launch preparation prompted safe haven flows. Yields on the 2y USTs remained flat at 1.74%, dropped 2 bps on 5y USTs and 10y USTs to 2.04% and 2.32% respectively.

Regional bonds continued to see some interest with yield on the Bloomberg Barclays GCC Credit and High Yield index dropping 1 bps to 3.67% and credit spreads remaining flat at 159 bps.

The upcoming sukuk issuance of Emirate Reit has been rated BB+ (Exp) by Fitch. Additionally, Moody's said in a report that the English Court ruling is credit positive for Dana Gas sukukholders because the investors' claims are enforceable.

In the emerging market space, China Development Bank has asked NCLT to place Reliance Communications to be placed under insolvency proceedings following the company's failure to repay debt. The company has said that so far it has not been notified of any such development yet.

FX

In the absence of data, NZD outperformed at the start of the week, gaining on all the other major currencies due to month end short covering. This trend continues this morning into the Asia session and as we go to print, NZDUSD trades 0.21% higher at 0.69267. Resistance can be expected at the 23.6% one year Fibonacci retracement of 0.6964, while support is likely to be found at the 50 hour moving average of 0.6890.

Equities

Developed market equities closed marginally lower amid continued low volumes and decline in commodity prices. The S&P 500 index closed flat while the Euro Stoxx 600 index dropped -0.5%.

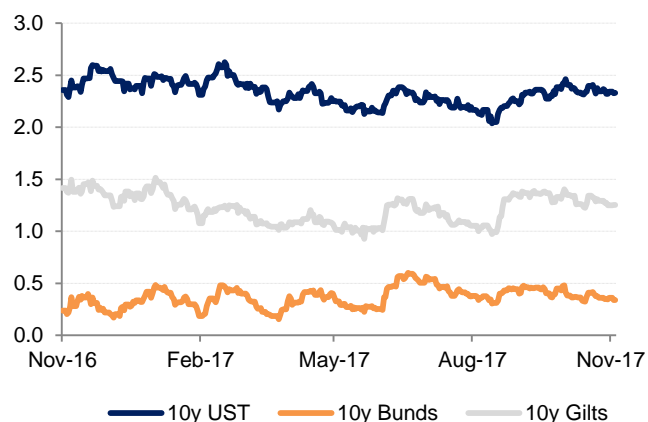
It was a dull day of trading for regional equities with no real catalyst ahead of impending holidays towards the end of this week. The Tadawul added +0.1% while the DFM index dropped -0.1%. In terms of stocks, Emaar Properties declined -0.9% while Emaar Development added +1.2%.

Commodities

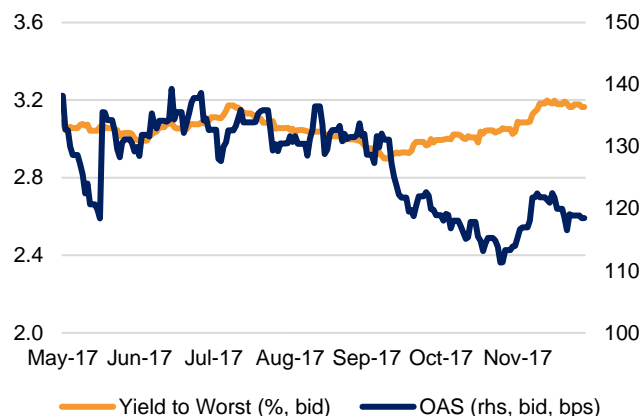
Oil futures have had a soft start to the week, declining by 1.4% for WTI and edging slightly downward for Brent. The restart of the Keystone pipeline taking crude from Canada to the US will weigh on WTI while growing skepticism that a deal will be reached at this week's OPEC meeting is taking the strength out of Brent. OPEC itself estimated that a rebalancing would only happen by mid 2018, likely on the assumption of full compliance with the production cut deal.

Markets in Charts

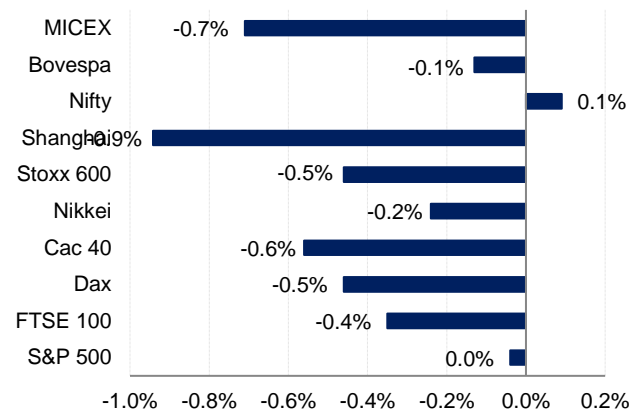
Global Bond Yields



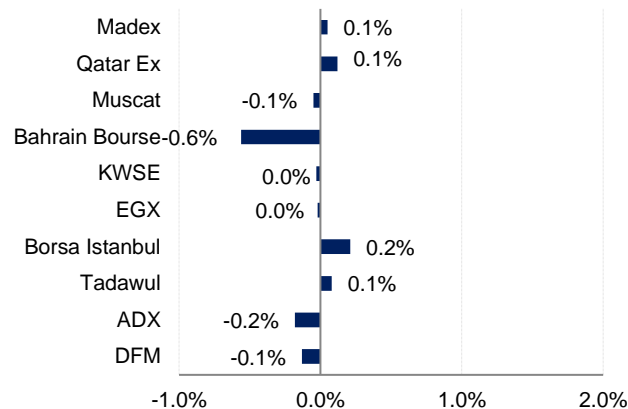
UAE liquid bond index



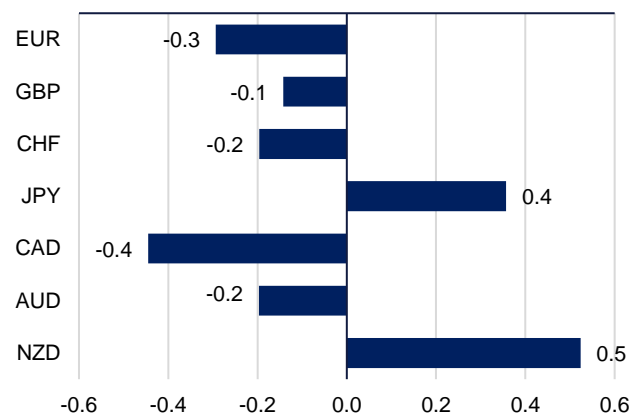
Global Equity Indices



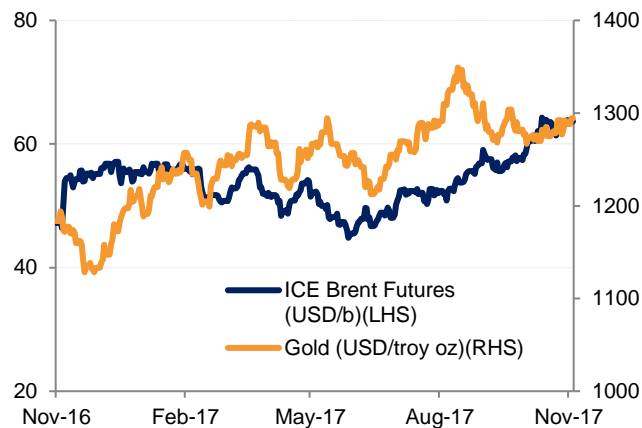
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1898	-0.29	1.2189	USDTRY	3.9056	-1.26	EURAED	4.3701	-0.29
GBPUSD	1.3318	-0.14	1.3487	USDEGP	17.7188	+0.01	GBPAED	4.8917	-0.07
USDJPY	111.09	-0.39	108.65	USDSAR	3.7502	--	JPYAED	0.0331	+0.38
USDCAD	1.2769	+0.45	1.2714	USDQAR	3.6800	+1.07	CADAED	2.8765	-0.43
AUDUSD	0.7602	-0.20	0.7596	USDKWD	0.3015	-0.23	AUDAED	2.7922	-0.19
USDCHF	0.9817	+0.22	0.9543	USDBHD	0.3776	-0.05	CHFAED	3.7418	-0.27
EURGBP	0.8934	-0.15	0.9038	USDOMR	0.3850	--	TRYAED	0.9400	+1.22
USDAED	3.6730	--	3.6785	USDINR	64.5700	-0.20	INRAED	0.0570	+0.11

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3362	1.6232	1.8698	2.3510	USD 2 yr	1.920	-0
USD LIBOR	1.3376	1.4676	1.6539	1.9361	USD 5 yr	2.113	-2
GBP LIBOR	0.4968	0.5230	0.5803	0.7736	USD 10 yr	2.321	-2
JPY LIBOR	-0.0187	-0.0242	0.0137	0.1123	EUR 2 yr	-0.187	-2
CHF LIBOR	-0.7840	-0.7510	-0.6548	-0.5276	EUR 5 yr	0.202	-2
					EUR 10 yr	0.805	-2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1294.52	+0.48	ADGB 6.75 19	1.90	-0	Abu Dhabi	65	-1
Silver	17.05	-0.14	DUGB 7.75 20	2.56	-4	Dubai	153	--
Oil (WTI)	58.11	-1.42	QATAR 6.55 19	2.02	-4	Qatar	102	--
Aluminium	2119.75	+0.12	US Tsy 2 yr	1.74	-0	Saudi Arabia	89	--
Copper	6915.50	-0.92	US Tsy 10 yr	2.33	-1	Bahrain	272	-2

Source: Bloomberg, Emirates NBD Research

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