



بنك الإمارات دبي الوطني
Emirates NBD

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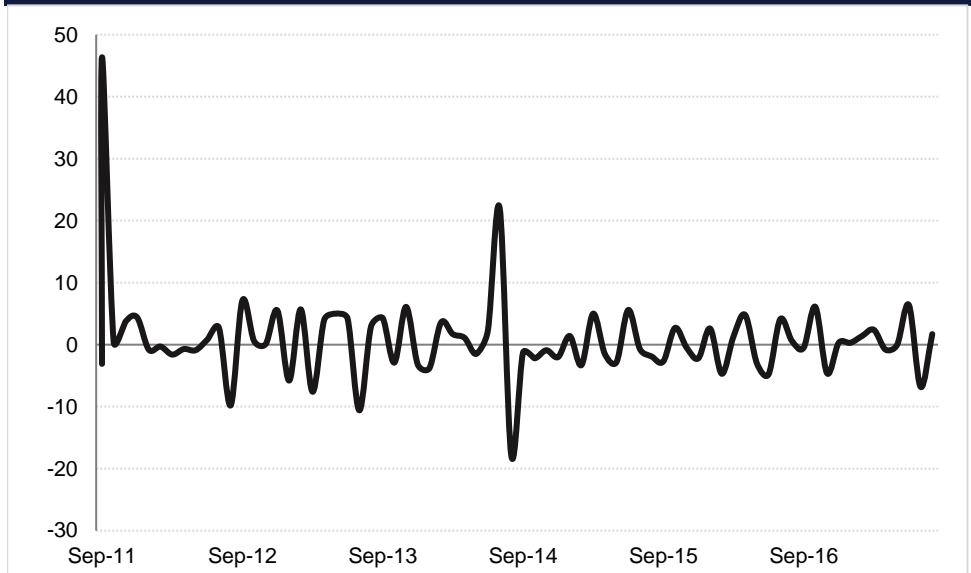
Daily Outlook

In the US new orders for durable goods advanced 1.7% in August, much stronger than the consensus estimate of a 1.0% increase. This gain follows a 6.8% decline in July. The increases in new orders and shipments last month were broad-based, with outsized gains in motor vehicles and parts, which may have stemmed from anticipation of hurricane-related damage. Orders of computers and electronics were strong, mostly a function of Apple's latest iPhone. These trends, combined with higher demand for electrical equipment, metals and machinery needed for reconstruction efforts in Texas, Florida, Louisiana, and other related areas, is expected to bolster economic growth in the second half.

Overhauled tax plan tabled in the US senate yesterday proposed material changes including sizeable cuts in corporate and individual tax rate, repealing of estate tax and increasing deductible expenses etc. Corporates will be afforded write-off of capital expenditure for at least five year. **The proposed tax plan could cost the government up to \$3tn.** But this is just an initial proposal and, if the passage of earlier large tax bills is any guide, the tax cuts will be scaled back before a final bill is passed.

Saudi Arabia raised \$12.5bn from its second dollar bond sale this year as the kingdom bolsters its finances amid an economic overhaul. The government sold \$3 billion in five and half year notes, \$5 billion of the 10.5 year tranche and \$4.5 billion of the 30-year offering. In addition to the current offering, the Saudi government has previously raised circa \$18.8 billion in debt via issuance of 37 billion riyals (\$9.8bn) worth of bonds in the domestic SAR denominated market and \$9 billion in USD denominated sukuk done earlier in the year, taking the total public debt raising this year to \$31.3 billion which will be used to fund circa \$53 billion of budget deficit projected for this year.

US Durable Goods Orders



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
US Core PCE (QoQ)	16:30	0.9%	US Initial jobless claims	16:30	270k
US GDP annualised (QoQ)	16:30	3.10%	GE CPI (YoY)	16:00	1.80%

Source: Bloomberg

Fixed Income

Treasuries drifted lower as speculation over the tax reform plan continued to weigh. The curve steepened with 5s30s ending the day wider by 4 bps. Overall, yields on the 2y USTs increased by 4 bps to 1.47% and on 10y USTs by 8 bps to 2.31%.

While another issue from the Kingdom of Saudi Arabia weighed on the regional bond markets, it tended to track moves in benchmark yields. The YTW on the Bloomberg Barclays GCC Credit and High Yield index increased by 3 bps to 3.48% even as credit spread tightened by 3 bps to 159 bps.

Saudi Arabia raised USD 12.5bn from its second USD bond sale this year. The government sold USD 3bn in 5y, USD 5bn in 10y tranche and USD 4.5bn in 30y tranche. The 5y, 10y and 30y were priced 110bps over USTs, 145bps over USTs and 180 bps over USTs respectively. Yields on the current 26s rose 6 bps to 3.47%.

FX

Dollar strength persisted yesterday thanks to better than expected data out from the US. CAD was a significant loser against the greenback as the fizz is coming out of the recent oil rally while GBP failed to move higher despite the Bank of England's chief economist saying the MPC was getting close to deciding on withdrawing some stimulus from the market.

As we go to print, the Dollar Index currently trades at 0.26% higher at 93.61. This potential rise for a fifth consecutive day as well as the two previous closes above the 50 day moving average (92.904) reinforce the possibility of the current reversal of the daily downtrend persisting. The most likely scenario ahead is for further gains towards 94.03, the 23.6% one year Fibonacci retracement.

Equities

Developed market equities closed higher amid speculation that Donald Trump will manage to push through the tax overhaul code this year. The S&P 500 index and the Euro Stoxx 600 index gained +0.4% each.

It was a relatively weak day of trading for regional equities with all major indices drifting lower. The Qatar Exchange gave up almost all its recent gains with the index losing -1.7%. Elsewhere it was rather quiet amid lack of corporate news flow.

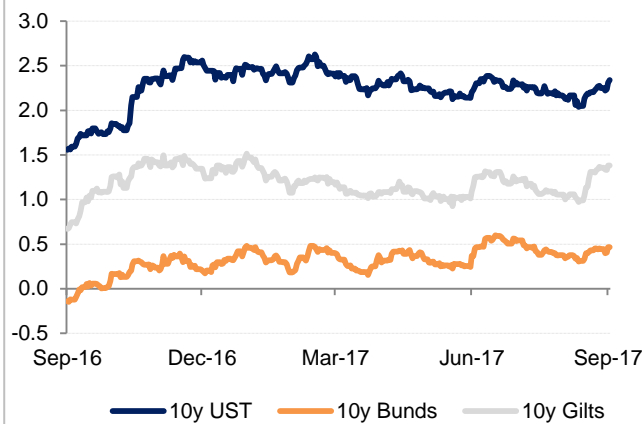
Commodities

A mixed picture for oil markets following this week's EIA data. Brent futures closed down 0.9% and are now trading back below USD 58/b while WTI managed to sneak higher, closing just a little over USD 52/b. EIA data showed a draw in overall crude stocks of 1.8m bbl while gasoline stocks built, suggesting the effects of hurricanes at the end of August are now well behind the market. US production rose 37k b/d last week to more than 9.54m bbl.

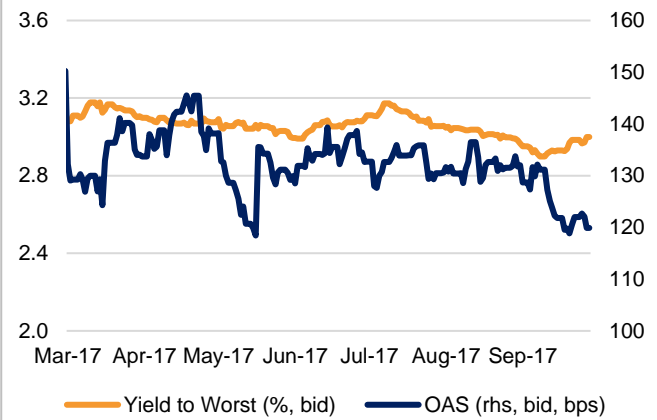
The backwardation in the Brent curve persists but has tightened marginally, particularly on Dec spreads. Nevertheless with calendar 2018 strips holding above USD 56/b we suspect there will be some eager hedging activity as producer seek to take advantage of higher prices.

Markets in Charts

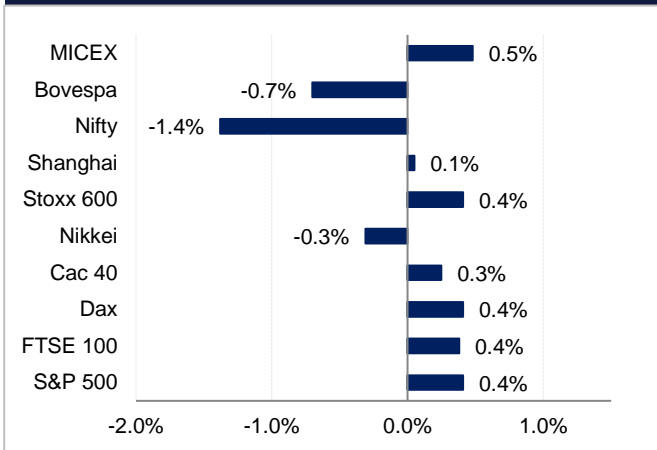
Global Bond Yields



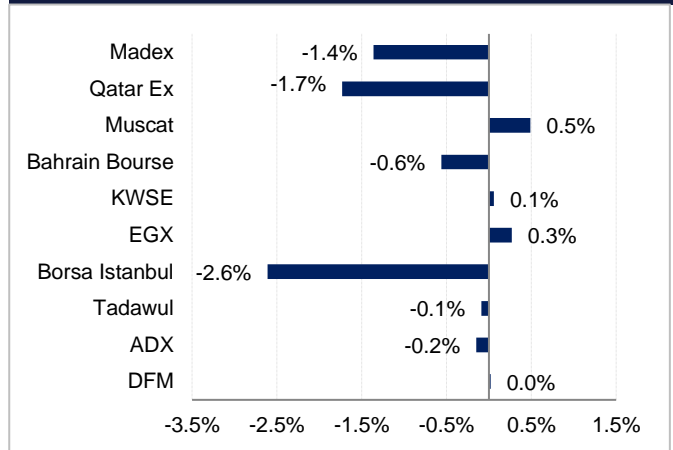
UAE liquid bond index



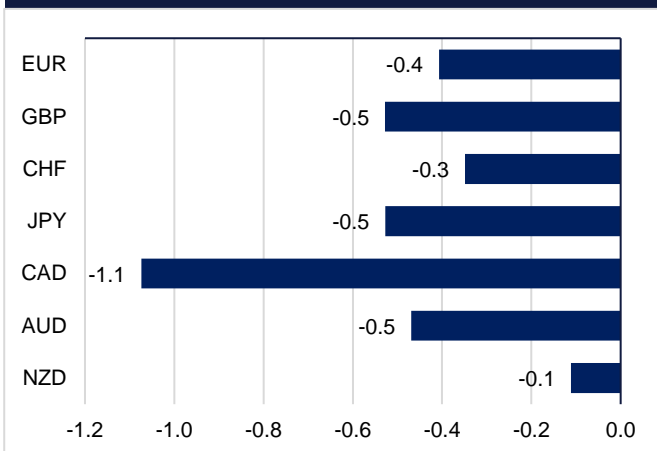
Global Equity Indices



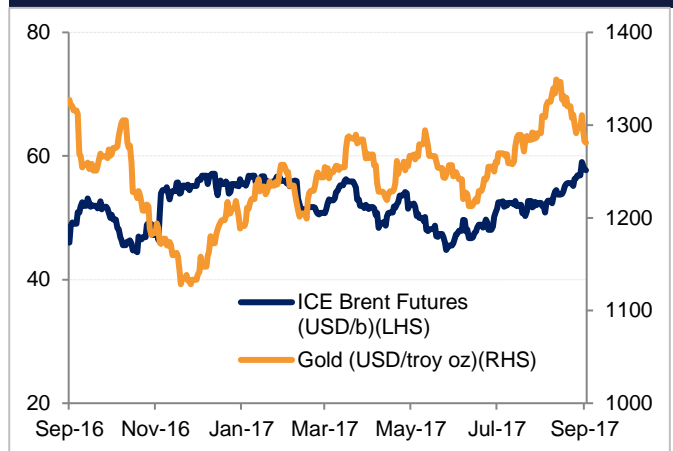
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1745	-0.41	1.2006	USDTRY	3.5771	+0.99	EURAUD	4.3137	-0.41
GBPUSD	1.3387	-0.53	1.3534	USDEGP	17.6560	+0.08	GBPAED	4.9170	-0.53
USDJPY	112.84	+0.53	110.56	USDSAR	3.7502	+0.00	JPYAED	0.0326	-0.50
USDCAD	1.2477	+1.04	1.2469	USDQAR	3.6800	+0.25	CADAED	2.9437	-1.06
AUDUSD	0.7849	-0.47	0.7819	USDKWD	0.3021	+0.08	AUDAED	2.8829	-0.46
USDCHF	0.9721	+0.35	0.9471	USDBHD	0.3772	--	CHFAED	3.7783	-0.35
EURGBP	0.8774	+0.13	0.8872	USDOMR	0.3850	+0.02	TRYAED	1.0300	-0.67
USDAED	3.6729	-0.00	3.6794	USDINR	65.8700	+0.64	INRAED	0.0560	-0.28

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3472	1.5578	1.7887	2.1695	USD 2 yr	1.728	+2
USD LIBOR	1.2344	1.3308	1.4971	1.7757	USD 5 yr	1.989	+6
GBP LIBOR	0.2514	0.3259	0.4799	0.7153	USD 10 yr	2.270	+7
JPY LIBOR	-0.0475	-0.0326	0.0006	0.1047	EUR 2 yr	-0.166	+1
CHF LIBOR	-0.7852	-0.7260	-0.6492	-0.5106	EUR 5 yr	0.248	+4
					EUR 10 yr	0.902	+5

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1282.78	-0.87	ADGB 6.75 19	1.88	+6	Abu Dhabi	63	--
Silver	16.77	-0.28	DUGB 7.75 20	2.55	+0	Dubai	147	-2
Oil (WTI)	52.14	+0.50	QATAR 6.55 19	2.05	+3	Qatar	101	+1
Aluminium	2106.25	+0.25	US Tsy 2 yr	1.47	+4	Saudi Arabia	90	--
Copper	6390.00	+0.58	US Tsy 10 yr	2.31	+7	Bahrain	243	+2

Source: Bloomberg, Emirates NBD Research

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Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O.Box 777
Dubai

Jonathan Morris
General Manager Wholesale Banking
JonathanM@emiratesnbd.com

Aazar Ali Khwaja
Group Treasurer & EVP Global Markets & Treasury
+971 4 609 3000
aazark@emiratesnbd.com

Tim Fox
Head of Research & Chief Economist
+9714 230 7800
timothyf@emiratesnbd.com

Research

Khatija Haque
Head of MENA Research
+9714 230 7803
khatijah@emiratesnbd.com

Anita Yadav
Head of Fixed Income Research
+9714 230 7630
anitayb@emiratesnbd.com

Shady Shafer Elborno
Head of Macro Strategy
+9714 2012300
shadyb@emiratesnbd.com

Athanasios Tsetsonis
Sector Economist
+9714 230 7629
athanasiost@emiratesnbd.com

Edward Bell
Commodity Analyst
+9714 230 7701
edwardpb@emiratesnbd.com

Mohammed Altajir
Manager, FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

Aditya Pugalia
Analyst
+9714 230 7802
adityap@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
Tariq Chaudhary
+971 4 230 7777
tariqmc@emiratesnbd.com

Saudi Arabia Sales
Numair Attiyah
+966 11 282 5656
numaira@emiratesnbd.com

Singapore Sales
Supriyakumar Sakhalkar
+65 65785 627
supriyakumars@emiratesnbd.com

London Sales
+44 (0) 20 7838 2241
vallancel@emiratesnbd.com

Egypt
Gary Boon
+20 22 726 5040
garyboon@emiratesnbd.com

Emirates NBD Capital

Ahmed Al Qassim
CEO- Emirates NBD Capital
AhmedAQ@emiratesnbd.com

Hitesh Asarpota
Head of Debt Capital Markets.
+971 50 4529515
asarpotah@EmiratesNBD.com

Investor Relations

Patrick Clerkin
+9714 230 7805
patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com