



بنك الإمارات دبي الوطني
Emirates NBD

Daily
29 August 2018

www.emiratesnbdresearch.com

Daily Outlook

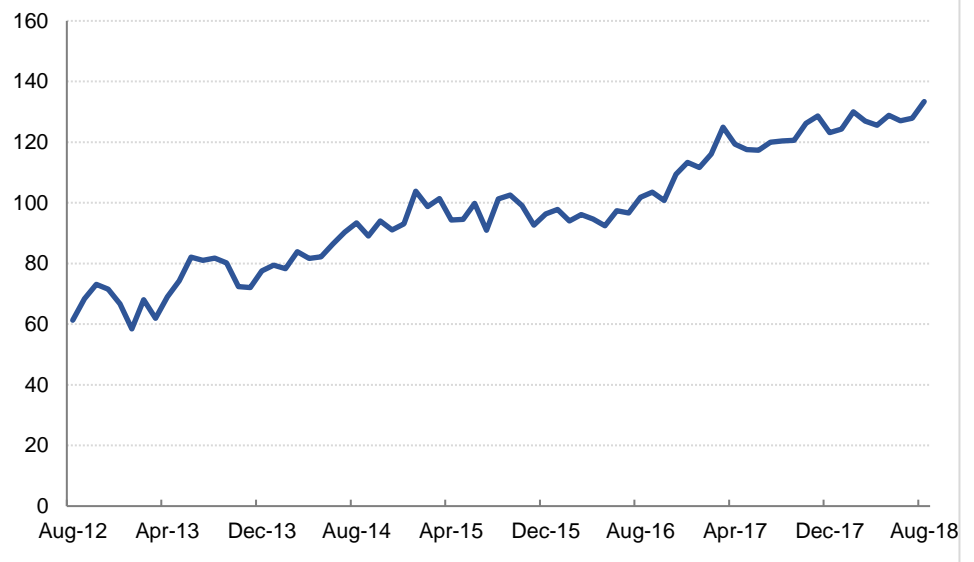
US economic data was largely better than expected overnight, with the exception of the (goods) trade deficit which widened in July to -USD 72.2bn from -USD 67.9bn in June. Although exports rose 9.5% y/y, imports were up 10.3% y/y. **However, US consumer confidence surged to an 18-year high of 133.4 in August, reflecting extremely favourable labour market conditions.** Both the current conditions index and the expectations index rose sharply, and the survey showed consumers intending to increase purchases this month. The **Richmond Fed Manufacturing Index also rose** by more than expected this month, reaching 24 points; the highest reading since February.

Economic data in the Eurozone was a little less positive, with M3 growth slowing to 4.0% in July and Italian consumer confidence and business sentiment softening in August. **Japanese consumer confidence (released this morning) was also marginally softer** than in July. The data calendar is relatively light today, with the second estimates for French and US GDP growth in Q2 and US pending home sales the highlights.

Canada's NAFTA talks with the US are scheduled to resume today, with the market appearing to be cautiously optimistic that a deal will be reached – CAD has strengthened further overnight. However, even if agreement is reached with North American trade partners, the trade tensions with China are unlikely to be resolved in the near term, with no further talks scheduled and another round of tariffs on USD 200bn worth of Chinese imports still under consideration for September.

Consumer prices in Saudi Arabia rose 0.1% m/m and 2.2% y/y in July, slightly higher than the June reading. The main driver was higher food prices (0.9% m/m) although this was partially offset by declining housing (-0.5% m/m) and clothing & footwear (-0.4% m/m) costs. After rising sharply on the introduction of VAT in January, inflation has moderated faster than we anticipated in H1 2018.

US Consumer Confidence at 18-year high



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
France Q2 GDP (2 nd estimate)	10.45	1.7%	US Q2 GDP (2 nd estimate)	16:30	4.0%
US Pending Home Sales (y/y)	18:00	-2.5%			

Source: Bloomberg

Fixed Income

Strong consumer confidence data out of the US boosted the case for continued growth and higher inflation in the US, thereby causing UST yield curve to inch upwards. Yields on 2yr, 5yr and 10yr USTs closed at 2.66% (+2bps), 2.77% (+3bps) and 2.88% (+3bps) respectively. Yields on the European government bonds also edged slightly higher with 10yr Gilt and Bund yields closing at 1.45% (+3bps) and 0.38% (+0.5bp) respectively.

Higher risk appetite supported credit spread tightening with CDS levels on US IG and Euro Main closing a bp higher at 59bps and 66bps respectively. Regionally GCC bonds moved in a tight range. Average yield on Barclays GCC bond index reduced a bp to 4.42% as credit spreads tightened four bps to 169bps.

GCC primary market remains subdued. Looking ahead, National Bank of Oman is believed to have mandated banks for a dollar denominated bond. Yield on NBOBOM 19s has remained largely unchanged in the recent past at 3.90%

FX

There was little change in the Bloomberg spot dollar index overnight. CAD strengthened about a quarter of a percent against the USD as the market appears to reflect optimism that a deal on trade with the US will be reached.

Emerging market currencies are slightly weaker this morning with TRY down nearly half a percent.

Equities

US markets closed largely unchanged overnight, despite strong consumer confidence and manufacturing survey data. The UK's FTSE 100 index was Europe's best performer, catching up after being closed on Monday. Asian equity indices have opened in the green this morning, except for the Shanghai composite which is a touch lower as of this writing.

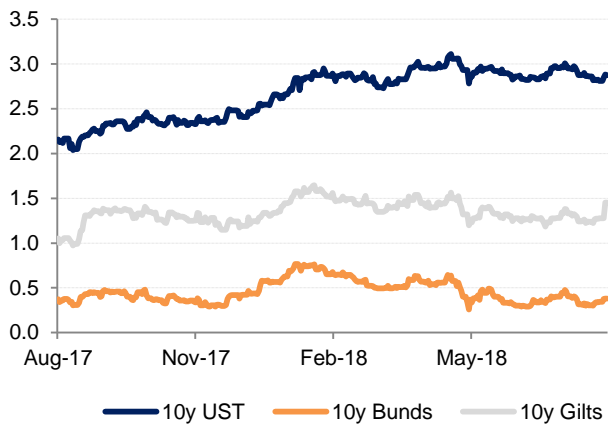
Regional GCC bourses were mixed yesterday. Weakness in real estate shares caused DFM to close lower by -0.42% though strength in banking shares boosted Abu Dhabi exchange up by +0.36%. Tadawul and Qatar exchanges were in the green, rising by +0.46% and +0.57% yesterday while Bahrain was marginally down.

Commodities

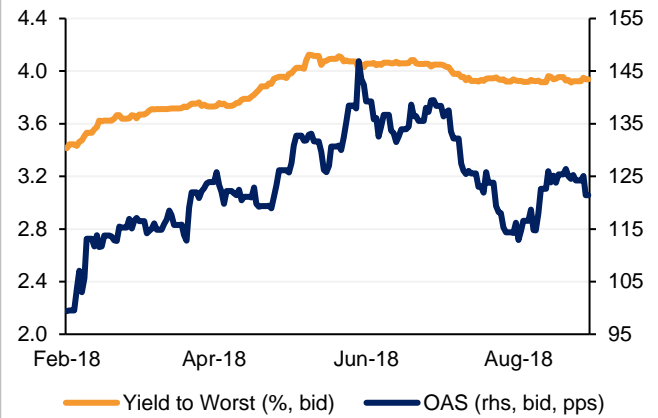
Oil prices weakened overnight with few fundamental catalysts to shift the market. Brent futures closed down 0.3% at USD 75.95/b while WTI gave up nearly 0.5% to finish the day at USD 68.53/b. Precious metals markets were also softer on the day with gold prices falling 0.8% and platinum giving up 1.75%.

Markets in Charts

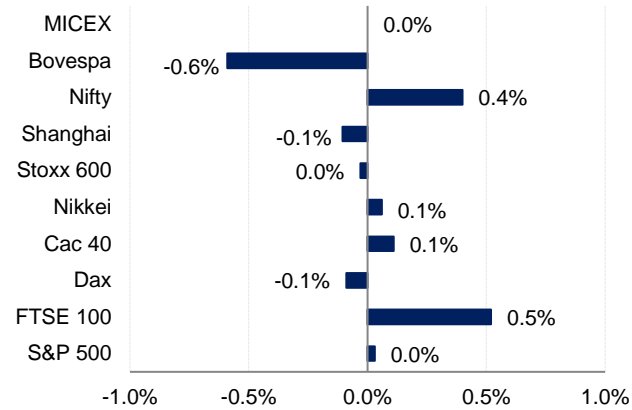
Global Bond Yields



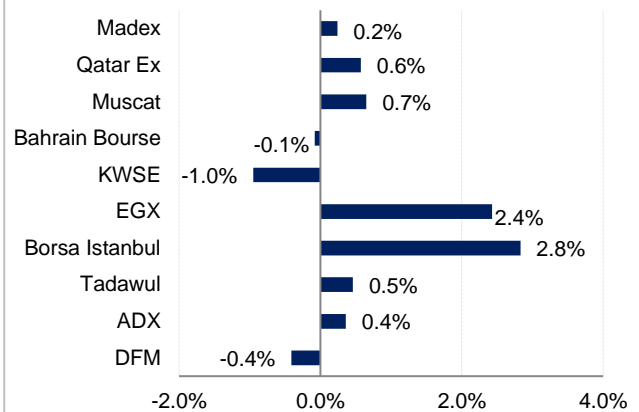
UAE liquid bond index



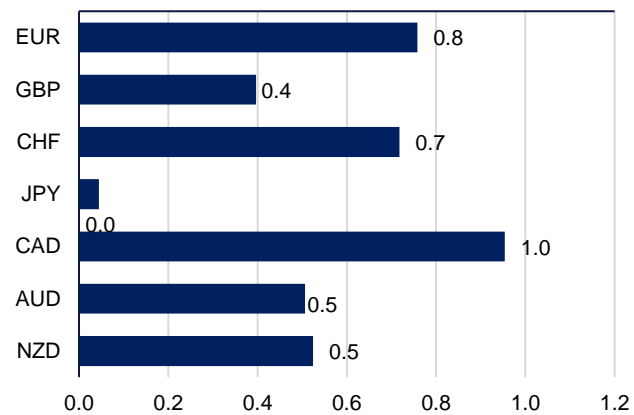
Global Equity Indices



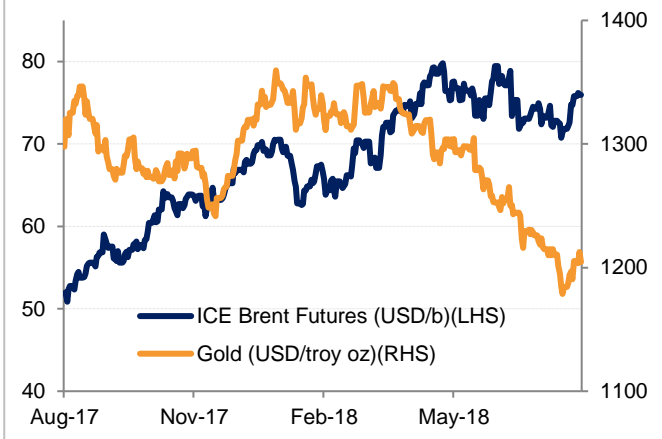
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1698	+0.76	1.2066	USDTRY	6.2330	-0.38	EURAED	4.2967	+0.76
GBPUSD	1.2896	+0.40	1.3124	USDEGP	17.9285	+0.02	GBPAED	4.7370	+0.41
USDJPY	111.07	-0.05	107.83	USDSAR	3.7506	--	JPYAED	0.0331	+0.05
USDCAD	1.2941	-0.95	1.2871	USDQAR	3.6800	+0.67	CADAED	2.8382	+0.96
AUDUSD	0.7348	+0.51	0.7374	USDKWD	0.3027	-0.08	AUDAED	2.6989	+0.51
USDCHF	0.9765	-0.71	0.9428	USDBHD	0.3773	+0.01	CHFAED	3.7613	+0.71
EURGBP	0.9071	+0.36	0.9194	USDOMR	0.3850	+0.06	TRYAED	0.5900	+0.50
USDAED	3.6730	--	3.6765	USDINR	70.1050	-0.08	INRAED	0.0552	+5.48

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.2846	2.6213	2.8311	3.2665	USD 2 yr	2.824	+2
USD LIBOR	2.0749	2.3148	2.5283	2.8281	USD 5 yr	2.878	+3
GBP LIBOR	0.7230	0.8064	0.8992	1.0452	USD 10 yr	2.927	+3
JPY LIBOR	-0.0752	-0.0320	0.0248	0.1375	EUR 2 yr	-0.148	+0
CHF LIBOR	-0.7766	-0.7256	-0.6494	-0.5180	EUR 5 yr	0.284	+0
					EUR 10 yr	0.885	+0

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1201.00	-0.86	ADGB 6.75 19	2.42	--	Abu Dhabi	62	--
Silver	14.95	+1.26	DUGB 7.75 20	3.46	+1	Bahrain	339	+1
Oil (WTI)	68.53	-0.49	QATAR 6.55 19	2.59	-1	Dubai	122	-1
Aluminium	2110.00	+1.80	US Tsy 2 yr	2.67	+2	Qatar	82	--
Copper	6135.00	+0.71	US Tsy 10 yr	2.88	+3	Saudi Arabia	80	+1

Source: Bloomberg, Emirates NBD Research

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