



# Daily

29 November 2016

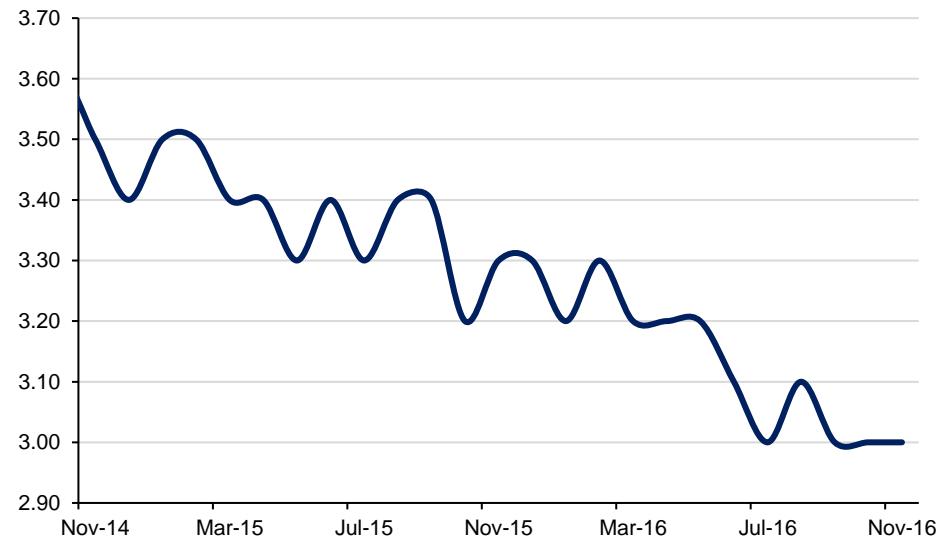
# Daily Outlook

**Japan's unemployment rate held steady in October at 3.0 percent, unchanged from the previous month and in line with markets estimates.** While availability of jobs improved, this has largely been due to its shrinking labour force and a shortage of workers in a number of key sectors. Household spending, which has been falling since March, fell at a slower pace. Japanese consumers are turning more cautious given there is little gains in real wages and worries about how the Bank of Japan's negative interest rate policy would affect the pension system.

**European Central Bank President Mario Draghi, said stalling recovery would be the biggest risk facing the euro zone's economy ahead of a key policy decision on December 8.** The ECB is due to decide on that day whether to extend its 1.74-trillion-euro (\$1.84-trillion) bond-buying programme beyond March. Hoping to bring euro zone inflation back to its target of almost 2 percent, the ECB has pushed its benchmark interest rate below zero, bought 80 billion euros of bonds a month and given free loans to banks. While inflation is slowly picking up it currently stands at 0.5%. Draghi said the ECB would look for ways to preserve "very substantial" stimulus when they meet on Dec. 8 and assess different options for their bond-buying programme.

**Kuwait's opposition candidates have won a higher number of seats following the latest election over the weekend.** Only 20 MPs from the previous parliament managed to hold onto their seats. The voting reflected anger at austerity measures to restrain the budget deficit. While the government has been using executive power to pass through reforms, the latest elections could make it harder for the government to work with the new assembly.

## Japanese jobless rate remains at 3% in October



Source: Bloomberg, Emirates NBD Research.

## Day's Economic Data and Events

	Time	Cons		Time	Cons
Q3 France GDP y/y	11:45	1.1%	Q3 US GDP Annualized q/q	17:30	3.0%
EZ Economic Confidence	14:00	106.8	Q3 US Personal Consumption	17:30	2.3%
Germany CPI m/m	17:00	0.1%	US Consumer Confidence Index	19:00	101.5

Source: Bloomberg.

## Fixed Income

Fixed income markets saw soaring of developed markets sovereign bonds amid restrained investor sentiment. Yields on 2yr and 10yr treasuries narrowed to 1.10% (-2bps) and 2.31% (-4bps) respectively. Sentiment on European sovereign bonds also turned cautious ahead of the Italian referendum next week. 10yr Gilt and Bund yields closed lower at 1.37% (-4bps) and 0.20% (-4bps) respectively.

Cash corporate bonds in the developed benefited from falling benchmark yields and closed in green, however risk-off sentiment saw CDS levels on US IG and Euro Main both increased a bp to 74bps and 83bps respectively.

GCC bonds remained stable amid falling benchmark yields being offset by rising credit spreads as oil prices remained under slight pressure from depleting hopes about any production freeze agreement at the OPEC meeting tomorrow. Average spreads on Bloomberg Barclays GCC bond index rose three bps to 147bps while those on liquid UAE bonds closed up by 4bps to 156bps. That said, high beta names such as SECO, DARALA, DAMAC etc continued to benefit from tightening credit spreads and closed up by more than half a point.

Primary market is likely to see Islamic Development Bank doing investor rounds this week after mandating banks for a benchmark 5yr USD sukuk offering.

## Equities

As the US returned to work with full bellies after Thanksgiving the markets look to be suffering from some indigestion. All the main US indices closed lower yesterday, the S&P 500 dropping 0.5% and the NASDAQ down 0.6%. Equity markets will be watching today's personal consumption and consumer confidence data closely to see if the financial markets' enthusiasm for a Trump presidency has spread into consumer purchases.

Local equity markets closed lower, the DFM down 0.8% and the ADX General giving up nearly 1%. By contrast, the Tadawul gained more than 0.8%.

## FX

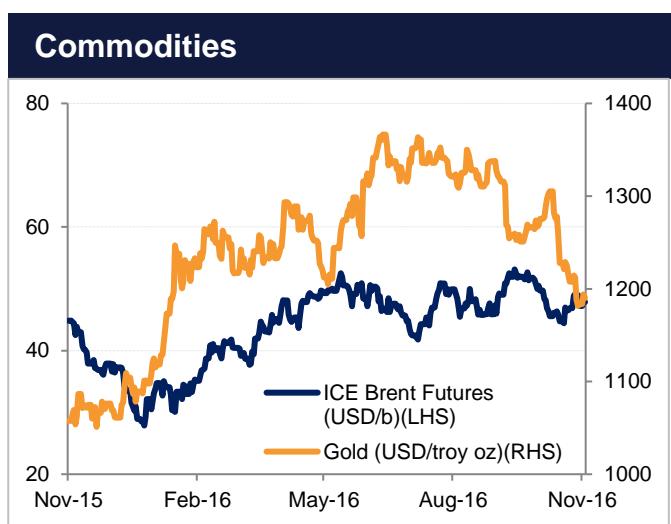
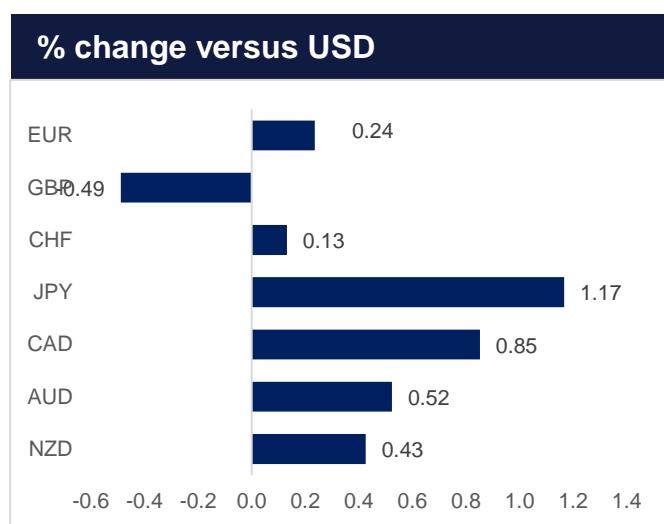
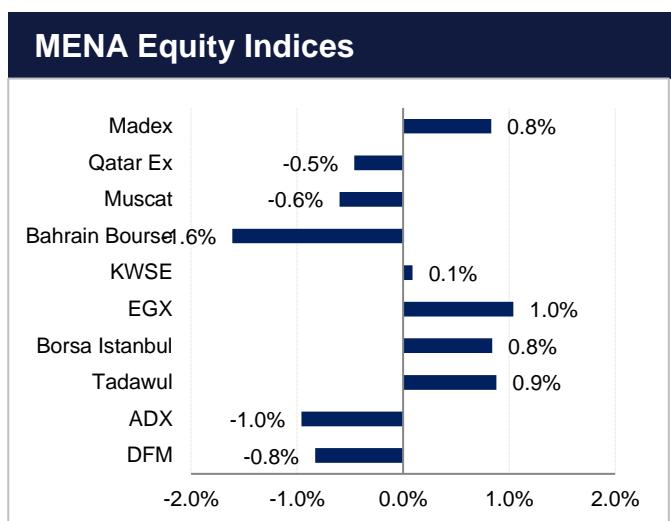
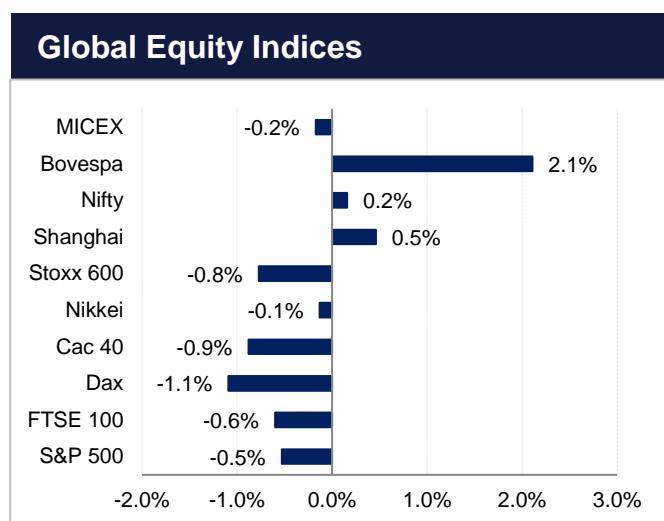
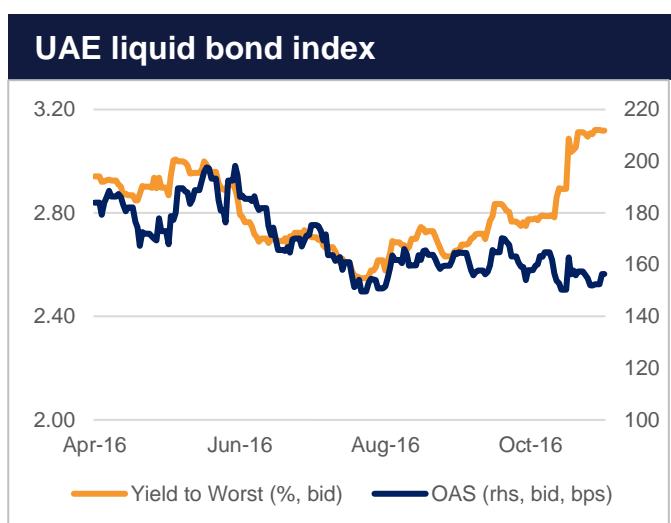
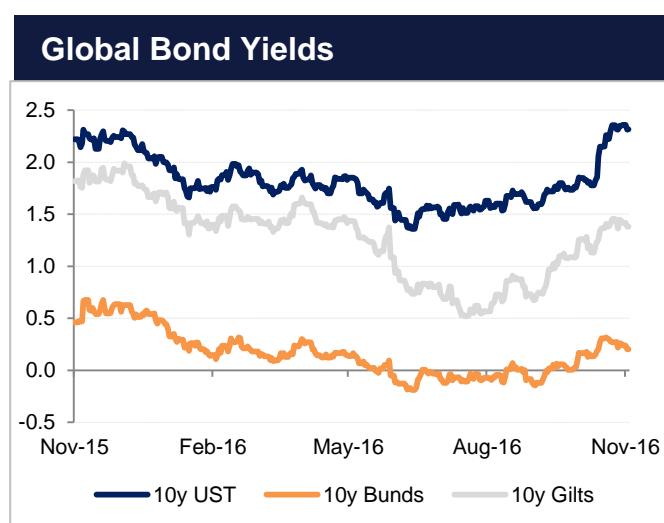
USD trades firmer against the other majors this morning, with Dollar Index currently trading at 101.36. These gains take the index back above its 10 day MA (101.217) and almost negate all of Monday's decline, taking it close to where the Index started the week (101.39).

It is worth noting that while USD still looks bullish, the 14 day RSI (Relative Strength Index) is still showing the dollar as slightly overbought. Based on our technical observations and expectations for Q3 US GDP to be revised firmer this afternoon (from 2.9% to 3.0%), we anticipate further dollar strength in the days ahead and see further dips in the USD as buying opportunities.

## Commodities

Oil markets were all over the place to start the week but still managed to end more than 2% higher. Brent closed over USD 48/b and WTI just above USD 47/b. Consensus within OPEC over production cuts still remains fleeting as a 10 hour meeting of members ended with no result. With OPEC's official meeting tomorrow, time is growing increasingly short for a deal to get full sign off from all members, let alone negotiating a deal that could be presented to governments. If the bloc does manage to get a deal we expect there would be a sharp jerk upward in prices but with a reasonably hard ceiling in the high USD 50s as the market prices back in the return of US shale oil.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0614	+0.24	1.0818	USDTRY	3.4154	-1.04	EURAED	3.8977	+0.16
GBPUSD	1.2416	-0.49	1.2529	USDEGP	17.8042	+1.27	GBPAED	4.5604	-0.46
USDJPY	111.94	-1.13	109.78	USDSAR	3.7507	-0.00	JPYAED	0.0328	+1.15
USDCAD	1.3412	-0.79	1.3352	USDQAR	3.6414	+0.00	CADAED	2.7389	+0.82
AUDUSD	0.7482	+0.52	0.7424	USDKWD	0.3049	-0.07	AUDAED	2.7481	+0.55
USDCHF	1.0127	-0.14	0.9882	USDBHD	0.3770	--	CHFAED	3.6256	+0.12
EURGBP	0.8547	+0.59	0.8632	USDOMR	0.3850	+0.00	TRYAED	1.0800	+1.49
USDAED	3.6730	+0.01	3.6860	USDINR	68.6963	+0.33	INRAED	0.0536	-0.06

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.7384	1.4114	1.6716	2.0431	USD 2 yr	1.303	-3
USD LIBOR	0.6059	0.9373	1.2899	1.6451	USD 5 yr	1.770	-5
GBP LIBOR	0.2609	0.3909	0.5560	0.7980	USD 10 yr	2.147	-4
JPY LIBOR	-0.0731	-0.0739	-0.0037	0.1070	EUR 2 yr	-0.164	-1
CHF LIBOR	-0.7874	-0.7464	-0.6750	-0.5054	EUR 5 yr	0.067	-2
					EUR 10 yr	0.613	-3

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1194.00	+0.88	ADGB 6.75 19	1.67	--	Abu Dhabi	69	-2
Silver	16.61	+0.51	DUGB 7.75 20	2.84	-1	Dubai	158	--
Oil (WTI)	47.08	+2.21	QATAR 6.55 19	1.90	+1	Qatar	89	-2
Aluminium	1745.00	-0.70	US Tsy 2 yr	1.10	-2	Saudi Arabia	127	+2
Copper	5865.75	+0.02	US Tsy 10 yr	2.31	-4	Bahrain	332	+1

Source: Bloomberg, Emirates NBD Research

## Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report. The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

# Emirates NBD Research & Treasury Contact List

**Emirates NBD Head Office**  
12thFloor  
Baniyas Road, Deira  
P.OBox777  
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

**Jean Paul Pigat**  
Senior Economist  
+9714 230 7807  
jeanp@emiratesnbd.com

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

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

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

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

**Mohammed Al-Tajir**  
Manager, FX Analytics and Product Development  
+9714 609 3005  
mohammedtaj@emiratesnbd.com

**Shady Shaher Elborno**  
Head of Macro Strategy  
+9714 2012300  
shadyb@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**  
Louis Vallance  
+44 (0) 20 7838 2241  
vallancel@emiratesnbd.com

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

## Group Corporate Affairs

**Ibrahim Sowaidan**  
+9714 609 4113  
ibrahims@emiratesnbd.com

**Claire Andrea**  
+9714 609 4143  
clairea@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  
patrickc@emiratesnbd.com