



بنك الإمارات دبي الوطني
Emirates NBD

Daily
2 October 2017

www.emiratesnbdresearch.com

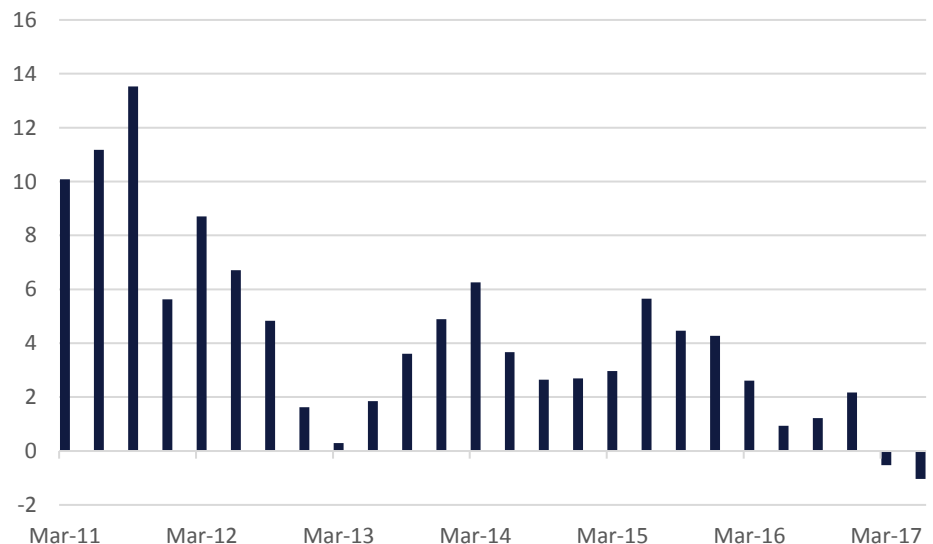
Daily Outlook

Weekend violence in Spain's Catalonia region over an unofficial referendum for independence is making the headlines this morning causing the EUR to struggle. Catalan separatist leaders may declare independence later this week as a result of the vote, which saw 2 million out of 5 million eligible voters support independence although it is unclear what legal basis such a declaration would have. However, it would put the Spanish government and the EU in a quandary about how to react, with the attempt to suppress the referendum playing into the opposition hands by threatening to extend the uncertainty and raising doubts about the authority of the national government. The main focus this week will be US jobs data at the end of the week, although these are likely to have been impacted by Hurricanes Harvey and Irma and may not give a clear picture about growth. Expectations of a US rate hike before the end of the year have risen to 70%, although inflation remains subdued as shown by the dip in the underlying core PCE deflator to 1.3% in August.

Saudi GDP contracted -1.0% y/y in Q2 2017, down from -0.5% y/y in Q1 2017 and +0.9% y/y in Q2 2016. The main driver was a -2.4% decline in oil sector GDP, which was expected given Saudi Arabia's compliance with the OPEC production cuts agreed in November 2016. Of greater interest is the acceleration in non-oil GDP in Q2 2017, which reached 0.8% y/y up from 0.5% in Q1. Financial services grew 1.9% y/y last quarter while manufacturing and utilities expanded 1.6% y/y and 1.1% y/y respectively. We expect non-oil growth to gain momentum in H2 2017.

Kuwait has been added to the FTSE Russell Emerging Market Index, which could trigger inflows estimated between USD 600-800mn to Kuwait's equity market. Kuwait is expected to account for 0.5% of the index. Saudi Arabia was not included in the index on Friday, but will be assessed again in March 2018.

Saudi GDP growth falls further in Q2 (% q/q)



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
Markit Eurozone Manuf. PMI	12:00	58.2	Markit US Manuf. PMI	17:45	53.0
Markit UK PMI Manufacturing	12:30	56.2	ISM Manufacturing	18:00	58.0
EZ Unemployment Rate	13:00	9.0%			

Source: Bloomberg

Fixed Income

Hawkish comments from Federal Reserve Chair, Janet Yellen and supportive economic data out of the US shifted the yield curve on US treasuries upwards with 2yr and 10yr UST yields closing the week at 1.48% (+6bps) and 2.33% (+11bps) respectively. Central banks from the Euro Zone and the UK also appear to be committed to halting their easing bias. Yields on 10yr Gilts and Bunds rose in tandem with USTs, closing the week at 1.36% (+3bps) and 0.46% (+6bps) respectively.

Regional GCC bonds suffered from increasing expectations of a rate hike in the US. Average yield on Barclays GCC bond index rose 6bps to 3.37% even though average credit spreads were narrower by 5bps to 133bps. Shorter dated bonds, including the perpetuals which mostly have call dates between 2018 and 2020, were the main losers. Yields on perpetual securities from FAB, ADIB, GMSEDU, DIB MAF etc widened between 15 to 20bps during the week. That said, high yield bonds such as DARALA, TPZMAR, BHRAIN curve etc outperformed their investment grade counterparts. On the positive front, Dubai Aerospace continued to be well sought by local investors with yield on DUBAEE 22s tightening another 10bps to 4.22% during the week.

FX

The dollar index appreciated last week, broking and closing above the resistive cap of the daily decline that has been in effect since April 10 2017. Furthermore, supporting that this may be the beginning of a reversal in the trend, the index was able to sustain they break of its 50 day moving average (92.878) and close above this key level for the first time since April. Presently sitting at 93.076, while the index stays above this level, we expect further upside with the 23.6% one year Fibonacci retracement of 94.034 being the next hurdle.

Last week's 1.14% decline took the EURUSD below the 50 day moving average (1.1843) and to consecutive daily closes below the supporting baseline of the former daily uptrend. This is the first time that this has happened since April 2017. Further losses in EURUSD were only abated when strong support was found at 1.1717, close to the 200 week moving average (1.1722). Should a sustained break of this level materialise in the coming week, it will catalyse a far greater decline.

Equities

It was a mixed start to the week for regional equities. The Tadawul declined -0.7% after FTSE decided to delay including the index in its secondary emerging market index. The decline was led by market heavyweights with Sabic losing -1.0% and Samba dropping -1.3%.

FTSE also decided that the KWSE index would enter the emerging market index in September 2018. This boosted the index heavyweights with Agility adding +1.2% and National Bank of Kuwait gaining +3.3%.

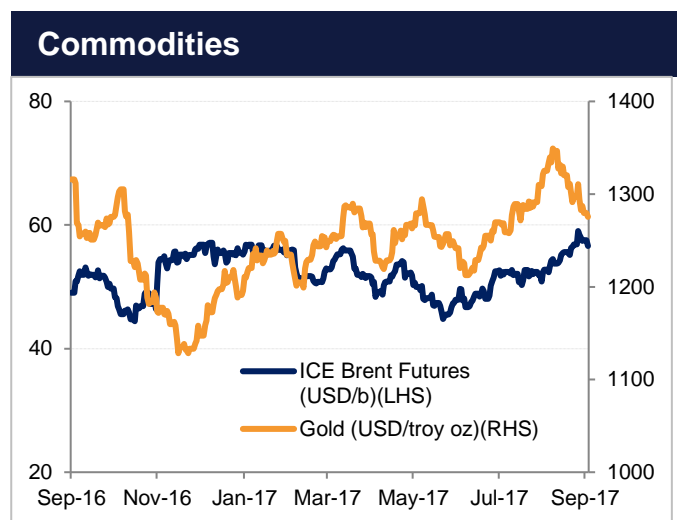
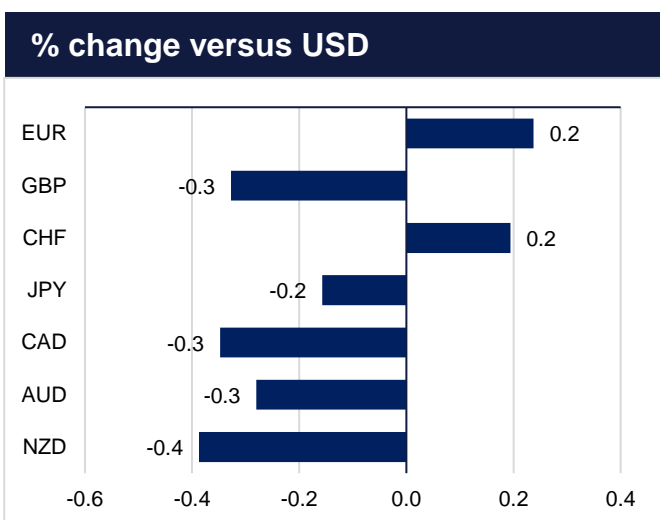
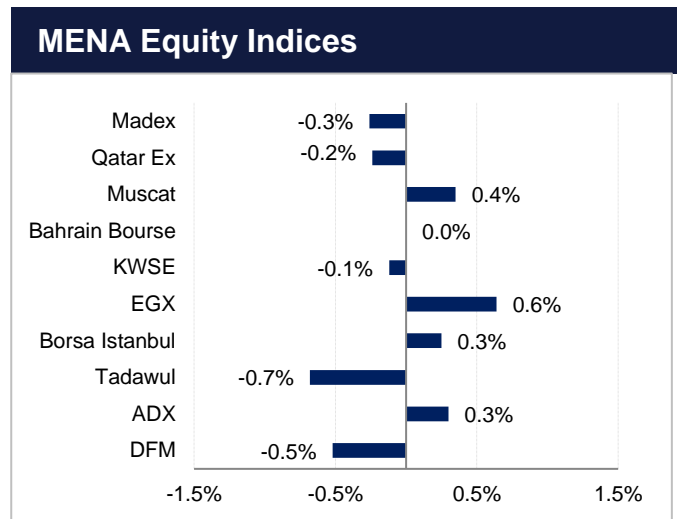
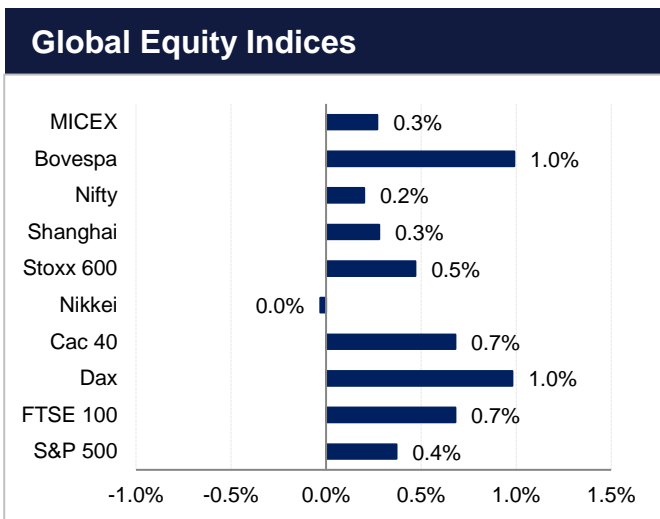
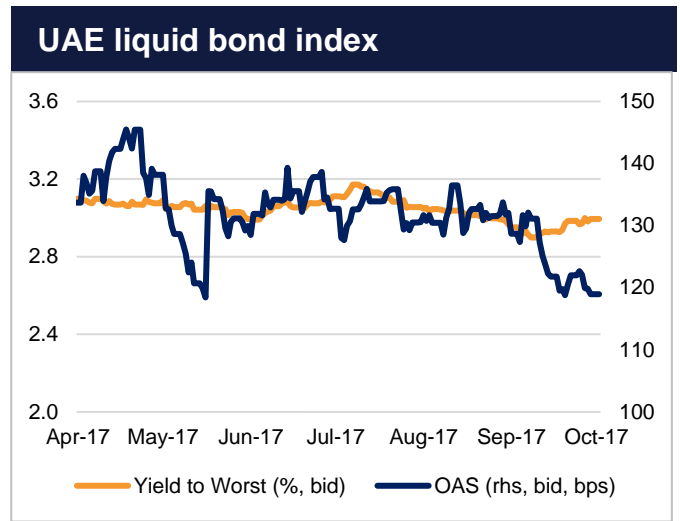
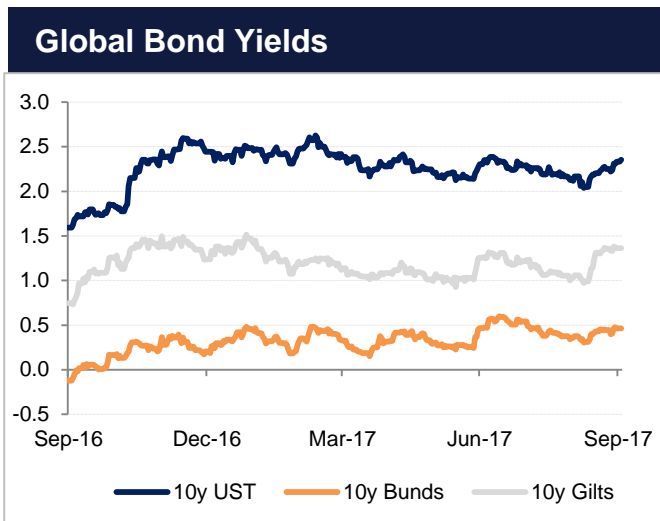
Commodities

Oil markets spent most of last week paying for Monday's exuberance. Despite encroaching on USD 60/b Brent futures ended the week up only 1.2%, closing Friday at less than USD 57/b while WTI added nearly 2% on the week to close at USD 51.67/b. Nevertheless, Brent ended the quarter higher, with the quarterly average up 2.6% on Q2 while WTI was nearer to flat.

Market structures closed generally intact, if a little less topy than they began last week. The backwardation at the front of the Brent curve ended the week at USD 0.20/b for Nov/Dec 2017 while Dec spreads also compressed across 17-18 and 17-19. WTI remains in contango at the front of the curve; Oct-Nov spread closed the week at USD 0.28/b while a muted backwardation is in place from the end of Q1 2018.

Reuters' estimate of September OPEC production rose 50k b/d to 32.86m b/d thanks to sizeable gains from Saudi Arabia, Iraq, Iraq and Libya. Overall compliance among those party to the production cut agreement slipped to less than 86% as Iraq, Algeria and the UAE fell notably short.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1814	+0.24	1.2077	USDTRY	3.5633	+0.11	EURAED	4.3392	+0.23
GBPUSD	1.3398	-0.33	1.3545	USDEGP	17.6420	-0.01	GBPAED	4.9226	-0.29
USDJPY	112.51	+0.15	110.23	USDSAR	3.7502	+0.01	JPYAED	0.0326	-0.15
USDCAD	1.2472	+0.35	1.2461	USDQAR	3.6800	+0.39	CADAED	2.9456	-0.34
AUDUSD	0.7834	-0.28	0.7803	USDKWD	0.3021	+0.01	AUDAED	2.8774	-0.30
USDCHF	0.9683	-0.20	0.9434	USDBHD	0.3772	--	CHFAED	3.7938	+0.20
EURGBP	0.8820	+0.59	0.8919	USDOMR	0.3850	-0.00	TRYAED	1.0300	-0.19
USDAED	3.6728	-0.01	3.6788	USDINR	65.2800	-0.35	INRAED	0.0562	+0.04

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3525	1.5612	1.7885	2.1728	USD 2 yr	1.741	+4
USD LIBOR	1.2322	1.3339	1.5060	1.7823	USD 5 yr	2.004	+3
GBP LIBOR	0.2543	0.3350	0.4909	0.7278	USD 10 yr	2.291	+2
JPY LIBOR	-0.0475	-0.0512	-0.0089	0.1037	EUR 2 yr	-0.166	-1
CHF LIBOR	-0.7826	-0.7260	-0.6488	-0.5106	EUR 5 yr	0.252	+0
					EUR 10 yr	0.910	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1279.75	-0.59	ADGB 6.75 19	1.87	+2	Abu Dhabi	60	-2
Silver	16.65	-1.21	DUGB 7.75 20	2.59	+2	Dubai	147	-2
Oil (WTI)	51.67	+0.21	QATAR 6.55 19	2.07	-1	Qatar	97	--
Aluminium	2080.00	-1.29	US Tsy 2 yr	1.48	+3	Saudi Arabia	86	-1
Copper	6432.25	-0.64	US Tsy 10 yr	2.33	+3	Bahrain	240	-6

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 BY 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
 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
 anitay@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