



بنك الإمارات دبي الوطني
Emirates NBD

Daily
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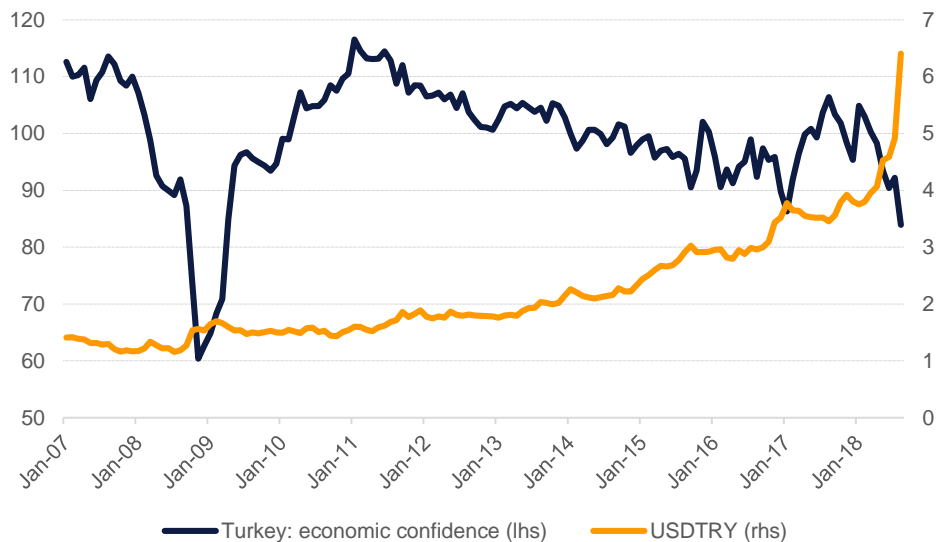
Daily Outlook

A number of Turkish data points were released yesterday, including the trade balance, which showed a deficit of USD 5.98bn in July, representing a y/y decline of 33%. Exports rose 11.6% y/y, while imports declined by 6.7%, likely driven by the sharp decline in the lira in recent months. The currency's decline likely contributed to August's 11.7% growth in visitor arrivals also, although owing to base effects following the 2016 attempted coup, this was in fact the slowest pace of growth since April 2017. **The economic confidence index reading for August was also released, falling to 83.9 from July's 92.2. This was the lowest level since March 2009, reflecting the ongoing economic turbulence in the country.**

US GDP growth in Q2 was revised up to 4.2% on an annualized rate from 4.1% in its previous estimate. That compares with growth of 2.2% in the first quarter. The upward revision reflects better business spending on technology and lower levels imported crude oil and products as production and domestic refineries run at record levels. Expectations for Q3 are for another strong quarter of growth as the impact of new US trade tariffs haven't yet filtered through into the domestic economy.

Markets look to be taking a positive view that a trade deal between Canada and the United States can be achieved following the bilateral agreement the US reached with Mexico earlier this week. Canadian trade officials are still in Washington and appear to be making progress on a few of the issues that had divided the two trading partners, including a potential change to Canada's agricultural supply management system. Both US president Donald Trump and Canada's prime minister Justin Trudeau appeared optimistic that a deal could be achieved by a Friday deadline that would effectively redraft but not completely replace NAFTA, the trilateral agreement between the North American economies.

Turkish economic confidence weakens



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
GE CPI y/y	16:00	2.0%	US core PCE y/y	16:30	2.0%
US personal consumption	16:30	0.4%	CA GDP m/m	16:30	0.1%

Source: Bloomberg, EIKON.

Fixed Income

US treasury yields moved in a narrow range as trade talks and geopolitical issues continued to simmer. Yields on 2yr, 5yr, 10yr and 30yr USTs ended the day close to their opening levels at 2.67% (+1bp), 2.77% (unch), 2.88% (unchanged) and 3.02% (-1bp) respectively.

Regional GCC bond market had little catalyst for change. Yield on Barclays GCC bond index rose a bp to 4.43%, driven by a bp increase in option adjusted credit spreads to 170bps.

USD denominated bonds from Turkey sovereign and banking sector issuers came under renewed pressure yesterday after Moody's downgraded 20 Turkish financial institutions. In contrast, Moody's revised the outlook on Egypt's B3 rating to positive, citing satisfactory progress on reforms.

FX

Sterling rallied sharply overnight, jumping by more than 1% as both the UK and EU negotiators on Brexit made positive commentary on the prospect for a deal. GBP has now moved back to a 1.30 handle and is continuing its upward move this morning. CAD was another positive mover overnight as the prospects for a trade deal between Canada and the US look close as negotiations continue.

Emerging market currencies remain on the back foot, however. The INR weakened to as low as 70.53 against the USD, caught up in a broader negative story for EMs. TRY failed to respond to central bank efforts to normalize support to the economy and continues to weaken this morning while the Argentine peso (ARS) weakened severely as the government has now been forced to turn to the IMF for an emergency release of cash as investor confidence in the economy weakens further.

Equities

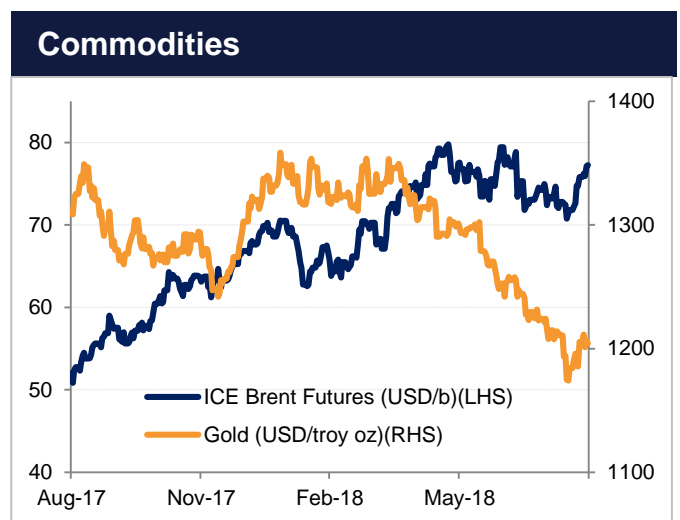
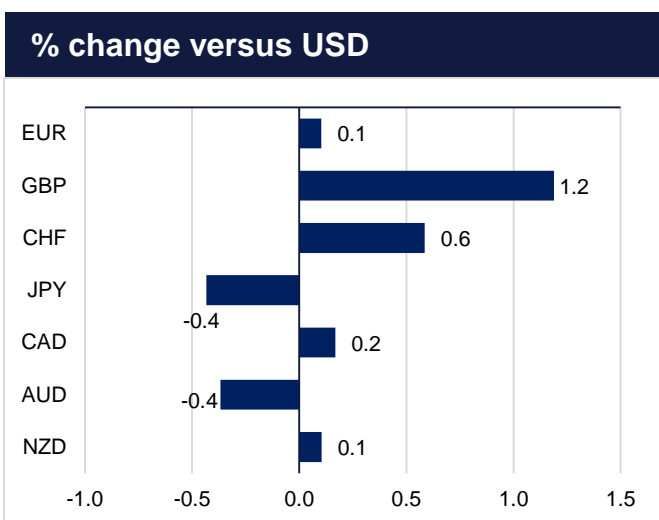
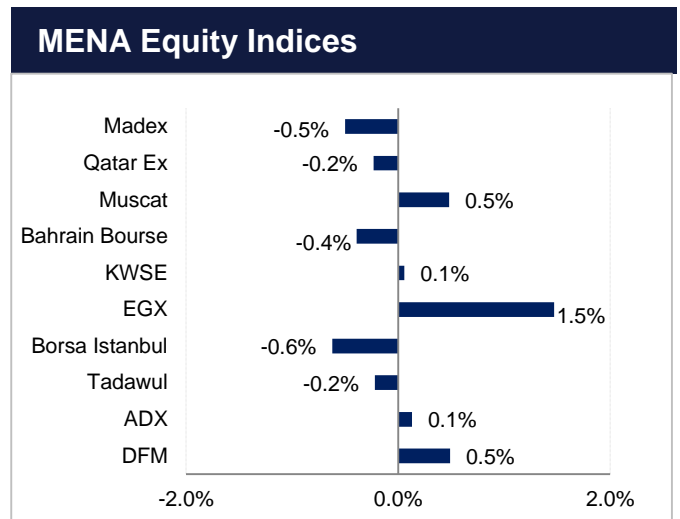
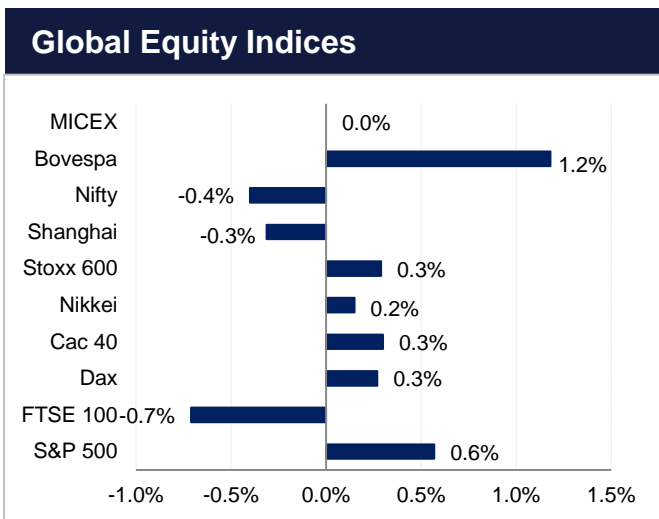
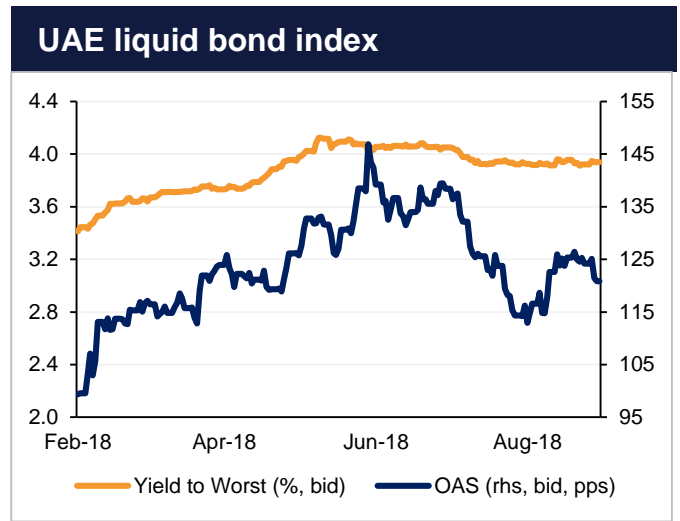
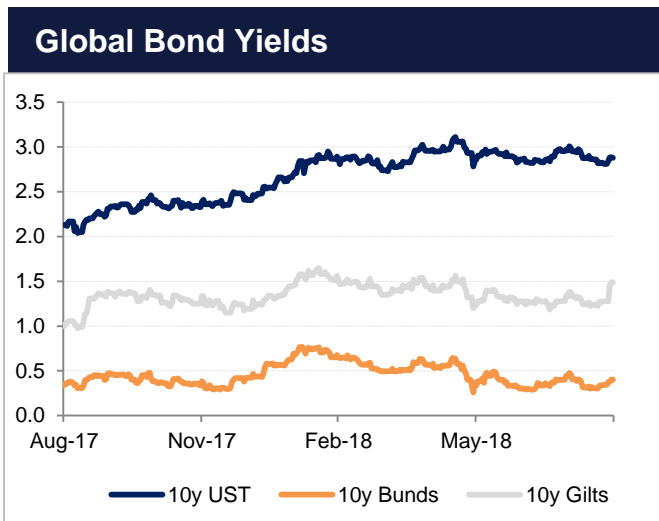
Equity markets were buoyed by the upward revision to US Q2 GDP as well as the prospect of a deal being reached between the US and Canada. The S&P 500 gained almost 0.6% while the FTSE was up more than 0.2%. Asian equity markets are in negative territory to start the day as broader EM concerns continue to weigh on sentiment.

Regional equities traded in a tight range. DFM and Abu Dhabi indices closed up by +0.49% and +0.13% respectively on the back of strength in the blue chip shares like Etisalat, Emaar and FAB. However, Tadawul, Qatar and Bahrain indices suffered mild losses, closing down by -0.22%, -0.23% and -0.39% respectively.

Commodities

Oil prices gained overnight on a larger than expected decline in US crude stocks. Inventories fell by 2.6m bbl according to the EIA, a reversal of the API private sector estimate released earlier in the week. Production held at 11m b/d while refinery demand eased back a touch but still remains quite strong. Brent futures gained 1.57% to close above USD 77/b while WTI added 1.43% to close at USD 69.51/b.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1707	+0.10	1.2077	USDTRY	6.4687	+3.08	EURAED	4.3014	+0.14
GBPUSD	1.3026	+1.19	1.3257	USDEGP	17.6501	-1.42	GBPAED	4.7848	+1.22
USDJPY	111.68	+0.44	108.41	USDSAR	3.7506	--	JPYAED	0.0329	-0.42
USDCAD	1.2907	-0.19	1.2834	USDQAR	3.6800	+1.07	CADAED	2.8455	+0.18
AUDUSD	0.7311	-0.37	0.7338	USDKWD	0.3027	--	AUDAED	2.6848	-0.40
USDCHF	0.9705	-0.59	0.9369	USDBHD	0.3773	--	CHFAED	3.7845	+0.59
EURGBP	0.8988	-1.07	0.9110	USDOMR	0.3850	--	TRYAED	0.5700	-2.62
USDAED	3.6730	--	3.6765	USDINR	70.6513	+0.78	INRAED	0.0552	+5.65

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.2759	2.6100	2.8886	3.2552	USD 2 yr	2.854	+1
USD LIBOR	2.0749	2.3148	2.5283	2.8281	USD 5 yr	2.915	+1
GBP LIBOR	0.7230	0.8064	0.8992	1.0452	USD 10 yr	2.959	+0
JPY LIBOR	-0.0752	-0.0320	0.0248	0.1375	EUR 2 yr	-0.145	+0
CHF LIBOR	-0.7766	-0.7256	-0.6494	-0.5180	EUR 5 yr	0.306	+1
					EUR 10 yr	0.915	+2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1206.60	+0.47	ADGB 6.75 19	2.42	--	Abu Dhabi	61	-1
Silver	14.75	+0.32	DUGB 7.75 20	3.49	+0	Bahrain	338	--
Oil (WTI)	69.51	+1.43	QATAR 6.55 19	2.60	+3	Dubai	122	-1
Aluminium	2146.75	+1.74	US Tsy 2 yr	2.68	+1	Qatar	81	-1
Copper	6073.00	-1.01	US Tsy 10 yr	2.88	+0	Saudi Arabia	80	+1

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
Senior Executive Vice President
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

Aditya Pugalia
Director - Financial Markets Research
+9714 230 7802
adityap@emiratesnbd.com

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

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

Daniel Richards
MENA Economist
+9714 609 3032
danielricha@emiratesnbd.com

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

Hessa Al Khawaja
Research Associate
+9714 609 3015
Hessaalkh@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

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

Emirates NBD Capital

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