



# Daily Outlook

**In response to the North Korea's ballistic missile test, US President Trump said that all options are on the table to deal with North Korea.** This reaction appears more measured than the 'fire and fury' and 'locked and loaded' kind of statements from him before. Also there was little comment on the topic via his Twitter feed. Though political issues may escalate in days to come, markets hinged on this muted reaction to regain some of the ground lost on Tuesday. Conference Board Consumer Confidence Index in the US came in stronger than last month at 122.9, its second highest since 2001. Though the cut-off date for the consumer sentiment was before the North Korea incident, overall consumer optimism appears to derive strength from the strong state of the labour market. Underlying economic growth is well entrenched and jobs seems easy to find. Against this backdrop, it is reasonable to expect consumption growth to remain rapid in the coming months.

Growth in house prices in the UK slowed in August. **On the month prices fell 0.1%, taking the annual growth to 2.1% which was the smallest since June 2013.** The figures are the latest sign that worries about the wider economy are spilling over into the housing market. Britain posted the weakest expansion among Group of Seven nations this year as faster inflation and uncertainty about the future outside of the European Union weighed on consumption and investment. UK GDP growth is likely to be at 1.5% this year, compared with 1.8% in 2016.

The week ahead is busy with economic data releases. Price inflation in Germany today is expected to show a number around 1.8% - relatively stronger than the rest of the Eurozone. ADP employment data out of the US may show an increase of 185k, the data being before the damage done by Hurricane Harvey. QoQ Core PCE in the US is expected to be stable at 0.90% and 2Q annualised **GDP may come in stronger than the previous number of 2.6%.**

## UK Nationwide House Prices (YoY)



Source: Bloomberg, Emirates NBD Research.

## Day's Economic Data and Events

	Time	Cons		Time	Cons
Germany CPI (YoY)	16:00	1.8%	US GDP Q2 2017	16:30	2.7%
US Core PCE (QoQ)	16:30	0.9%			

Source: Bloomberg.

## Fixed Income

Political uncertainty around threat of a nuclear war with North Korea kept the bid for safe haven assets intact. Yields on US treasuries declined further with 2yr closing at 1.32% (-1bp) and 10yr at 2.13% (-3bps). Yields on 10yr Gilts fell 5bps to 1.0% as economic data begin to reflect weakness ahead of Brexit. 10yr Bund yields fell 3bps to 0.34% even though inflation in Germany is likely to touch 1.8%. The recent strength of EUR has made investors cautious about negative impact on exports and inflation.

Credit spreads traded in a tight range albeit with slight widening bias. CDS level on US IG and Euro Main closed 1bp and 2bps wider to 60bps and 58bps respectively. Locally, CDS levels on GCC sovereigns were largely unchanged with Saudi Arabia 5yr CDS at 92bps and Qatar at 96bps.

In sync with affirmation of the rating on Qatar at AA-/Negative last week, S&P affirmed A-/Negative rating on Qatari telecom, Ooredoo citing. Also Moody's released a report on UAE banks stating that it expects profitability at the banks to remain supported by higher margins on loans.

## FX

A risk-off response to geopolitical tensions on the Korean peninsula pushed markets away from the greenback early yesterday and the Euro broke above 1.20 for the first time since 2015. But in what looked like one-way travel for much of the day reversed sharply in later trading with the Euro and JPY actually closing lower. The DXY managed to hold roughly flat on the day despite a big intraday plunge lower.

## Equities

Global equity market retraced some of Tuesday's losses in response to calm reaction from the US authorities against the North Korea missile test. S&P 500 and Dow Jones closed up by 0.1% and 0.3% respectively and Asian equity bourses are mostly in green this morning.

Regional exchanges had thin trading ahead of Eid holidays and ended the day mostly close to their opening levels. Abuji Dhabi index was down 0.5%, followed by DFMG at -0.09% and Tadawul at -0.05%

## Commodities

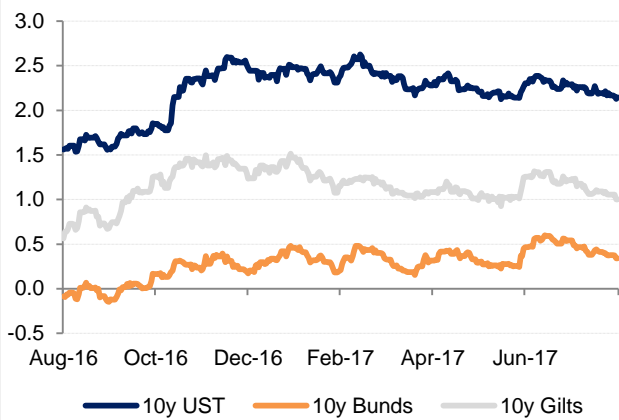
Oil prices held onto generally lower levels as the impact of flooding on the US refining centre along the Gulf of Mexico becomes clear. Brent futures were up 0.2% at USD 52/b while WTI gave up 0.28% to close at USD 46.44/b. The full impact of Harvey on the US oil stats will only become clear next week when the EIA data will show the effect of shutting down a considerable portion of the country's refineries and some offshore and onshore production facilities. Gasoline prices in the US continue to push higher while Singapore cracks over Brent did narrow somewhat from their elevated levels earlier in the week.

The Brent backwardation at the front of the curve has narrowed somewhat as spot prices dip on expected drop in refinery demand in the US while Dec spreads deepened into contango. WTI Dec 17-19 is now as side as USD 2/b, levels last seen in late July.

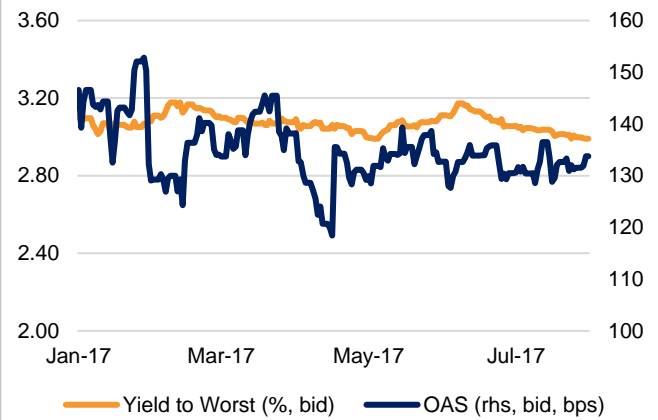
Like other risk-off assets, gold prices rose early in the day, breaking above USD 1,320/troy oz but then reversed course and ended the day flat. While geopolitical risks haven't been eliminated from the market we would still anticipate to see some more volatility around gold prices in the near term.

## Markets in Charts

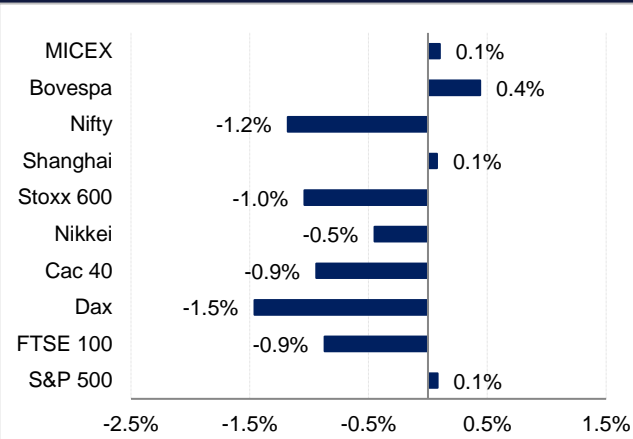
### Global Bond Yields



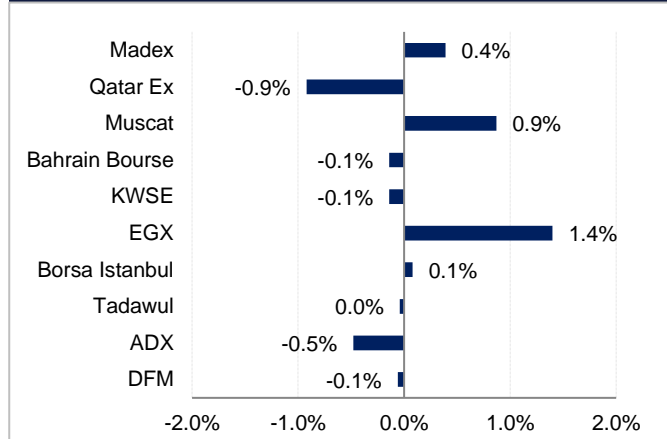
### UAE liquid bond index



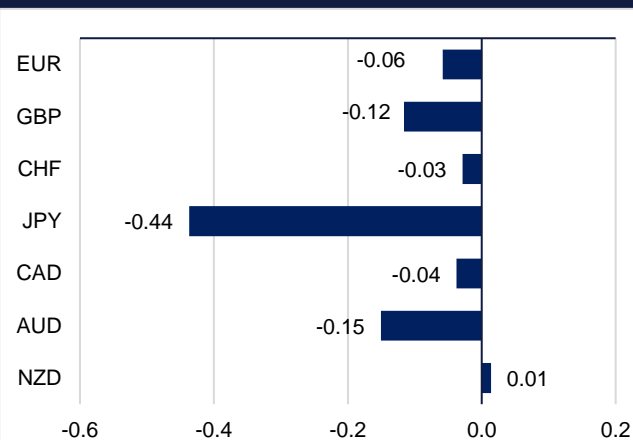
### Global Equity Indices



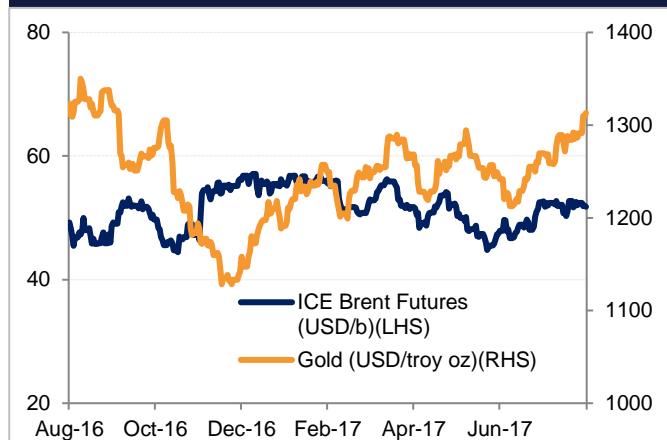
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1972	-0.06	1.2224	USDTRY	3.4476	+0.11	EURAED	4.3978	-0.04
GBPUSD	1.2918	-0.12	1.3077	USDEGP	17.6576	+0.03	GBPAED	4.7452	-0.11
USDJPY	109.71	+0.42	107.54	USDSAR	3.7502	--	JPYAED	0.0335	-0.45
USDCAD	1.2512	+0.03	1.2482	USDQAR	3.6800	--	CADAED	2.9356	-0.04
AUDUSD	0.7951	-0.15	0.7912	USDKWD	0.3013	-0.07	AUDAED	2.9203	-0.16
USDCHF	0.9558	+0.05	0.9322	USDBHD	0.3771	--	CHFAED	3.8436	-0.03
EURGBP	0.9267	+0.05	0.9347	USDOMR	0.3850	--	TRYAED	1.0600	-0.61
USDAED	3.6730	--	3.6804	USDINR	63.9388	+0.04	INRAED	0.0574	-0.33

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3038	1.5383	1.7575	2.1237	USD 2 yr	1.521	-3
USD LIBOR	1.2356	1.3178	1.4550	1.7279	USD 5 yr	1.759	-3
GBP LIBOR	0.2516	0.2803	0.4039	0.5969	USD 10 yr	2.070	-3
JPY LIBOR	-0.0366	-0.0276	-0.0076	0.1127	EUR 2 yr	-0.187	-1
CHF LIBOR	-0.7850	-0.7264	-0.6534	-0.5036	EUR 5 yr	0.158	-2
					EUR 10 yr	0.791	-3

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1309.23	-0.07	ADGB 6.75 19	1.71	--	Abu Dhabi	57	+1
Silver	17.39	-0.29	DUGB 7.75 20	2.52	--	Dubai	110	-6
Oil (WTI)	46.44	-0.28	QATAR 6.55 19	2.08	-4	Qatar	96	--
Aluminium	2084.75	+0.90	US Tsy 2 yr	1.32	-1	Saudi Arabia	92	--
Copper	6772.00	+1.86	US Tsy 10 yr	2.13	-3	Bahrain	233	-1

Source: Bloomberg, Emirates NBD Research

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