



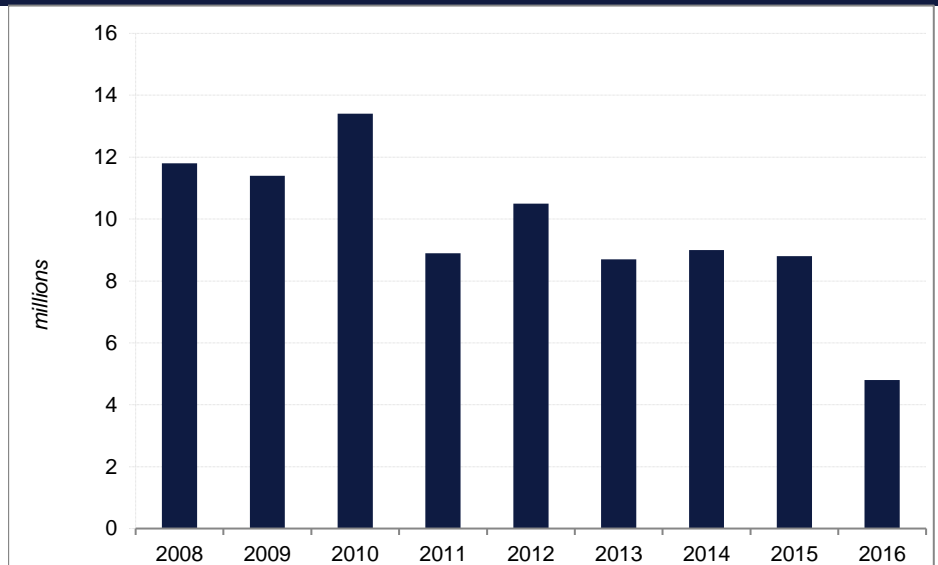
# Daily Outlook

**Data out of the U.S. yesterday showed Personal Income increasing 0.3% in December, while Personal Spending rose by a stronger 0.5%.** The latter was boosted by a higher-than-expected 8.6% m/m jump in utilities output as a result of unseasonably cold weather in December, in addition to a bounce in motor vehicle spending of 2.4% m/m. Figures due to be released today on consumer confidence for January will be interesting to watch, as business and consumer sentiment has appeared to rise strongly since the November presidential election. All told, the majority of data continues to suggest the American consumer has started 2017 in a relatively strong position. **In Europe, yesterday saw the release of the latest Economic Sentiment Indicator, which rose to a 70-month high.** Strong gains were seen in both Consumer and Industrial Sentiment in January, which both auger well for the prospects of stronger growth in Q1.

**The Bank of Japan left its main policy rates unchanged at -0.1% earlier this morning,** while reiterating its pledge to keep yields on 10-year bonds at 0%, and continuing with its goal of expanding the monetary base by USD704bn per year. The BoJ also decided to stick to its forecast that core inflation would rise to 1.5% in a year's time, which continues to seem overly optimistic.

**According to reports on Bloomberg citing a Russian commerce representative, direct flights to Cairo from Russia could soon resume, while charter flights to resort towns Hurghada and Sharm el-Sheikh could begin again shortly thereafter.** Russia suspended all air travel to Egypt back in November 2015 following the airline disaster over Sinai, eliminating a crucial source of tourists for the North African country. Between January-November, 4.8mn tourists visited Egypt, compared to 8.8mn in the same time period a year earlier. Revenues from the tourism sector have also dropped sharply, coming in at only USD1.8bn in the first three quarters of 2016, compared to USD5.0bn in the same time in 2015.

## Egypt Tourist Arrivals



Source: \*Jan-Nov., Havers, Emirates NBD Research.

## Day's Economic Data and Events

	Time	Cons		Time	Cons
Eurozone Unemployment	14:00	9.8%	Eurozone Q4 GDP	14:00	0.4%
US Employment Cost Index	17:30	0.6%	Canada Nov GDP (y/y)	17:30	1.4%

Source: Bloomberg.

## Fixed Income

Risk appetite waned in the face of increasing local and international opposition against President Trump's stance on immigration and trade. Yields on sovereign bonds had opened higher in response to in-line or better-than expected economic data out of the US and improving sentiment in the Eurozone with 10yr UST yields at 2.49% (+1bp), however, are now trailing lower with 10yr UST at 2.46% (-3bp) and 10yr Bund and Gilts at 0.44% (-1bp) and 1.44% (-3bps) respectively.

Commodity prices are being adversely affected by protectionist agenda in the US with oil prices recording third day of decline. Understandably, credit spreads are edging up higher with CDS levels on US IG and Euro Main closing 2bps up each to 66bps and 72bps respectively.

Local GCC bonds had little idiosyncratic news to trade on. Bond prices were range bound albeit with mild sell bias. YTW on BUAEUL index was largely unchanged at 3.11% and credit spreads on BBG Barclays GCC index closed 1bp lower at 139bps.

In the primary market, Bank of Sharjah has mandated banks for a benchmark sized dollar denominated Reg S offering.

## FX

Japanese yen outperformed the other major currencies on Monday, supported by safe haven bids amid market uncertainty over President Trump's policies. Over the course of the day, USDJPY depreciated 1.2% to decline from 115.08 to 113.77. This morning, the JPY has continued to build on gains following the BOJ decision to maintain current policy (see above) and presently trades at 113.47 with risks to the downside. We can expect support at 112.91, the one year 61.8% Fibonacci retracement which has acted as a support which has not endured a sustained break thus far in 2017.

## Equities

Developed market equities closed lower as fears of protectionism came to fore following the recent decision of US President Donald Trump to restrict immigration. The S&P 500 index and the Euro Stoxx 50 index dropped -0.6% and -1.2% respectively.

Asian equities are trading lower this morning tracking weak close to developed markets overnight. The Nikkei Index extended losses to -1.5% after the Bank of Japan left policy unchanged.

Regional equities declined as investors locked in gains in indices which have rallied recently. These included the Tadawul (-0.7%) and the KWSE index (-1.5%).

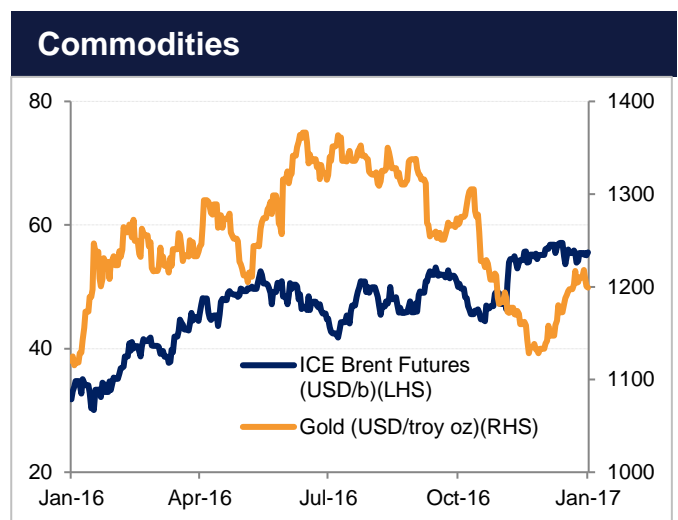
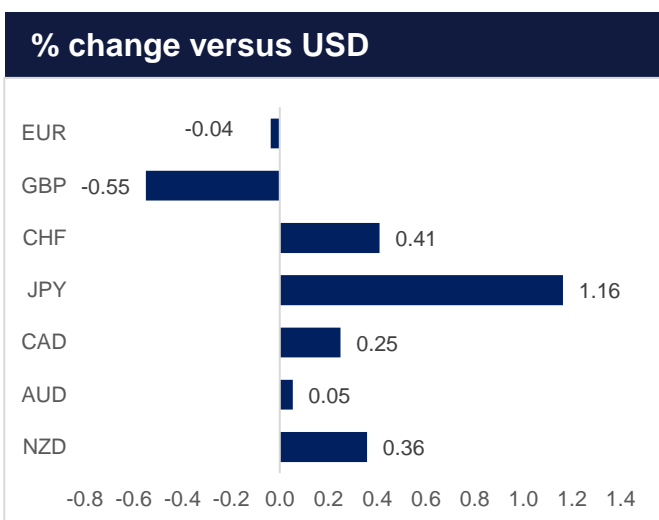
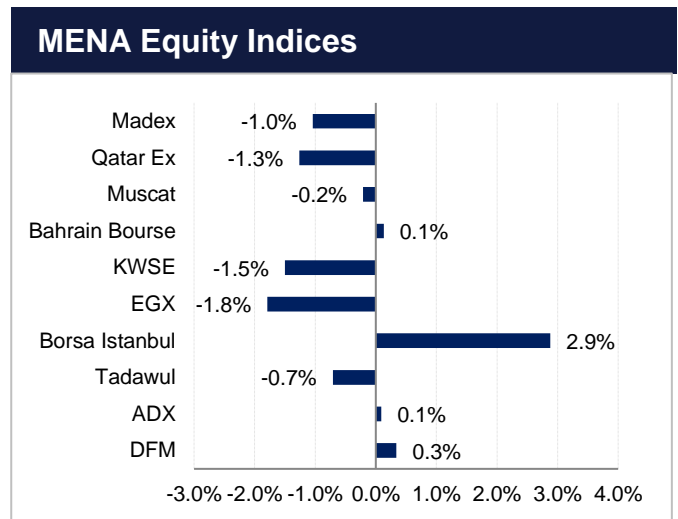
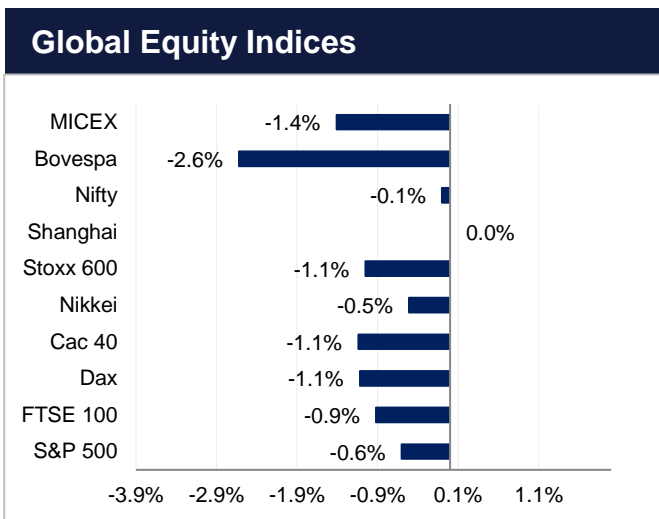
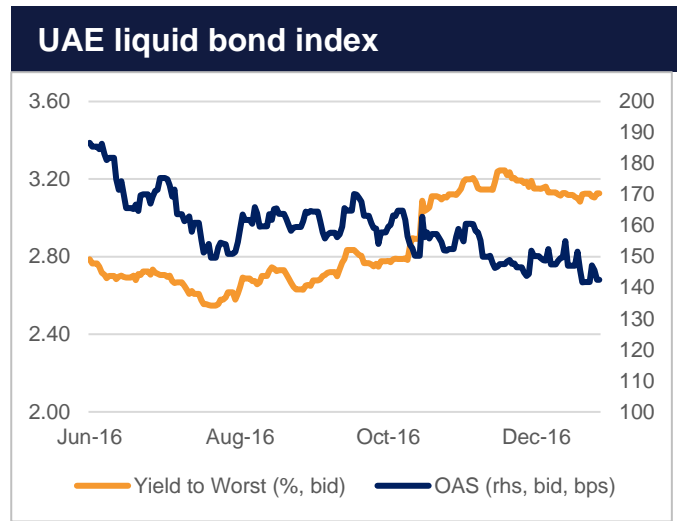
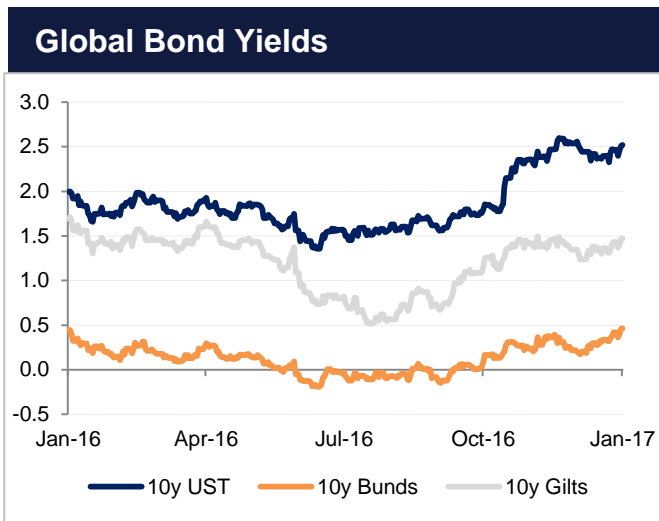
In terms of stocks, Aramex rallied +9.0% after reporting a strong set of Q4 2016 numbers. The profit at the company more than doubled to AED 131.8mn, ahead of estimates. The full year profit rose +37.0% y/y to AED 426.6mn. The CEO said that he expects a slower pace of growth in 2017.

## Commodities

Oil and commodities generally were softer to start the week. Both Brent and WTI futures are likely to end January lower but at a much improved level then where the oil market was 12 months ago. Front month (expiring) Brent futures are holding on just above USD 55/b while WTI futures are around USD 52.40/b.

The oil market is growing increasingly anxious about the potential for a border tax on imported goods, which would include oil, and could significantly disrupt pricing, most likely pushing WTI into a premium over Brent. It is still too early to say if the tax will indeed come into force fully but diverting seaborne cargoes of oil away from the US could threaten the nascent rebalancing in oil markets.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0695	-0.57	1.0910	USDTRY	3.7812	-1.33	EURAED	3.9285	-0.57
GBPUSD	1.2486	-1.25	1.2615	USDEGP	18.8354	-0.35	GBPAED	4.5860	-1.26
USDJPY	113.77	+0.36	111.58	USDSAR	3.7505	+0.01	JPYAED	0.0323	-0.38
USDCAD	1.3117	+0.41	1.3051	USDQAR	3.6413	+0.00	CADAED	2.7997	-0.43
AUDUSD	0.7555	-0.21	0.7504	USDKWD	0.3052	+0.10	AUDAED	2.7748	-0.23
USDCHF	0.9953	-0.34	0.9710	USDBHD	0.3770	-0.00	CHFAED	3.6909	+0.35
EURGBP	0.8566	+0.69	0.8649	USDOMR	0.3850	-0.01	TRYAED	0.9700	+1.20
USDAED	3.6729	-0.00	3.6819	USDINR	67.8425	-0.34	INRAED	0.0541	+0.37

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.9971	1.4060	1.6613	2.0957	USD 2 yr	1.513	-1
USD LIBOR	0.7800	1.0340	1.3566	1.7248	USD 5 yr	2.021	-2
GBP LIBOR	0.2616	0.3571	0.5226	0.7707	USD 10 yr	2.397	-2
JPY LIBOR	-0.0121	-0.0067	0.0220	0.1284	EUR 2 yr	-0.148	
CHF LIBOR	-0.7884	-0.7296	-0.6638	-0.5056	EUR 5 yr	0.198	+1
					EUR 10 yr	0.822	+1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1195.70	-0.42	ADGB 6.75 19	1.69	-2	Abu Dhabi	58	--
Silver	17.12	+0.73	DUGB 7.75 20	2.82	-0	Dubai	139	-1
Oil (WTI)	52.63	-0.23	QATAR 6.55 19	2.03	-2	Qatar	83	--
Aluminium	1796.75	-2.18	US Tsy 2 yr	1.21	-2	Saudi Arabia	113	+1
Copper	5811.00	-1.88	US Tsy 10 yr	2.49	-3	Bahrain	247	+7

Source: Bloomberg, Emirates NBD Research

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