



بنك الإمارات دبي الوطني
Emirates NBD

Daily
3 September 2018

www.emiratesnbdresearch.com

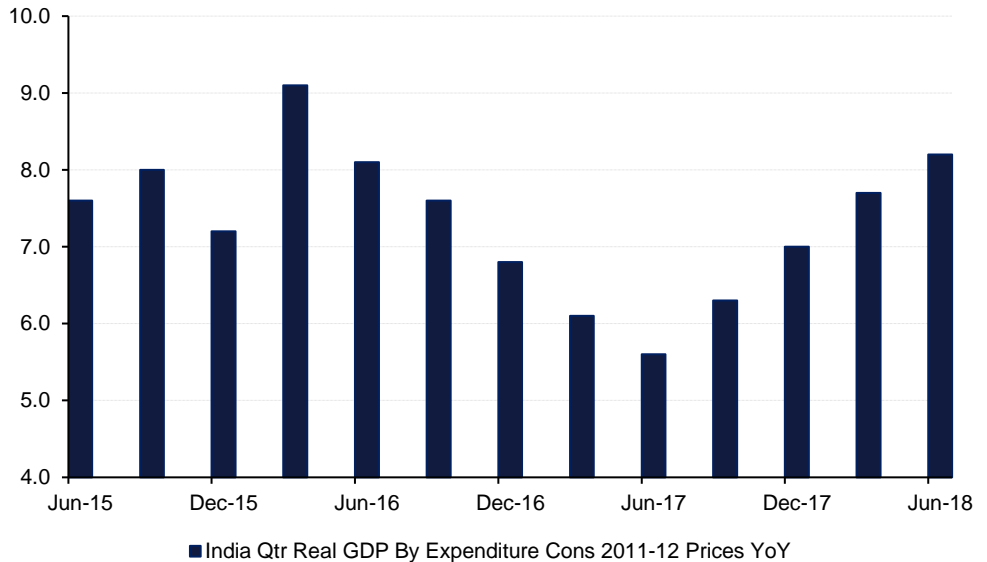
Daily Outlook

Events at the end of last week took a turn for the worse, with Canada and the US failing to meet the weekend deadline to strike a trade deal following a US-Mexico agreement reached earlier in the week. This does not yet imply the end of negotiations, as the two sides can continue to negotiate for another 30 days. If they cannot agree to new terms, however, President Trump has said that he will scrap NAFTA and stick with the bilateral deal made with just Mexico. Trump also threatened to withdraw from the WTO and renewed his threats against the EU over autos. **Overshadowing all of this is the stand-off between the US and China, with the US threatening to impose tariffs on another USD200bn of Chinese imports.**

Indeed it seems quite possible that this could happen as early as Friday when the deadline for public comments on the issue lapses. **Progress between the two economic superpowers may in fact not be seen until after the mid-term elections in November, with the chances of a deal before then low as Trump continues to ramp up trade war rhetoric to fire up his political base.** US politics may well now become another significant theme for markets to follow as the mid-terms draw nearer, being only 63 days away. EM pressures are also continuing as one of the main themes, as the firmer dollar, rising US rates and global protectionism hurt sentiment. This culminated at the end of last week with Argentina raising interest rates to 60% after pleading with the IMF to accelerate the disbursement of its USD50bn bailout. **Other EM currencies suffered fallout including India where the INR fell to a record low of 71 last week, despite strong GDP growth data of 8.2%.**

The coming week will begin slowly with US labour day holidays today, but with meaningful economic data due out over the rest of the week, including non-farm payrolls on Friday. In terms of policy announcements the Bank of Canada is expected to hold rates steady on Wednesday in view of the uncertain trade backdrop, while the RBA is also expected to stay on hold this week.

Indian economy expands 8.2% in Q2 2018



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
Turkey CPI y/y	11:00	17.6%	Markit UK Manuf. PMI	12:30	53.9
Markit Eurozone Manuf. PMI	12:00	54.6			

Source: Bloomberg, EIKON.

Fixed Income

Continuation of strong economic data out of the US kept the case for a rate hike in September well intact. Despite concerns on the trade front, treasury yield edged slightly higher last week. Yields on the 2y UST, 5y UST and 10y UST closed at 2.62% (+1 bp w-o-w), 2.73% (+2 bps w-o-w) and 2.86% (+5 bps w-o-w) respectively.

Regional bonds followed the broad move in USTs. The YTW on the Bloomberg Barclays GCC Credit and High Yield index rose +2 bps w-o-w to 4.43% and credit spreads widened 1 bp to 174 bps.

Following the Eid break, activity in primary market seems to be picking up. Aldar Properties, Abu Dhabi Islamic Bank and Al Hilal Bank are meeting investors for potential issuances.

FX

GBP has slipped at the start of the week, unwinding last week's gains, as UK PM May ruled out a second Brexit referendum in an article in a Sunday newspaper.

The dollar remained almost unchanged last week, the Dollar Index closing 0.04% lower at 95.11 on Friday. Of note is that despite declines earlier in the week, the index was able to pare the majority of these losses and close back above the 50-day moving average (95.02).

While the price remains above this level and the 76.4% one year Fibonacci retracement, a retest of the one-year high of 96.98 remains a possibility. A weekly close above this level could catalyse further gains towards the 76.4% five-year Fibonacci retracement of 97.94, a level last seen in June 2017.

The INR continued its sharp decline to close at record lows of 71.0. The USDINR has now dropped -10.0% ytd. Along with the overhang of broad emerging market pressure, high oil prices and widening trade and current deficit also appear to be weighing on the currency. While a strong Q1 FY 2019 GDP print of 8.2% could help alleviate some concern, the pair is likely to follow broad emerging market trend in the immediate future.

Equities

Regional equities started the week on a negative note with the ADX index and the Qatar Exchange losing -0.9% and -0.2% respectively. The ADX index was led lower by weakness in market heavyweights Etisalat (-1.0%) and First Abu Dhabi Bank (-1.5%).

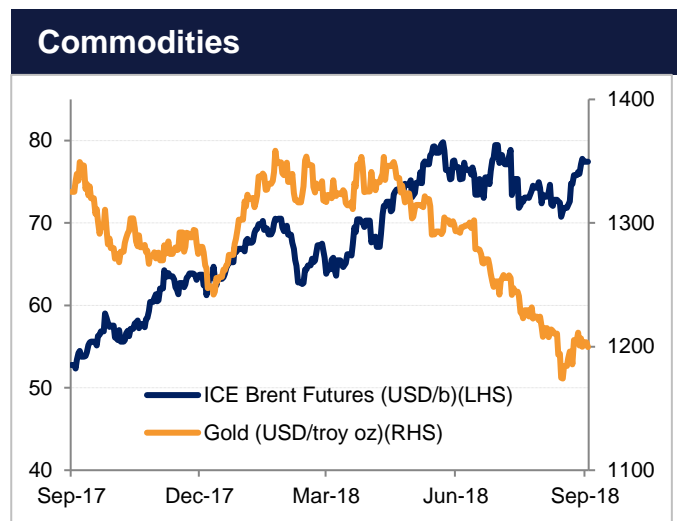
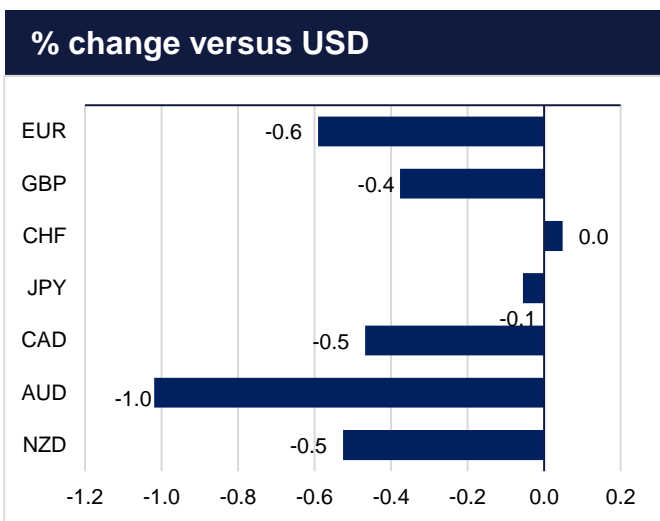
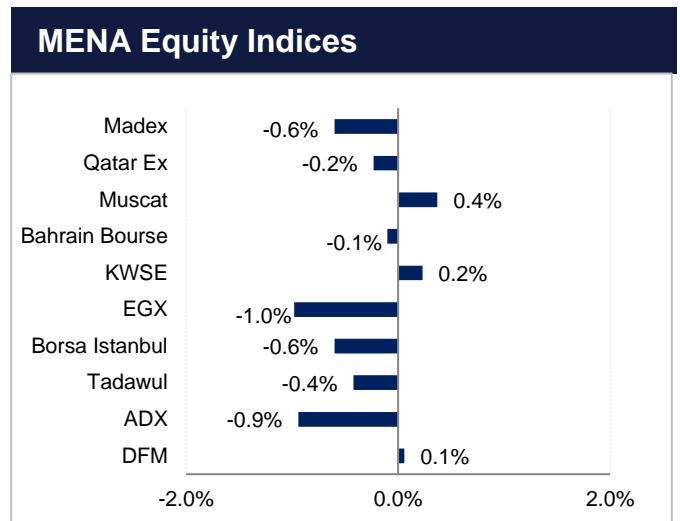
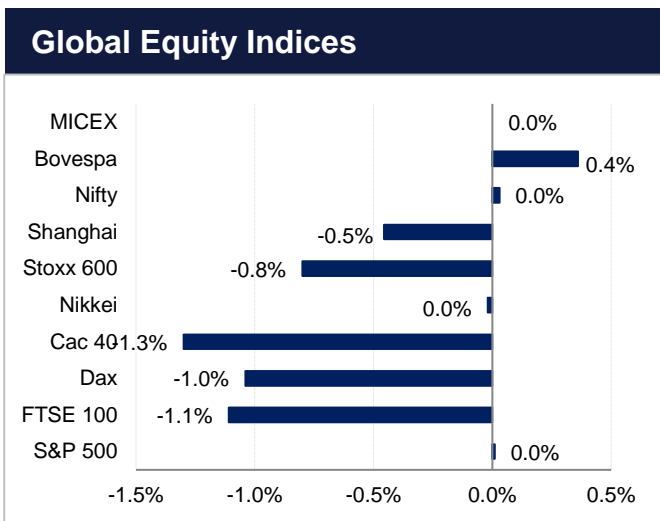
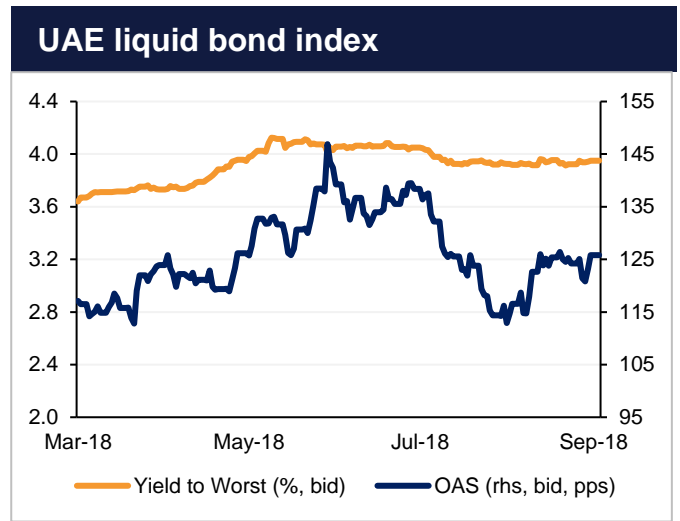
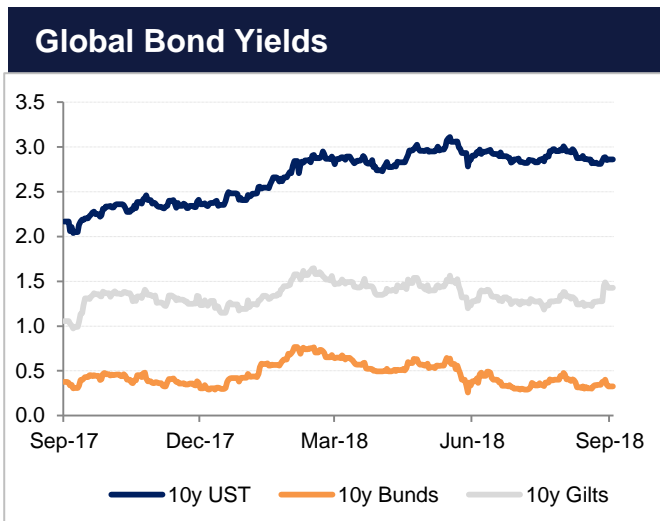
Commodities

Oil markets managed to eke out some gains over the week despite an uncertain outlook for trade talks between Canada and the US and further deterioration in some major emerging market assets. October Brent futures expired at the week up 2% at USD 77.42/b and 4.3% over the month. WTI added 1.6% over the five days to close slightly below USD 70/b. Benchmark prices are caught between the supportive factor of pending US sanctions on Iran and the negative risks that a trade war blow-out could pose to commodity demand.

Market surveys of OPEC production show total August output at 32.8m b/d, its highest level so far this year. Production has risen three months running since the end of May with large increases in August coming from Iraq and Libya while Saudi Arabia showed a marginal increase and other GCC producers stayed flat. Critically, Iranian production is already showing signs of decline, falling by 150k b/d last month. US sanctions on Iranian oil exports come into effect in November but importers of Iranian barrels will already be moving away from taking shipments.

Forward curves are beginning to price in more and more of that anticipated disruption to supply. The Brent curve has moved back into backwardation after a persistent contango formed on the front-end since the start of Q3. The deterioration in Iranian output in August will add more conviction to a tightening story over the remainder of the year and into 2019, making long calendar spreads attractive again. In WTI, the backwardation levelled off last week at a little below USD 0.5/b.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1602	-0.59	1.1968	USDTRY	6.5396	-1.72	EURAED	4.2615	-0.58
GBPUSD	1.2960	-0.38	1.3189	USDEGP	17.9000	--	GBPAED	4.7590	-0.41
USDJPY	111.03	+0.05	107.77	USDSAR	3.7505	--	JPYAED	0.0331	-0.06
USDCAD	1.3040	+0.44	1.2963	USDQAR	3.6800	+1.06	CADAED	2.8159	-0.47
AUDUSD	0.7189	-1.02	0.7216	USDKWD	0.30260	--	AUDAED	2.6412	-1.00
USDCHF	0.9689	-0.02	0.9353	USDBHD	0.3773	+0.03	CHFAED	3.7909	+0.04
EURGBP	0.8955	-0.18	0.9077	USDOMR	0.3850	--	TRYAED	0.5600	+1.46
USDAED	3.6729	--	3.6765	USDINR	70.8412	+0.15	INRAED	0.0552	+6.87

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.0000	0.0000	0.0000	0.0000	USD 2 yr	2.824	-1
USD LIBOR	2.1138	2.3208	2.5356	2.8400	USD 5 yr	2.878	-1
GBP LIBOR	0.7231	0.8005	0.8948	1.0496	USD 10 yr	2.931	+0
JPY LIBOR	-0.0755	-0.0323	0.0267	0.1383	EUR 2 yr	-0.148	-0
CHF LIBOR	-0.7826	-0.7284	-0.6500	-0.5184	EUR 5 yr	0.279	-1
					EUR 10 yr	0.871	-2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1203.62	+0.30	ADGB 6.75 19	2.42	--	Abu Dhabi	64	--
Silver	14.54	-0.05	DUGB 7.75 20	3.46	-1	Bahrain	356	+7
Oil (WTI)	69.80	-0.64	QATAR 6.55 19	2.54	-2	Dubai	123	--
Aluminium	2101.50	-0.47	US Tsy 2 yr	2.63	-2	Qatar	82	--
Copper	5968.00	-1.56	US Tsy 10 yr	2.86	+1	Saudi Arabia	81	--

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
 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
 athanasios@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