



بنك الإمارات دبي الوطني  
Emirates NBD

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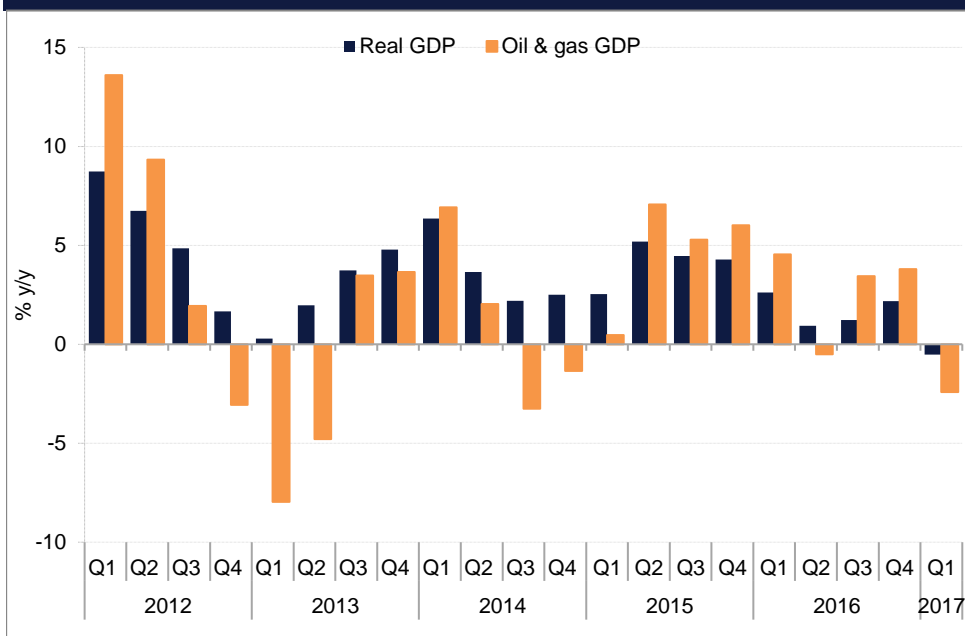
## Daily Outlook

Economic data out of Asia this morning has been better than expected. **China's Caixin manufacturing PMI rose to 50.4 in June**, signalling an expansion in the manufacturing sector last month. Last Friday, China's official PMI (which focuses on larger manufacturers) also beat expectations, rising to 51.7 in June, while non-manufacturing PMI rose to 54.9 from 54.5 in May. **In Japan, the Tankan survey pointed to improved business conditions in Q2 2017 for both manufacturing and service sector firms.** The Tankan index for large manufacturers rose to 17 from 12 in Q1, the highest reading since Q1 2014. Large firms were more optimistic in Q2 as well and expect to boost capex by 8% in the FY 2017/2018. However, economic data in Japan was somewhat overshadowed by the defeat of PM Abe's party in Tokyo elections.

**PMI data is also due across Europe and the US this week**, although the market focus will likely be the release of the minutes from the Fed's June meeting (due Wednesday) and then US payrolls data on Friday. Friday is also the start of the G20 meetings in Hamburg, which President Trump is expected to attend. Canadian markets are closed today, and US markets are closed tomorrow to mark Independence Day.

**In the GCC, Saudi Arabia released Q1 GDP data at the end of last week showing a -0.5% y/y contraction in the economy last quarter**, largely due to the drop in crude oil production following the OPEC agreement last November. The crude oil & natural gas sector contracted -6.9% q/q and -2.4% y/y in Q1 2017. However, this was partially offset by growth in (non-oil) manufacturing, financial services and transport, storage & communications. The construction sector shrank -3.2% y/y even off a low base.

### Saudi Arabia's economy contracts in Q1 2017 on oil cuts



Source: Bloomberg, Emirates NBD Research.

### Day's Economic Data and Events

	Time	Cons		Time	Cons
Eurozone Manufacturing PMI	12:00	57.3	UK Manufacturing PMI	12:30	56.3
US Manufacturing PMI	17:45	52.1	US ISM Manufacturing	18:00	55.2

Source: Bloomberg.

## **Fixed Income**

A growing synergy between developed market central banks over the direction of monetary policy have started putting pressure on sovereign yields. All of them including in the Eurozone, the UK and Japan are considering to taper the quantitative easing measure in one way or the other. Yields on the 2y USTs added 4 bps last to close at 1.38% while 10y USTs yield jumped 16 bps to 2.30%. The rise in yields over the past week could be attributed to comments from President Draghi over tapering the purchases of long-duration assets.

Regionally, the dispute between Qatar and other GCC countries continues to remain an overhang. With Qatar hinting at refusing to concede to demands from Saudi Arabia and the UAE, it appears that the confrontation could last much longer. Most sovereign bonds closed lower as a 7.1% gain in Brent oil was overshadowed by increase in benchmark yields. The SAUDI 26s dropped 40 bps to 99.49 (Z spread tightened 11 bps), DUBAI 43s lost 30 bps to 99.95 (Z spread tightened 13 bps) and QATAR 26s declined 85 bps to 98.15 (Z spread tightened 4 bps).

Majid Al Futtaim announced that it has acquired Retail Arabia, franchise owner of Geant stores in the Middle East. The acquisition will add 30 stores to the company's retail operations. The company did not disclose the value of the deal.

## **FX**

The USD DXY index closed the week at its lowest level since October as the market continues to doubt the pace of rate hikes later this year. Another batch of disappointing inflation data out on Friday will have further weakened support for the dollar as data and commentary from Fed officials continues to be pointing in a dovish direction. Among the majors, sterling was a shiner on Friday, ending up 0.46% against the USD while the Kiwi dollar also jumped more than 0.5%.

## **Equities**

It was a mixed day of trading for regional equities with the Tadawul adding +0.8% and the Qatar Exchange losing -2.3%. While no progress on the diplomatic rift weighed on Qatari stocks, Saudi stocks continue to draw support from the MSCI decision and the appointment of the new crown prince. Having said that, volumes remained well below the 1-month average.

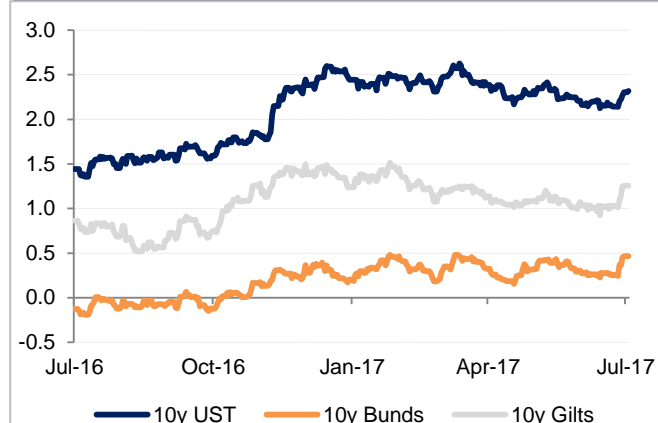
## **Commodities**

Oil prices managed to recover some ground last week and ended up 7% for WTI and more than 5% for Brent futures. However, oil prices had their worst first half since 1998, giving up 14.3% and 15.7% for WTI and Brent respectively. The end of the week brought balanced data for the market to ponder over to begin July. The drilling rig count in the US fell for the first time since January, although the total count fell only by 2 rigs.

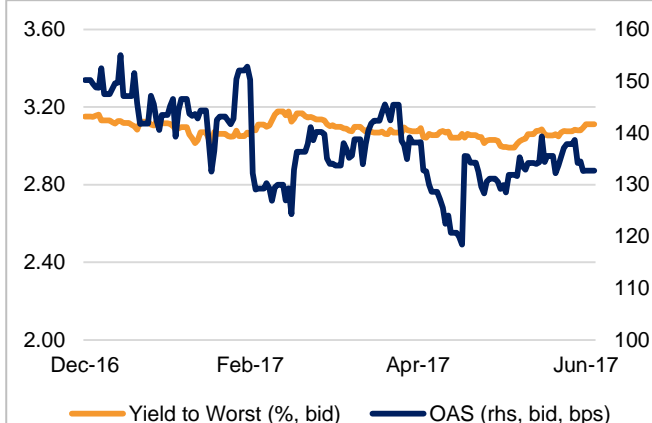
Meanwhile, total crude production from OPEC rose by 280k b/d according to the latest market assessment by Reuters. Most of the gains were down to large increases from Nigeria and Libya, neither of which are party to OPEC's production cut agreement, but among the cutters, total output was up by 40k b/d. Aggregate compliance with the deal remains high, at 92% in June, but with a wide disparity at the country level. Saudi Arabia remains an over-cutter, achieving 116% of its target, while the UAE underperformed, making only 38% of its objective.

## Markets in Charts

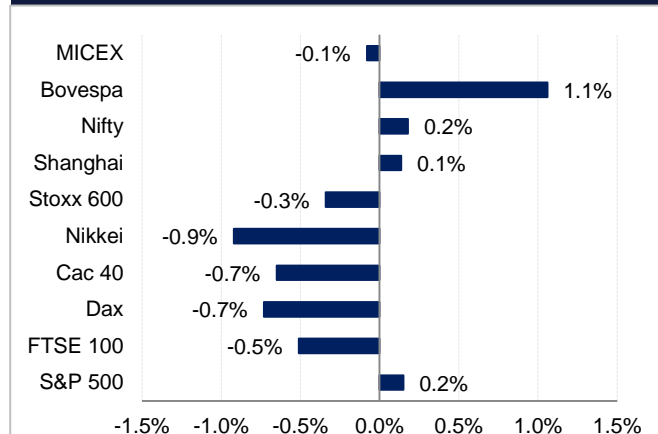
### Global Bond Yields



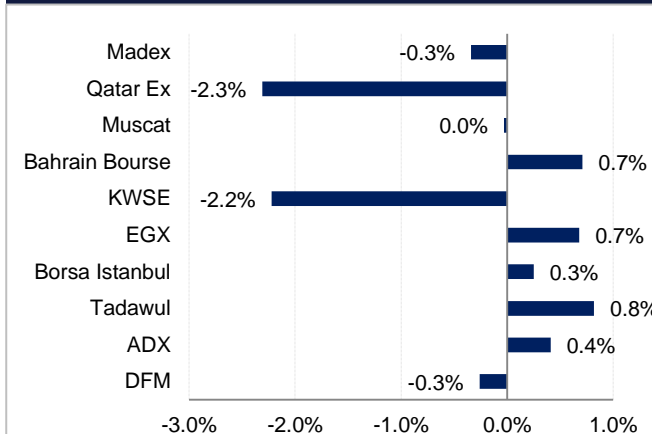
### UAE liquid bond index



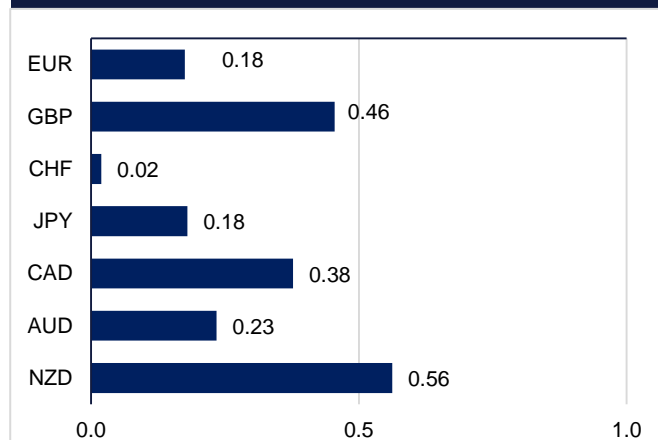
### Global Equity Indices



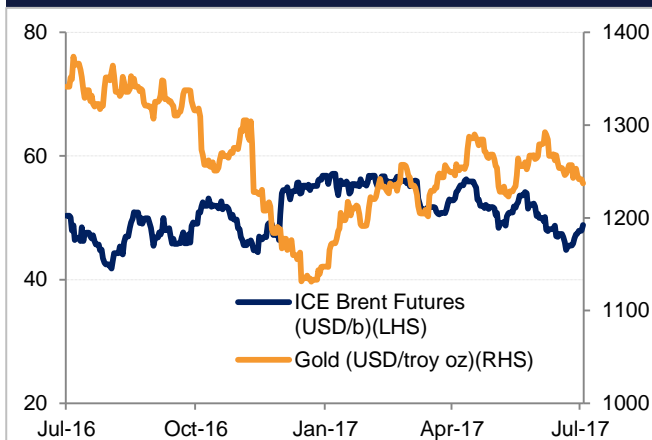
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1426	+0.18	1.1661	USDTRY	3.5207	+0.29	EURAUD	4.1882	-0.03
GBPUSD	1.3025	+0.46	1.3169	USDEGP	18.1209	-0.03	GBPAED	4.7663	+0.09
USDJPY	112.39	-0.14	110.34	USDSAR	3.7502	--	JPYAED	0.0328	+0.48
USDCAD	1.2964	-0.38	1.2913	USDQAR	3.7348	+0.27	CADAED	2.8302	+0.26
AUDUSD	0.7689	+0.23	0.7655	USDKWD	0.3030	-0.01	AUDAED	2.8222	+0.16
USDCHE	0.9579	-0.06	0.9343	USDBHD	0.3772	-0.01	CHFAED	3.8308	-0.04
EURGBP	0.8771	-0.30	0.8854	USDOMR	0.3852	--	TRYAED	1.0400	-0.60
USDAED	3.6730	--	3.6830	USDINR	64.6387	+0.02	INRAED	0.0568	-0.08

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.2550	1.5133	1.7400	2.1395	USD 2 yr	1.587	-0
USD LIBOR	1.2239	1.2992	1.4477	1.7384	USD 5 yr	1.913	+0
GBP LIBOR	0.2524	0.3067	0.4616	0.6803	USD 10 yr	2.243	+1
JPY LIBOR	-0.0205	-0.0001	0.0200	0.1211	EUR 2 yr	-0.136	+1
CHF LIBOR	-0.7848	-0.7300	-0.6616	-0.4900	EUR 5 yr	0.263	+2
					EUR 10 yr	0.885	+3

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1241.61	-0.31	ADGB 6.75 19	1.61	+1	Abu Dhabi	61	-1
Silver	16.60	-1.29	DUGB 7.75 20	2.64	+1	Dubai	132	--
Oil (WTI)	46.04	+2.47	QATAR 6.55 19	2.43	-2	Qatar	121	-2
Aluminium	1913.50	+0.14	US Tsy 2 yr	1.38	+1	Saudi Arabia	117	+5
Copper	5927.00	-0.07	US Tsy 10 yr	2.30	+4	Bahrain	255	+1

Source: Bloomberg, Emirates NBD Research

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