



بنك الإمارات دبي الوطني  
Emirates NBD

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www.emiratesnbdresearch.com

# Daily Outlook

The pound remained under pressure yesterday following the UK Prime Minister May ruling out a second Brexit referendum, while EU Chief Negotiator Michel Barnier said that he was “strictly against” the UK’s proposal for economic ties. **With the IHS Markit UK Manufacturing PMI falling to a 22 month low of 52.8 in August**, it is apparent that ongoing Brexit uncertainties and concerns over the exchange rate are weighing on optimism.

**SAMA’s net foreign assets declined –USD 5.1bn in July to USD 493.8bn.** NFAs have increased just USD 4.9bn year-to-date, despite a solid current account surplus (reflecting sharply higher oil prices this year) and external debt issuance. However there were likely significant investments abroad which could explain the relatively small increase in NFAs so far this year. **Money supply contracted -0.9% m/m and -0.8% y/y in July, reflecting tighter monetary conditions domestically.** However, private sector credit grew 0.3% m/m and 1.1% y/y, the fastest rate of annual growth since January 2017.

**Turkish CPI inflation rose from 15.9% y/y in July to 17.9% in August, marking a 15-year high for the index.** The economy has struggled with rising energy and transport costs, exacerbated by the sharp sell-off in the lira seen over the past several months. The currency showed further weakness on the back of the data release, but this was pared back somewhat following a statement by the central bank that it would take the 'necessary actions to support price stability' as it acknowledged the 'significant' risks to this highlighted by the latest inflation data. **The bank’s declaration that the 'monetary stance will be adjusted' at the upcoming MPC meeting has raised expectations that there will be a meaningful hike to the benchmark interest rates when the committee convenes on September 13.**

## Weak lira spurs Turkish inflation



Source: Bloomberg, Emirates NBD Research

## Today’s Economic Data and Events

	Time	Cons		Time	Cons
Markit US Manufacturing PMI	17:45	54.5	ISM Manufacturing	18:00	57.6

Source: Bloomberg, EIKON.

## Fixed Income

Italian bonds rallied as Fitch ratings affirmed the ratings at BBB even as the agency lowered the outlook to negative from stable. Yields on the 10y Italian government bonds dropped 7 bps to 3.15%.

Regional bonds continued to drift lower with the YTW on the Bloomberg Barclays GCC Credit and High Yield index rising +1 bp to 4.44% and credit spreads widening 1 bp to 174 bps.

Saudi Arabia raised SAR 4bgn in three-part tap of July offering, bringing the total amount of the issuance to SAR 7.465 bn.

## FX

The pound is trading weaker in the Asian session and is currently positioned for a fourth day of declines. As we go to print GBPUSD is trading 0.11% lower at 1.2858 with Brexit uncertainties and softer economic data weighing on the sterling. A daily close below the 1.2845 level is likely to catalyze further declines towards 1.27770, a break of which may result in a retest of 1.26.

## Equities

With US markets closed, it was a subdued day of trading for developed market equities. The Euro Stoxx 600 index closed +0.1%.

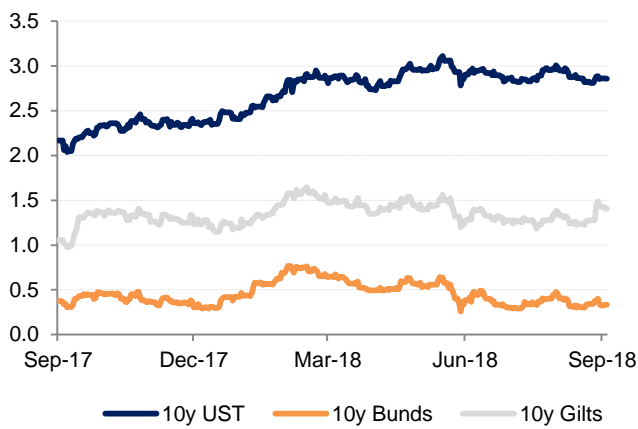
The Tadawul (+0.4%) was a notable exception in what was another negative day of trading for regional equities. Volumes continued to remain low across the board. Safco added +3.2% following the rise in urea prices.

## Commodities

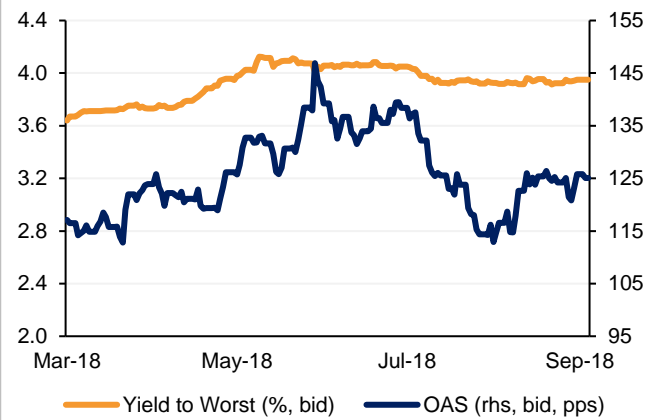
Worries over a pending supply shortfall from Iran kept oil markets bid to start the week. Brent futures closed up 0.9% while settlement of WTI futures was delayed owing to a public holiday in the US. A hurricane in the Gulf of Mexico is threatening oil production facilities in the region and will keep WTI supported in the short term.

## Markets in Charts

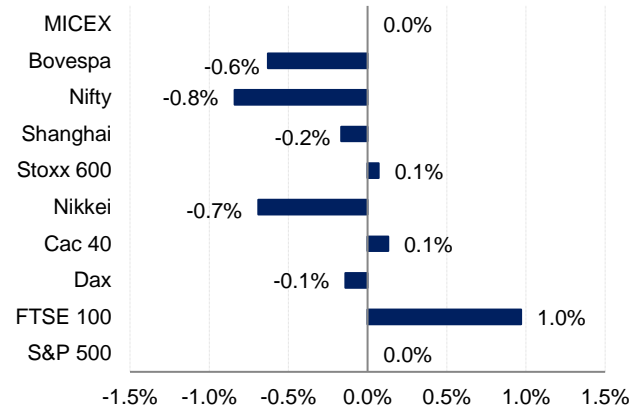
### Global Bond Yields



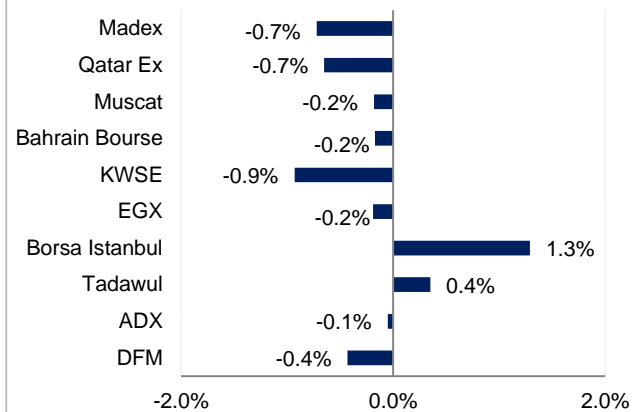
### UAE liquid bond index



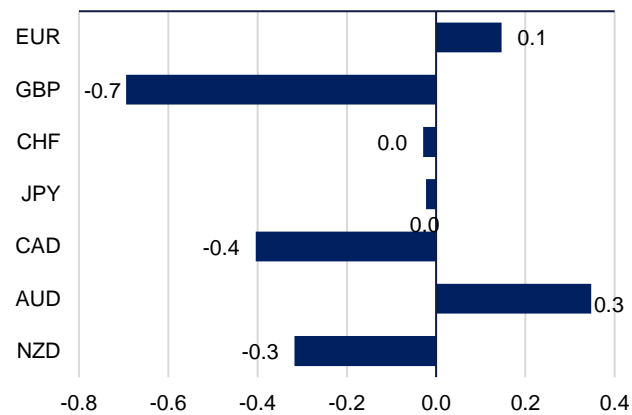
### Global Equity Indices



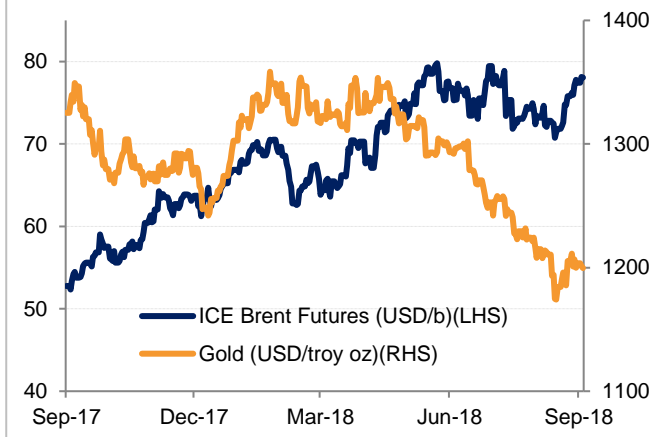
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1619	+0.15	1.1986	USDTRY	6.6360	+1.47	EURAED	4.2677	+0.15
GBPUSD	1.2870	-0.69	1.3099	USDEGP	17.9343	+0.60	GBPAED	4.7276	-0.66
USDJPY	111.07	+0.04	107.81	USDSAR	3.7508	+0.01	JPYAED	0.0331	-0.02
USDCAD	1.3095	+0.42	1.3018	USDQAR	3.6800	+0.57	CADAED	2.8042	-0.42
AUDUSD	0.7214	+0.35	0.7241	USDKWD	0.3029	+0.07	AUDAED	2.6492	+0.30
USDCHF	0.9693	+0.04	0.9357	USDBHD	0.3772	+0.01	CHFAED	3.7899	-0.03
EURGBP	0.9028	+0.81	0.9150	USDOMR	0.3850	-0.00	TRYAED	0.5500	-2.07
USDAED	3.6730	+0.00	3.6766	USDINR	71.2250	+0.32	INRAED	0.0552	+6.48

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.2595	2.5981	2.8658	3.2265	USD 2 yr	2.827	+0
USD LIBOR	2.1138	2.3208	2.5356	2.8400	USD 5 yr	2.877	-0
GBP LIBOR	0.7231	0.8005	0.8948	1.0496	USD 10 yr	2.928	-0
JPY LIBOR	-0.0755	-0.0323	0.0267	0.1383	EUR 2 yr	-0.149	-0
CHF LIBOR	-0.7826	-0.7284	-0.6500	-0.5184	EUR 5 yr	0.274	-1
					EUR 10 yr	0.870	-0

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1201.27	-0.20	ADGB 6.75 19	2.42	--	Abu Dhabi	64	--
Silver	14.51	-0.24	DUGB 7.75 20	3.44	-2	Bahrain	351	-5
Oil (WTI)	69.80		QATAR 6.55 19	2.54	--	Dubai	123	--
Aluminium	2065.75	-1.70	US Tsy 2 yr	2.63	--	Qatar	82	--
Copper	5945.00	-0.39	US Tsy 10 yr	2.86	--	Saudi Arabia	82	--

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