



بنك الإمارات دبي الوطني
Emirates NBD

Daily
5 February 2018

Daily Outlook

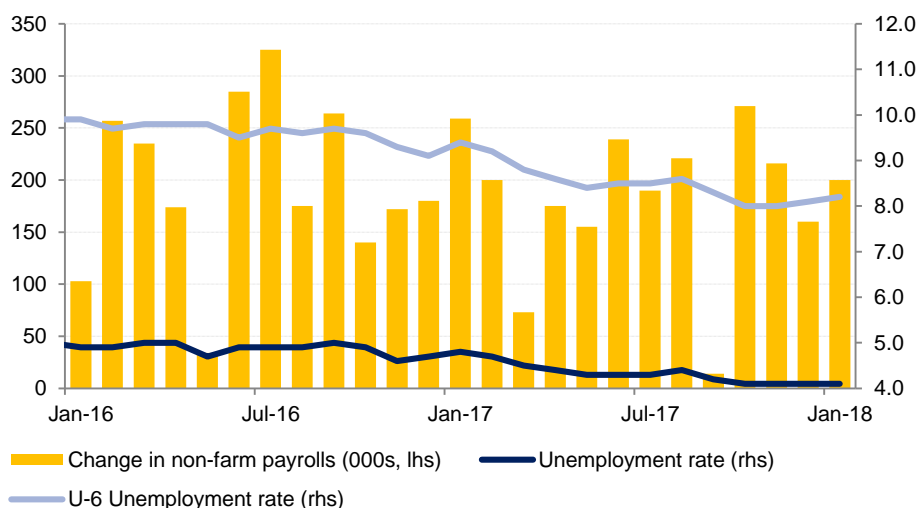
US non-farm payroll numbers were released on Friday, with new job creation exceeding consensus expectations. Jobs increased by 200,000 compared to projections of 180,000, while unemployment met expectations at 4.1%. Crucially, average hourly earnings rose 2.9% y/y, which sent tremors through markets as the likelihood of more than three rate hikes this year increased. Yields on 10-year treasuries rose to the highest level in four years, the dollar pared some of its recent losses, and US equity indices posted significant declines. Equity indices in Asia have also fallen as Monday has started.

Japan's services PMI figures for January were released this morning, rising from 51.1 to 51.9, a three-month high. New business inflows contributed to the stronger performance, and the survey showed that optimism among businesses was at the highest levels for 56 months. Importantly, the survey also showed inflationary pressures are increasing, raising prospects for monetary tightening. The Bank of Japan denied rumours of stealth tapering at the end of January, with Governor Haruhiko Kuroda insisting that the bank remains committed to its easy monetary policy.

Discussions in Germany between Angela Merkel's CDU and the SPD over forming another grand coalition were not resolved in time to meet a self-imposed deadline on Sunday, and talks are set to resume today. Germany has been without a government since the vote on September 24. Major sticking points in the negotiations are over healthcare and labour market policy. There has reportedly been progress, but the SPD may need more concessions to get member approval – SPD members will get to vote on any agreement.

Foreign reserves in Egypt have risen to a record USD38.2bn, climbing USD1.2bn in January. According to Central Bank of Egypt Governor Tarek Amer, inflows to the banking system were up USD5.6bn, and USD1.5bn to the central bank.

US non-farm payroll numbers



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
Nikkei India PMI Composite	09:00	N/A	Eurozone Retail Sales y/y	14:00	1.9%
Turkey CPI y/y	11:00	10.6%	Markit US Composite PMI	18:45	N/A
Markit Eurozone Composite PMI	13:30	58.6	ISM Non-Manf. Composite	19:00	56.7

Source: Bloomberg

Fixed Income

The strongest-in-this-decade wage growth in January added to the bearish speculation on US treasuries as increase in inflation expectations cemented the belief that the Federal Reserve will stay on course for raising interest rates at least three times in 2018, if not more. Yields on 10-year USTs rose to 2.84%, its highest in four years. Yields on 2yr, 5yr and 30yr also closed the week higher at 2.14% (+3bps), 2.59% (+10bps) and 3.09% (+15bps) respectively, though the 2yr yields declined 2bps on Friday after the US employment report.

Regional bonds followed the move in benchmark yields. The YTW on the Bloomberg Barclays GCC Credit and High Yield index rose 10 bps to 3.96% while credit spreads tightened 3 bps to 141 bps.

The primary market issuances continue to grow with Noor Bank and Burgan Bank looking to raise money in the first half of 2018. Qatar Islamic Bank said in a statement that it will seek shareholder's approval to raise Sukuk limit from USD 3bn to USD 4bn.

FX

The Dollar Index rose 0.14% last week, to close at 89.195 and snap a 6 week losing streak. For a second consecutive week, losses were halted as the index found support close to the 38.2% five year Fibonacci retracement of 88.43. Despite this level holding, the index remains technically vulnerable while it remains below 90, the base that had initially held since September 2016 but was breached last week. With the price remaining below these levels, further tests of 88.43 are the path of least resistance with a break of this support paving the way for more significant declines towards 85. Should the index break back above the 90 level, the initial target is likely to be 91.36.

Equities

Regional equities started the week on a negative note following a weak close to global equity markets over the weekend. The Qatar Exchange led the losses with -2.7% drop. The sell-off across markets was broad based with all market heavyweights closing in the red. Emaar Properties dropped -1.2% while Industries Qatar declined -2.9%.

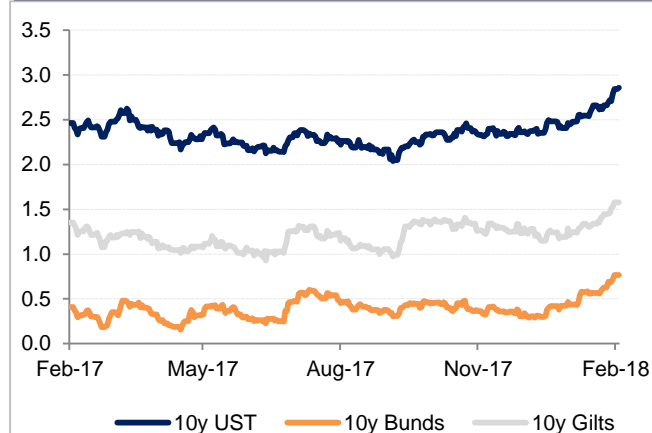
Commodities

Oil markets ended the week lower in a week whipsawed by financial volatility. Brent futures closed down 2.75% on the week at USD 68.58/b, falling as much as 1.5% on Friday alone. WTI gave up slightly more than 1% on the week to close at USD 65.45/b. The strength in market structures diverged across both contracts as the 1-2 month backwardation in WTI hit new highs of around USD 0.40/b while in Brent the backwardation has been steadily softening and is now around USD 0.30/b. Prices have started the week off on a softer footing as well, with both contracts down more than 1% in early trading.

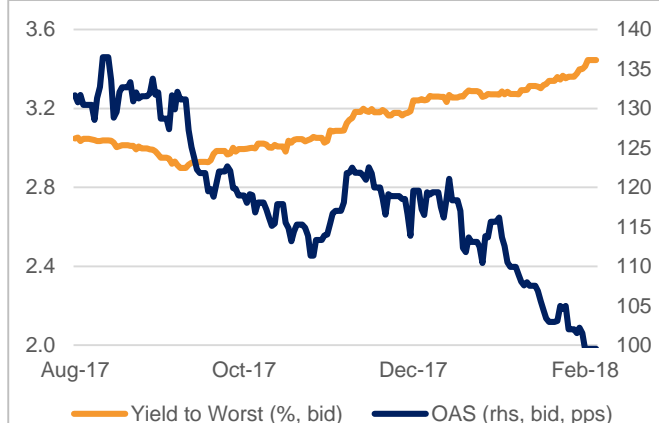
The drilling rig count in the US has added rigs two weeks in a row, gaining six new rigs last week and keeping the overall count within sight of 800 in total. However, speculators took some money out of long oil positions, cutting net length in WTI by more than 14k contracts and Brent by more than 6.5k contracts. We would place most of the blame for last week's softness in oil down to movements in the dollar whose weakness had hitherto been taken for granted as a supportive factor.

Markets in Charts

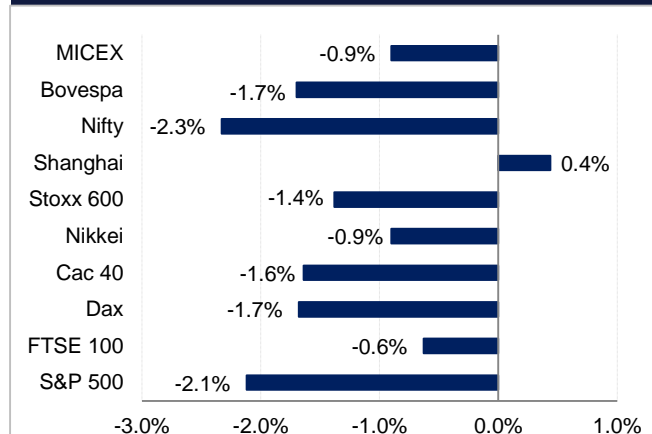
Global Bond Yields



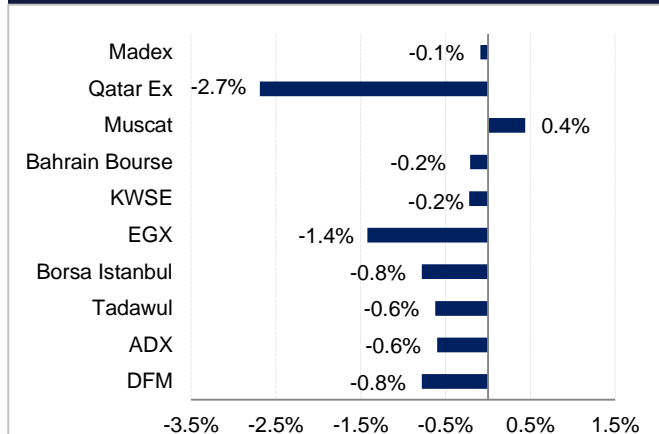
UAE liquid bond index



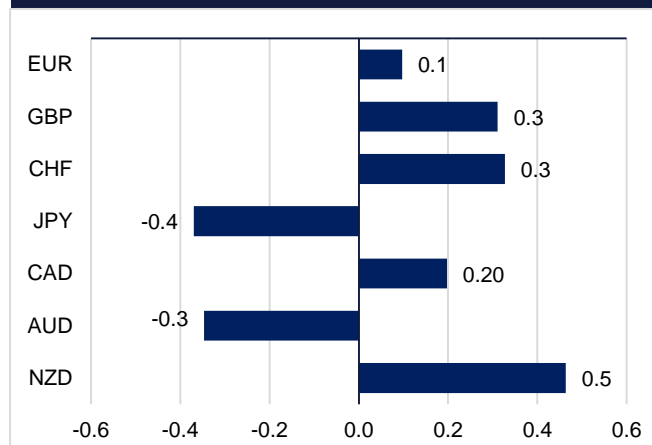
Global Equity Indices



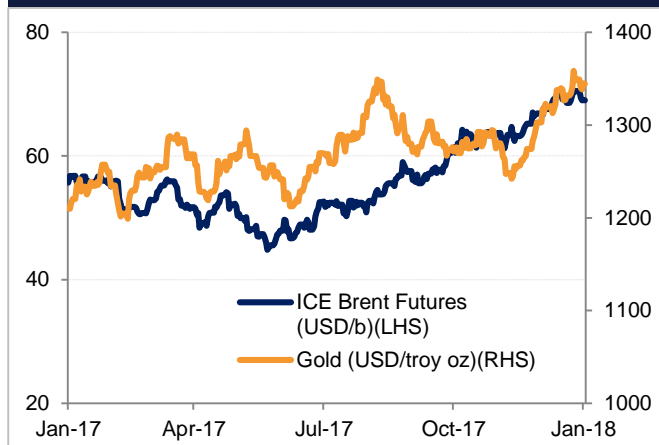
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2463	-0.38	1.2810	USDTRY	3.7692	+1.01	EURAUD	4.5751	-0.40
GBPUSD	1.4118	-1.02	1.4336	USDEGP	#N/A N/A	#VALUE!	GBPAED	5.1862	-1.01
USDJPY	110.17	+0.70	107.38	USDSAR	3.7501	--	JPYAED	0.0333	-0.69
USDCAD	1.2429	+1.31	1.2380	USDQAR	3.6800	+1.06	CADAED	2.9555	-1.29
AUDUSD	0.7931	-1.34	0.7943	USDKWD	0.2998	+0.04	AUDAED	2.9104	-1.44
USDCHF	0.9314	+0.53	0.9024	USDBHD	0.3770	--	CHFAED	3.9442	-0.50
EURGBP	0.8823	+0.63	0.8931	USDOMR	0.3850	--	TRYAED	0.9700	-1.45
USDAED	3.6730	--	3.6765	USDINR	64.2050	+0.29	INRAED	0.0572	-0.50

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.5917	1.8267	2.1550	2.6350	USD 2 yr	2.366	+0
USD LIBOR	1.5796	1.7890	1.9921	2.2905	USD 5 yr	2.685	+3
GBP LIBOR	0.4965	0.5255	0.6117	0.8188	USD 10 yr	2.877	+5
JPY LIBOR	-0.0478	-0.0505	0.0067	0.1045	EUR 2 yr	-0.124	+1
CHF LIBOR	-0.7986	-0.7474	-0.6598	-0.5318	EUR 5 yr	0.484	-1
					EUR 10 yr	1.123	+3

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1333.39	-1.14	ADGB 6.75 19	2.31	+1	Abu Dhabi	51	--
Silver	16.60	-3.70	DUGB 7.75 20	2.93	+11	Dubai	111	-1
Oil (WTI)	65.45	-0.53	QATAR 6.55 19	2.57	+2	Qatar	88	+2
Aluminium	2209.50	-0.69	US Tsy 2 yr	2.14	-2	Saudi Arabia	77	--
Copper	7003.75	-1.04	US Tsy 10 yr	2.84	+5	Bahrain	228	-6

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 609 3027
 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

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 Sakhalakar
 +65 65785 627
 supriyakumars@emiratesnbd.com

London Sales
 +44 (0) 20 7838 2241
 vallancel@emiratesnbd.com

Egypt
 Gary Boon
 +20 22 726 5040
 garyboon@emiratesnbd.com

Emirates NBD Capital

Ahmed Al Qassim
 CEO- Emirates NBD Capital
 AhmedAQ@emiratesnbd.com

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