



بنك الإمارات دبي الوطني  
Emirates NBD

Daily  
5 July 2017

# Daily Outlook

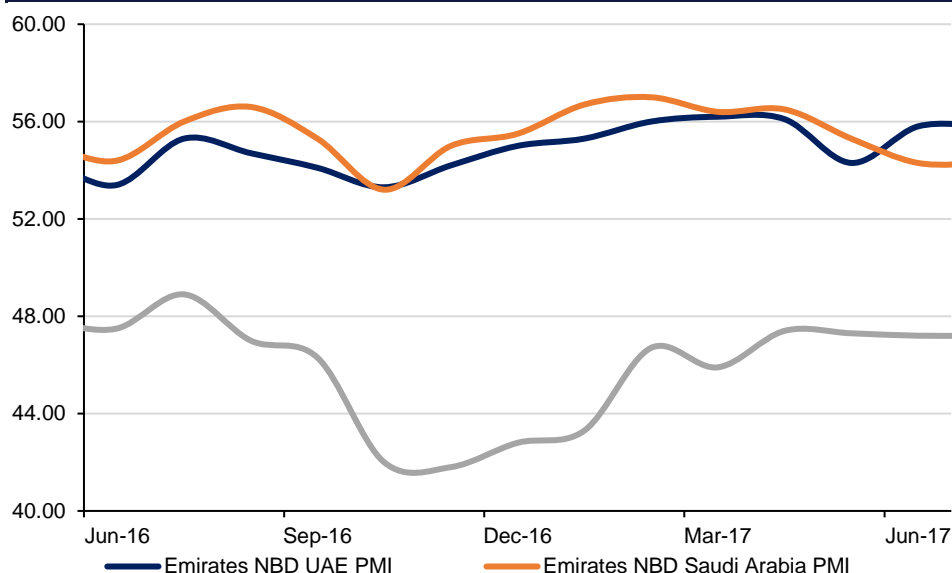
There was little in the way of economic data yesterday with US markets closed, but North Korea's test launch of an intercontinental ballistic missile capable of reaching the US boosted haven assets. The US 10y yield has eased, while gold and the JPY are trading firmer. The United Nations Security Council will meet later today in a closed session at the request of the US, with Secretary of State Rex Tillerson suggesting that a response would be at the UN level.

Market focus this evening will undoubtedly be on the release of the June FOMC meeting minutes, which may provide some guidance as to when the Fed will start to normalise its balance sheet as well as giving greater insight into the outlook for interest rates. May factory orders and durable good orders data will also be released. In the Eurozone we get May retail sales data today, along with services PMI in the UK and Eurozone for June.

Regionally, Moody's has downgraded its outlook for Qatar's foreign currency debt rating to negative from stable, citing the increased likelihood of a prolonged period of uncertainty extending into 2018. Qatar's rating was affirmed at Aa3, in line with S&P's rating of AA- (negative). Gulf states have acknowledged receipt of Qatar's response to their list of demands, and have said they will reply at the "right time". After two days of talks with both Saudi Arabia and Qatar, Germany's foreign minister said he expected Saudi Arabia, the UAE, Bahrain and Egypt to reject Qatar's response.

PMI data released yesterday showed the UAE and Saudi non-oil economies continued to expand in June, with H1 2017 growth faster than in H1 2016. However, employment growth remains anaemic and firms are under pressure from weaker margins as they continue to compete on price. Egypt's economy continued to contract in June with a PMI reading of 47.2, but there are signs of stabilisation as price pressures moderate and export orders rise.

## Emirates NBD regional PMIs



Source: Bloomberg, Emirates NBD Research.

## Day's Economic Data and Events

	Time	Cons		Time	Cons
UK Services PMI	12:30	53.5	Eurozone retail sales (y/y)	13:00	2.3%
US Factory Orders	18:00	-0.5%	FOMC meeting minutes	22:00	N/A

Source: Bloomberg.

## **Fixed Income**

Regionally, the focus remained on the political issues around Qatar. Moody's changed the outlook on Qatar's rating to negative from stable and affirmed Aa3 rating. The rating agency cited the ongoing dispute as the primary reason for the same. Qatar Government bonds continued to drift lower with QATAR 26s dropping another 20 bps.

Elsewhere, the decision of Fitch to change the outlook on Omani banks had limited impact. For example, Bank Muscat's 21s closed flat for the day.

## **FX**

JPY rises for a second day in response to North Korea's missile test (see macro) with USDJPY currently trading 0.19% lower at 113.06. Despite this decline, the two hour candle chart shows that the uptrend that has been in effect since the June 15<sup>th</sup> remains intact and while the pair holds above 112.50, the risk of breaking and closing above 113.50 remains high. A daily close above 113.50 would result in breaking out of the daily down trend that has been in effect since the December 16<sup>th</sup> 2016 and likely lead to a test of 114.15, the 76.4% one year Fibonacci retracement.

It is worth noting that should the 112.50 level fail to hold, support is expected between 112.10-112.25, a range holding both the 50 two hour moving average and the rising baseline for the uptrend that has been in effect since June 15<sup>th</sup>. In addition, the daily candle chart shows the 50 day moving average is about to perform a golden cross over the 100 day moving average, further supporting that further rises are more likely.

## **Equities**

European equities closed lower following another missile test by North Korea. The Euro Stoxx 600 index dropped -0.3% in a session marked by low volumes amid a holiday in the US.

Saudi Arabian equities led regional markets lower. The Bloomberg GCC 200 index dropped -1.1% as investors exercised caution ahead of the meeting of GCC countries scheduled later today to discuss Qatar's response to their demands.

The Tadawul dropped -2.6% with F&B (-4.6%) and Banking sector (-3.6%) stocks leading the decline. Elsewhere, the Qatar Exchange reversed early session gains to close -0.5% lower.

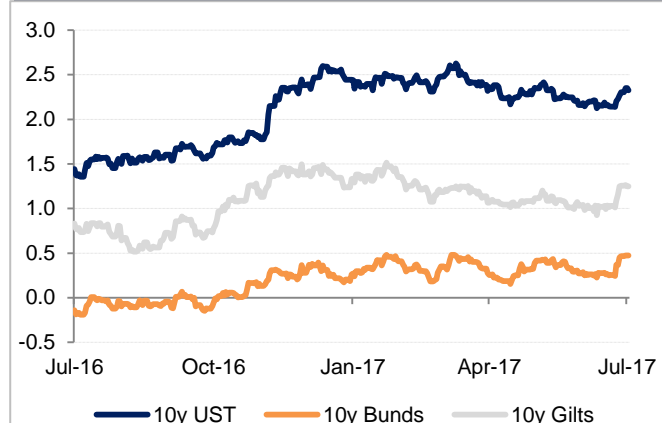
## **Commodities**

Brent futures closed slightly lower in a day of tight trading with few fundamental catalysts to push prices. Exports from OPEC rose by 450k b/d in June and were up 1.9m b/d on a year ago according to latest data available from Reuters. Exports from Saudi Arabia were reported back above 7m b/d while Libyan and Nigerian exports were elevated.

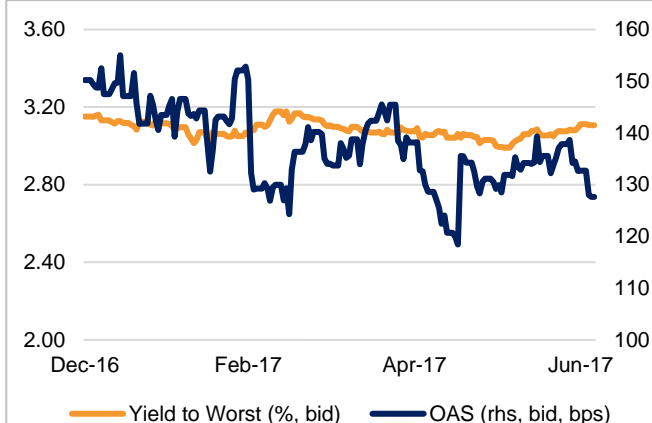
Qatar Petroleum has announced plans to significantly raise its LNG production to 100m tonnes from 77m tonnes/year at present in order to meet long-term growth in natural gas demand. The LNG market will grow increasingly crowded over the next decade as large supply additions come online in Australia, the US and potentially from producers in East Africa.

## Markets in Charts

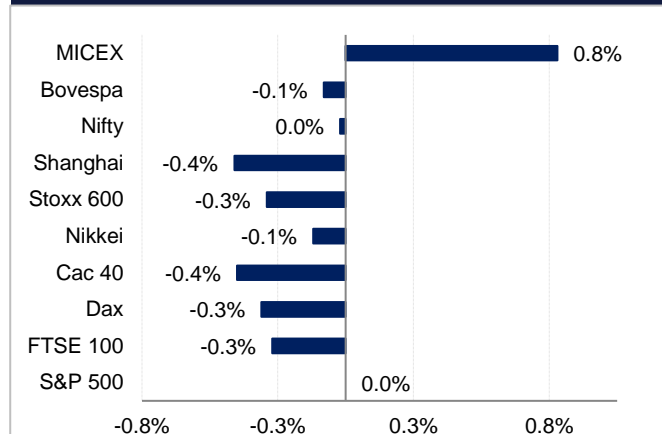
### Global Bond Yields



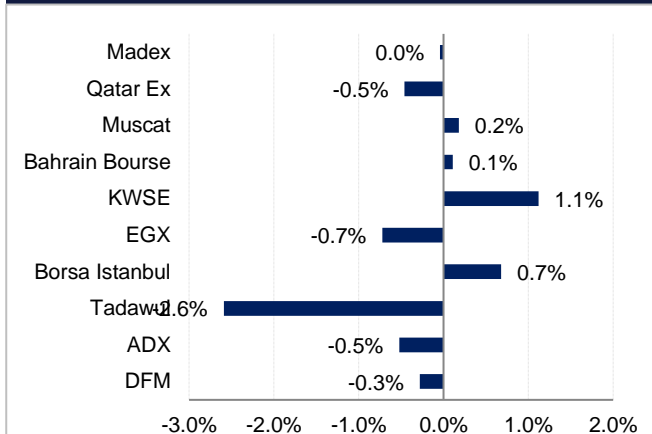
### UAE liquid bond index



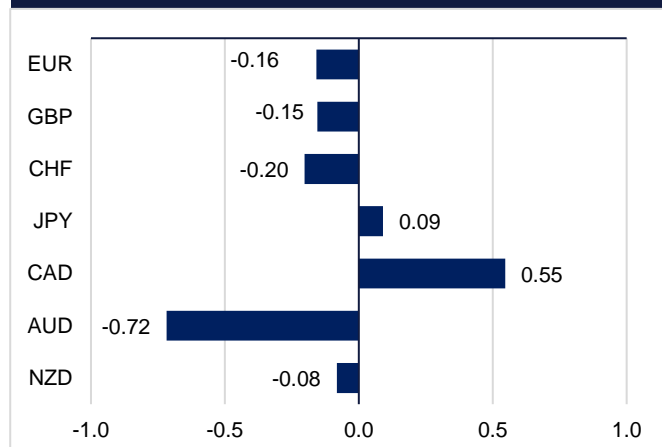
### Global Equity Indices



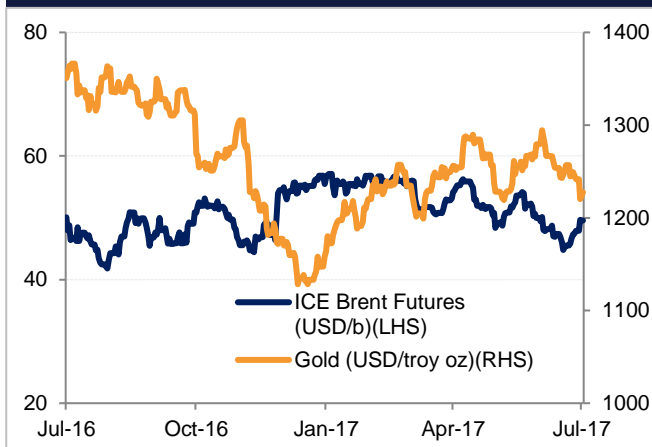
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1346	-0.16	1.1581	USDTRY	3.5588	+0.06	EURAED	4.1677	-0.15
GBPUSD	1.2920	-0.15	1.3067	USDEGP	17.9203	-0.16	GBPAED	4.7461	-0.15
USDJPY	113.28	-0.09	111.14	USDSAR	3.7500	--	JPYAED	0.0324	+0.08
USDCAD	1.2937	-0.54	1.2887	USDQAR	3.7050	-0.80	CADAED	2.8393	+0.55
AUDUSD	0.7606	-0.72	0.7575	USDKWD	0.3032	+0.01	AUDAED	2.7936	-0.72
USDCHF	0.9655	+0.20	0.9418	USDBHD	0.3772	+0.01	CHFAED	3.8039	-0.21
EURGBP	0.8781	-0.00	0.8862	USDOMR	0.3851	-0.00	TRYAED	1.0300	-0.26
USDAED	3.6729	-0.00	3.6809	USDINR	64.6900	-0.29	INRAED	0.0568	+0.30

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.2630	1.5528	1.7530	2.1413	USD 2 yr	1.647	+0
USD LIBOR	1.2269	1.3007	1.4560	1.7484	USD 5 yr	1.991	-0
GBP LIBOR	0.2526	0.3039	0.4634	0.6821	USD 10 yr	2.295	-3
JPY LIBOR	-0.0159	0.0006	0.0214	0.1247	EUR 2 yr	-0.137	-1
CHF LIBOR	-0.7848	-0.7290	-0.6576	-0.4900	EUR 5 yr	0.277	+1
					EUR 10 yr	0.914	+0

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1223.42	+0.26	ADGB 6.75 19	1.59	-1	Abu Dhabi	59	-1
Silver	16.08	-0.32	DUGB 7.75 20	2.58	--	Dubai	131	--
Oil (WTI)	-	-	QATAR 6.55 19	2.40	--	Qatar	114	-1
Aluminium	1920.75	-0.01	US Tsy 2 yr	1.41	--	Saudi Arabia	113	-2
Copper	5867.25	-0.67	US Tsy 10 yr	2.35	--	Bahrain	251	-3

Source: Bloomberg, Emirates NBD Research

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