



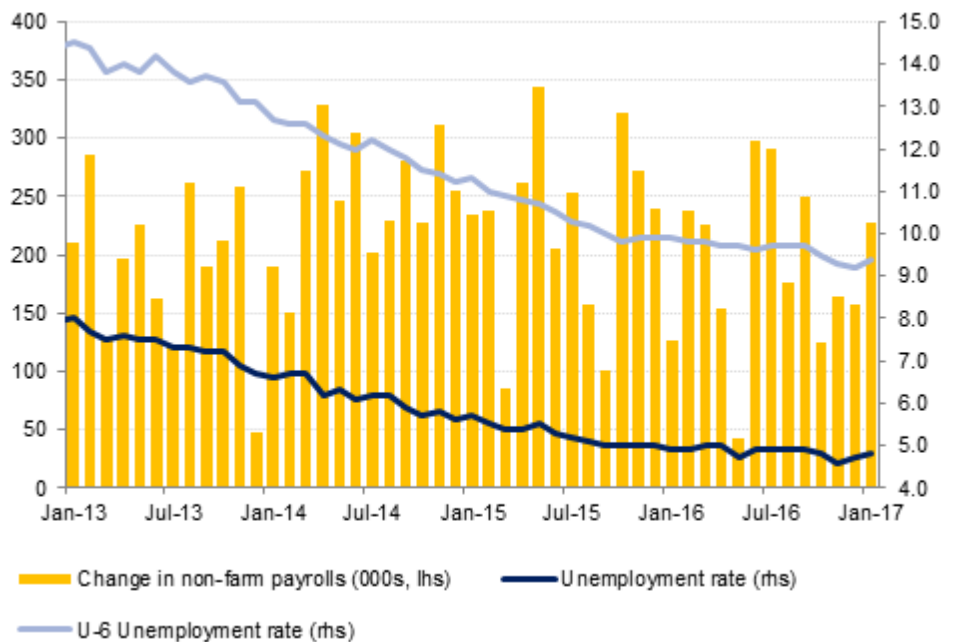
Daily Outlook

US non-farm payrolls recorded their biggest increase in four months in January rising by 227k. However, other elements in the employment report were not so encouraging with the **unemployment rate ticking up to 4.8% from 4.7%** while **average earnings growth was just 0.1% m/m** which took the **y/y rate down to 2.5% from a downward revised 2.8% in December.** While the payrolls data was clearly strong the overall impact was to further reduce the likelihood of a March interest rate rise by the Fed. However, **some Fed officials are still holding on to the possibility of tightening in March with San Francisco Fed President Williams maintained that it could still happen and noting that three rate hikes year,** as implied by the Fed's dots, would take the Fed closer to halting portfolio reinvestments.

The UAE central bank revised its forecast for GDP growth this year down to 2.3% from a forecast 2.6% in 2016. This is lower than our own forecast of 3.4% growth in 2017 as we have assumed a stronger recovery in non-oil GDP growth this year. The January PMI reading supports our view, with the headline index rising to 55.3 on the back of faster growth in output and new work volume, although the pricing environment remains challenging.

The Saudi PMI also rose in January to the highest level since August 2015, signalling a strong start to the year for the non-oil private sector. Official GDP data showed the economy expanded 1.3% y/y in Jan-Sep 2016, with most of this growth coming from the oil sector. The non-oil sector contracted slightly over the first three quarters of last year, but this was mainly due to a decline in public sector non-oil GDP. Private sector non-oil GDP (which is what the PMI surveys) was more resilient.

US NFP records biggest increase in four months



Source: Bloomberg, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
Markit Eurozone Retail PMI	13:10	-	Draghi Speaks in Brussels	18:00	-
Sentix Investor Confidence	13:30	16.8			

Source: Bloomberg.

Fixed Income

Strong US employment data got overshadowed by weaker than expected wage growth. Increasing uncertainty boosted the safe haven bid and caused sovereign yields to decline across the developed world last week. Yields on 2yr, 5yr and 10yr treasuries closed at 1.20% (-1bp), 1.91% (-4bps) and 2.46% (-3bps) respectively while those on 10yr Gilts were down 9bps to 1.35%.

Against the backdrop of falling benchmark yields and rising oil prices, GCC bonds had a constructive week. Longer dated bonds outperformed, particularly Bahrain and Qatar curves and BUAEL Index closed the week with average yield of 3.10% (-1bp) though credit spreads widened to 147bps (+2bps) as investors remained reluctant to take bond prices too high.

Introduction of uncertainty in EA's strategy about its investment in partner airlines which are obligors of the bonds issued by EA Partners, saw EAPART 20 and EAPART 21s becoming one of the worst performing bonds last week. EAPART 20 closed at yield of 8.55% (+168bps) and EAPART 21s at yield of 8.51% (+146bps) respectively. Also SHARSK 21s and SHARSK 24s fell roughly quarter of a point last week after S&P downgraded the rating on Sharjah from A- to BBB+/stable in the previous week.

No new deal priced in the local primary market last week, though pipeline looks healthy with DIB, Bank of Sharjah and Equate Petroleum doing investor rounds. On the redemption front, investors will receive \$1.4 bn this month, \$400 million from maturity of the MAFUAE 17 sukuk this week and \$1.0 billion from QNB towards end of the month. We expect both these issuers to tap the capital market for new issues sometime this year.

FX

The USD has held steady over the weekend, after strong jobs growth was undermined by softer earnings data in January, with the net effect that a March rate tightening is looking less likely. It is becoming clearer that macro fundamentals are only part of the story when it comes to the dollar. Data is increasingly being 'Trumped' by the communications and executive orders from the President with regard to trade, immigration, and even currencies. In the two weeks since Donald Trump was inaugurated the dollar has declined against most major currencies with the JPY and the AUD the main beneficiaries of its weakness.

Equities

Asian equities have started the week on a positive note tracking strong close to developed markets over the weekend.

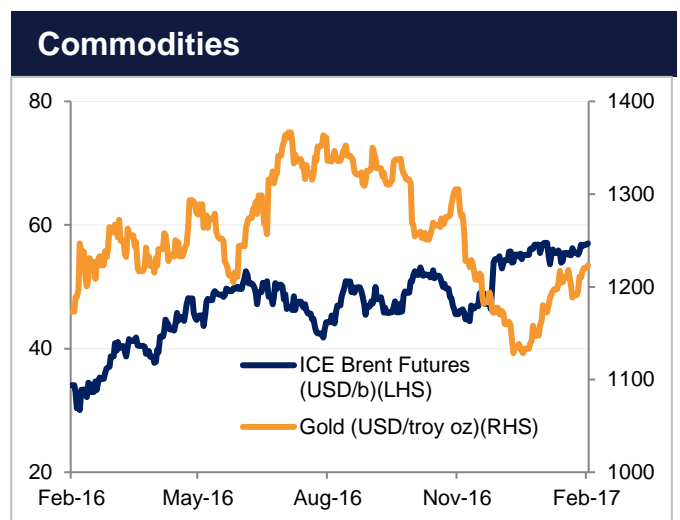
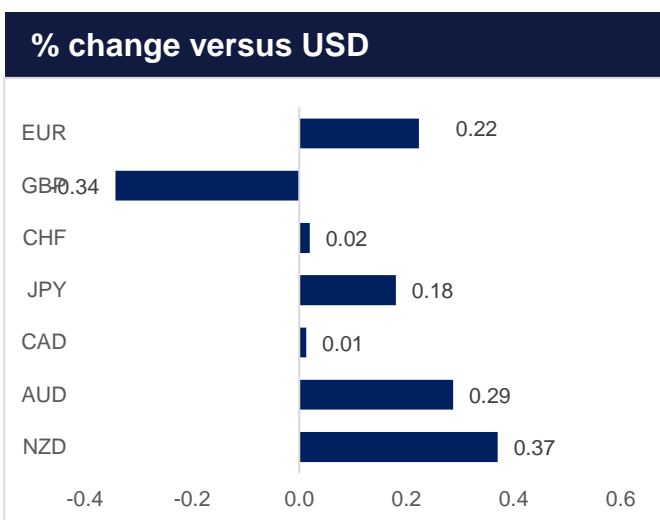
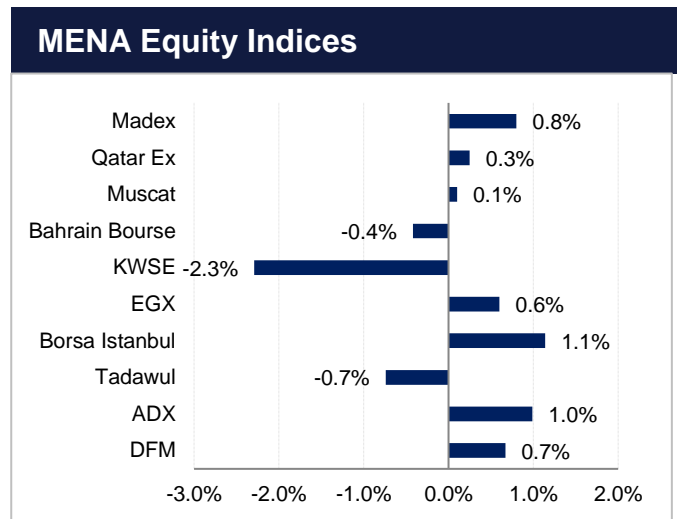
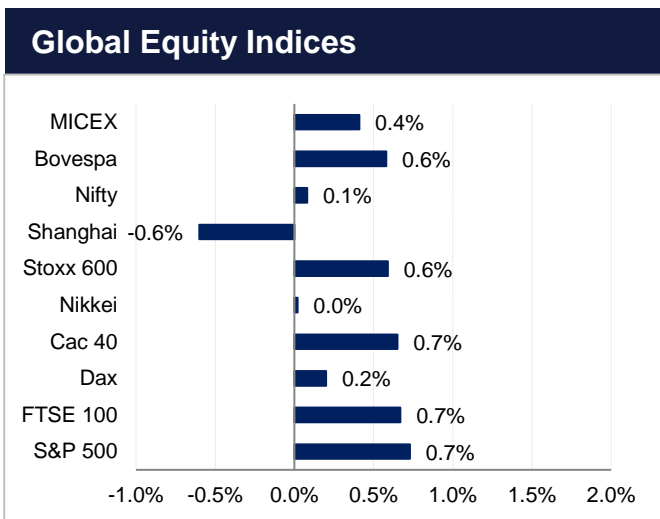
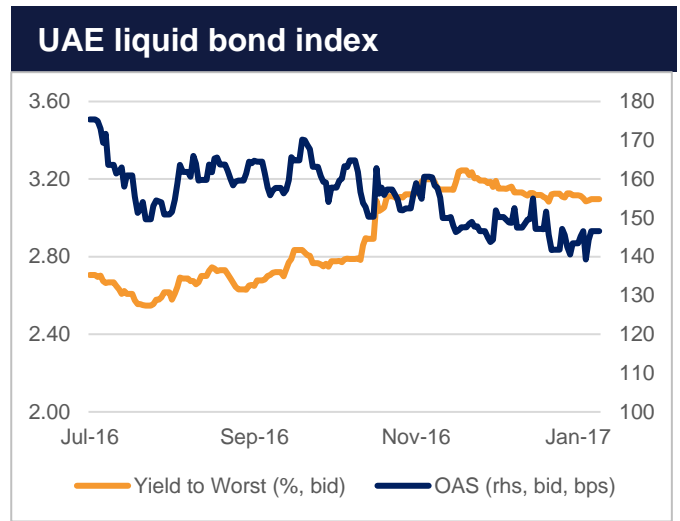
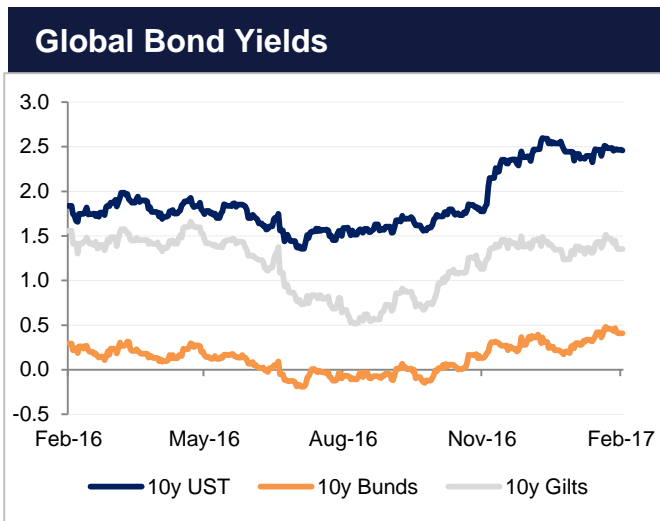
It was a mixed start to the week for regional equities as UAE bourses closed higher while the Tadawul (-0.7%) dropped. The KWSE index dropped -2.3% amid political uncertainty following reports that the cabinet might be reshuffled or even resign as early as this week.

In terms of stocks, Industries Qatar dropped -4.1% after the company reported a -63.0% y/y drop in Q4 net profit and recommended a cash dividend of QAR 4 per share, less than QAR 5 per share recommended last year. Shuaa Capital added +1.9% after the company said its board meeting on 13 February 2017 will be followed by a press conference. It is expected that the company will give details about its strategy.

Commodities

Oil markets managed their third consecutive weekly rise, building on surveys of OPEC's January production that show compliance with the agreement to cut output while new US sanctions imposed on Iran have raised geopolitical tensions. The market's focus is oscillating between fixation on how well OPEC is complying to its production limits and developments in the US where the oil drilling rig count again pushed higher last week, with 17 oil rigs added. Explorers in the US are focusing their work on the highly efficient Permian Basin in Texas but there has also been a sizeable increase in activity in liquid-prone shale plays normally associated with gas (such as Cana Woodford in Oklahoma).

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0783	+0.22	1.0996	USDTRY	3.6969	-1.08	EURAED	3.9616	+0.26
GBPUSD	1.2484	-0.34	1.2613	USDEGP	18.6384	+0.44	GBPAED	4.5858	-0.34
USDJPY	112.61	-0.17	110.51	USDSAR	3.7504	-0.01	JPYAED	0.0326	+0.19
USDCAD	1.3023	-0.03	1.2963	USDQAR	3.6411	--	CADAED	2.8202	+0.02
AUDUSD	0.7680	+0.29	0.7627	USDKWD	0.3051	+0.13	AUDAED	2.8224	+0.34
USDCHF	0.9930	+0.03	0.9689	USDBHD	0.3770	-0.01	CHFAED	3.7003	+0.01
EURGBP	0.8640	+0.60	0.8720	USDOMR	0.3850	--	TRYAED	0.9900	+0.73
USDAED	3.6730	--	3.6835	USDINR	67.2012	-0.26	INRAED	0.0546	+0.08

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.9457	1.3899	1.6483	2.0931	USD 2 yr	1.502	-1
USD LIBOR	0.7756	1.0340	1.3499	1.7134	USD 5 yr	1.993	-1
GBP LIBOR	0.2593	0.3521	0.5255	0.7561	USD 10 yr	2.388	--
JPY LIBOR	-0.0061	0.0041	0.0286	0.1327	EUR 2 yr	-0.154	--
CHF LIBOR	-0.7884	-0.7262	-0.6622	-0.5066	EUR 5 yr	0.183	--
					EUR 10 yr	0.804	--

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1220.30	+0.36	ADGB 6.75 19	1.61	-1	Abu Dhabi	55	-1
Silver	17.51	+0.14	DUGB 7.75 20	2.80	-1	Dubai	137	-1
Oil (WTI)	53.83	+0.54	QATAR 6.55 19	1.97	--	Qatar	77	-3
Aluminium	1821.75	+0.22	US Tsy 2 yr	1.20	-1	Saudi Arabia	108	-5
5Copper	5763.75	-1.82	US Tsy 10 yr	2.46	-1	Bahrain	250	+3

Source: Bloomberg, Emirates NBD Research

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