



بنك الإمارات دبي الوطني
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Daily Outlook

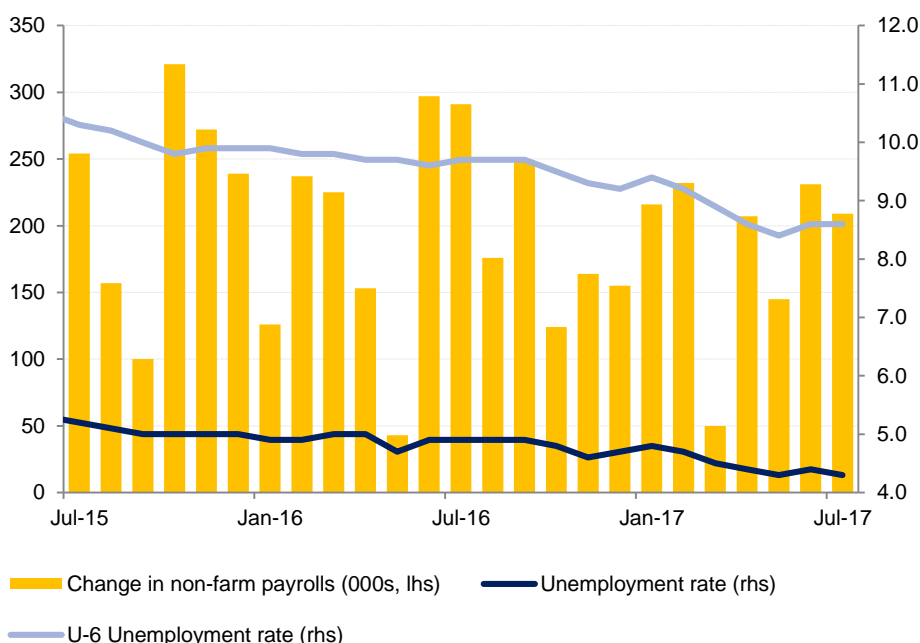
US non-farm payrolls beat expectations in July, with 209,000 new jobs added last month. The June number was also revised higher to 231k. On average, the US economy has added 184k new jobs every month since the start of this year, only slightly less than the average of 187k per month in 2016. Growth in jobs was relatively broad based with manufacturing, business & professional services and leisure & hospitality sectors all posting strong gains last month. **The unemployment rate declined to 4.3% in July from 4.4% in June.**

Wage growth, which has been relatively subdued given the sustained rise in employment over the last couple of years, increased 0.3% m/m and 2.5% y/y in June. Despite relatively low wage growth and only modest inflation, the latest employment data supports our view that the Fed is likely to hike the benchmark rate at least once more this year, as well as start reducing the size of its balance sheet from September. July inflation data is due to be released later this week and will be closely watched.

Other key data due to be released this week includes Chinese trade data (Tuesday), Japan machine orders (Wednesday), and UK industrial production, manufacturing and construction output (Thursday). RBNZ is expected to keep rates on hold at the policy meeting on Thursday.

Besides the release of German industrial production today, the market will likely focus on comments by Fed governors Bullard and Kashkari, who are both scheduled to speak today.

Non-farm payroll report shows 209,000 new jobs in July



Source: Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
Germany Industrial Production	10:00	0.2%	UK Halifax House Prices	11:30	2.1%

Source: Bloomberg.

Fixed Income

A stronger than expected non-farm payrolls data saw US Treasuries pare gains to end the week marginally lower. Having said that, the strong data did not significantly alter view that the Fed will not hike rates again this year. The market-implied odds of a rate hike only increased marginally to 40% from slightly below before the data. Yields on the 2y USTs jumped 1 bps to 1.35%, on 5y USTs by 3 bps and 5 bps on the 30y USTs.

The move in benchmark yield had a marginal impact on regional bonds. Yield on the Bloomberg Barclays GCC Credit and High Yield index remained flat while the spread tightened by 3 bps. In terms of rating action, the S&P affirmed Kuwait's rating at AA with stable outlook. The agency said the action reflects its expectation that the country's public and external balance sheet will remain strong, offsetting risks related to lower oil price.

According to reports, Qatar National Bank is discussing funding options including a dollar-bond sale, private placement or syndicated loan. The timing is likely to be sometime in Q4 2017. It is worth noting here that Bloomberg reported that the foreign deposits at Qatari banks may fall further as regional banks are refusing to roll over holdings.

FX

There were some key technical developments for the EURUSD over the last week. While there was a break above the 200 week moving average (1.1789), this was not sustained and Friday's 0.82% decline to 1.1773 saw it close below this key level. However, the daily uptrend that has been in effect since 4th January 2017 remains intact and strong support was found at the 38.2% Fibonacci retracement of 1.1736. While this level continues to hold, the bias remains a technically bullish one.

Firmer than expected economic data (see macro) helped the dollar end the week on firmer footing, with the Dollar Index rising 0.71% on Friday to 93.542 and ending the dollar's three week losing streak. However, despite this reprieve, the dollar still looks technically vulnerable, and the daily downtrend that has been in effect since 4th of January 2017 remains intact. In order to reverse the trend, the DXY would need a firm close above 95.798 which currently represents both the 50 day moving average and a capping trend line of the current daily downtrend.

Equities

The Tadawul (+0.1%) was an exception in what was a negative day of trading for regional equities. The Bloomberg GCC 200 index closed -0.1%. Volumes were low as well.

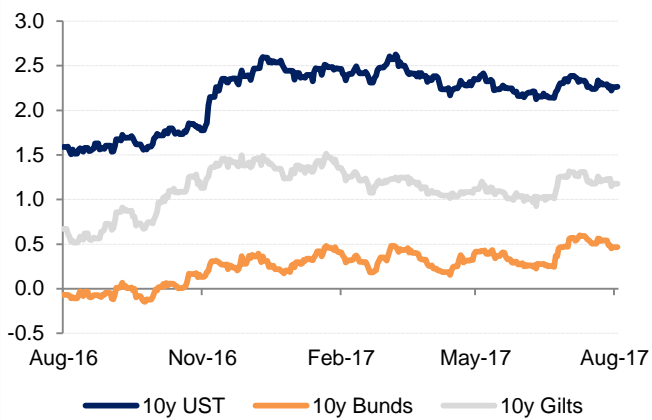
There was no standout in terms of stocks. Emaar Malls reported earnings after the market closed. The company reported Q2 2017 net profit of AED 482mn, beating consensus estimates of AED 467mn by 3.2%.

Commodities

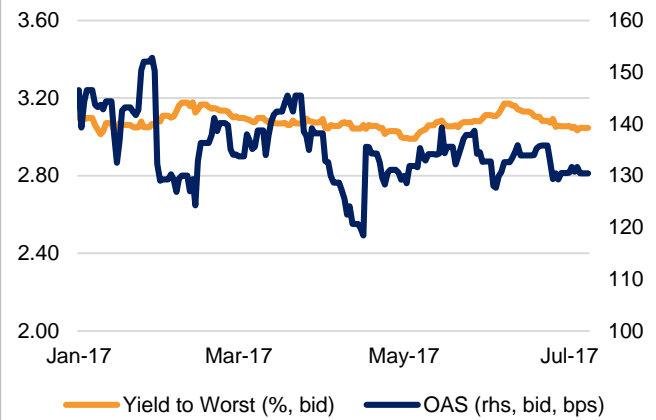
Despite some wide intraday moves oil prices ended the week down slightly. Brent futures closed above USD 52.40/b and WTI remained below USD 50/b. summer languor appears to be setting in with the market trading off varying interpretations of OPEC compliance with its production cut deal and US production and stockpiles. Front month volatility has come down steadily since June but investors may be finally warming up to oil prices at current levels: net length in WTI futures expanded by nearly 44k lots, this time down to a large build in long positions rather than just short liquidations.

Markets in Charts

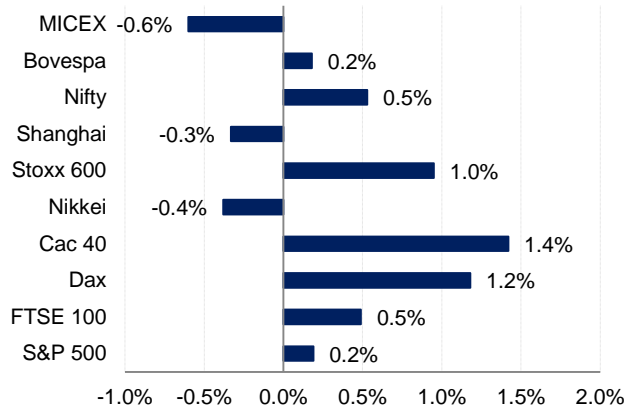
Global Bond Yields



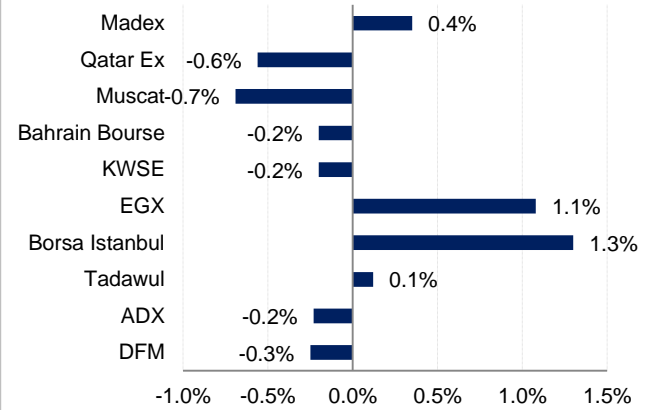
UAE liquid bond index



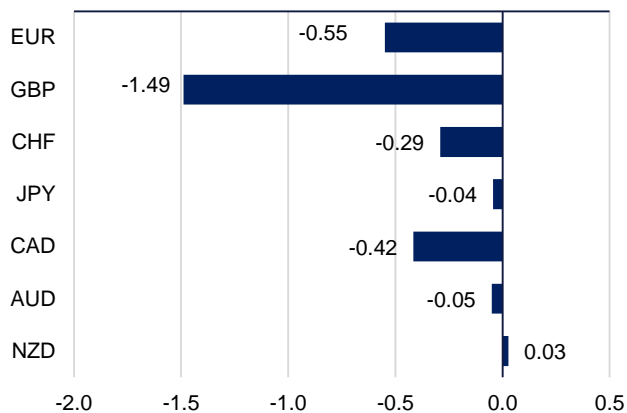
Global Equity Indices



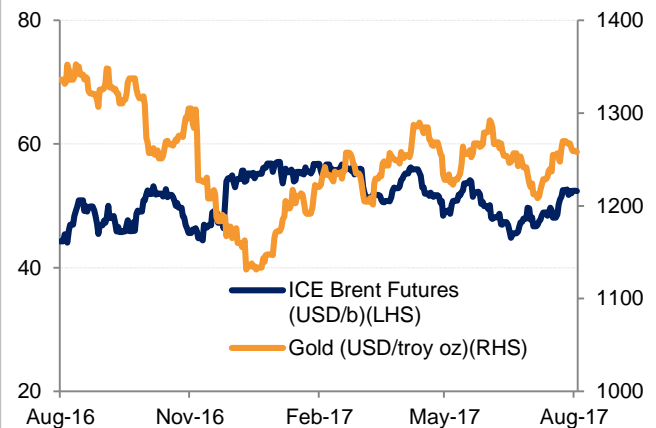
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1773	-0.55	1.2018	USDTRY	3.5280	-0.44	EURAED	4.3601	+0.28
GBPUSD	1.3040	-1.49	1.3196	USDEGP	17.7729	-0.07	GBPAED	4.8264	-0.73
USDJPY	110.69	+0.05	108.59	USDSAR	3.7502	--	JPYAED	0.0334	+0.52
USDCAD	1.2645	+0.38	1.2607	USDQAR	3.6600	-0.16	CADAED	2.9205	+0.18
AUDUSD	0.7922	-0.05	0.7889	USDKWD	0.3017	-0.01	AUDAED	2.9264	+0.53
USDCHF	0.9727	+0.28	0.9489	USDBHD	0.3772	+0.01	CHFAED	3.7921	+0.15
EURGBP	0.9027	+0.95	0.9105	USDOMR	0.3850	--	TRYAED	1.0400	+0.34
USDAED	3.6729	-0.00	3.6804	USDINR	63.5825	-0.17	INRAED	0.0577	-0.01

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3200	1.5277	1.7502	2.1332	USD 2 yr	1.592	-1
USD LIBOR	1.2289	1.3119	1.4494	1.7229	USD 5 yr	1.878	-2
GBP LIBOR	0.2495	0.2784	0.4130	0.6115	USD 10 yr	2.206	-2
JPY LIBOR	-0.0352	-0.0175	0.0093	0.1127	EUR 2 yr	-0.161	-0
CHF LIBOR	-0.7834	-0.7256	-0.6498	-0.5014	EUR 5 yr	0.235	-2
					EUR 10 yr	0.876	-3

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1258.88	-0.77	ADGB 6.75 19	1.69	+1	Abu Dhabi	53	--
Silver	16.71	+1.39	DUGB 7.75 20	2.60	+0	Dubai	115	+2
Oil (WTI)	49.58	+1.12	QATAR 6.55 19	2.16	+1	Qatar	92	+2
Aluminium	1889.00	-0.28	US Tsy 2 yr	1.35	+1	Saudi Arabia	90	--
Copper	6347.75	+0.35	US Tsy 10 yr	2.26	+4	Bahrain	240	--

Source: Bloomberg, Emirates NBD Research

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