



بنك الإمارات دبي الوطني
Emirates NBD

Daily
7 February 2018

www.emiratesnbdresearch.com

Daily Outlook

The US trade gap widened to USD53.1bn in December, the largest deficit since 2008.

This was driven in part by higher commodity prices, but also strong domestic demand. Demand could strengthen further in future releases on the back of recent tax cuts, as already seen in ISM data released on Monday. The news will likely draw the ire of President Donald Trump given his commitment to narrowing the trade deficit as part of his 'America First' agenda, and could lead to more protectionist policies.

US equity markets made a modest recovery yesterday, but volatility remains elevated.

It was likely concerns over faster-than-expected wage growth leading to more than three hikes this year that prompted the initial sell-off, so all eyes will be on Jerome Powell as he starts his new job as Fed Chair. It was announced yesterday that he is due to testify on the interest rates outlook to the House Financial Services Committee on February 28.

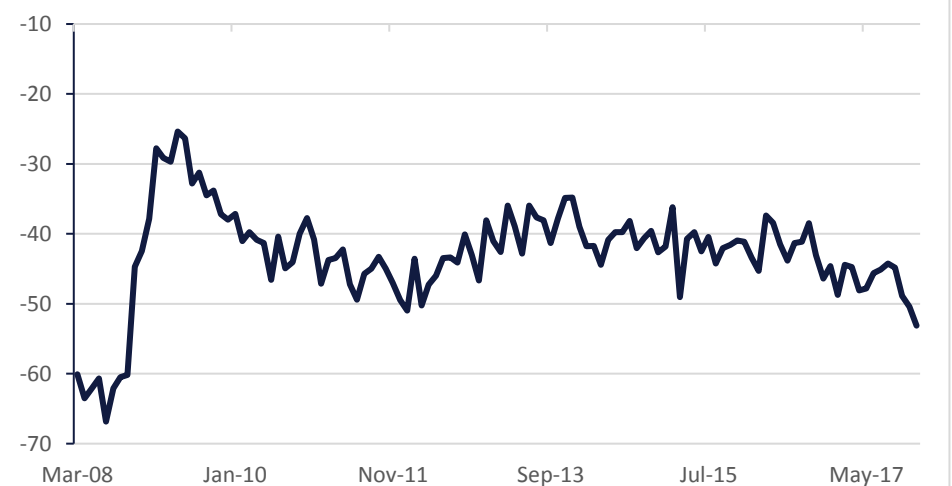
Staying in the US, the likelihood of a renewed government shutdown from February 8 is diminishing as the House passed a bill extending spending to March 23.

The bill was passed 245-218, largely along party lines, and will now go to the Senate, before likely returning to the House for a final passage. While contentious immigration law has not been included in the current debate, there remain differences over Republican plans to extend defence payments to September 30, for which Democrats want concessions on domestic spending on issues such as drug addiction and infrastructure.

The Reserve Bank of Australia kept its benchmark cash rate unchanged at 1.50% yesterday, in line with expectations.

Slightly more dovish language than expected led to a modest weakening in the Australian dollar in the wake of the announcement, but the currency has firmed again today. The MPC's communique made clear that it still holds concerns over persistently low inflation and wage growth, in common with other developed markets. It does expect these to pick up, making a hike later in the year likely, but it stressed that progress would be gradual.

US trade balance, USDbn



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
UK Halifax House Prices m/m	12.30	0.2%	US MBA Mortgage Apps	16.00	n/a
RBNZ Official Cash Rate	00.00	1.75%			

Source: Bloomberg

Fixed Income

US Treasuries reversed gains in the previous session following a rebound in equities and decline in the VIX index. Yields were higher across the curve with 2y USTs, 5y USTs and 10y USTs yielding 2.10% (+8 bps), 2.53% (+10 bps) and 2.80% (+10 bps) respectively.

Regional bond markets closed flat. The YTW on the Bloomberg Barclays GCC Credit and High Yield index remained at 3.98% while credit spreads widened 1 bp to 150 bps.

First Abu Dhabi Bank has sought shareholder's approval to issue any type of debt up to USD 7.5bn. The primary issuance calendar continues to build further with Damac in talks with banks for a USD sukuk.

Egypt's Central Bank governor said that the central bank plans to start easing monetary policy once it is convinced that inflation has been reined in.

FX

NZD has softened after mixed employment data. Reports released by Statistics New Zealand showed that the unemployment rate fell from 4.6% in Q3 2017 to 4.5% in Q4 2017, beating market expectations for an increase to 4.7%. However, during the same period, average hourly earnings slowed from 1.2% q/q to 0.8% q/q, subtracting from inflationary pressures one day before the RBNZ holds its first meeting of 2018. As we go to print, NZDUSD is trading 0.47% lower at 0.73076, wiping out half of yesterday's gains. We expect support at 0.7260, close to the 61.8% one year Fibonacci retracement (0.7261).

Equities

Developed markets equities closed mixed in what was a volatile day of trading. Most equity indices recovered from day's losses and the US equities actually closed in the green. The S&P 500 index added +1.7% while the Euro Stoxx 600 index dropped -2.4%. The VIX index touched a high of 50 before dropping -20.0% to close at 30.0.

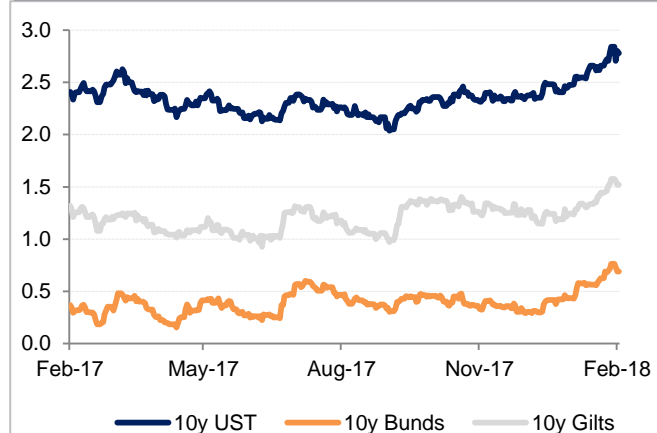
Regional markets closed lower across the board as investors reacted to moves in developed markets. The DFM index and the Tadawul lost -1.5% and -1.6% respectively. The losses were broad based with market heavyweights taking the hit.

Commodities

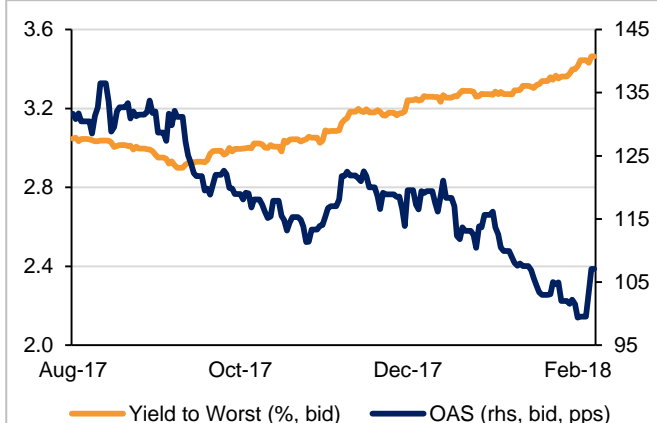
Oil prices continued to lose ground overnight, falling three days in a row which for both Brent and WTI is their longest slump since November 2017. In line with improvements in equity markets, oil futures are up slightly this morning with Brent at USD 67.34/b and WTI at USD 63.90/b. The API reported a decline in overall crude stocks of 1.1m bbl last week and gasoline inventories fell. However, there was a large build in diesel inventories, 4.6m bbl, at odds with what has been reportedly a cold winter in North America.

Markets in Charts

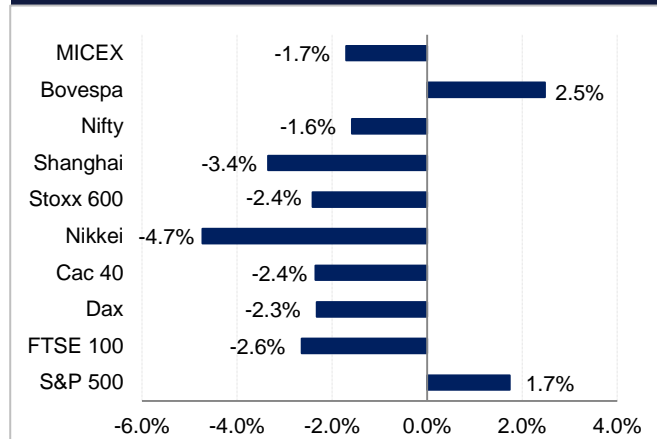
Global Bond Yields



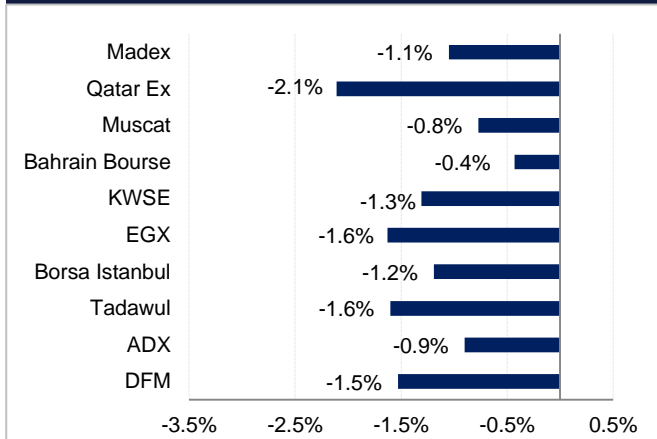
UAE liquid bond index



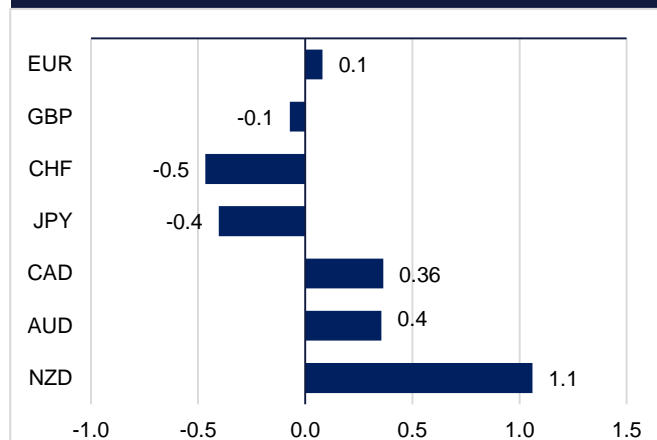
Global Equity Indices



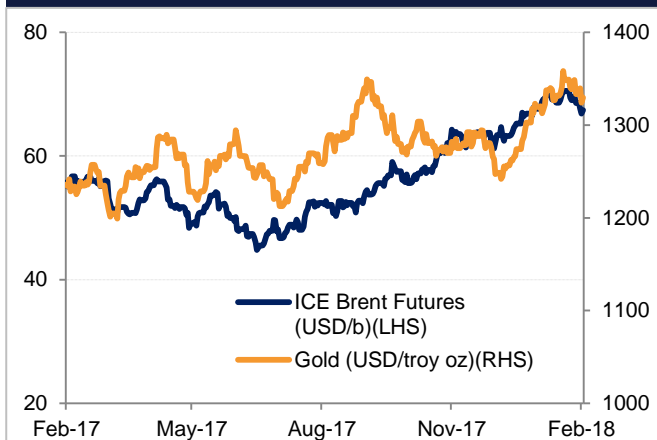
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2377	+0.08	1.2721	USDTRY	3.7700	-0.54	EURAUD	4.5460	+0.09
GBPUSD	1.3949	-0.07	1.4166	USDEGP	17.6527	-0.25	GBPAED	5.1236	-0.04
USDJPY	109.56	+0.43	106.78	USDSAR	3.7502	--	JPYAED	0.0335	-0.42
USDCAD	1.2492	-0.37	1.2444	USDQAR	3.6800	+1.07	CADAED	2.9397	+0.36
AUDUSD	0.7906	+0.36	0.7918	USDKWD	0.3001	+0.08	AUDAED	2.9037	+0.35
USDCHF	0.9359	+0.45	0.9068	USDBHD	0.3770	+0.00	CHFAED	3.9238	-0.48
EURGBP	0.8872	+0.15	0.8979	USDOMR	0.3850	+0.01	TRYAED	0.9700	+0.10
USDAED	3.6730	--	3.6765	USDINR	64.2500	+0.29	INRAED	0.0574	+0.41

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.5967	1.8350	2.1607	2.6315	USD 2 yr	2.347	+7
USD LIBOR	1.5801	1.7935	2.0008	2.2931	USD 5 yr	2.635	+10
GBP LIBOR	0.4953	0.5229	0.6123	0.8198	USD 10 yr	2.829	+11
JPY LIBOR	-0.0553	-0.0567	0.0033	0.1020	EUR 2 yr	-0.135	-1
CHF LIBOR	-0.7976	-0.7474	-0.6608	-0.5320	EUR 5 yr	0.448	+1
					EUR 10 yr	1.081	-3

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1324.16	-1.16	ADGB 6.75 19	2.30	-3	Abu Dhabi	52	+1
Silver	16.64	-0.56	DUGB 7.75 20	2.98	+5	Dubai	105	-6
Oil (WTI)	63.39	-1.18	QATAR 6.55 19	2.59	-0	Qatar	88	--
Aluminium	2172.75	-1.72	US Tsy 2 yr	2.11	+8	Saudi Arabia	78	+1
Copper	7032.25	-1.35	US Tsy 10 yr	2.80	+10	Bahrain	258	+30

Source: Bloomberg, Emirates NBD Research

Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report. The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

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
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

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