



بنك الإمارات دبي الوطني
Emirates NBD

Daily
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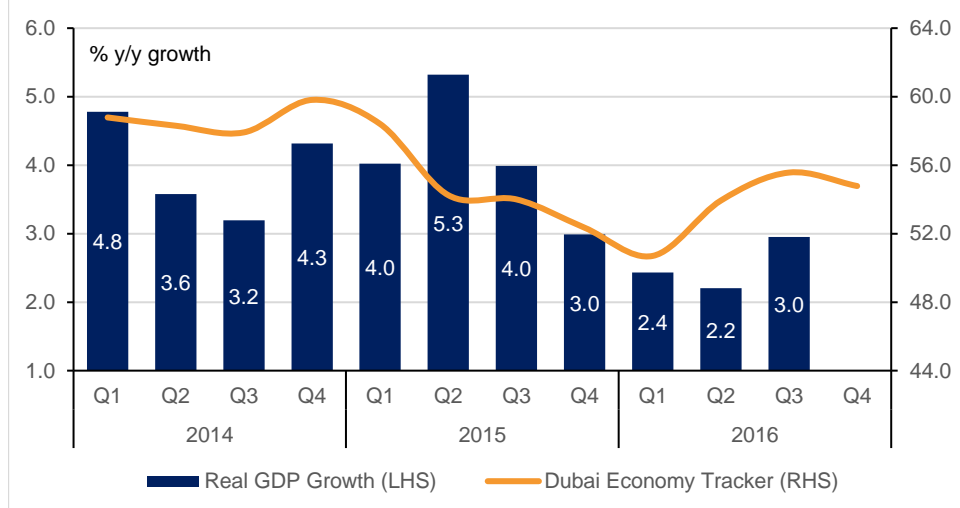
Daily Outlook

GDP growth in Dubai accelerated to 3.0% y/y in Q3 2016 from 2.2% in Q2, according to data from Dubai Statistics Centre. For the first nine-months of 2016, real growth averaged 2.5%, down from 4.4% in the same period 2015. The biggest sector of the economy, wholesale & retail trade, grew roughly 1.0% y/y in Jan-Sep 2016, while transport & storage grew 4.5%. The hospitality sector enjoyed strong growth at 9.0%. The construction sector contracted -0.2% in the first nine-months of 2016, which is surprisingly given the number of infrastructure and other projects currently underway. **However, the Emirates NBD Dubai Economy Tracker (DET) Index points to higher GDP growth in Q4 2016, averaging 54.8 compared with 52.3 in Q4 2015 suggesting that overall economic expansion accelerated in the last quarter of 2016.**

Australia's RBA left interest rates unchanged at 1.50% as expected this morning. The RBA said that unchanged policy is consistent with sustainable economic growth and with meeting the RBA's CPI target over time, even though it characterized current inflation as 'quite low'. The RBA also said that an appreciating AUD would complicate the economic adjustment, which might be a hint of further easing action if it continues to rise.

The Trump White House will argue for its travel ban to be reinstated before a San Francisco court later today which will keep sentiment nervous ahead of this verdict. Although the USD has steadied overall in the last 24 hours it has remained soft against the JPY which is one of the main barometers of risk appetite. Also softer US yields also prohibiting the dollar from rallying more significantly at the moment, although comments from Philadelphia Fed President Patrick Harker suggested that March should remain on the table in terms of a possible rate hike by the Fed. Harker said that he had not made up his mind yet as to how he will vote but said it will depend on the evolution of the economy and fiscal policy, indicating that he still supports the FOMC's three, quarter-point tightening trajectory.

Dubai GDP growth accelerates to 3.0% y/y in Q3 2016



Source: Bloomberg, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
German Industrial Production SA MoM	11:00	0.3%	US JOLTS Job Openings	19:00	5580
US Trade Balance	17:30	-\$45.0b			

Source: Bloomberg.

Fixed Income

President Trump related uncertainty that we expected to worry the markets in Nov/Dec last year is late by a quarter and is playing out now. Volatility index (VIX) rose circa 4% to over 11.37 yesterday, credit spreads widened, oil fell slightly and sovereign bonds were bid up by the safe haven seekers. UST curve closed lower with yields on 2yr and 10yr at 1.15% (-5bp) and 2.41% (-5bps) respectively.

Yields on 10yr Gilt and Bunds were also down by 4bps each to 1.31% and 0.37% respectively in response to increasing political risk in France. That said, 10yr JGB yields remained supported by the central bank's intension to keep it above the 0% mark, closing at 0.09% (+0.5bp) yesterday.

Risk off sentiment saw credit spreads widen with US IG and Euro Main closing at 65bps (+1bp) and 76bps (+4bps) respectively. Despite widening credit spreads, cash corporate bonds benefited from lower benchmark and closed in the green across the various sectors in the developed world. GCC bonds were surprisingly resilient as the region benefit tightening benchmark as well as tightening credit spreads as a result of expectation of minimal disruption from Trump's stance on trade. BUAEL index yield was down 4bps to 3.06% and credit spreads were lower by 3bps to 144bps.

In the corporate news, Sharjah Islamic Bank announced result reflecting 13% increase in net profit to AED 463 million mainly due to lower loan impairments. Dubai government finalised a loan of \$3bn to fund the expansion of DWC and surrounding logistic hub ahead of Expo 2020. QIB plans to seek approval for increasing limit for its Tier 1 sukuk program. As has been expected for some time, Aramco mandated four banks to raise unto \$10 billion in bonds this year (Riyal and/or dollar denominated).

FX

The Dollar's DXY index has perked back above 100 this morning after losing ground in recent days. The NZD was the best performing currency in FX markets overnight after the Reserve Bank of New Zealand's 2-year inflation expectations jumped in the quarter to the highest since Q315. The AUD has also firmed a little in the wake of the RBA's decision to leave interest rates unchanged this morning and is the strongest major currency since the start of the year.

Equities

Developed market equities closed lower as investors' turned cautious amid rising political risks both in the US and the Eurozone. The S&P 500 index declined -0.2% while the Euro Stoxx 50 index dropped -1.1%. Asian equities are trading lower this morning amid weakness in Japanese equities as the JPY rallied to 112 levels.

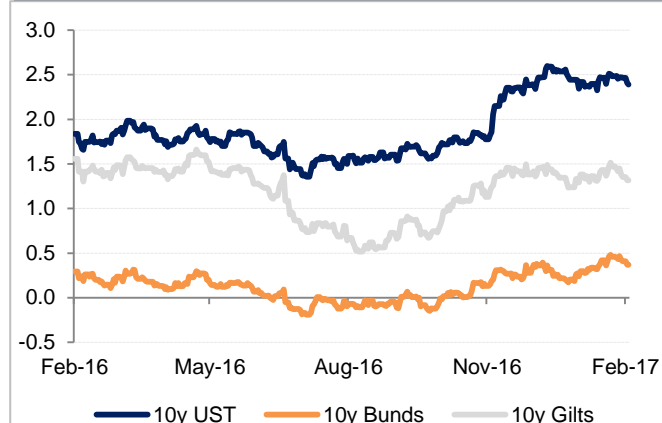
Regional equities, with the exception of UAE bourses, traded flat. The DFM index and the ADX index added +1.2% and +0.7% respectively. Emaar Properties added +2.7% after the company said it would recover AED 1.22bn from an insurance claim against the Address hotel.

Commodities

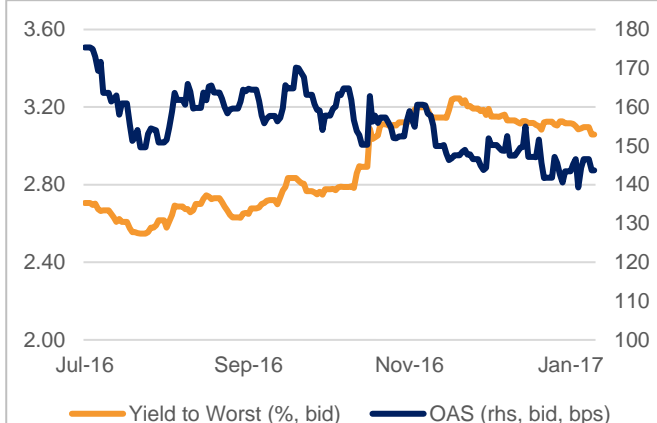
Oil prices failed to receive support from heightened tensions between the US and Iran over the weekend and started the week lower, down by 1.5% in WTI futures and 1.9% in Brent. The backwardation in Brent's Dec 17-Dec 19 spread narrowed by USD 0.25/b yesterday, its biggest tightening since mid-January. The markets appears to be pricing in a solid recovery in US production with surveys expecting another build in inventories this week, which would represent five weeks in a row.

Markets in Charts

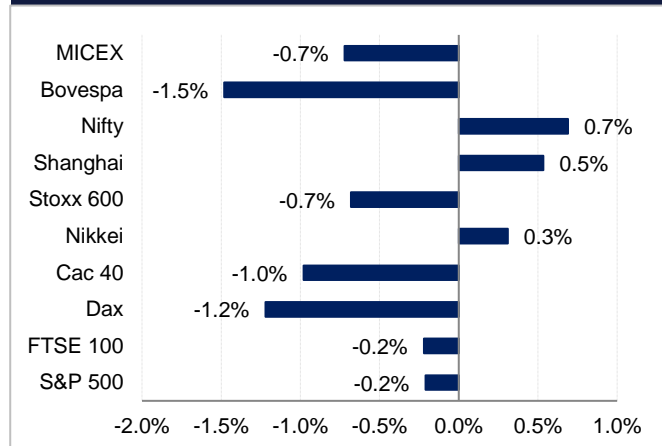
Global Bond Yields



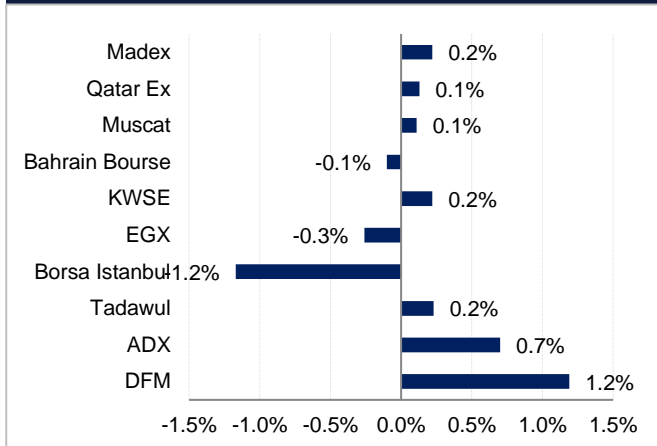
UAE liquid bond index



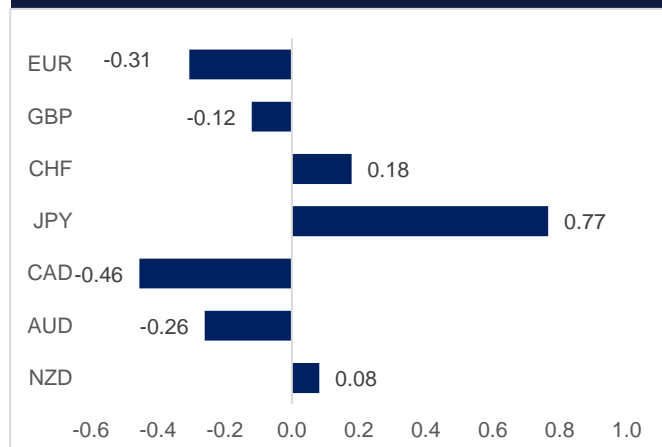
Global Equity Indices



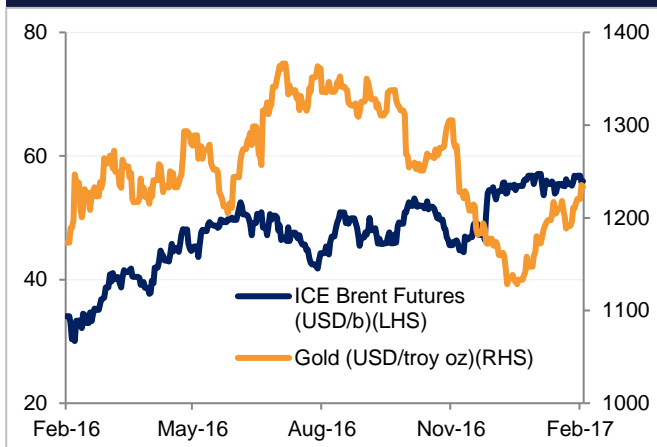
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0750	-0.31	1.0961	USDTRY	3.6838	-0.35	EURAUD	3.9484	-0.33
GBPUSD	1.2469	-0.12	1.2597	USDEGP	18.4964	-0.76	GBPAED	4.5800	-0.13
USDJPY	111.74	-0.77	109.67	USDSAR	3.7505	+0.00	JPYAED	0.0329	+0.77
USDCAD	1.3084	+0.47	1.3022	USDQAR	3.6413	+0.01	CADAED	2.8072	-0.46
AUDUSD	0.7660	-0.26	0.7608	USDKWD	0.3048	-0.08	AUDAED	2.8137	-0.31
USDCHF	0.9912	-0.18	0.9671	USDBHD	0.3770	+0.01	CHFAED	3.7062	+0.16
EURGBP	0.8623	-0.20	0.8702	USDOMR	0.3850	+0.00	TRYAED	1.0000	+0.65
USDAED	3.6730	--	3.6835	USDINR	67.3575	+0.06	INRAED	0.0547	+0.03

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.9729	1.4021	1.6547	2.1037	USD 2 yr	1.478	-2
USD LIBOR	0.7756	1.0340	1.3499	1.7134	USD 5 yr	1.945	-5
GBP LIBOR	0.2593	0.3521	0.5255	0.7561	USD 10 yr	2.344	-4
JPY LIBOR	-0.0061	0.0041	0.0286	0.1327	EUR 2 yr	-0.152	--
CHF LIBOR	-0.7884	-0.7262	-0.6622	-0.5066	EUR 5 yr	0.147	-4
					EUR 10 yr	0.760	-4

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1235.53	+1.25	ADGB 6.75 19	1.58	-3	Abu Dhabi	55	--
Silver	17.74	+1.32	DUGB 7.75 20	2.77	-3	Dubai	132	-5
Oil (WTI)	53.01	-1.52	QATAR 6.55 19	1.94	-3	Qatar	77	--
Aluminium	1820.50	-0.07	US Tsy 2 yr	1.15	-5	Saudi Arabia	108	--
Copper	5835.75	+1.25	US Tsy 10 yr	2.41	-6	Bahrain	242	-8

Source: Bloomberg, Emirates NBD Research

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