



بنك الإمارات دبي الوطني
Emirates NBD

Daily
7 March 2017

Daily Outlook

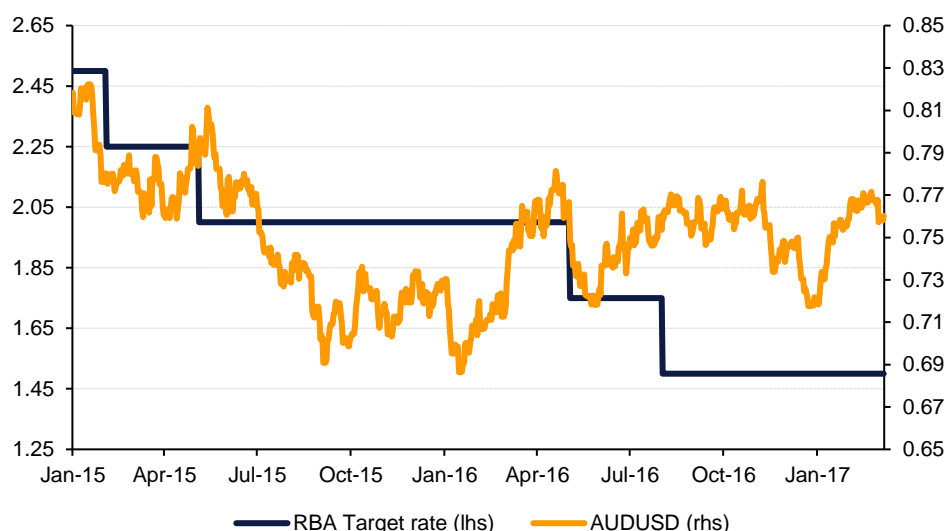
Factory orders in the US rose in January, their second consecutive month of expansion. **Total factory orders rose 1.2%, building on a similar sized expansion in December and showing the manufacturing industry in the US is in robust health in the first few months of the Trump administration.** All eyes in the sector will now be on any changes that could be coming to US tax law, with the Republicans in Congress proposing a root and branch revision of US corporate tax rates.

Conditions across Lebanon's private sector economy continued to deteriorate in February according to the latest Purchasing Managers' Index (PMI). The headline reading came in at 47.7, matching January's survey. Slight declines were seen in the Output (45.6) and New Orders (45.7) components, while Export Orders (49.8) and Employment (49.9) rose to multi-month highs, and are now only marginally below the no-change 50 level. The Future Output Index, which is meant to gauge business sentiment, fell to only 41.6, and has declined every month since reaching a 27-month high in November. This is an interesting development as November marked the start of a stabilization in the political environment, following the election of a president and subsequent formation of a government.

The UAE's minister of economy expects real GDP growth of 3.5-4% in 2017, from an estimated 3.7% in 2016. This year's forecast is in line with our house view. The minister cited supportive oil prices in recent months and infrastructure projects as factors driving growth this year.

The RBA left interest rates unchanged at 1.5% today, as widely expected by the market. The RBA cited varying conditions for housing across Australia and an eventual tick up in inflation as cause for keeping rates on hold at this time while also pointing out that an overly strong AUD would complicate the country's 'economic adjustment'.

RBA trying to keep AUD contained



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
German Factory Orders	11:00	2.5%	EC Household Cons	14:00	0.5%
Khalid al Falih at CERA Week	n/a	N/a			

Source: Bloomberg.

Fixed Income

It was a day of consolidation after Janet Yellen's comments on Friday and cash bond markets were a beneficiary of a slightly risk-off tone, although most gains were muted. EM bonds were among the biggest movers although the lack of vibrancy to oil markets kept gains underwhelming. Yields on 10-year USTs were slightly higher yesterday, closing just under 2.5% after having flirted briefly with levels higher earlier in the day.

Regionally, the BUAEL index closed essentially flat with a moderate upward bias while the OAS widened 1bp to 130.29. Qatar Re priced a USD 450m perp at 4.95%, tighter than its initial guidance thanks to a large demand for the security, in excess of USD 6.5bn, showing again the ample demand for regional fixed income securities.

The primary market in the region continue to see interest from banking sector issuers. According to reports, Abu Dhabi Islamic Bank is considering whether to raise funds through a USD denominated sukuk issue over the next couple of months. This follows a likely issuance of USD denominated Tier 1 perpetual non-call sukuk from Kuwait's Warba Bank later this week.

FX

AUD has appreciated against the other major currencies this morning after the RBA kept interest rates unchanged at their record low of 1.50% (see above). As we go to print, the AUDUSD currently trades 0.35% higher at 0.7606. Having found support over night at the 61.8% one year Fibonacci retracement of 0.7571, we expect this to remain a level of support in the short term, with a sustained break of this level needed to realise further declines for the pair.

Equities

Developed market equities closed lower as investors exercised caution ahead of the Fed meeting later next week. The S&P 500 index dropped -0.3% while the Euro Stoxx 600 index declined -0.5%. Asian equities are trading marginally lower this morning tracking weak close to developed markets overnight. The Nikkei index was trading -0.2% at the time of this writing.

It was a relatively positive day for regional equities even as volumes continued to remain low. In fact, volume on the Tadawul was at its lowest since October 2016. In terms of stocks, Arabtec rallied +6.4% in a move which can be described as pull to par ahead of the rights offering later in the month. DXB Entertainments gained +1.1% to recover some of its recent losses.

Elsewhere, the EGX 30 index rallied +1.0% amid weakness in the EGP. Real estate sector stocks continued to gain traction with Palm Hills gaining +3.1% and Helipolis Housing +5.4%.

Commodities

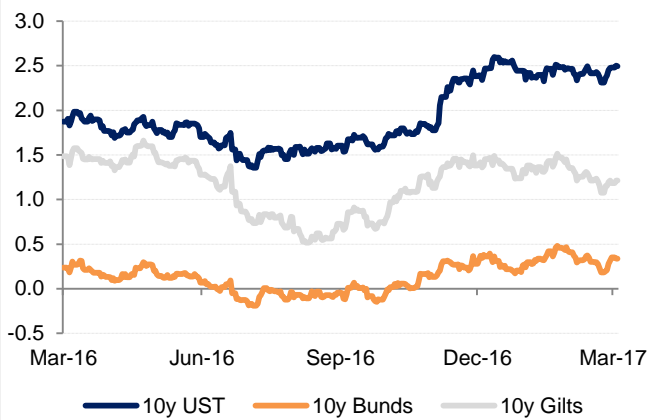
Saudi Arabia's energy minister will be speaking at the CERA Week conference in the US today where he may provide some indication over whether the OPEC production agreement will be extended once its initial term ends. Russia's energy minister said it was 'premature' to discuss extending the deal. Russia has so far been able to benefit by not cutting output as much as Saudi Arabia has done in 2017.

The IEA published a new report yesterday in which it doubled its forecasts for non-OPEC oil supply growth in 2017-18 and it expects US production between 2017 and 2022 to rise by as much as 1.6m b/d, compared with a previous forecast of 1.3m b/d. The IEA also projects Russian output staying relatively steady instead of its previous forecasts gradually declining output. None of the report makes for particularly comfortable reading for any OPEC members as securing long-term market share is going to come back as an objective once the group decides that prices have steadied in a range and the risk of collapse has dissipated.

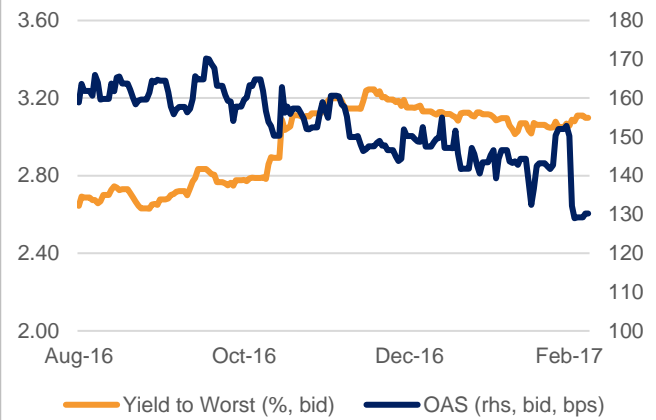
Oil prices were roughly flat yesterday, staying close to their comfortable levels. Both Brent and WTI are now just bumping along above their 100-day moving averages although we would note it's the long term averages that have converged on prices rather than the other way around as volatility continues to ebb from this market.

Markets in Charts

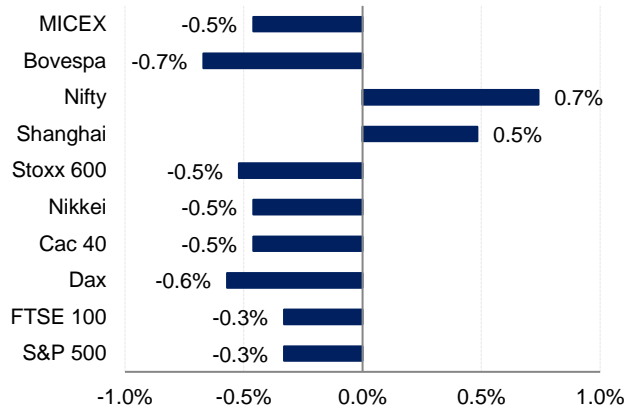
Global Bond Yields



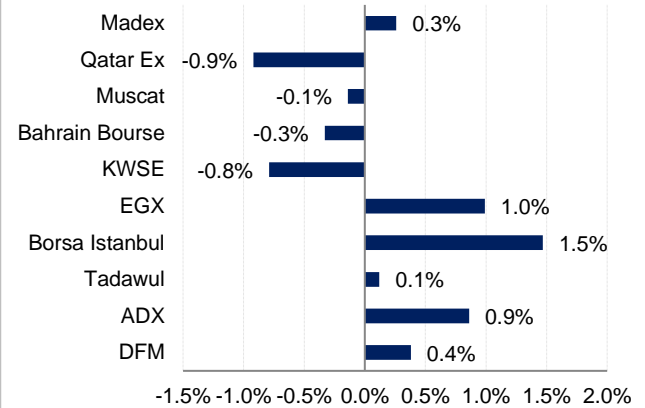
UAE liquid bond index



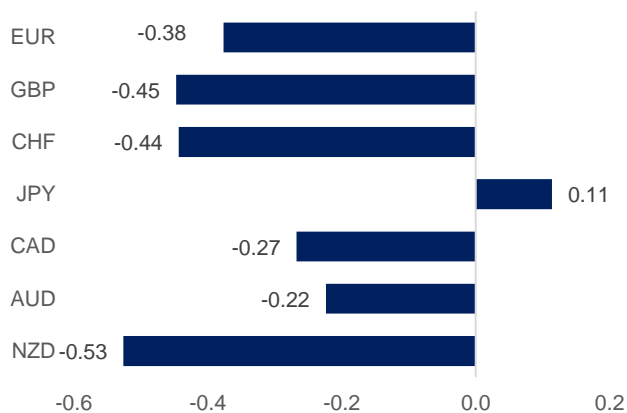
Global Equity Indices



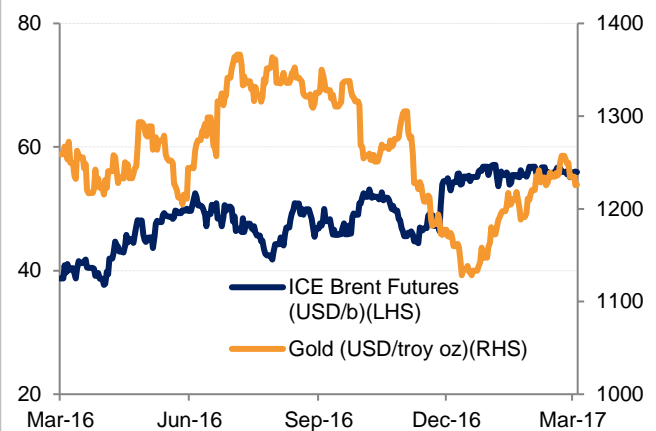
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0582	-0.38	1.0796	USDTRY	3.7099	+0.15	EURAUD	3.8865	-0.38
GBPUSD	1.2236	-0.45	1.2373	USDEGP	16.7801	+3.91	GBPAED	4.4937	-0.48
USDJPY	113.89	-0.13	111.68	USDSAR	3.7503	--	JPYAED	0.0322	+0.12
USDCAD	1.3412	+0.24	1.3334	USDQAR	3.6411	-0.01	CADAED	2.7383	-0.28
AUDUSD	0.7579	-0.22	0.7534	USDKWD	0.3056	-0.08	AUDAED	2.7840	-0.21
USDCHF	1.0123	+0.44	0.9871	USDBHD	0.3770	+0.00	CHFAED	3.6280	-0.46
EURGBP	0.8648	+0.19	0.8726	USDOMR	0.3850	-0.00	TRYAED	0.9900	-0.14
USDAED	3.6726	-0.00	3.6826	USDINR	66.7150	-0.13	INRAED	0.0551	+0.13

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.9764	1.4044	1.6561	2.1006	USD 2 yr	1.635	-2
USD LIBOR	0.8344	1.1017	1.4227	1.8082	USD 5 yr	2.119	-1
GBP LIBOR	0.2573	0.3556	0.5039	0.7206	USD 10 yr	2.463	+1
JPY LIBOR	-0.0617	-0.0121	0.0244	0.1290	EUR 2 yr	-0.118	+0
CHF LIBOR	-0.7940	-0.7240	-0.6702	-0.5124	EUR 5 yr	0.184	-1
					EUR 10 yr	0.784	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1225.29	-0.77	ADGB 6.75 19	1.43	-6	Abu Dhabi	43	--
Silver	17.78	-1.10	DUGB 7.75 20	2.76	-0	Dubai	113	-4
Oil (WTI)	53.20	-0.24	QATAR 6.55 19	2.00	+14	Qatar	63	--
Aluminium	1865.75	-0.96	US Tsy 2 yr	1.31	+0	Saudi Arabia	93	--
Copper	5843.75	-1.05	US Tsy 10 yr	2.50	+2	Bahrain	217	-1

Source: Bloomberg, Emirates NBD Research

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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
Group Treasurer & EVP 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

Shady Shafer Elborno
Head of Macro Strategy
+9714 2012300
shadyb@emiratesnbd.com

Jean Paul Pigat
Senior Economist
+9714 230 7807
jeanp@emiratesnbd.com

Edward Bell
Commodity Analyst
+9714 230 7701
edwardpb@emiratesnbd.com

Mohammed Al-Tajir
Manager, FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

Athanasios Tsetsonis
Sector Economist
+9714 230 7629
athanasiost@emiratesnbd.com

Aditya Pugalia
Analyst
+9714 230 7802
adityap@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 Sakhalkar
+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