



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

There were a number of surprises overnight, starting with the Bank of Canada's decision to increase its benchmark rate by 25bp to 1.0%. Analysts had expected rates to remain on hold. The BoC said that a stronger than expected economy warranted the further reduction of "considerable monetary policy stimulus". However, the bank still flagged risks to growth going forward including subdued wage inflation, the sensitivity of households to higher rates, and "financial market developments". Yesterday's was the BoC's second rate hike since July.

In the US, President Trump sided with Democrats to get a three month debt ceiling extension and stop-gap spending bill added to the Hurricane Harvey flood relief bill, effectively buying time for further negotiations on budgetary reform and tax cuts. Republicans had been looking for a much longer-term deal on the debt ceiling, and for that legislation to be kept separate from the emergency funding bill. While this removed the near term uncertainty around a possible government shut-down this month, negotiations around a longer term deal which now needs to be agreed by mid-December, are likely to be fraught.

Separately, Fed Vice-Chair Stanley Fischer announced his resignation last night, citing personal reasons. His term was due to expire in mid-2018. Mr Fischer was in favour of the tighter financial sector regulation that has been put in place since the financial crisis. His resignation opens the way for President Trump to appoint a replacement who is more amenable to the financial sector deregulation favoured by the President.

In Egypt, the central bank has indicated that a backlog of USD 1.5bn of pending requests from multinationals to transfer funds out of the country or pay suppliers has been cleared, reflecting the improvement in Egypt's foreign currency position and interbank liquidity since the devaluation of the EGP in November 2016.

The market's focus today will likely be on the ECB meeting, and President Draghi's comments on possible QE tapering and/or the recent strength of the euro.

Canadian dollar rallies on BoC rate hike



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
Germany Industrial Prod. (y/y)	10:00	4.6%	ECB meeting	15:45	

Source: Bloomberg

Fixed Income

Treasury yields moved higher yesterday as markets turned to a risk-on posture following a deal US president Trump made with Democrats regarding the debt ceiling. The Treasury will get a three month extension until December to continue financing the government. Yields on 10yr USTs closed above 2.1%, gaining nearly 4bps. The 2-10 spread held relatively steady yesterday while the inversion in the TBill end of the curve reversed back to normal conditions.

GCC local bonds were well bid in the face of stable oil prices and absence of new supply. Credit spreads on Bloomberg Barclays GCC index tightened 5bps to 143bps, leading to a 2bp tightening in average yield to 3.24% yesterday. That said, CDS levels on GCC sovereigns closed range bound with slight widening bias. 5yr CDS on Saudi and Qatar were largely unchanged at 86bps and 92bps respectively.

In the primary market, Bahrain has mandated banks for possible 7yr, 12yr and 30yr sukuk tranches.

FX

The biggest mover overnight was unsurprisingly CAD, following the surprise 25bp rate hike yesterday. CAD is now at the strongest level since mid-2015. The BoC's statement was relatively cautious, and while it did not specifically mention the exchange rate as a risk factor, it did cite unspecified "financial market developments" as a potential risk going forward. Over the course of the day USDCAD declined 1.2% to 1.2226, having hit lows of 1.2146 in the immediate aftermath of the rate announcement. The move reaffirms the daily downtrend that we have seen in effect since 5th May 2017 and broke through the previous 0% one year Fibonacci retracement, so set new lows. Another break and close below the 50% five year Fibonacci retracement (1.2161) exposes a potential risk of further declines towards 1.1565, the 38.2% five year Fibonacci retracement.

Equities

US equity markets managed to close higher on the day—the S&P rose 0.3%—as enthusiasm for risk assets returned. European equity markets also ended the day higher ahead of the ECB meeting today where some confident statements about the regional economy are to be expected. Regional performance was scatter shot: the Tadawul closed up 0.7% while the ADX and DFM lost and gained 0.5% respectively.

Commodities

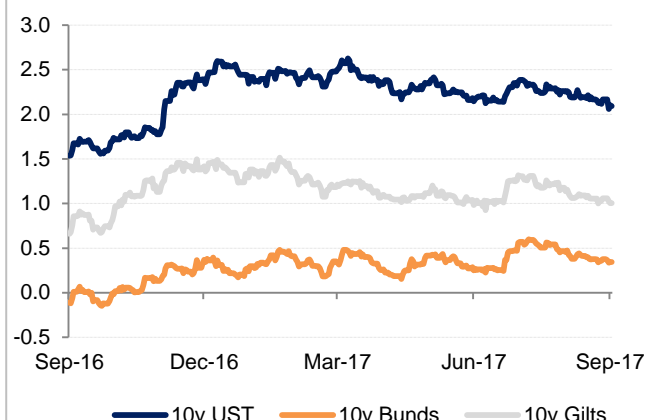
Oil markets continued to move higher yesterday as refinery demand is expected to pick up and the Gulf of Mexico braces for the new impact of Hurricane Irma, which may affect production more acutely than Harvey had. Weekly EIA data will be delayed owing to the Labor Day holiday in the US at the start of the week.

Brent prices closed up 1.5% and WTI futures around 1%. The front of the WTI curve is still holding in a reasonably wide contango of over USD 0.4/b while the front of the Brent curve is just above USD 0.15/b in backwardation. December spreads for both benchmarks remain in contango.

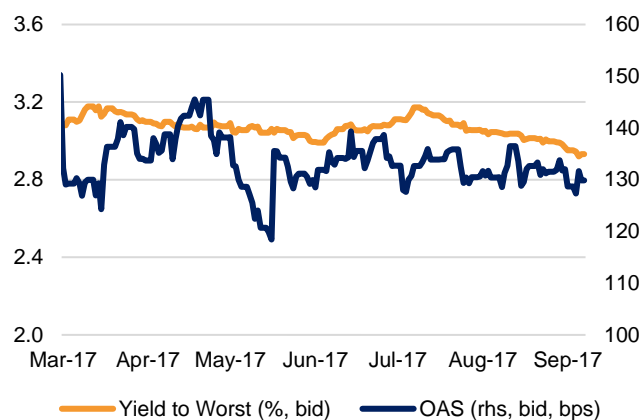
OPEC exports reportedly fell in August to their lowest level since April according to an assessment by Reuters. However, on average exports in the first eight months of the year have been higher than the same period last year despite OPEC's efforts to force a rebalancing but cutting down on global inventories.

Markets in Charts

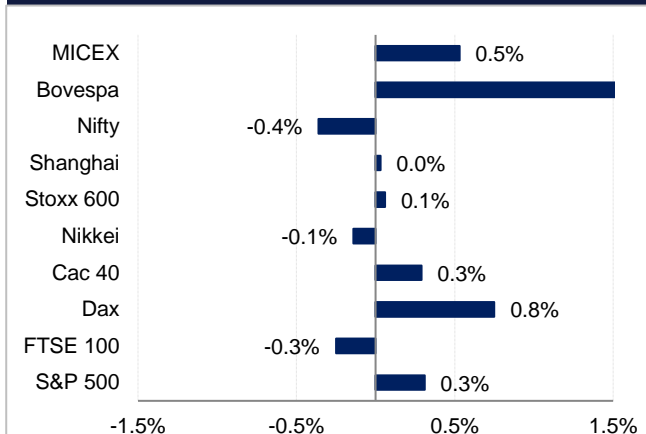
Global Bond Yields



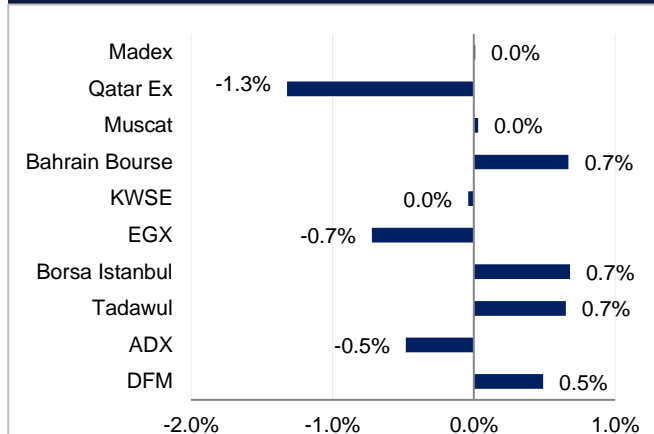
UAE liquid bond index



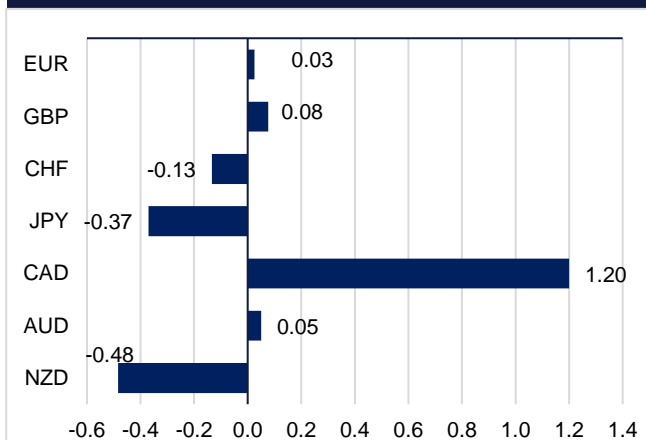
Global Equity Indices



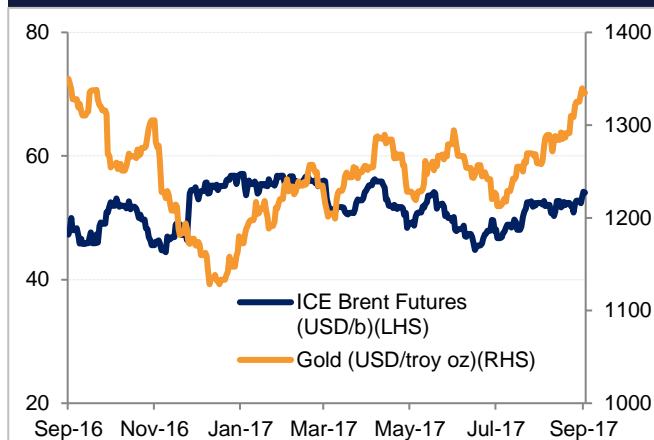
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1917	+0.03	1.2168	USDTRY	3.4255	-0.39	EURAED	4.3771	+0.03
GBPUSD	1.3043	+0.08	1.3202	USDEGP	17.6388	-0.01	GBPAED	4.7906	+0.08
USDJPY	109.22	+0.38	107.08	USDSAR	3.7502	--	JPYAED	0.0336	-0.39
USDCAD	1.2226	-1.20	1.2226	USDQAR	3.6800	-0.30	CADAED	3.0041	+1.20
AUDUSD	0.8000	+0.05	0.7960	USDKWD	0.3015	-0.04	AUDAED	2.9386	+0.05
USDCHF	0.9567	+0.16	0.9329	USDBHD	0.3771	+0.01	CHFAED	3.8391	-0.15
EURGBP	0.9137	-0.04	0.9217	USDOMR	0.3850	+0.00	TRYAED	1.0700	+0.18
USDAED	3.6729	-0.00	3.6800	USDINR	64.0200	-0.18	INRAED	0.0574	+0.14

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3325	1.5510	1.7598	2.1303	USD 2 yr	1.535	+3
USD LIBOR	1.2311	1.3172	1.4550	1.7146	USD 5 yr	1.757	+5
GBP LIBOR	0.2504	0.2778	0.3989	0.5878	USD 10 yr	2.066	+6
JPY LIBOR	-0.0426	-0.0309	-0.0071	0.1109	EUR 2 yr	-0.187	+2
CHF LIBOR	-0.7874	-0.7262	-0.6516	-0.5056	EUR 5 yr	0.161	+5
					EUR 10 yr	0.792	+5

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1334.22	-0.41	ADGB 6.75 19	1.67	-3	Abu Dhabi	55	+2
Silver	17.88	-0.04	DUGB 7.75 20	2.50	+2	Dubai	117	+3
Oil (WTI)	49.16	+1.03	QATAR 6.55 19	2.08	+1	Qatar	92	--
Aluminium	2080.25	+0.39	US Tsy 2 yr	1.30	+1	Saudi Arabia	86	--
Copper	6875.50	+0.09	US Tsy 10 yr	2.10	+4	Bahrain	232	+1

Source: Bloomberg, Emirates NBD Research

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