



بنك الإمارات دبي الوطني
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Daily Outlook

GBP remains in the spotlight with Brexit uncertainties and the prospect of a “no deal” outcome resulting in GBPUSD being pushed below 1.29 for the first time in 2018. UK Q2 GDP tomorrow is expected to show that growth improved from 0.2% q/q in Q1 to 0.4% in the last quarter, but, any downside surprises are likely sour sentiment towards the pound further. Meanwhile the NZD has fallen to its lowest in more than two years after the Reserve Bank of New Zealand left interest rates unchanged at 1.75% but pushed back its forecast for an interest-rate increase to late 2020 and lowered its estimate for economic growth over the coming year.

On the trade front, China retaliated yesterday to U.S. tariff announcements by saying it would impose its own 25% tariff on USD16bn of U.S. goods from the 23rd August, a like-for-like response. The next big question mark will be whether President Trump follows through on his threat to impose tariffs on a further USD200bn of Chinese products, which will probably be announced in September. Meanwhile, the minutes of the last Bank of Japan’s July meeting showed that the BOJ was split over its decision to allow higher bond yields, with some arguing that this would help the banks which have seen their profits squeezed, while others thought that a higher ten-year yield would dampen price pressures making it less likely that the BOJ would meet its 2.0% inflation target.

Over the remainder of the week, markets will be eying U.S. inflation data and whether the results are in line with the Federal Reserve’s expectation that the central bank can increase interest rates an additional two times in 2018. **Data released this afternoon is expected to show that producer price inflation slowed to 0.2% m/m in July, from 0.3% m/m the previous month, leaving the y/y rate unchanged at 3.4%.** Also, on Friday, a report from the Bureau of Labor Statistics is expected to reveal that **U.S. consumer price inflation accelerated to 0.2% m/m in July, up from 0.1% m/m in June, leaving the y/y rate at 2.9%.** With both figures above the FOMC’s current target of 2.0%, any upside surprises are likely to increase appetite for the USD.

GBPUSD remains under pressure



Source: Bloomberg, Emirates NBD Research

Today’s Economic Data and Events

	Time	Cons		Time	Cons
US PPI Final Demand m/m	16:30	0.2%	US Wholesale Inventories m/m	18:00	0.0%

Source: Bloomberg

Fixed Income

China's retaliatory tariffs dampened risk appetite, thereby causing safe haven bid to push treasuries higher despite the large new supply of \$26 billion yesterday. Yields on 2yr USTs closed unchanged at 2.67% and that on 10yr declined a bp to 2.96%. Credit spreads closed flat with CDS levels on US IG and Euro Main remaining largely unchanged at 58bps and 64bps respectively.

GCC bond market had little impetus to trade. Yield on Barclays GCC index was marginally down to 4.44% in sync with lower benchmark yields while credit spreads remained unchanged at 164bps.

FX

GBP continued to be under pressure yesterday amid Brexit uncertainties (see macro). Over the course of the day GBPUSD fell by 0.44%, closing at 1.2882. Currently trading at 1.2881, there are further risks to the downside and the price could test the 1.2774 level (the one year low) in the coming days. A break and close below this key level is likely to result in additional declines towards the psychologically significant 1.25 level.

In the aftermath of the RBNZ policy meeting (see macro), the NZD has underperformed and lost ground against all the other major currencies, hitting a 29-month low. As we go to print, NZDUSD is currently trading 0.97% lower at 0.66812, having hit earlier lows of 0.6664 in the Asia session. While the price remains below the 0.67 handle, further declines cannot be ruled out.

Equities

Global equities had a mixed day of trading. S&P 500 gave up some of its earlier gains, closing down by -0.03% though FTSE 100 managed to remain well in the green by rising 0.75%. Asian equities this morning are trading with a cautious tone. Though Hang Seng is up 0.92%, Nikkei is down 0.27% in early morning trades.

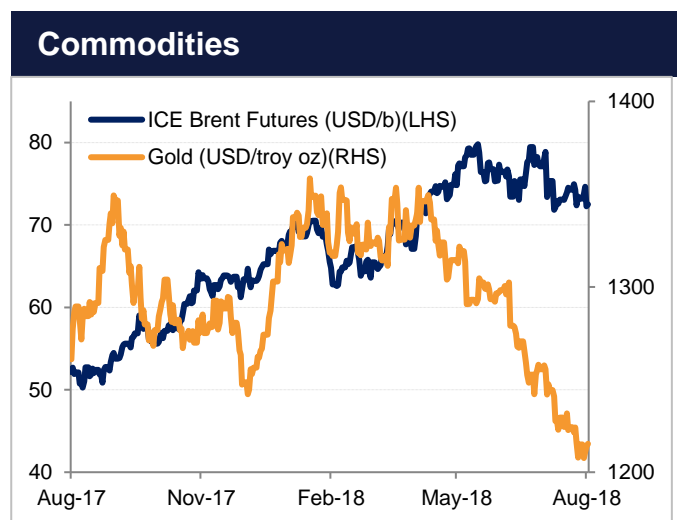
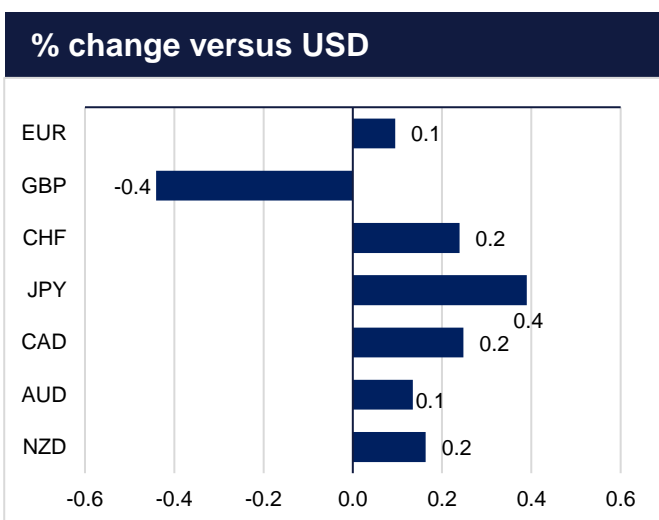
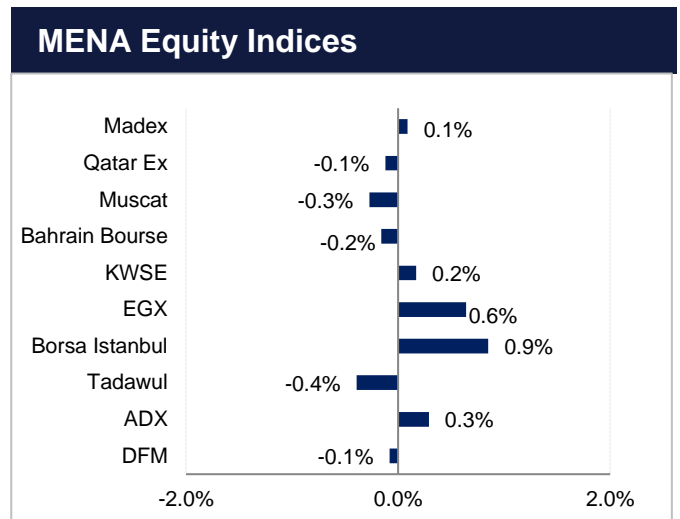
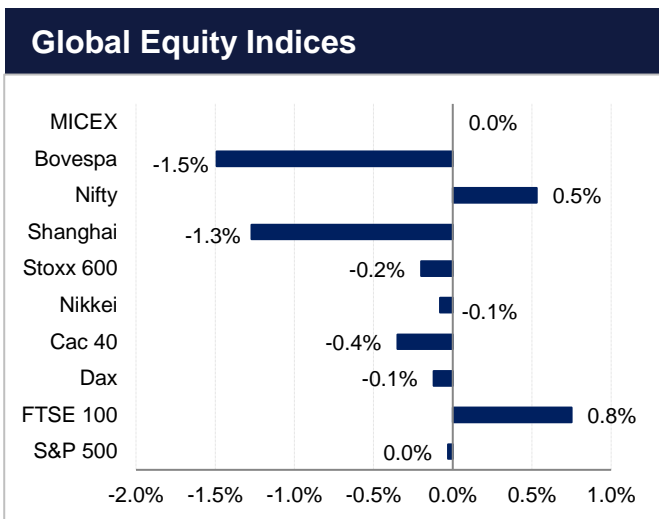
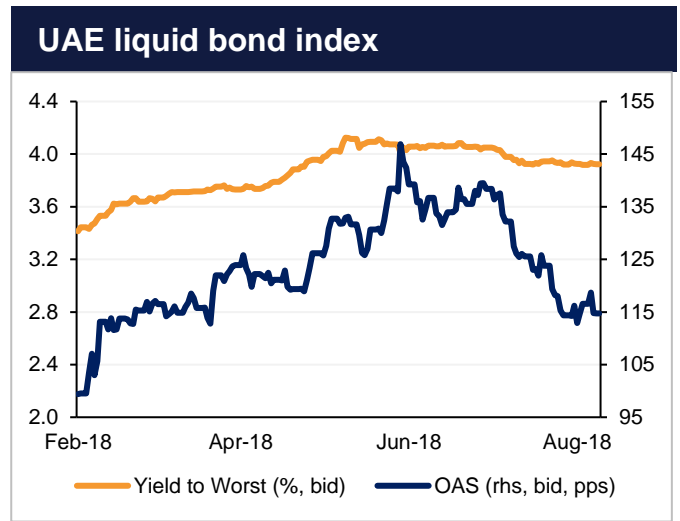
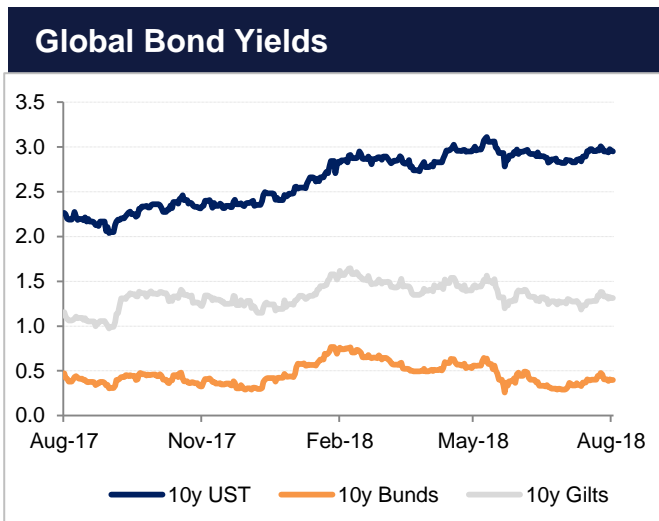
GCC equities had a softening bias yesterday. Despite Emaar shares reversing losses, Dubai exchange closed marginally lower. Tadawul, Qatar, Bahrain and Oman, all were in the red closing down by -0.39%, -0.12%, -0.16% and -0.27% respectively. The only exception was slight gain in the Abu Dhabi exchange, up +0.29%, mainly on the back of gains in the FAB shares.

Commodities

Oil prices fell more than 3% overnight as escalating rhetoric over the trade dispute between China and the US is casting doubt on demand growth going forward. Brent prices fell back to USD 72.28/b while WTI ended the day below USD 67/b. Iran has also proposed an extraordinary meeting of OPEC to call on other members not to take its share of markets away once US sanctions start to bite into its crude exports. We expect this is unlikely to convince members of OPEC that have capability to raise output to hold back as the market could tighten considerably over the next few months.

US crude stocks fell by 1.35m bbl last week although there were builds in gasoline and diesel. Total production has moved a little away from the totemic 11m b/d figure and was 10.8m b/d last week.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1610	+0.09	1.1977	USDTRY	5.2789	+0.96	EURAED	4.2646	+0.10
GBPUSD	1.2882	-0.44	1.3115	USDEGP	17.8638	-0.20	GBPAED	4.7316	-0.44
USDJPY	110.98	-0.36	107.72	USDSAR	3.7503	--	JPYAED	0.0331	+0.39
USDCAD	1.3023	-0.23	1.2954	USDQAR	3.6800	+0.76	CADAED	2.8210	+0.26
AUDUSD	0.7431	+0.13	0.7455	USDKWD	0.3030	+0.02	AUDAED	2.7303	+0.17
USDCHF	0.9933	-0.23	0.9591	USDBHD	0.3778	-0.02	CHFAED	3.6981	+0.25
EURGBP	0.9013	+0.55	0.9133	USDOMR	0.3850	--	TRYAED	0.6900	-1.78
USDAED	3.6730	--	3.6761	USDINR	68.5300	-0.23	INRAED	0.0552	+3.16

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.2110	2.5500	2.8075	3.3170	USD 2 yr	2.867	-1
USD LIBOR	2.0711	2.3414	2.5224	2.8243	USD 5 yr	2.960	-2
GBP LIBOR	0.7211	0.8064	0.9065	1.0515	USD 10 yr	3.017	-2
JPY LIBOR	-0.0708	-0.0425	0.0108	0.1237	EUR 2 yr	-0.144	--
CHF LIBOR	-0.7746	-0.7256	-0.6490	-0.5156	EUR 5 yr	0.310	-1
					EUR 10 yr	0.925	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1213.88	+0.24	ADGB 6.75 19	2.42	--	Abu Dhabi	63	--
Silver	15.43	+0.31	DUGB 7.75 20	3.51	-1	Dubai	124	--
Oil (WTI)	66.94	-3.22	QATAR 6.55 19	2.58	-2	Qatar	83	+1
Aluminium	2084.25	+3.53	US Tsy 2 yr	2.67	-0	Saudi Arabia	82	-2
Copper	6144.00	+0.02	US Tsy 10 yr	2.96	-1	Bahrain	358	--

Source: Bloomberg, Emirates NBD Research

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