



Daily Outlook

Markets are in risk-off mode this morning following escalating tensions between the US and North Korea overnight. Gold and JPY have been the main beneficiaries although the USD has also strengthened against other majors. The main data release yesterday was the JOLTS survey of job openings in the US, which showed a rise to 4% in June and indicated that firms are finding it harder to find the right employees. This suggests that wages are likely to rise at a faster rate going forward. Firms have also indicated that they are likely to increase capital investment in order to boost employee productivity. Separately, the NFIB small business optimism index rose to a better than forecast 105.2 in July, on the back of greater sales expectations and an improving business climate in the US.

Data from China released this morning shows both consumer and producer inflation stable in July at 1.4% y/y and 5.5% y/y respectively. Both readings were slightly lower than forecast. US inflation data is due to be released on Friday.

ZAR gave back all its gains yesterday after President Zuma survived a vote of no-confidence that was held by secret ballot. The ruling ANC will elect a new party leader in December, and Zuma's term as president will end in 2019.

The Emirates NBD Dubai Economy Tracker Index was broadly unchanged in July at 56.3, still signalling robust expansion in the non-oil private sector. Output and new orders rose sharply last month on the back of further price discounting and promotional activity, although employment growth remained relatively soft. Firms surveyed attributed the rise in business activity to "favourable economic conditions and more projects".

US job openings rate at record high in June



Source: Bloomberg, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
US MBA Mortgage Applications	15:00	n/a	US Unit Labour Costs	16:30	1.1%

Source: Bloomberg.

Fixed Income

In relatively quiet trading, 10yr UST yields rose 2.5bps and the 2-10 curve steepened marginally. The JOLTS data in the US points to persistent labour market strength, balancing against some dovish commentary from Fed officials earlier in the week. Gilt and bund yields ended the day higher, effectively erasing Monday's decline.

Bahrain has mandated five international and regional banks for an upcoming USD bond issue. The size of the issue has not been set but is expected to be in benchmark range of over USD 2bn.

FX

In the absence of risk appetite, CHF has outperformed to gain on the other major currencies this morning. As we go to print, USDCHF trades 0.80% lower at 0.9665, setting the stage for the first daily decline this week and reversing the one big figure gained since Friday. We expect strong support to kick in for the pair in the 0.9649-0.9653 range, a zone which includes both the 50 day moving average and the one year 23.6% Fibonacci retracement. A break below this key level, exposes vulnerability to further declines and is likely to lead to a test of the one year low of 0.9439.

The Dollar Index currently stands at 93.65, virtually unchanged this morning following yesterday's 0.23% gain. Analysis of the one hour candle chart shows that the index has been in a minor uptrend since Friday evening and short term risks remain to the upside while the price remains above the 100 day moving average of 93.26.

Equities

Developed market equities closed mixed as US equities gave up early session gains following comments from Donald Trump that threats from North Korea will be met with fire and fury. The S&P 500 index closed -0.2% while the Euro Stoxx 50 index gained +0.2%.

The Tadawul (+0.5%) was an exception in what was another sluggish day of trading for regional equities.

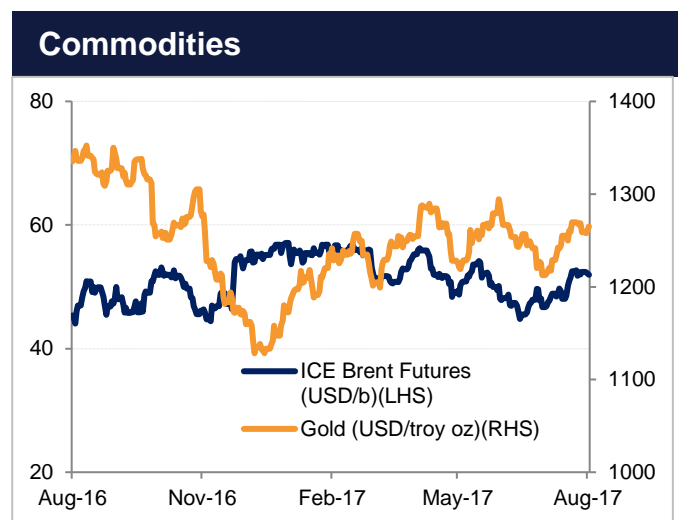
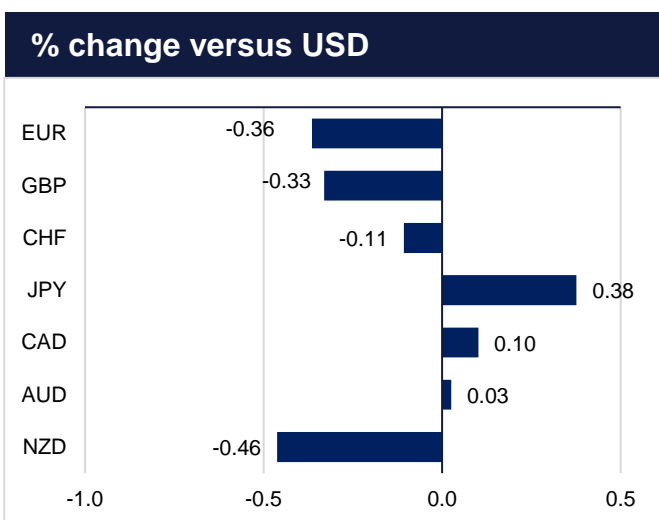
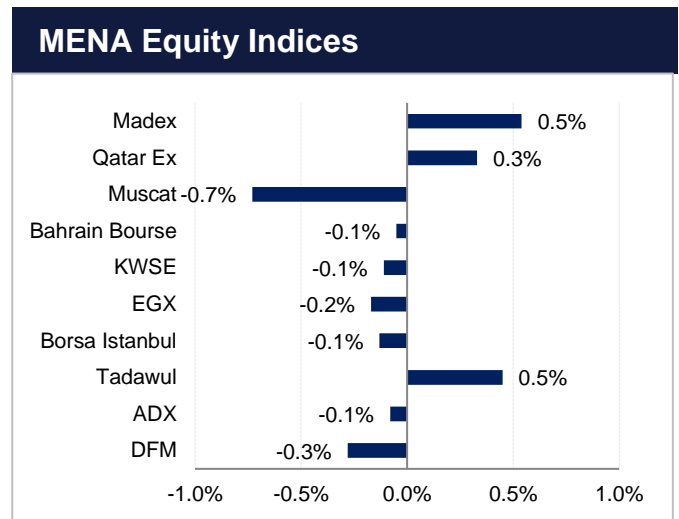
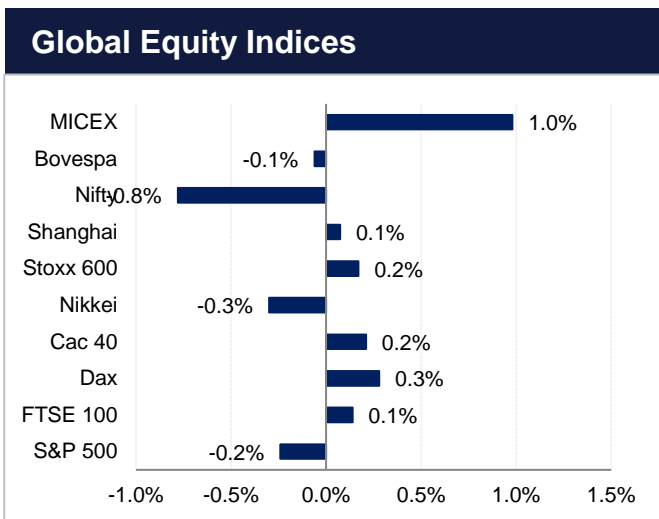
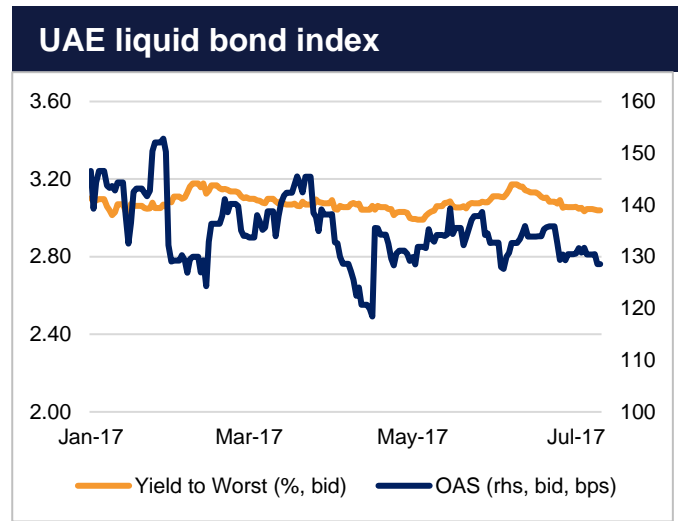
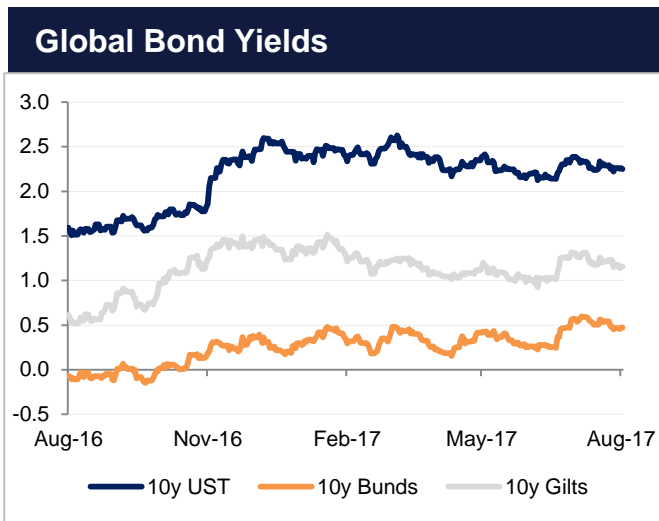
In terms of stocks, Savola rallied +4.0% despite reporting weaker than expected Q2 earnings. Air Arabia gained +5.6% after the airline reported better than expected earnings with 19% y/y increase in Q2 2017 net profits to AED 151mn.

Commodities

Oil prices extended their losses yesterday as the market discounted OPEC's ability to enforce better compliance by countries who are failing to hit their production targets. Brent futures closed down 0.44% and have moved back below USD 52/b while WTI gave up a similar amount. The declines came despite the API estimating crude stocks in the US fell by nearly 8m bbl and downgrades to 2018 production forecasts from the EIA. The Dec spread contango held roughly steady for both Brent and WTI over the 2017-19 time period.

Aluminium closed at over USD 2,000/tonne, its highest level since 2014 on the back of anticipated cuts in Chinese production later this year. Metals generally have been supported by Chinese government efforts to limit excess capacity.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1816	+0.15	1.2062	USDTRY	3.5301	-0.08	EURAED	4.3399	+0.15
GBPUSD	1.3033	-0.16	1.3192	USDEGP	17.7579	-0.10	GBPAED	4.7865	-0.17
USDJPY	110.43	-0.38	108.33	USDSAR	3.7503	--	JPYAED	0.0333	+0.38
USDCAD	1.2659	-0.21	1.2622	USDQAR	3.6600	--	CADAED	2.9016	+0.21
AUDUSD	0.7935	+0.35	0.7901	USDKWD	0.3018	-0.05	AUDAED	2.9145	+0.35
USDCHF	0.9722	--	0.9485	USDBHD	0.3772	-0.01	CHFAED	3.7781	+0.01
EURGBP	0.9066	+0.32	0.9143	USDOMR	0.3850	--	TRYAED	1.0400	+0.04
USDAED	3.6730	--	3.6813	USDINR	63.7750	-0.06	INRAED	0.0577	+0.22

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3205	1.5292	1.7532	2.1348	USD 2 yr	1.609	-1
USD LIBOR	1.2306	1.3094	1.4522	1.7301	USD 5 yr	1.895	-1
GBP LIBOR	0.2501	0.2834	0.4084	0.6004	USD 10 yr	2.223	-2
JPY LIBOR	-0.0339	-0.0152	0.0121	0.1127	EUR 2 yr	-0.157	-0
CHF LIBOR	-0.7790	-0.7256	-0.6498	-0.5024	EUR 5 yr	0.237	-1
					EUR 10 yr	0.880	-2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1260.96	+0.25	ADGB 6.75 19	1.69	+0	Abu Dhabi	50	-3
Silver	16.39	+1.45	DUGB 7.75 20	2.59	-1	Dubai	114	--
Oil (WTI)	49.17	-0.45	QATAR 6.55 19	2.18	-1	Qatar	91	-1
Aluminium	2017.25	+3.67	US Tsy 2 yr	1.35	-0	Saudi Arabia	88	-2
Copper	6451.50	+1.05	US Tsy 10 yr	2.26	+1	Bahrain	230	-6

Source: Bloomberg, Emirates NBD Research

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