



بنك الإمارات دبي الوطني
Emirates NBD

Daily

9 January 2017

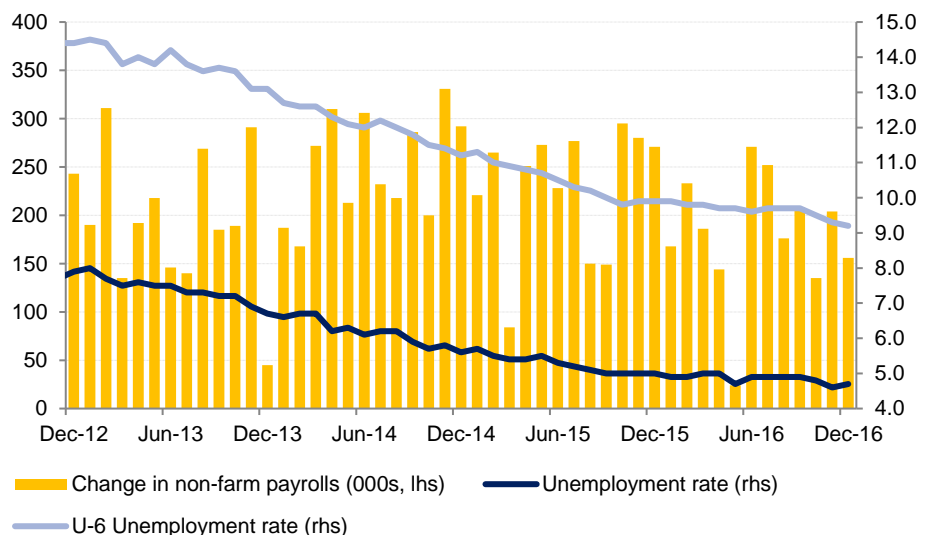
Daily Outlook

US employment data at the end of last week was mixed overall with a softer than expected payrolls rise of 156k offset by upward revisions to prior data and a 0.4% rise in average hourly earnings which translated to a 7-year cycle-high 2.9% y/y gain. The unemployment rate ticked up to 4.7% from 4.6%, which was still a strong outcome overall. **The report does little to alter rate prospects as we enter 2017, with Fed officials not surprisingly leaning on the hawkish side, consistent with their dot plot anticipating three rate hikes overall.** Janet Yellen is due to speak in the coming week, and other Fed speakers are also lined up and are likely to weigh in on the hawkish side. President-elect Donald Trump will also be giving a press conference later this week which will also be closely watched.

Chinese FX reserves fell by USD41.08bn in December, with the overall level of reserves dropping to USD3.01 trillion. This may give rise to concerns about the extent of FX outflows, with similar fears a year ago contributing to Chinese markets falling sharply over the rest of January. **Last week, however, the Chinese authorities took measures to limit capital flight and speculative pressure on the RMB, by curtailing individual FX conversions.** They also sought to introduce greater two-way risk into the FX market which helped the onshore CNY and the offshore CNH to both rise against the USD in the last week.

Egypt recently released balance of payments figures covering FYQ1 (July-September), showing the current account deficit widening to USD3.8bn compared to USD2.8bn in the same time period a year earlier. The most notable development in the data was the sharp drop in remittance inflows, which fell -22% y/y to USD3.3bn. Remittances have historically been the largest source of FX for Egypt, and the ongoing decline suggests balance of payments pressures should persist through 2017. This was the sixth consecutive quarter that remittances have fallen in year-on-year terms, and likely reflects a weaker performance of Saudi Arabia's non-oil economy given the large share of Egyptian expats employed in that market.

Non-Farm Payrolls increase 156,000 in December



Source: Bloomberg, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
German Industrial Production SA m/m	11:00	0.6%	Sentix Investor Confidence	13:30	12.8
German Trade Balance	11:00	20.3b	EZ Unemployment Rate	14:00	9.8%

Source: Bloomberg.

Fixed Income

Recent economic data, especially out of the developed world, has been encouragingly positive which augurs well for continued surge in sovereign yields. UST yields rose across the curve in 2016, and although on a weekly basis this trend plateaued for longer end of the curve, the shorter dated yields have continued to rise. Yields on 2yr and 10yr treasuries closed at 1.21% (+2bps) and 2.42% (-2bps) last week respectively.

Despite decline during the final few weeks of the year, overall 2016 represented an year of positive returns for the GCC fixed income investors. Bloomberg Barclays GCC bonds total return index rose 4.2% during 2016 and has risen circa 0.5% in the first week of trading this year. Stable-to-marginally lower benchmark yields during the week supported higher bond prices. BUAEUL Index closed higher at 113.63 with credit spreads tightening by 2 bps to 148bps.

Rising oil prices, reducing budget deficits at GCC sovereigns, and an expectation of improving economic growth has rendered a positive bias to investor sentiment on GCC credits. CDS spreads on Saudi Arabia narrowed another 7bps to 105bps during the week while that on Bahrain was down by a stellar 33bps to 269bps.

Corporate developments have been thin lately and primary market had a quiet start to the new year. The only deal done during the week was the privately placed \$885 million zero coupon callable bonds maturing in Jan 2047 by NBAD. Overnight, Investment Corp of Dubai has added itself to the pipeline of potential issuer by mandating JPM and HSBC for a sukuk deal.

FX

The dollar has sustained the gains it saw in the aftermath of Friday's US jobs data, with USDJPY in particular quite buoyant breaking back above 117. With Fed officials seeing the rise in hourly earnings as further reasons to ratchet up tightening risks the USD's near term prospects remain relatively favourable. Upcoming data is also likely to be USD constructive with both retail sales and consumer confidence expected to be firm this week. Constructive data would support the existing technical arguments for further dollar strength as well. While last week saw the US Dollar Index post a decline for a second consecutive week, the weekly candle chart shows that a shift in momentum could be imminent.

Equities

Asian equities are trading marginally higher this morning on the back of strength in Chinese equities. The Shanghai Composite index was trading +0.6% at the time of this writing.

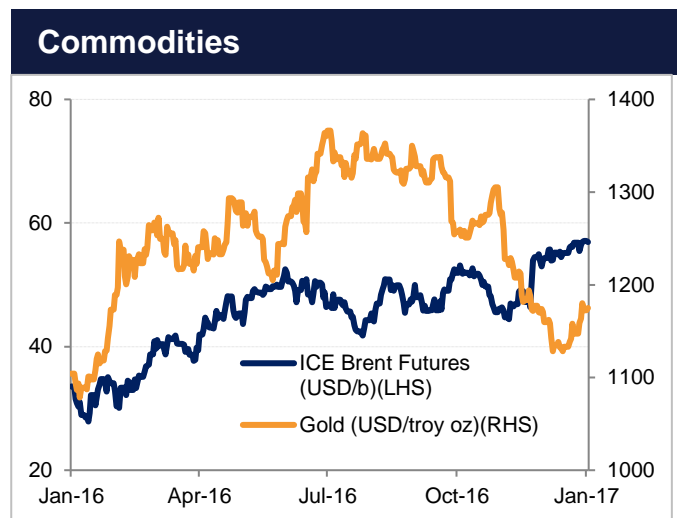
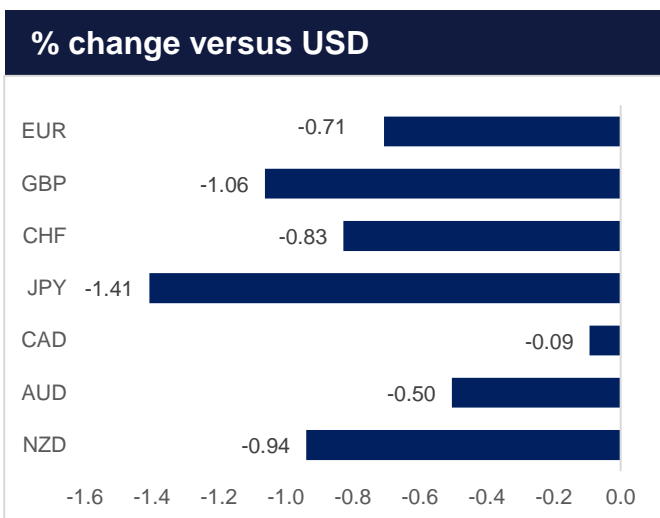
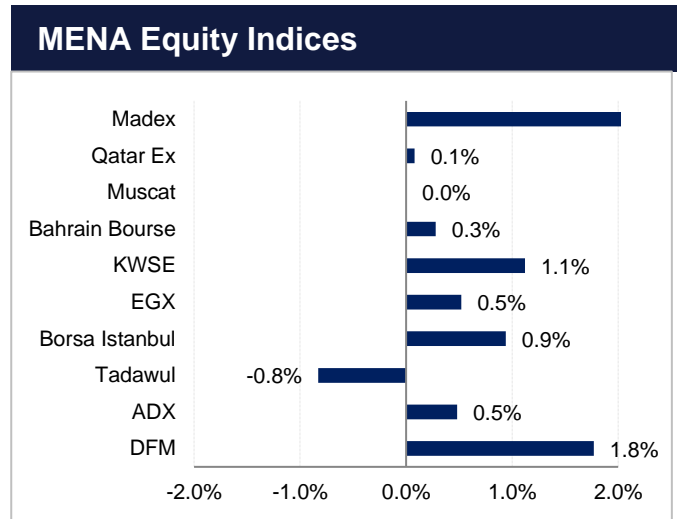
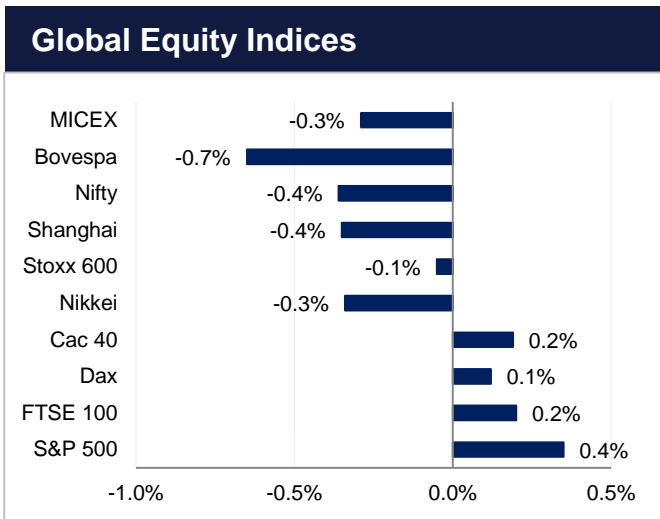
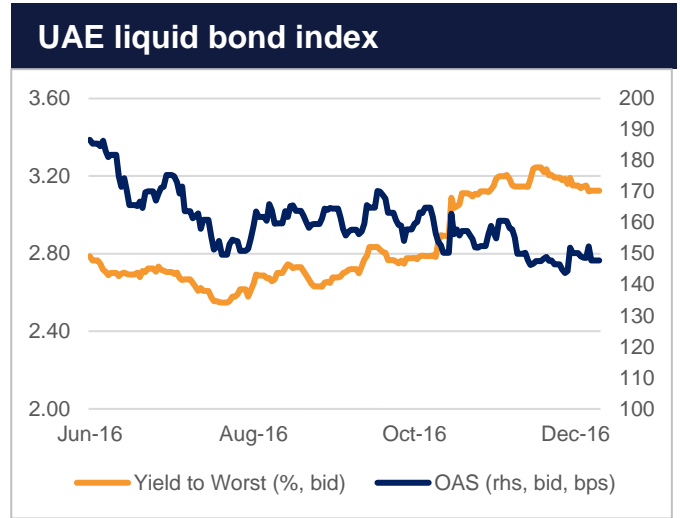
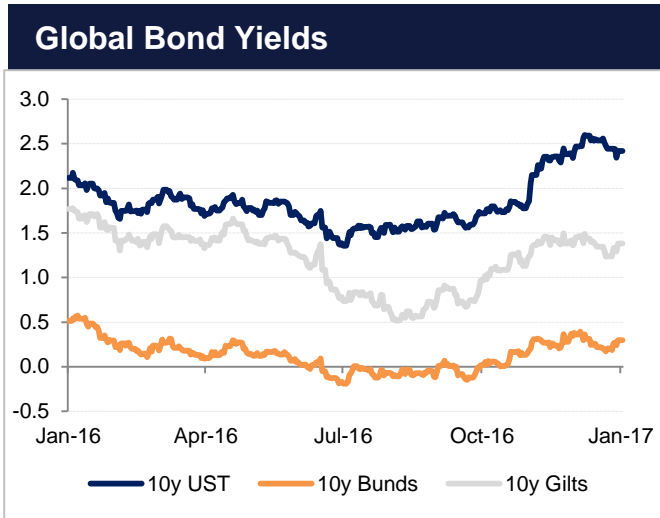
UAE bourses led regional equities higher even as the Tadawul declined -0.8%. The DFM index and the ADX index rallied +1.8% and +0.5% respectively.

In terms of stocks, insurance sector stocks continue to see investor interest with Salama adding +3.4% and Aman rallying +4.6%. ADCB closed higher for a fourth consecutive session with gains of +2.2%. Banking stocks on the Tadawul continued to drift lower with NCB dropping -1.7% and Alinma Bank losing -1.4%.

Commodities

It was a positive—barely—week to start the year for oil markets with WTI futures closing on Friday just below USD 54/b while Brent was hanging on above USD 57/b. The fixation for the market appears to be whether the OPEC deal to curb output will hold but with just one week of duration there is hardly enough evidence to give a meaningful assessment of current oil volumes. Several OPEC NOCs have made announcements that they have limited production; in the UAE several major oil fields will be put on maintenance while a refinery will also go under work, meaning that export volumes can remain steady even if output drops. In North America, oil companies are steadily expanding their rig count. In the US the rig count has completely reversed 2016's decline while the latest numbers out of Canada show an increase of 29 rigs week on week.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0532	-0.71	1.0746	USDTRY	3.6437	+1.41	EURAED	3.8689	-0.70
GBPUSD	1.2287	-1.06	1.2415	USDEGP	18.1907	-0.11	GBPAED	4.5136	-1.05
USDJPY	117.02	+1.45	114.71	USDSAR	3.7509	--	JPYAED	0.0314	-1.39
USDCAD	1.3237	+0.09	1.3174	USDQAR	3.6407	--	CADAED	2.7747	-0.10
AUDUSD	0.7301	-0.50	0.7247	USDKWD	0.3057	-0.10	AUDAED	2.6813	-0.55
USDCHF	1.0180	+0.81	0.9931	USDBHD	0.3770	+0.00	CHFAED	3.6089	-0.79
EURGBP	0.8574	+0.39	0.8657	USDOMR	0.3850	--	TRYAED	1.0100	-1.19
USDAED	3.6730	--	3.6865	USDINR	68.1913	+0.34	INRAED	0.0539	-0.62

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.0021	1.3829	1.6516	2.0786	USD 2 yr	1.484	+5
USD LIBOR	0.7633	1.0101	1.3243	1.6846	USD 5 yr	1.958	+8
GBP LIBOR	0.2584	0.3695	0.5334	0.7816	USD 10 yr	2.292	+8
JPY LIBOR	-0.0523	-0.0370	0.0156	0.1273	EUR 2 yr	-0.158	+1
CHF LIBOR	-0.7888	-0.7292	-0.6612	-0.5028	EUR 5 yr	0.121	+2
					EUR 10 yr	0.721	+5

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1172.63	-0.63	ADGB 6.75 19	1.76	--	Abu Dhabi	56	-2
Silver	16.49	-0.61	DUGB 7.75 20	2.85	+2	Dubai	135	-1
Oil (WTI)	53.99	+0.43	QATAR 6.55 19	1.97	-1	Qatar	74	-2
Aluminium	1721.00	+0.66	US Tsy 2 yr	1.21	+5	Saudi Arabia	105	-1
Copper	5569.25	+0.16	US Tsy 10 yr	2.42	+7	Bahrain	269	--

Source: Bloomberg, Emirates NBD Research

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