



بنك الإمارات دبي الوطني
Emirates NBD

Weekly

16 September 2018

Mohammed Altajir
Manager, FX Analytics and Product
Development
+971 4 609 3005
MohammedTAJ@emiratesnbd.com

www.emiratesnbdresearch.com

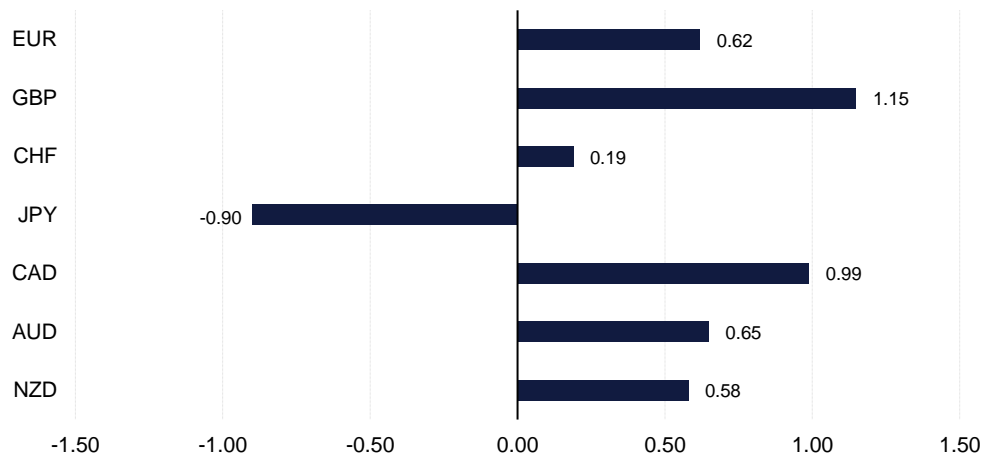
FX Week

EM central banks moved to get ahead of the game at the end of last week, with the Turkish and Russian central banks both raising interest rates, in Turkey's case quite aggressively by 625bps to 24%. Both moves served to put a floor under their respective currencies, which is just as well as US data released on Thursday and Friday maintained the likelihood of a rate hike from the Fed at the end of this month which will likely keep the USD bid adding to pressure on EM FX.

Trade tensions also continue to increase, with the Trump White House sending mixed signals to China, on the one hand inviting Chinese officials back to talks while on the other President Trump indicated that tariffs on USD200bn of Chinese goods would still go ahead. China's CNY remains vulnerable on the back of these developments with USDCNY pushing back up to wards 6.88 last week. With the latest round of monthly economic activity indicators from China scheduled for the end of the week, these will become increasingly important to monitor as its economy is highly correlated to global trade flows, especially with the China market being an important export destination for many of other EM economies. Some are hopeful that the trade dispute between the US and China will be resolved by the US mid-term Congressional elections on November 6th, but this remains too optimistic in our view with a greater danger that trade war risks extend beyond this date and spread to take in the EU and Japan.

In the coming week the Bank of Japan is widely expected to leave its short term interest rate target unchanged at -0.1% this week and to maintain its policy of yield curve control. The Swiss National Bank is also widely expected to maintain its deposit rate at -0.75% and the range for 3-month Libor held at -1.25% to -0.25%. Meanwhile the economic data flow in the US will be quiet with only US housing starts of any note ahead of the FOMC meeting on the 26th September. Finally EU leaders are scheduled to discuss progress over Brexit at a summit in Salzburg on Thursday, and following encouraging comments from EU Brexit negotiator Barnier and from UK officials, the EU is expected to agree to hold an extraordinary meeting in November to sign off on a deal on future relations.

Weekly currency movement vs USD (%)



Source: Bloomberg, Emirates NBD Research

| Forecasts | Spot | 1 Week | 1 month |
|-----------|--------|--------|---------|
| EURUSD | 1.1625 | 1.1700 | 1.1750 |
| GBPUSD | 1.3068 | 1.3100 | 1.3200 |
| USDJPY | 112.06 | 112.50 | 112.00 |
| EURJPY | 130.29 | 131.63 | 131.60 |
| EURGBP | 0.8895 | 0.8931 | 0.8902 |
| GBPJPY | 146.44 | 147.38 | 147.84 |

EURUSD

EURUSD pares last fortnight's decline

EURUSD rose last week to cancel the losses of the previous fortnight. The main drivers behind this action were softer than expected U.S. economic data. Compared with expectations of 2.8%, U.S. consumer prices rose 2.7% in August, down from 2.9% the previous month. In addition, retail sales growth slowed to 0.1% m/m in August from 0.7% in July. This data resulted in selling of USD which resulted in gains for EURUSD despite the ECB's downside revisions to 2018 and 2019 growth at the central bank's September meeting.

ECB to set the tone in the week ahead.

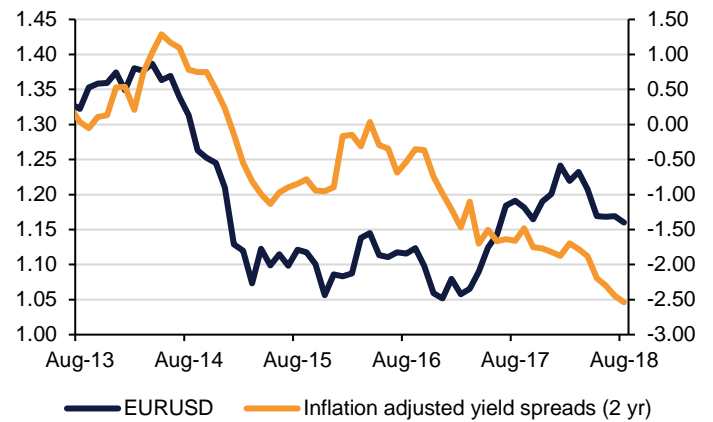
With no first tier U.S. data expected in the next week, EURUSD price movements will be guided by Eurozone data. Final Eurozone aggregate inflation reports for August area expected to show that inflation rose 2.0% y/y. Any upside revisions to the final print are likely to renew expectations of normalization of monetary policy from the ECB.

Technical outlook

EURUSD rose for the first time in three weeks, gaining 0.64% to close at 1.1623. Over the course of the week, the price was able to break back above the formerly resistive 50-day moving average (1.1609) but had further gains halted at the 100-day moving average (1.1677). While the price remains above the 23.6% one-year Fibonacci retracement (1.1597), it is likely to retest the 100-day moving average. A daily close above this level may catalyze further gains towards 1.1780, the 38.2% one-year Fibonacci retracement.

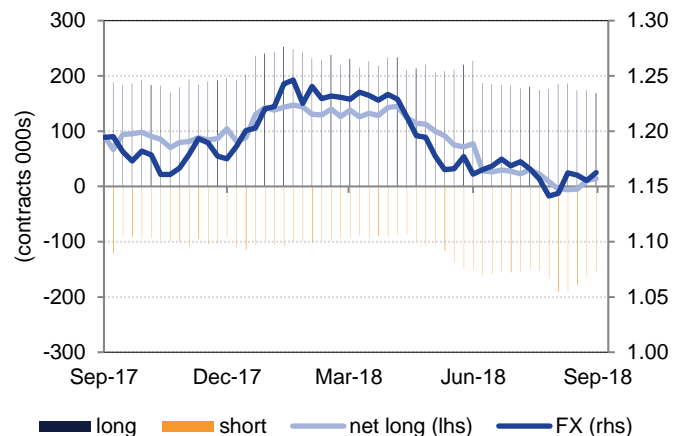
| Forecasts | Spot | 1 Week | 1 month |
|-----------|--------|--------|---------|
| EURUSD | 1.1625 | 1.1700 | 1.1750 |
| EURGBP | 130.29 | 129.87 | 131.60 |
| EURJPY | 0.8895 | 0.8931 | 0.8902 |

Yield Spreads



Source: Bloomberg, Emirates NBD Research

Net Positioning



Source: Bloomberg, Emirates NBD Research

Daily Candle Chart



Source: Bloomberg, Emirates NBD Research

USDJPY

JPY underperforms

JPY was last week's worst performing major currency, softening against rival currencies with USDJPY climbing back above the 112 handle as U.S. 10-year yields climbed above 3%. The yen softened to a six-week low amid improving market sentiment as the U.S. approached China for trade talks. Indeed the only catalyst that helped the yen recover from the six-week low were comments from Prime Minister Shinzo Abe that the Bank of Japan's radical easing policy should not continue indefinitely.

BOJ to set policy on Wednesday

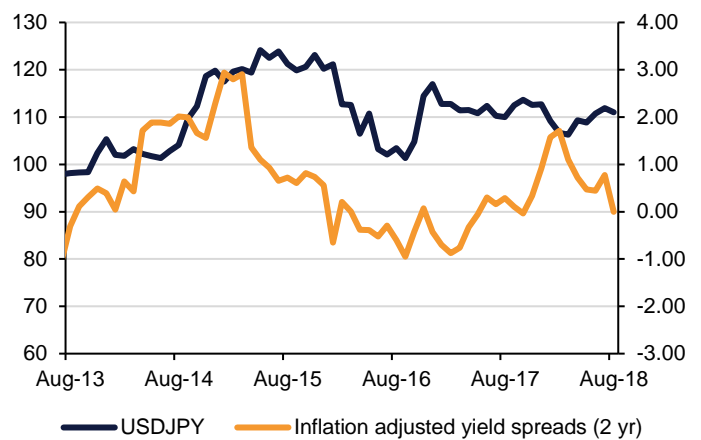
Over the week ahead, markets will be looking towards the central bank who are expected to make no adjustments to monetary policy. In addition, investors will look towards inflation reports and Japanese trade data. While the consensus expectation is that Inflation accelerated to 1.1% y/y in August from 0.9% the previous month, any downside surprises are likely to cause further JPY weakness.

Technical

USDJPY rose almost 1% last week to close at 112.06 on Friday. In the process there was a sustained break of the 50-day moving average (111.34) which had formerly acted as a daily resistance level and now is a support level. Over the week ahead, the price may see further advances initially towards the 76.4% one-year Fibonacci retracement (112.33).

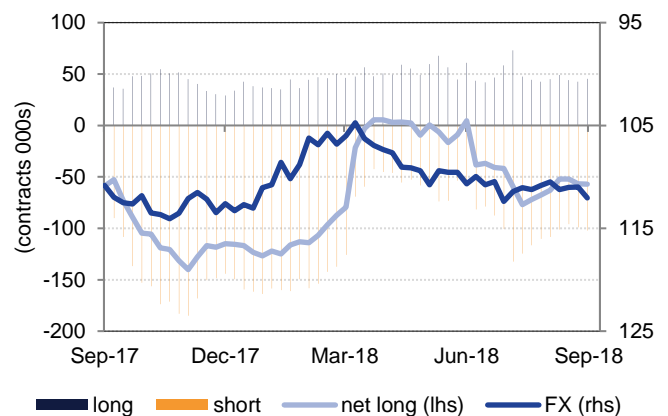
| Forecasts | Spot | 1 Week | 1 month |
|-----------|--------|---------|---------|
| USDJPY | 112.06 | 112.50 | 112.00 |
| EURJPY | 130.29 | 131.625 | 131.60 |
| GBPJPY | 146.44 | 147.38 | 147.84 |

Yield Spreads



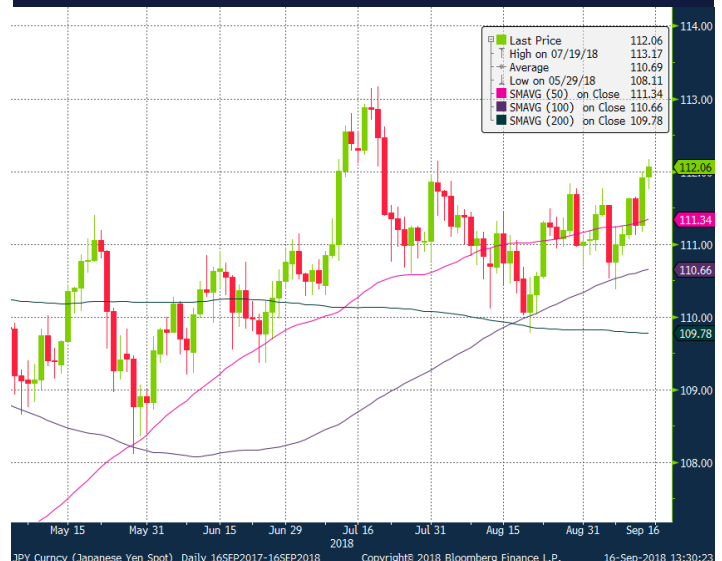
Source: Bloomberg, Emirates NBD Research

Net Positioning



Source: Bloomberg, Emirates NBD Research

Daily Candle Chart



Source: Bloomberg, Emirates NBD Research

GBPUSD

Data and optimism on deal help GBP rebound

GBP was given a much needed boost following comments from EU Brexit negotiator Michel Barnier that a deal would be possible by November if the UK would be more flexible on some of its positions. In addition, economic data was constructive towards the pound's strength. A report released from UK Office for National Statistics showed that the economy expanded 0.6% in the 3 months leading to July compared with 0.4% in June. In addition, the labour market showed continued tightening with weekly earnings climbing 2.9% y/y in July, up from 2.7% y/y the previous month. Such data helped the pound climb to a six week high despite of the Bank of England policy makers warning on the effects that trade tensions can have on global growth.

Inflation and retail sales are key this week

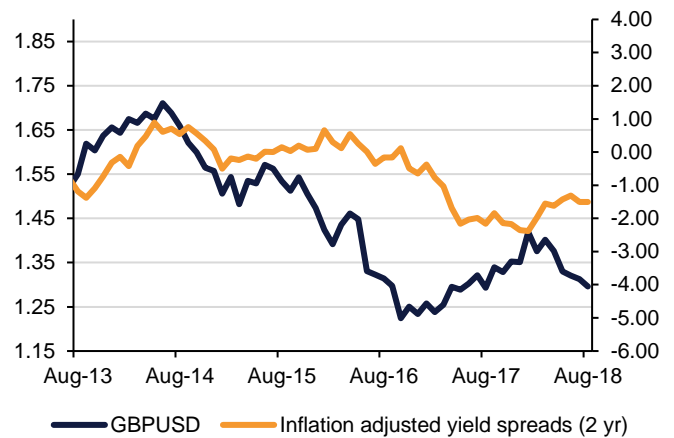
Over the next week, markets will be looking for further optimism over a deal being worked out between the UK and the EU. Any further progress or positive headlines will be likely to prolong the rally in GBP. In addition to keeping an eye on the political drivers, investors will be looking towards economic reports which are expected to show that consumer prices rose by 2.4% y/y in August, compared with 2.5% in July while during the same period retail sales growth slowed from 3.5% y/y to 2.3% y/y. Any upside surprises in the data are likely to be constructive towards GDP strength.

Technical

GBPUSD rose 1.14% last week, closing at 1.3068. In the process, the price rose above the 50-day moving average (1.2992) which is now acting as a support level. Over the course of the week, the price even broke above the 100-week moving average (1.3081) before finding resistance. A weekly close above this key level is the likely catalyst for a bigger move towards the 1.32 handle.

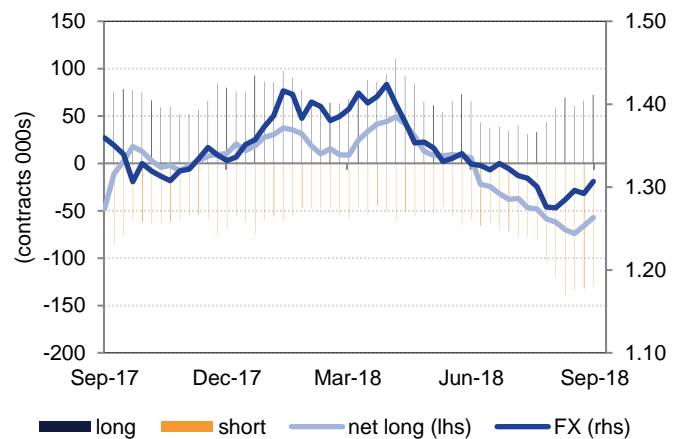
| Forecasts | Spot | 1 Week | 1 month |
|-----------|--------|--------|---------|
| GBPUSD | 1.3068 | 1.3100 | 1.3200 |
| EURGBP | 0.8895 | 0.8931 | 0.8902 |
| GBPJPY | 146.44 | 145.41 | 147.84 |

Yield Spreads



Source: Bloomberg, Emirates NBD Research

Net Positioning



Source: Bloomberg, Emirates NBD Research

Daily Candle Chart



Source: Bloomberg, Emirates NBD Research

FX Forecasts

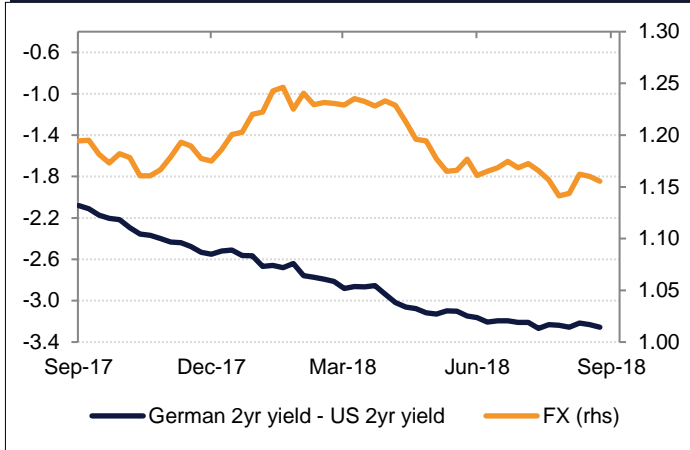
| FX Forecasts - Major | | | | | | Forwards | | |
|-------------------------|---------|---------|---------|---------|---------|----------|---------|---------|
| | 14-Sep | Q3 2018 | Q4 2018 | Q1 2019 | Q2 2019 | 3m | 6m | 12m |
| EUR | 1.1625 | 1.1700 | 1.2000 | 1.2300 | 1.2500 | 1.1707 | 1.1804 | 1.2005 |
| JPY | 112.06 | 110.00 | 112.00 | 110.00 | 110.00 | 111.33 | 110.46 | 108.67 |
| CHF | 0.9684 | 0.9800 | 0.9800 | 0.9800 | 0.9800 | 0.9607 | 0.9518 | 0.9340 |
| GBP | 1.3068 | 1.2700 | 1.3100 | 1.3500 | 1.4000 | 1.3120 | 1.3184 | 1.3312 |
| AUD | 0.7153 | 0.7300 | 0.7500 | 0.7550 | 0.7550 | 0.7155 | 0.7163 | 0.7188 |
| NZD | 0.6572 | 0.6700 | 0.6900 | 0.7100 | 0.7100 | 0.6574 | 0.6580 | 0.6604 |
| CAD | 1.3036 | 1.2950 | 1.2700 | 1.2700 | 1.2700 | 1.3014 | 1.2992 | 1.2954 |
| EURGBP | 0.8895 | 0.9213 | 0.9160 | 0.9111 | 0.8929 | 0.8922 | 0.8952 | 0.9017 |
| EURJPY | 130.29 | 128.70 | 134.40 | 135.30 | 137.50 | 130.29 | 130.29 | 130.29 |
| EURCHF | 1.1254 | 1.1466 | 1.1760 | 1.2054 | 1.2250 | 1.1244 | 1.1231 | 1.1209 |
| FX Forecasts - Emerging | | | | | | 7-Sep | | |
| | 14-Sep | Q2 2018 | Q3 2018 | Q4 2018 | Q1 2019 | 3m | 6m | 12m |
| SAR | 3.7508 | 3.7500 | 3.7500 | 3.7500 | 3.7500 | 3.7503 | 3.7510 | 3.7553 |
| AED | 3.6730 | 3.6730 | 3.6730 | 3.6730 | 3.6730 | 3.6736 | 3.6742 | -- |
| KWD | 0.3026 | 0.3020 | 0.3020 | 0.3020 | 0.3020 | 0.2961 | 0.2911 | -- |
| OMR | 0.3850 | 0.3850 | 0.3850 | 0.3850 | 0.3850 | 0.3856 | 0.3864 | 0.3885 |
| BHD | 0.3771 | 0.3770 | 0.3770 | 0.3770 | 0.3770 | 0.3762 | 0.3762 | 0.3788 |
| QAR | 3.6581 | 3.6400 | 3.6400 | 3.6400 | 3.6400 | 3.6549 | 3.6541 | 3.6548 |
| EGP | 17.9071 | 17.2500 | 17.0000 | 17.0000 | 17.0000 | 18.3600 | 18.8850 | 19.9450 |
| INR | 71.855 | 71.000 | 70.000 | 70.000 | 68.000 | 73.1100 | 73.9500 | 75.4400 |
| CNY | 6.8675 | 6.7000 | 6.9000 | 7.1000 | 7.1000 | 6.9045 | 6.9260 | 6.9620 |
| SGD | 1.3742 | 1.3500 | 1.3300 | 1.2900 | 1.2900 | 1.3719 | 1.3687 | 1.3613 |

Source: Bloomberg, Emirates NBD Research

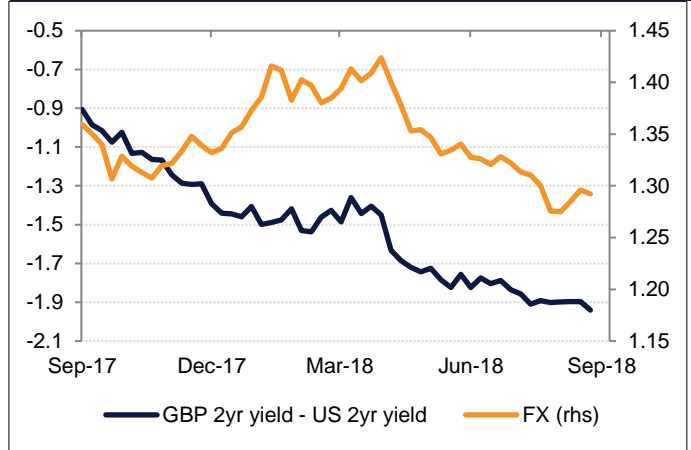
*Denotes USD peg

Major FX and Nominal Interest Rates

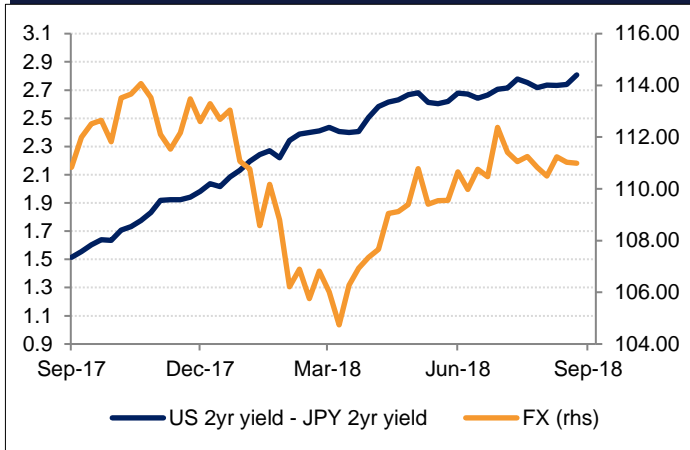
Interest Rate Differentials - EUR



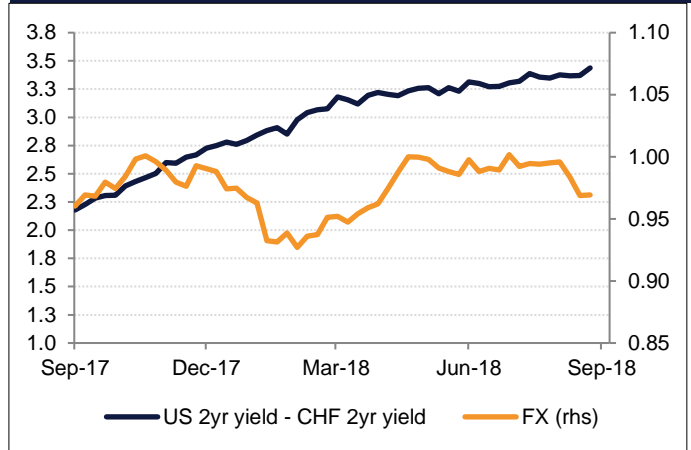
Interest Rate Differentials - GBP



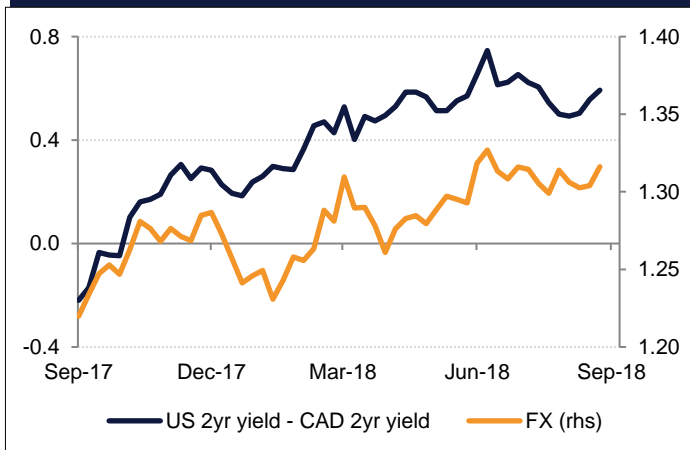
Interest Rate Differentials - JPY



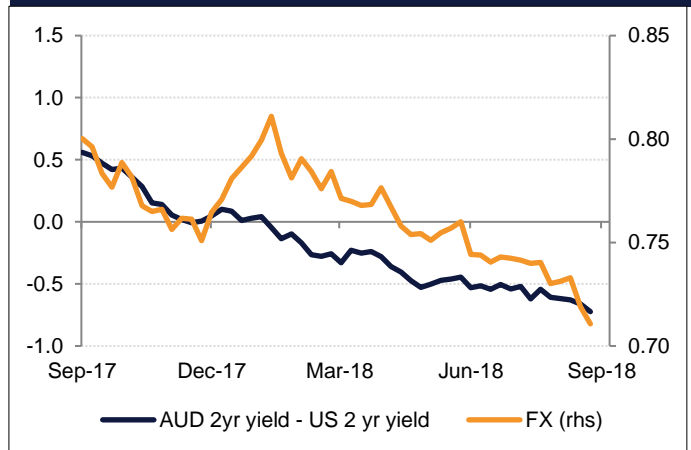
Interest Rate Differentials - CHF



Interest Rate Differentials - CAD

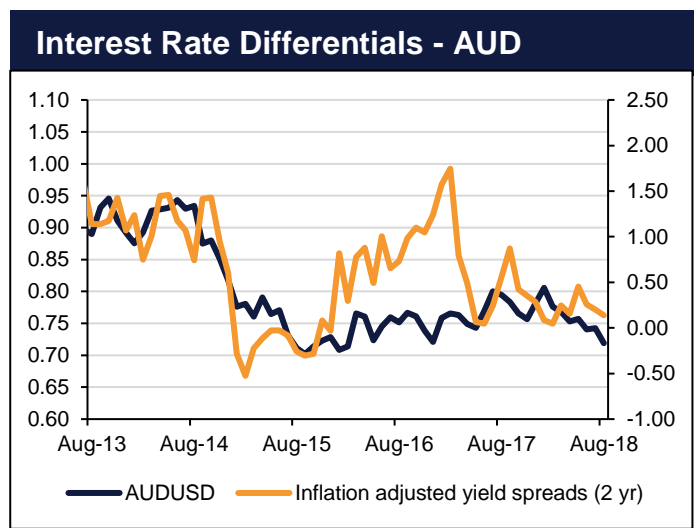
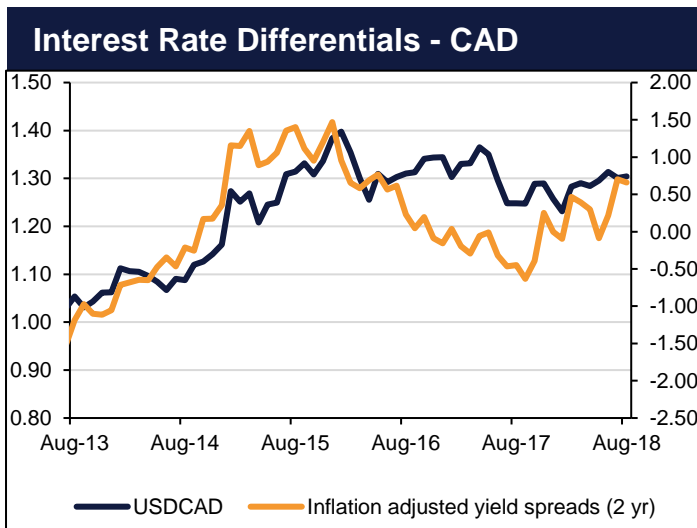
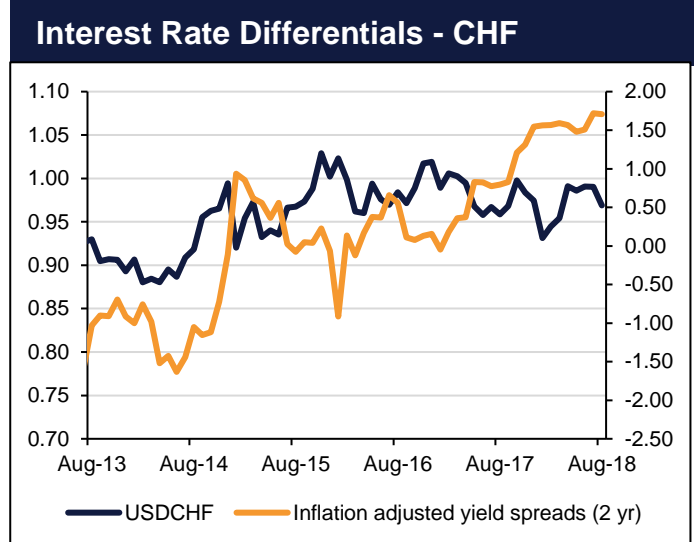
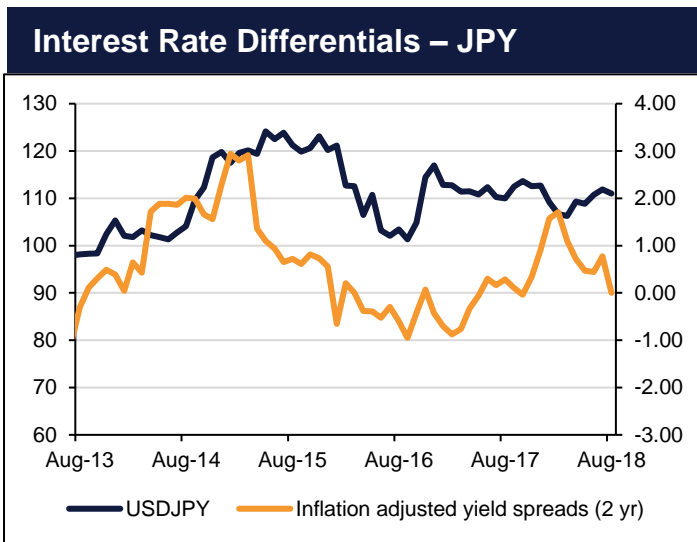
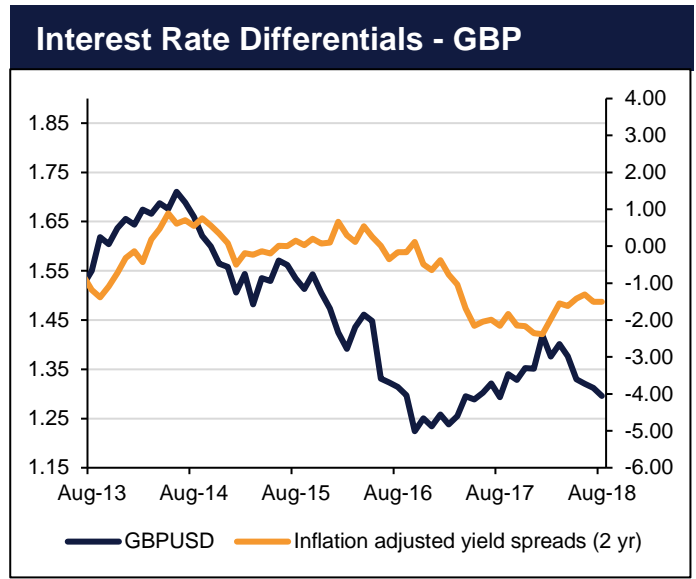
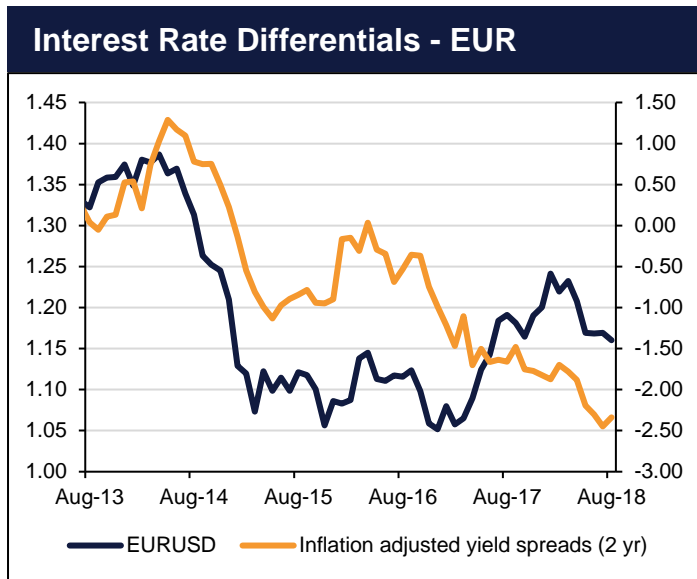


Interest Rate Differentials - AUD



Source: Bloomberg, Emirates NBD Research

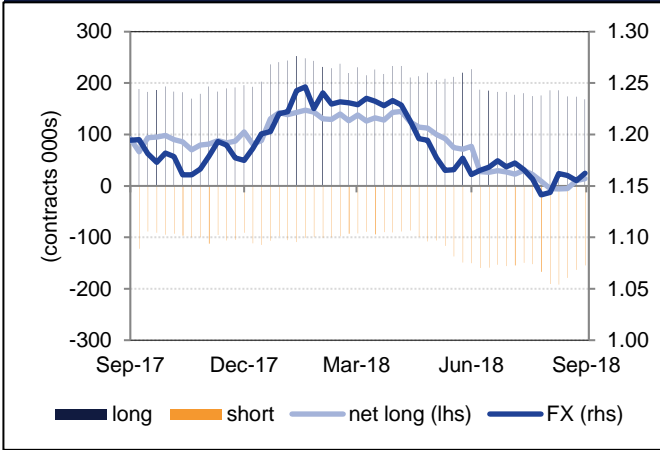
Major FX and Real Interest Rates



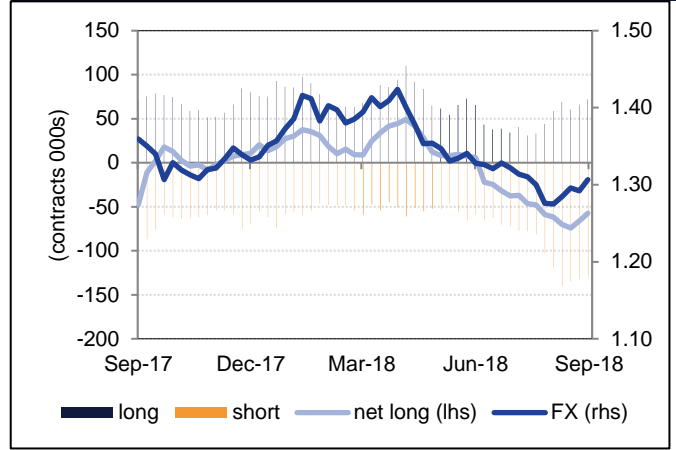
Source: Bloomberg, Emirates NBD Research

Major Currency Positions

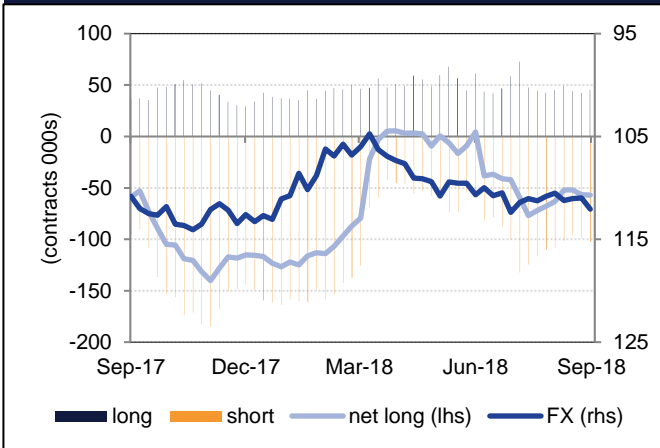
CFTC – Speculative Positions - EUR



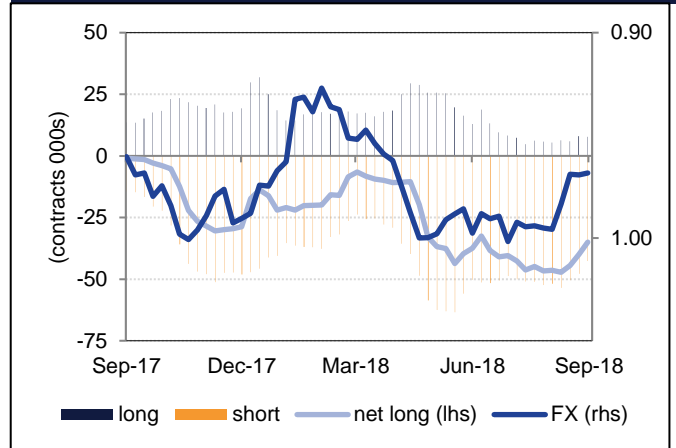
CFTC – Speculative Positions - GBP



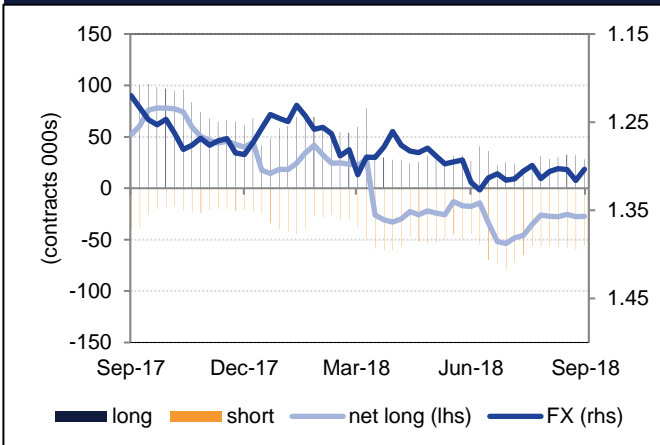
CFTC – Speculative Positions - JPY



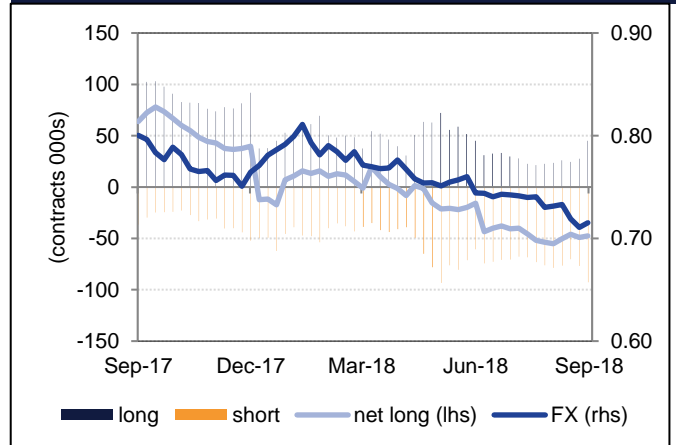
CFTC – Speculative Positions - CHF



CFTC – Speculative Positions - CAD



CFTC – Speculative Positions - AUD



Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby; (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report.

The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

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
Senior Executive Vice President
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

Aditya Pugalia
Financial Markets Research
+9714 230 7802
adityap@emiratesnbd.com

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

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

Daniel Richards
MENA Economist
+9714 609 3032
danielricha@emiratesnbd.com

Mohammed Altajir
FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

Hessa Al Khawaja
Research Associate
+9714 609 3015
Hessaalkh@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