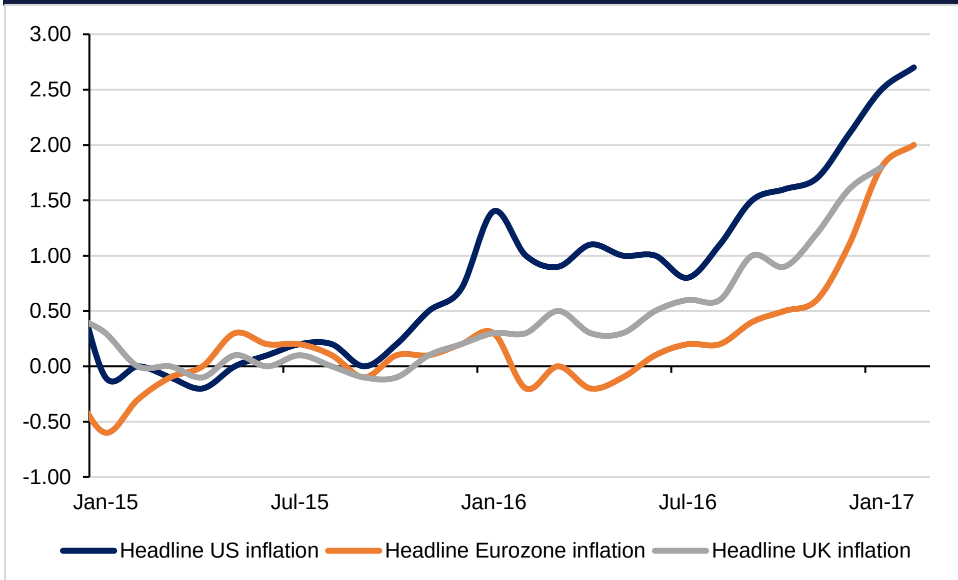
بنك الإمارات دبي الوطني
Emirates NBD

Monthly Insights

Economic activity has gained momentum around the world allowing the Fed to bring forward the next step of its policy normalization, and with rising inflation increasing the spotlight on other central banks.

- **Global macro:** It feels as if there is a greater degree of confidence about the world economy after the first two months of the year, with monthly PMI data reporting improving activity readings for both manufacturing and service sectors in many of the key countries of the world, including here in the Middle East..
- **GCC macro:** Oman and Kuwait tapped international capital markets ahead of the Fed rate hike and Saudi Arabia is expected to follow suit sooner rather than later. Non-oil sector acitivity gains momentum in February even as oil production eases.
- **Sector Focus:** An overview of Dubai's travel & tourism sector.
- **MENA macro**: Across much of North Africa and the Levant, central bank holdings of FX reserves have continued to come under pressure at the start of 2017.
- **Emerging Market Focus:** Turkey
- **Interest Rates:** The US interest rate curve moved higher albeit with some flattening in the long end as expectations of tighter monetary policy rose consistently throughout the month, finally culminating in the 25bps rate hike on March 15.
- **Credit Markets:** Although bond prices fell in tandem with rising UST curve, credit spreads were largely resilient last month. Despite the sudden shift in market expectations of a rate hike in the US, the VIX index remained subdued and fluctuated in a narrow band of 10 - 12 through out the month.
- **Currencies:** The FX markets spent the last month anticipating a Fed tightening, but they also feared a more hawkish bias to the Fed's forecasts which did not materialize. This has prompted the dollar to soften, with the Euro also benefiting from the Dutch election results.
- **Equities:** Notwithstanding the political rhetoric and firming expectations of more interest rate hikes in the US, equity markets have broadly remained positive. The strength in global equities can be attributed to better than expected corporate earnings and upbeat economic data.
- **Commodities:** Industrial commodities have recovered on signs of stable performance in China's economy but supply restrictions are also helping to set a floor under prices.

Rising inflation puts pressure on central banks



Source: Bloomberg, Emirates NBD Research

Monthly
16 March 2017

Tim Fox
Head of Research &
Chief Economist
+971 4 230 7800
timothyf@emiratesnbd.com

www.emiratesnbdresearch.com

Content

Global Macro

It feels as if there is a greater degree of confidence about the world economy after the first two months of the year, with monthly PMI data reporting improving activity readings for both manufacturing and service sectors in many of the key countries of the world, including here in the Middle East.

Alongside a brighter economic outlook there is also evidence of increasing inflation pressures, which is becoming evident in most of the major economies. Most of these are related to the recovery in oil prices and some commodity prices, but central banks are becoming more sensitive to the possibility of second round risks.

Global growth outlook improving

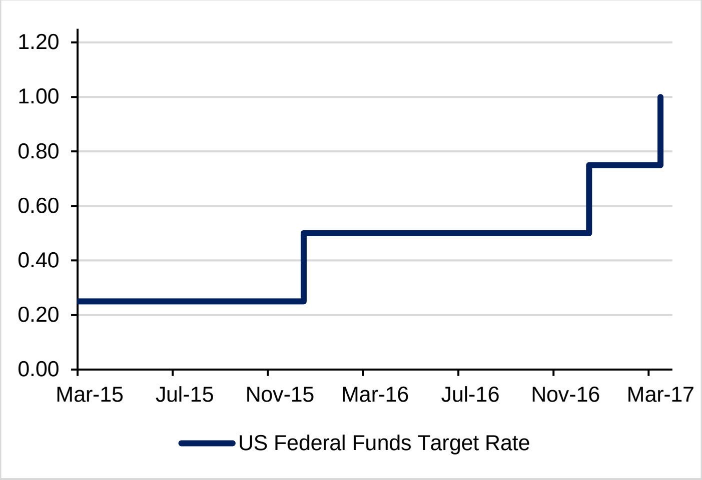
Even the IMF appears to be becoming more hopeful about growth with its Managing Director Christine Lagarde recently suggesting that 'the world economy may finally snap out of its multi-year convalescence'. She noted that manufacturing and confidence indicators are picking up and there are signs that global trade volumes are also rising. This is ahead of the G20 meeting of central bankers and finance ministers meeting in coming days and ahead of the IMF's economic forecast updates next month. Currently, the IMF expects global GDP growth to increase 3.4% this year and 3.6% next year, but it is expected to raise some of its forecasts when it meets in April. Lagarde says that the improved outlook partly reflects a projected pick-up in advanced economy activity helped by expectations of more expansionary fiscal policy in the US though the bulk of the impact might not materialize until next year. Of course there are still risks that could interrupt such optimism especially if the much anticipated Trump stimulus plan does not materialize as expected, and if protectionist forces continue to grow. Lagarde alluded to these warning of the risks of 'self-inflicted injuries' that could still derail the recovery.

Fed raises rates but remains cautious

Uncertainty about these factors may have been why the Fed remained cautious when raising interest rates this month. While it raised interest rates by 25bps in line with market expectations, taking the Fed funds rate target range to 0.75-1.0%, the Fed surprised a little by not being as hawkish as feared. The 'dots' showed two more rate moves this year for three hikes in 2017 in total, the same as it indicated in December, and in line with what we are also now expecting. There was no real hint of an accelerated pace of tightening, beyond what the markets knew already, and economic forecasts were largely left unchanged.

The Fed said in its policy statement that the economy continues to expand at a moderate pace, with the labor market strengthening further, while household spending has continued to rise moderately. Inflation has increased, but the core rate remains below the 2% goal. The dot plot for 2018 also shows three rate hikes, as was the case in December, while the forecast for 2019 suggests 3.5 hikes to a 3.0% median. The Committee still expects to unwind policy accommodation 'gradually', with no change to the Fed's balance sheet anticipated for some time.

Fed raises interest rates

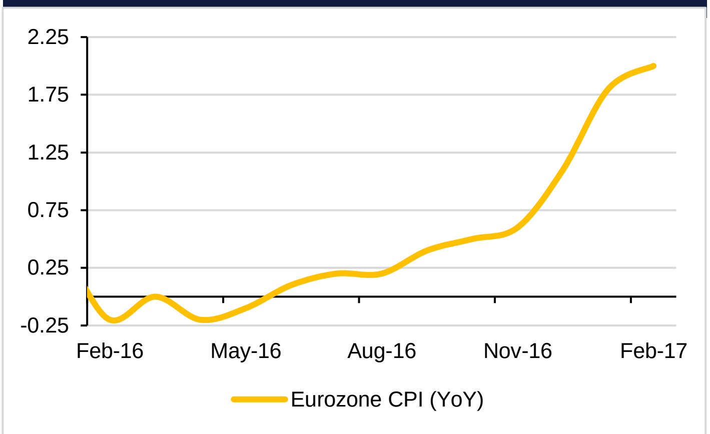


Source: Bloomberg, Emirates NBD Research

ECB overlooks rising inflation for now

Scrutiny has also been on the ECB in view of the sharp rise in inflation seen in the Eurozone since the summer of last year, with the headline rate having reached 2.0% in February and with German inflation hitting as high as 2.2% in the same month. Despite this the ECB maintained its commitment to buying assets throughout the year and keeping interest rates at current or lower levels for an extended period at its latest policy meeting. While the ECB recognizes that downside growth risks have diminished it will not consider normalizing policy until core inflation is rising and it still sees the balance of risks as tilted to the downside. Core Eurozone inflation stood at 0.9% in February and has hardly changed at all over the last year. The central bank lifted its inflation forecast for this year to 1.7% from 1.3% and to 1.6% from 1.5% for 2018, but Draghi once again emphasized that the recent inflation pick up was likely to be transitory, being mainly due to energy and food prices. The new growth projections for this year and next were raised by 0.1% points to 1.8% and 1.7% respectively, but the overall message was that tapering will not be happening for some time, probably not until 2018.

Eurozone inflation continues to rise

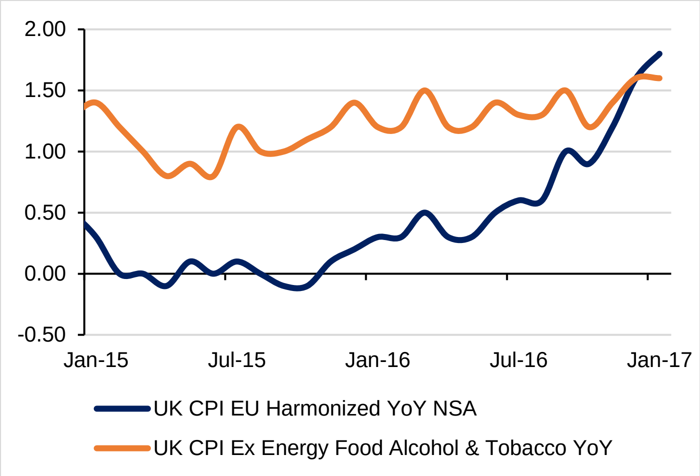


Source: Bloomberg, Emirates NBD Research

Article 50 on course to be triggered

The UK government is under a lot of pressure to move swiftly forward with its Brexit negotiations. Prime Minister May remains on course to trigger article 50 of the Lisbon Treaty at the end of this month, but there are reports that full negotiations may not start until June on account of the EU not being ready. Complicating matters further, the Scottish National Party has signaled its intention to request permission for another independence referendum in late 2018/early 2019, during the period when Brexit negotiations will likely still be ongoing. It is not clear yet what the government's reaction will be, although the signals are that the PM may reject the request and suggest the referendum should take place after the UK has left the EU. Needless to say any delay to the onset of Brexit talks and the intrusion of another Scottish independence debate threatens to inject even more uncertainty into an already unsettled macro outlook. Softer than expected UK economic data has already been observed recently, raising some thoughts that such uncertainty is already being felt. UK industrial production and manufacturing output both slipping in in January by -0.4% and -0.9% respectively, and PMI activity data was also softer than expected in February with the composite index dipping to 53.8 from 54.5.

UK inflation picking up



Source: Bloomberg, Emirates NBD Research

Against this, however, inflationary pressures are also rising in the UK with January headline CPI hitting a two and a half year high of 1.8% y/y up from 1.6% in December. Core inflation is also stronger than it is in the Eurozone, however, which makes discussion about a Bank of England tightening much more pertinent than one by the ECB. The BOE meets to set monetary policy today, but the MPC is expected to keep the repo rate at 0.25% and QE settings unchanged. However, on the assumption that the economy does not get much further unsettled by Brexit issues over the rest of the year, we still think that the BOE could move at least once to raise rates, if only to cancel out the easing made last summer in the wake of the Brexit referendum - one which looks increasingly unnecessary.

China lowers growth forecast

China has also been in the spotlight over the last month with the focus being on its annual National People's Conference. China's growth forecast has been lowered to 6.5% for this year, from the 6.5-7.0% which represents continuity in terms of seeking to rebalance growth away from investment and towards being consumption-led. The Chinese authorities seem willing to accept some reduction in the growth rate if it also ensures a reduction of the risks in the financial system, given the expansion in the shadow banking system and the high levels of Chinese corporate debt. To this aim the PBOC raised some market interest rates by 10bps in the wake of the Fed's interest rate decision.

Japan on the other hand has left interest rates unchanged again and shows every likelihood of maintaining this approach, with Governor Kuroda saying that the bank will continue its 'powerful monetary easing' under yield curve control framework 'to achieve the price target at the earliest date possible.'

Tim Fox
+9714 230 7800

GCC Macro

Oman and Kuwait tapped international capital markets ahead of the Fed rate hike and Saudi Arabia is expected to follow suit sooner rather than later. Non-oil sector acitivity gains momentum in February even as oil production eases.

Oman, Kuwait tap bond markets in March

As expected, GCC sovereigns have raised international debt early this year, taking advantage of relatively benign market conditions and ahead of the March US rate hike. Oman successfully issued USD 5bn (OMR 1.93bn) of 5y, 10y and 30y bonds in early March. The budget financing plan for this year makes provision for OMR 2.1bn in international borrowing in 2017, so the recent bond issue has taken care of most of this year's planned international debt issuance.

The remainder of the forecast OMR 3bn budget deficit expected this year will be financed by domestic debt (OMR 400mn) and a drawdown in accumulated reserves. The Central Bank of Oman has already issued OMR 150mn in local currency debt this year, with approval given for another OMR 450 of government development bonds to be issued.

Kuwait issued its first international bond this week, raising a slightly less than expected USD 8bn in 5y and 10y bonds, despite the issue being oversubscribed. The market had been looking for USD10bn bond. Nevertheless, the capital raised should finance more than 80% of the 2017/2018 budget deficit, with the remainder covered by drawing down reserves.

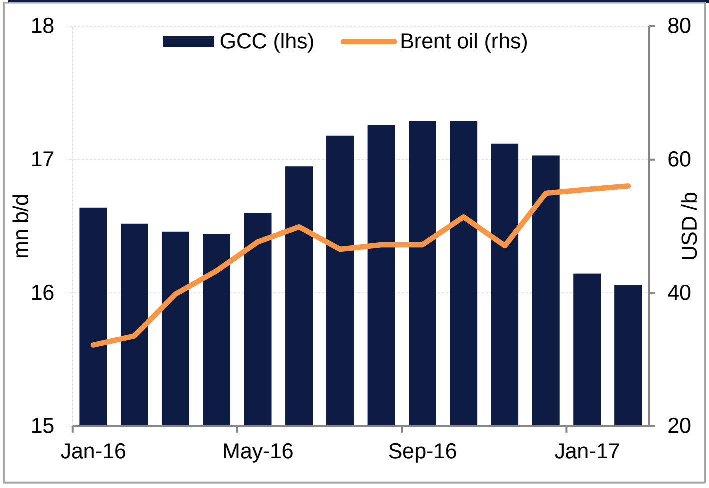
Finally, Saudi Arabia has appointed a new head of debt management at the ministry of finance, and has reportedly already mandated five banks to co-ordinate an expected bond issue, which could come to market within weeks, according to a Bloomberg report. Last year, Saudi Arabia raised USD 17bn via international bonds in its first ever bond issue. We expect the budget deficit to narrow this year, but are still looking for substantial international debt issuance this year, to reduce the reliance on domestic financing.

Oil production declines in January-February

Bloomberg estimates show that OPEC's GCC members cut oil production by 970k b/d by the end of February, from December 2016. Most of the decline in crude output was from Saudi Arabia (-700k b/d), with the UAE and Kuwait reducing production by -120k b/d and -150k bd respectively.

While the countries remain committed to meeting the targets set in November's agreement with OPEC, which expires in May, it is unclear at this stage whether the cuts to oil production seen in the first two months of this year will be sustained for the rest of 2017. We expect not. Consequently, while we do not expect oil production to contribute as much to GDP growth this year as it did in 2016, when oil production rose 1.5%, we also don't expect a significant contraction in the hydrocarbon sector this year.

Oil production declines in Jan-Feb



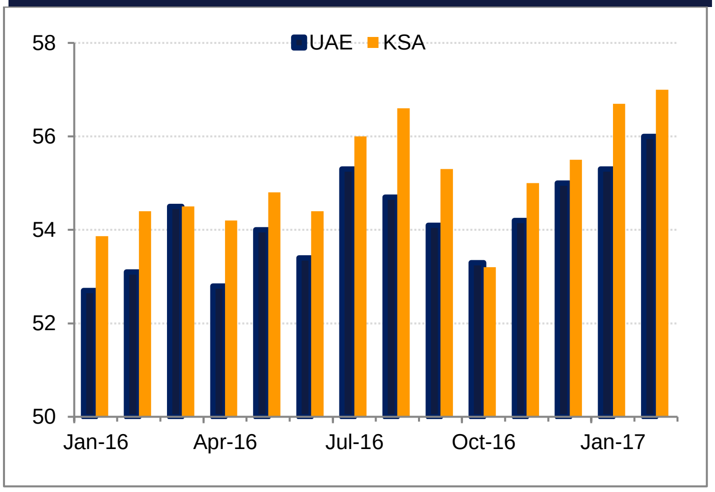
Source: Bloomberg, Emirates NBD Research

Non-oil sector growth accelerates in February

Meanwhile, PMI data in February indicated faster growth in the non-oil sectors of the UAE and Saudi Arabia, with the headline PMIs rising to the highest level in one-and-a-half years. The improvements were driven by output and new order growth, suggesting firmer domestic and external demand. In our view, higher oil prices at the start of 2017 (particularly when compared with January-February 2016), improved liquidity conditions and a stronger global economic backdrop have all contributed to the pick-up in business activity in the GCC's two largest economies.

However, the PMI surveys suggest that firms remain reluctant to hire new staff with the employment index close to neutral in Saudi Arabia, and only marginally higher in the UAE. Pricing power also remains limited in a competitive environment.

Saudi Arabia and UAE PMIs



Source: IHS Markit, Emirates NBD Research

Khatija Haque
+971 4 230 7803

Sector Focus

Growth in Dubai's hospitality sector averaged 9.2% in Jan-Sep 2016

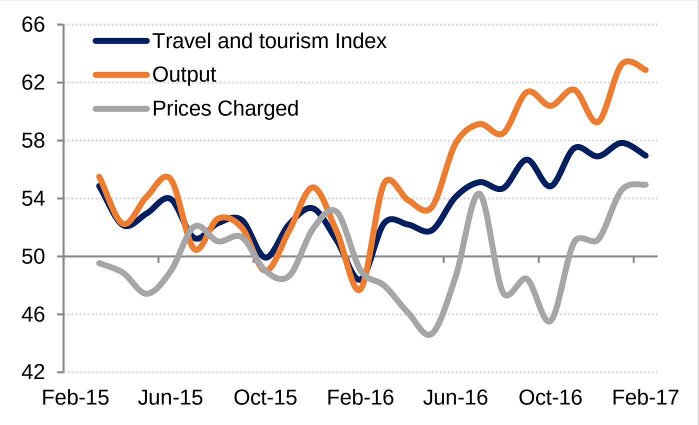
The hospitality sector accounted for 4.4% of total Dubai GDP in Q3 2016. For Jan-Sep 2016, real growth in hospitality averaged 9.2%, down from 9.8% a year ago. 2016 was a challenging year for non-oil private sector firms in Dubai, as fiscal consolidation, weaker confidence on the back of lower oil prices, and a strong USD proved to be dominant. The travel & tourism sector showed some improvement in Q4 2016 however, as firms were able to increase their selling prices while still generating new work and increasing output. Overall, we expect economic conditions in Dubai to improve in 2017, provided oil prices normalize, and government spending on infrastructure rises as forecast.

Travel & tourism enjoys greater pricing power in February

The travel & tourism index eased to a still-strong 57.0 in February from the series high of 57.8 in January, according to Emirates NBD Dubai Economy Tracker (DET). Output and new work indices were marginally lower last month but both still well above 60.0, signaling very strong growth in February. Employment was broadly unchanged from January however.

Encouragingly, firms in the travel & tourism sector were able to increase selling prices for the fourth month in a row and at the fastest rate on record in February, even as demand continued to strengthen. The rise in prices charged exceeded input cost inflation, providing further relief for firms' margins in this sector. The business expectations index rose in February, signaling greater optimism among firms.

Travel & tourism sector indicators



Source: Markit, Emirates NBD Research

Strong USD still a headwind for hospitality

The strong USD remains a headwind to Dubai's hospitality sector despite the 1.6% increase in total credit card spending on hotels with hotel spending on foreign cards up roughly 2.0% y/y in the first two months of 2017, according to data compiled by Network International.

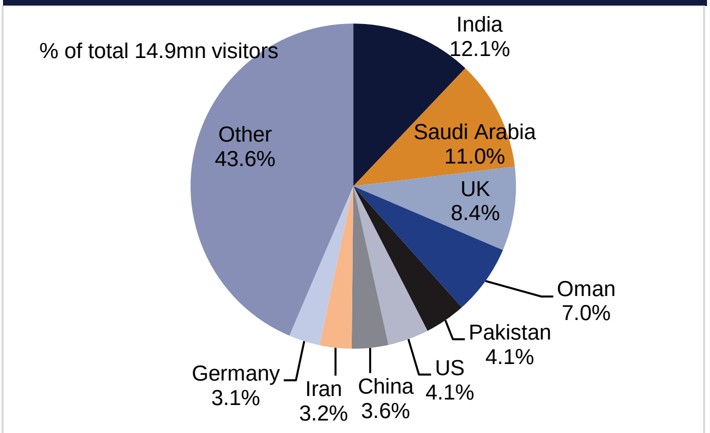
Hotel occupancy rates remained high at 84.2% in January, down from 84.9% the same month a year ago. According to the latest data from STR Global, the supply of hotel rooms in Dubai increased by 6.1% y/y in January 2017. With the supply of hotels rooms still outpacing demand growth, occupancy rates are likely to remain stable or ease slightly with demand gradually catching up in the run-up to the 2020 Expo.

Hotels have discounted room rates through most of 2016 in order to keep occupancy levels high, although the STR data also shows some improvement in pricing power since Q4 2016. In Jan 2017 RevPAR decreased by -11.2% y/y but was up 8.2% m/m. Substantial additional supply is likely to cap RevPAR growth in the coming months however.

Dubai's tourism strategy on track

The number of tourists coming to Dubai and staying in hotels (including holiday rentals and onboard cruise ships) for at least one night reached 14.9mn in 2016, up by 4.9% compared with 2015. GCC remained the lead tourist region for 2016, accounting for 23.0% of the total figure, followed by Western Europe (21.0%) and South Asia (18.0%). In terms of country specific volumes, India is Dubai's top source market with 1.8mn tourists, an increase of 12.0% y/y. Saudi Arabia ranked second with 1.64mn tourists (6.0% y/y) followed by UK with 1.25mn tourists (5.0% y/y), outpacing Oman with 1mn tourists (3.0% y/y) and Pakistan with 0.61mn tourists (18.0% y/y).

Top 10 visitors by nationality in 2016



Source: Department of Tourism and Commerce Marketing (DTCM), Emirates NBD Research

Easing of visa rules for Chinese nationals in Q4 2016 likely helped to boost demand from this segment of the market. Indeed the number of Chinese visitors to Dubai grew 20.0% y/y in 2016, making this the fastest growing segment by nationality. The second fastest growth in terms of visitors to Dubai by nationality in 2016, was Russia (13.7% y/y). The 30.0% appreciation in RUB/USD over the last year had likely contributed to the recovery in the number of visitors from Russia during the course of 2016, and the UAE government's recent announcement that Russians will now also be able to get visas on arrival in the UAE, should further support demand in this market going forward.

Dubai is on its way to achieving the ambitious travel and tourism strategy which aims to attract 20 million visitors to the emirate by the end of the decade, according to DTCM. A strong tourism and hospitality industry will also provide an important boost to retail and other associated industries and services.

Hotel market still top heavy on luxury segment in 2016

There is still a high degree of concentration of hotel room supply (number of hotel rooms) within a few key segments. For instance, upscale, upper upscale and luxury hotel rooms (4* to 6* stars) accounted for roughly 50.0% of Dubai's total existing supply and 58.4% of the additional projected supply. The midscale and upper midscale segment (2* to 3* stars) accounted for just 11.0% of Dubai's total existing supply. In our view, Dubai's tourism strategy to strengthen the midscale and upper midscale segment is moving in the right direction with 24.1% of the additional projected supply directed to that segment. This should perhaps shift the focus of the government to the economy range too as the market is top heavy on the luxury end.

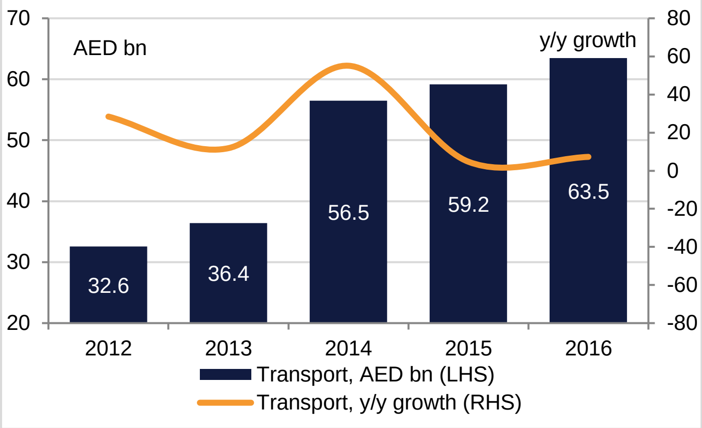
Similarly, Dubai's hotel supply (number of hotels) is equally segmented with upscale, upper upscale and luxury hotels (4* to 6* stars) accounted for 37.7% of Dubai's total existing hotels and 60% of the additional projected supply. Again, the focus should be on the midscale and upper midscale range (2* to 3* stars). Separately, the difference between hotel and hotel room supply for the independent segment highlights the fact that independent hotels are relatively smaller in size (fewer rooms) compared to luxury segments where 18.1% of the existing hotel room supply is absorbed by the 12.3% of the existing hotels.

Data from the transport sector also shows growth in capacity and visitor numbers. Passenger traffic at the Dubai International Airport (DXB) rose to 8.0 million in January 2017, up by 9.7% y/y, recording the highest monthly traffic figure in DXB's history. January's traffic is traditionally boosted by the visitors to Dubai's Shopping Festival (DSF). Passenger traffic is expected to exceed 89 million at DXB by the end of 2017, according to Dubai Airports. Separately, freight volumes at DXB also rose by 3.4% in January to 208,271 tons compared with 201,483 tons recorded in January last year.

Bank credit to the transport sector robust

Bank credit to the transport sector increased to 7.3% y/y in 2016, according to the UAE Central Bank. Loans to this sector accounted for 4.4% of total bank loans for the same year. In 2016, bank credit to the transport sector reached AED 63.5bn compared to AED 59.2bn for 2015. The transport sector remained strong in Q3 2016, with growth rising to 6.7% y/y, up from 4.4% y/y growth in Q3 2015. Demand growth for loans in the sector tightened modestly in Q4 2016 compared with the previous quarter and is expected to improve in the March 2017 quarter, according to the Q4 2016 Credit Sentiment Survey by the UAE Central Bank. We expect credit to transport to further increase in 2017 given the number of projects underway.

Bank credit to the transport sector



**The big jump between 2013 and 2014 is due to UAECB's re-classification of customers by the introduction of new reporting forms.*
Source: UAE Central Bank, Emirates NBD Research

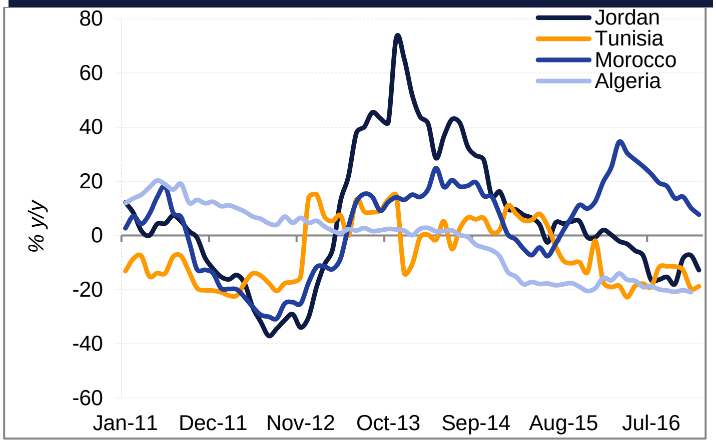
Thanos Tsetsonis
+971 4 230 7629

Non-GCC Macro

Across much of North Africa and the Levant, central bank holdings of FX reserves have continued to come under pressure at the start of 2017. This suggests that the external position of many of these economies is increasingly fragile, and could raise questions about underlying stability should these trends persist through the remainder of the year. Interestingly, the trend is not confined to any particular type of economy or sub-region, as the drawdown in FX reserves has been evident in oil importing and exporting markets alike.

The most pronounced pressures can be seen in the region's oil exporting economies. Despite global energy prices being higher in year-on-year terms, they are still below 'break-even' budget and current account levels. With limited options to issue FX-denominated debt or pursue drastic structural reforms, the only option has been to draw down on reserves (assuming exchange rate stability as a policy goal). At the end of 2016 Iraq had seen its FX stockpile fall -18% y/y, while the decline in Algeria was even more severe at -21%. As our in-house forecast is for Brent crude oil to average USD 55pb in 2017, a fundamental improvement in this group of economies' external position is unlikely.

FX Reserves

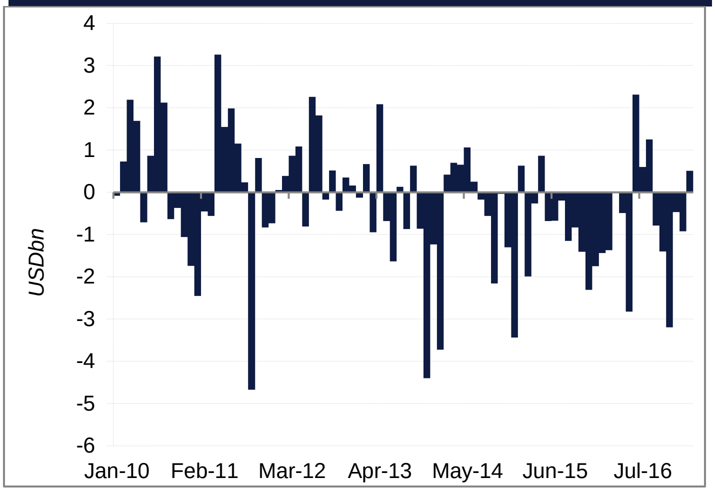


Source: Haver, Emirates NBD Research

Pressures are also still evident in MENA's oil importing markets. In Tunisia, FX reserves fell in January to their lowest levels since 2006, and at only USD5.3bn, were -19% lower in y/y terms. In terms of months of imports, this would now equate to only 3.5, which is just above levels broadly considered to be a warning signal. Jordan's import coverage is more stable at 9.3, yet with FX reserves down -13% y/y in January, and at their second lowest levels since late 2013, it is clear that the economy's fundamentals are on a less than solid footing. Morocco's FX reserves have also fallen to a 10-month low, while Lebanon's stock has only been boosted by a recent financial operation between the central bank and Ministry of Finance that involved swapping Lebanese pound debt for new Eurobonds, and which is unlikely to be repeated.

For MENA's oil importers, it appears that the one common theme that has been driving this deterioration in balance of payments positions has been weaker financial account inflows, rather than larger current account deficits. Indeed, while Morocco has in fact seen its CA shortfall widen, Jordan and Tunisia have actually posted slightly smaller deficits in recent quarters. Looking at available data through Q3 2016, it becomes evident that the region has been experiencing increasing difficulties in attracting foreign capital inflows, particularly FDI. In Q3, combined FDI for Jordan, Morocco and Tunisia came in at only USD577mn, which was the lowest level since Q1 2011. Several reasons could account for this drop, including lowered assessments for long-term growth, and ongoing concerns about regional political stability.

Capital Flows to MEA



Source: iif, Emirates NBD Research

Looking ahead to the rest of 2017 it does not appear as if it will get any easier to attract foreign capital inflows. Data from the IIF which tracks monthly portfolio flows into emerging markets shows the Middle East and Africa region already experiencing net outflows to the tune of USD7.7bn in 2016, and only recording net inflows in February for the first time in six months. With the U.S. Federal Reserve having hiked rates in March, possibly on track to raise rates a further two times this year, portfolio flows into EMs could remain weak, which will be problematic for economies that run large CA deficits (including every oil importing market in MENA).

This regional decline in FX reserves is a concern, and highlights an increasingly fragile external position for many economies. FX reserves are buffers for periods of market volatility, and are often seen as barometers for broader economic stability. While those markets with straight USD pegs (Jordan and Lebanon) have sufficient stockpiles of reserves to ease any immediate concerns over devaluation risks, other countries will likely need to allow for greater exchange rate flexibility to help ease pressures should capital inflows not return in greater volumes.

Jean-Paul Pigat
+971 4 230 7807

EM Focus - Turkey

2017 looks set to be a critical year for the Turkish economy, particularly following on from a relatively disappointing 2016. July's failed coup and an uptick in security risks certainly undermined growth momentum in the second half of the year, with GDP slowing sharply from Q3 onwards. Looking ahead, the main event on the calendar comes on 16 April when a referendum will be held on moving from a parliamentary to a presidential system of government (there are a total of 18 proposed amendments to the constitution).

The likely outcome of the referendum is still uncertain at this stage, and from both a market and macro perspective, it is difficult to assess which result would prove the most positive. Indeed, there are multiple scenarios for how the political environment could evolve following the referendum, particularly in the event that voters reject the proposed constitutional changes. That said, while the referendum has added a new element of risk, it is by no means the only factor undermining perceptions of Turkey's outlook. In particular, the direction of economic policy has increasingly been in question.

Monetary policy under scrutiny

Monetary policy is a case in point, as the central bank has preferred to respond to rising inflation and a weaker TRY through what government officials have themselves labelled 'backdoor tightening', rather than simply pursuing a more orthodox policy (i.e. by altering the amount of funding available at different interest rates but not changing the key policy rates, the central bank has still been able to raise the weighted average funding cost for banks).

More broadly however, and looking beyond the April referendum or uncertainty surrounding the near-term direction of monetary policy, questions need to be asked if the Turkish economy's 'convergence story' is now over. It was not too long ago that Turkey was on the radar of every foreign investor as an economy that had the potential to outperform over the long term, as efforts at joining the European Union helped anchor reform momentum and drive integration with Western institutions. As any glance at the news over the past several weeks makes clear however, relations between Ankara and Europe have deteriorated sharply, and there does not appear to be any willingness from either side to pursue greater integration in the months and years ahead.

Sovereign risk profile deteriorates

Turkey's deteriorating risk profile is clearly evident in the evolution of its sovereign risk ratings. The country was downgraded by all three major rating agencies in 2016, with Moody's and Fitch both cutting the sovereign to below investment grade status (S&P had never rated Turkey as investment grade). While there could be some disagreement over the extent to which the country's long-term growth trajectory has been derailed, at the moment there can be little disagreement over the current state of the economy, with the majority of data indicators suggesting fundamental weakness in domestic demand.

High-frequency data points to slowdown

Indeed, latest data tends to speak for itself: unemployment has risen to its highest levels since 2010, the Purchasing Managers' Index (PMI) has been below the neutral 50 level for 12 consecutive months, tourist arrivals have dropped to their lowest levels in five years, retail sales have contracted in four consecutive months, and core inflation has jumped to a five-year high. Not surprisingly, the Turkish lira has also been the worst performing emerging market currency year-to-date.

Given the economy's large external financing requirements (current account deficit is estimated to have expanded to 4.5% of GDP last year from 3.7% in 2015), the global environment also might prove increasingly difficult this year. With the U.S. Fed having raised interest rates in March, and markets pricing in the possibility of another two hikes in 2017, portfolio flows to all emerging markets might come under increasing pressure in the months ahead.

Economy still has long-term potential

Turkey still possesses the potential to return as a favorite pick for emerging market investors. The country's strategic location between the developed markets of Europe and faster-growing frontier market such as Iran, combined with a large manufacturing base, diversified economy and educated workforce, will not change following April's referendum. What might need to change however is the current uncertainty over the direction of economic policy, and the perception that authorities have given up on efforts at converging with Western institutions.

Jean-Paul Pigat
+9714 230 7807

Interest Rates

The US interest rate curve moved higher albeit with some flattening in the long end as expectations of tighter monetary policy rose consistently throughout the month, finally culminating in the 25bps rate hike on March 15.

Global Rates

Sovereign bonds in the developed world had a month of mixed performance. US Treasuries, the largest pool of outstanding government securities in the world, retreated in response to the US rate hike coming in earlier than previous expectations. Much in line with the Fed's dot plot, markets have now priced in up to three rate hikes this year. However, an annualised wage growth of 2.8% with below-equilibrium unemployment rate (4.7%) as reflected in the latest employment report, raises the possibility of inflation rising faster than the current expectations which in turn may see the Fed having to raise rates faster than the current dot plot projections. That said, we expect longer dated treasuries to remain anchored not too far from the current levels.

While the BoE could potentially become the next major central bank to raise rates, ongoing delays and issues on the Brexit front have kept expectations of BoE remaining accommodative for longer, thereby supporting Gilts.

10Yr Government Bond Yields

	Yield %	1M chg	3M chg	12M chg
US	2.49	+5	-10	+59
UK	1.21	-5	-22	-31
Germany	0.41	+6	+10	+10
Russia	4.29	+18	-26	-
Brazil	4.93	+18	-62	-116
Japan	0.06	-2	0	+15

Source: Bloomberg

At its meeting earlier this month, the ECB revised its inflation and GDP growth projections higher and altered its guidance to be marginally less dovish. Though improvement in economic data out of the Eurozone is encouraging, it needs to be sustainable and accelerate further for the ECB to change its policy stance. That said, market participants questioned the possibility of rate hikes before finishing QE, citing the detrimental impact of negative rates on the health of the banks. While no answers were available, yields on Eurozone sovereign bonds did rise materially with 10yr Bunds closing the month at 0.41% (+6bps over the month).

The BoJ in its March meeting left policy unchanged.Although unemployment is at a four decade low and inflation in Japan seems to have picked up a little, GDP growth remains sluggish.

Even with Japanese economy reflecting its fifth consecutive quarter of growth, the BoJ is not expected to raise its long term policy rate target of 0% yield on 10yr JGBs.

UST curve expected to remain steep in the short term

The UST curve had a steepening bias in the first half of the month, fuelled by President Trump's increased fiscal stimulus promises and supportive economic data. However, falling oil prices changed this dynamic somewhat towards end of the month, leaving the longer end slightly flatter than the previous month. The 2yr-10yr spread has risen to 119bps from 75bps in August. Historically the curve begins to flatten soon after the commencement of rate hikes, however, this time, we think it is possible for the curve to steepen further before it eventually plateaus and flattens sustainably mainly because of following factors:

- **Fiscal stimulus** : President Trump's campaign promise of boosting economic growth via infrastructure spending is yet to bear fruits. The target for doubling the economic growth to near 4% is anticipated to be achieved amid promises of tax cuts which could lead to higher inflation and higher long term interest rates.
- **Fed may be behind the curve**: Current strength of the US economy is generating a feeling that the Fed may be behind the curve in its rate hike projections. The Fed not only needs to be following economic strength but may need to get ahead of it to avoid overheating of the economy. Increasing expectation of faster rate hikes should initially lead to further curve steepening.

UST Yield curve

Source: Bloomberg

- **Higher government borrowing:** The US federal budget deficit is likely to increase further this year as a result of a) increased cost of debt servicing; b) anticipated cuts in tax revenue and c) increased infrastructure spending. The higher issuance of treasuries to fund the budget deficit will probably see some increase in long term yields particularly at a time when foreign demand for treasuries may be wanning.
- **Possible shrinking of Fed balance sheet:** QE caused ballooning of the Fed's balance sheet to over $4.5 trillion.

At some stage this needs to be unwound. With anticipation of upcoming balance sheet unwinding, demand for treasuries is unlikely to rise enough to cause material yield tightening. In late 2013 at the time of taper tantrums, 10 yr yields shot up to 3.03% and we wouldn't be surprised to see these levels being tested again.

GCC Local Rates

The central banks of the four of the six GCC countries (Saudi Arabia, Kuwait, UAE and Bahrain) raised benchmark rates in sync with the US rate hike in mid March.

SAMA raised its reverse Repo rate (aka its borrowing rate) by 25bps to 1.00% but kept the Repo rate (its lending rate) unchanged at 2.0%.

The UAE central bank increased Repo rate to 1.25% from 1.0% earlier and Bahrain raised rates on its one week deposit facility by 25bps to 1.25%. Bahrain also raised rates on overnight deposit rate to 1.0%, 1M deposit rate to 1.75% and lending rate to 3.0%.

Though Kuwait's currency is pegged to a basket of major currencies instead of directly to the USD, the Kuwaiti central bank also raised benchmark discount rate by 25bps to 2.75%

Much of the US rate hike was already priced in. 3m LIBOR has only risen 2bps to 1.15% after the rate hike. Consequently the impact on the local interbank rates is also likely to be contained.

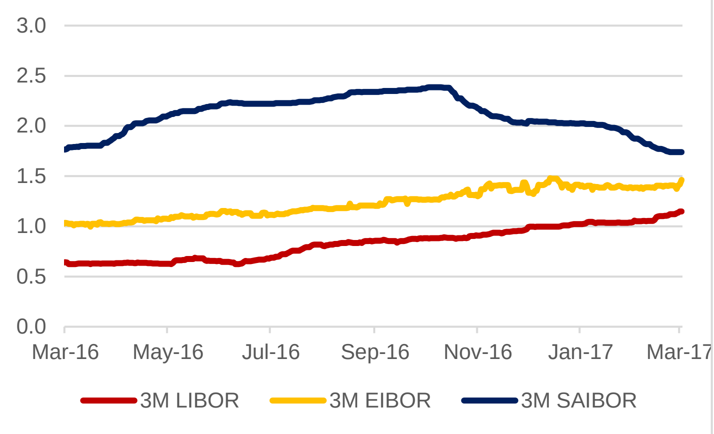
Despite higher policy rates, interbank rates in the two main GCC markets, i.e the UAE and the Saudi Arabia actually had another month of continued narrowing.

3m SAIBOR has fallen from 2.39% in October last year to 1.74% now mainly because of the benefits of the below measures adopted by SAMA in the recent past:

- Increasing Loan-to-deposit ratio limit from 85% to 90% and remaining tolerant of breaches.
- Reducing the maximum volume of T-bill issues to SAR 3 billion per week from SAR 9 billion per week.
- Raising $27.5 billion in foreign currency debt in 2016, part of which was placed in the local banking system as deposits.
- First introducing the 7 and 28 days Repo facility, later followed by introduction of a 90 days Repo window under which banks could borrow money when needed. Previously it had only used repo agreements for one day maturity.
- Becoming more open about giving license to foreign banks to operate in the country.
- Curbing speculative trading in FX which in turn helped containing capital outflow ensuing from de-peg fears.

KSA recently mandated banks for a jumbo sized sukuk deal in the international market. Inflow of cash from this will continue to support SAIBOR tightening in the near future.

3m SAIBOR – LIBOR Rates



Source: Bloomberg

The current 3m EIBOR – LIBOR spread at 28bps is close to its lowest since the financial crisis. While we think this is unlikely to be sustainable, there are no material catalyst in the near horizon to change this trend.

Looking ahead, while oil prices are likely to remain volatile over the coming quarter, they are unlikely to sustain below the $50/b mark and unlikely to cause material dent in the liquidity in local banking systems.

Anita Yadav
+9714 230 7630

Credit Markets

Although bond prices fell in tandem with the rising UST curve, credit spreads were largely resilient last month. Despite the sudden shift in market expectations of a rate hike in the US, the VIX index remained subdued and fluctuated in a narrow band of 10 -12 through out the month.

There was no place to hide for the rates-unhedged credit investor last month. A sudden change in US rate hike expectations saw a material fall in bond prices as sovereign yields increased across the developed world. US high yield bonds further suffered from the recent softnesss in oil prices.

Though economic growth in the US is much stronger than in the Eurozone, the supportive hand of the central bank is still keeping a floor under the European bonds which in turn outperformed theirs US counterparts.

Global Corporate Bond OAS (bps)

	OAS	1M chg	3M chg	12M chg
US IG Corp	118	0	-6	-52
US HY Corp	392	+19	-13	-261
EUR IG Agg	81	+2	+12	+19
USD EM Agg	273	+7	-26	-134

Source: Bloomberg

Ignoring the capital outflow risks, EM investors were focussed on positives of higher global growth this year thereby entrenching the appetite for risk assets and keeping the bid for EM risk high which somewhat cushioned the bond price fall.

GCC Bonds – Secondary market

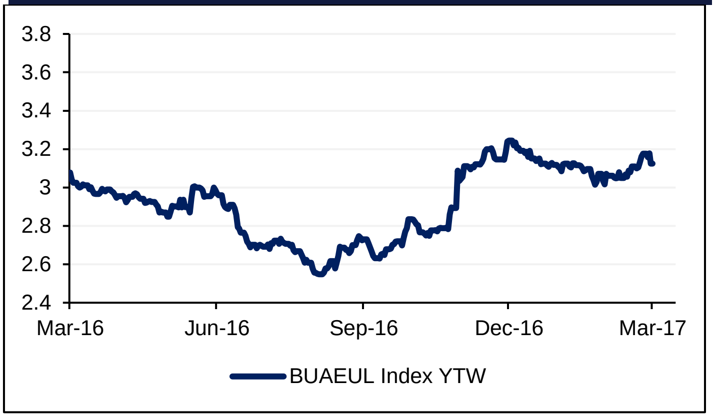
The month started with risk sentiment on GCC bonds being buoyant. Though some dousing of the exuberance was recorded in the second half of the month, credit spread widening has lagged the fall in oil prices. Add to this the large new supply and we think that caution is highly warranted regarding risky assets currently.

The 7% fall in Brent prices to USD 52/b caused the average credit spreads on Bloomberg Barclays GCC bonds index to widen 8bps to 135bps, though still well below the 147bps at the beginning of this year. Adding the credit spread widening to the higher benchmark yields was suficient to take average yield on liquid UAE bonds to 3.12%, a 5bps increase over the previous month.

Traditionally, the credit derivative market has been thin, illiquid and inefficient in this region. However, jumbo deals from sovereign issuers are helping boost investors interest in the CDS market and making the CDS levels more relevant indicator of credit risk. 5yr CDS levels on GCC sovereigns reached near their all-time lows during the month. The CDS on Saudi Arabia is now at 93bps, falling substantially from 186bps barely six months ago though nothing materially has changed in terms of its financial health. Dubai 5yr CDS which at 171bps was less than Saudi Arabia in August last year is now at 112bps, 31 bps lower over the month. Although the outlook on Qatar's AA rating was revised to negative by S&P during the month, its 5yr CDS closed 17bps down to 63bps.

While the UST curve flattened marginally in the longer end with yields on 30yr UST rising by only by 5ps to 3.10% vs 10bps increase in 2yr yields to 1.33%, longer dated bonds barring some in the Dubai Inc space, were amongst the worst performers in price terms. However, bank perpetual bonds held ground well, somewhat benefiting from shorter duration to the next call dates. Surprisingly the likes of DPWDU 37s, DUGB 29s were amongst the top performers as credit spread tightening outweighed the benchmark yield widening. In terms of actual dollar losses, the QATAR curve was the worst performer during the month as it got hammered by not only being highly rated but also being skewed towards longer dated bonds.

BUAEUL Index – YTW history



Source: Bloomberg

The month had several meaningful corporate news announcements though none that affected the bond prices materially. Saudi Electric announced plans to break its electricity generation business into four independent companies, Etisalat Nigeria had to restructure $1.2 billion bank loan and Kuwait Energy announced plans to list on London Stock Exchange.

GCC Bonds - Primary Market

News and trading volumes in the secondary market were ample during the month but the main focus was squarely on the primary market. Last month had highest monthly issuance to date with circa $16 billion getting priced from seven issuers (1 insurance, 2 banks, 3 sovereigns and 1 corporate).

Oman increased outstanding bonds in the secondary market by more than 50%, issuing $5 billion in 5yr, 10 yr and 30 yr tranches. Final pricing in each tranche was wider than similar rated peers such as Colombia, Philippines, Kazakhstan etc and left room for tightening in the secondary market. Yield on OMAN 27s has tightened 9bps to to 5.31% now.

As is expected from a corporate issuer that offers diversification benefit, MAF's $500 million 5.5yr subordinated deal was more than 3.0x oversubscribed and priced at 5.5%. Final pricing on Bank of Sharjah's $500 million 5yr was also tightened to MS+225 vs the initial guidance of MS+250bps.

In an astonishing reflection of the appeal of sector diversification in the GCC bond market, Qatar Reinsurance Co.'s debut Tier 2 perpetual notes received more than 14x oversubscription for its $450 million offering. The deal priced at 4.95%, circa 55bps inside the initial guidance.

With a rating of BBB+/stable from S&P, QATIQD perp is the highest rated subdebt security in the region, two notches lower than the issuer rating of A on the guarantor. Yield on the paper further tightened 3bps to 4.92% in the secondary market and is currently trailing at 4.90%.

Rated Baa2/stable by Moody's and 32% Kuwait government owned Warba Bank raised $250 million in Tier 1 sukuk after receiving over 5.0x oversubscription. The deal priced at 6.5% and yield has tightened to 6.10% since then.

Kuwait raised $ 8 billion with $3.5 billion 5yr deal closing at T+75bps and $4.5 billion 10yr at MS+ 102.7bps.

Total YTD primary issuance of circa $22 billion is heading in the direction of meeting our forecast of between $65 - $80 billion of new issues this year.

Anita Yadav
+9714 230 7630

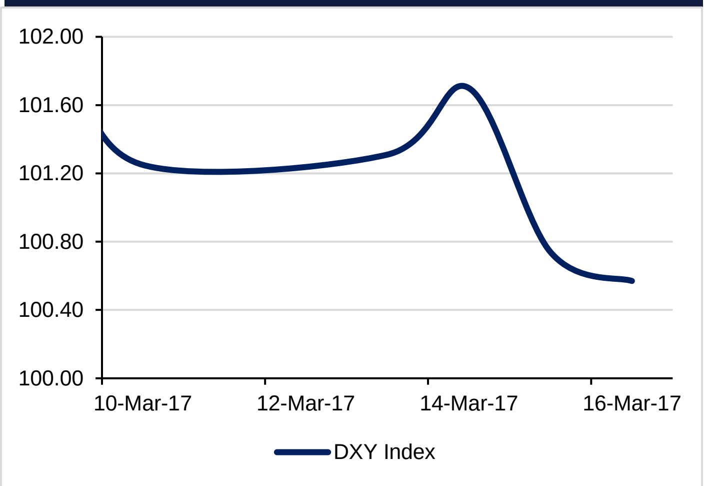
Currencies

The markets spent the last month anticipating a Fed tightening, but they also feared a more hawkish bias to the Fed's forecasts which did not materialize. This has prompted the dollar to soften, with the Euro also benefiting from the Dutch election results and the stalling of the global populist wave in evidence since the UK's Brexit referendum last summer.

Dollar drop to be temporary….

The dollar spent much of the last month rising in anticipation of this week's key events. Not only did the markets confidence in a Fed rate hike start to build, but there was also a feeling that the Fed might become more hawkish and hint at a faster pace of tightening than the one communicated last December. Not only did this not happen, but the tone of the FOMC's statement and of Janet Yellen's comments was actually a little more dovish. Markets are probably right to price in another rate hike in June, but the standard for the Fed tightening then will remain driven by the data. The dollar's DXY index has unwound most of the gains it saw since our last edition, but this latest softness is likely to be temporary, as our view remains that it will recover as the case for more policy normalization continues to build.

Dollar lower after rate hike



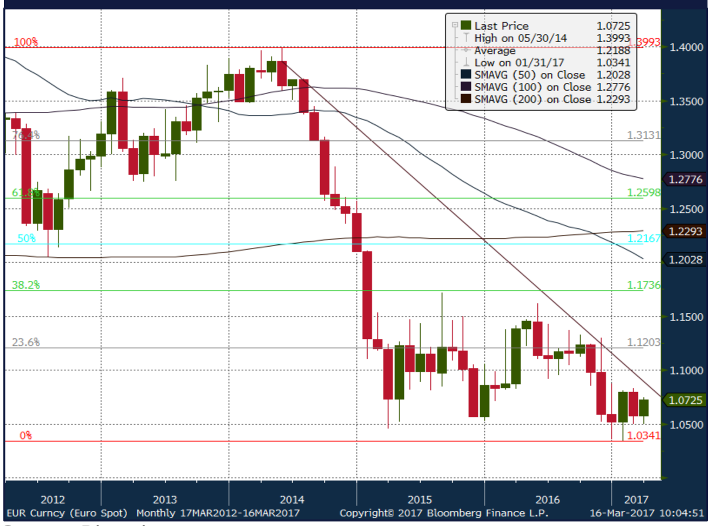
Source: Bloomberg

…as are Euro gains

The EUR has also had the additional benefit of seeing the global populist wave interrupted with the Dutch government getting re-elected against fierce opposition from right-wing parties. The stalling of populist momentum augurs better for the centre ground winning in the French election next month as well, and diffuses some of the uncertainties and tensions about politics that had weighed on the single currency since the start of the year. These risks have not gone away, but for the time being they may not be as disruptive to the markets as previously assumed.

Despite gains over the last month, the technical outlook for the euro remains bearish in our view. Over a longer time frame, the monthly candle charts shows that EURUSD has been in a downtrend since May 2014, with the upper channel currently at 1.0940. Daily candle charts also show a clear downward trend which has held intact since the 19th of August 2016 with the 1.0739 resistance trend line holding despite the post FOMC dollar sell off and supportive Dutch election results. This supports our overall sense that while the EURUSD remains below the 200 day MA of 1.0898 (a level it has not closed above since the 10th of July 2016), the outlook remains negative. We expect any further appreciation to be hampered by the one year Fibonacci retracement of 1.0828, a resistance that has held since it broke as a support in November 2016.

EURUSD remains vulnerable



Source: Bloomberg

Further losses lie ahead for the pound

Notwithstanding the USD's latest sell-off the GBP has still lost ground against it over the month as a whole, and remains delicately poised awaiting the onset of Brexit talks, which may not start until June. As highlighted in our Global Macro section recent UK economic data has been more mixed, with activity data slipping a little, even though price pressures are continuing to build. Over the coming month it is unlikely that the pound will be able to overcome the political uncertainty that remains hanging over it, especially as this has now been added to by the prospect of another independence referendum in Scotland.

Technical indicators point towards further softness for the pound. The daily candle charts show that the pair is still in a downtrend that began in September 2016 (see below). In addition, the pair trades below the 50, 100 and 200 day MA respectively. While sterling remains below these levels, we think the risks remain to the downside.

Dollar Index appears to have rebounded

Source: Bloomberg

USDJPY to benefit from Fed hike

USDJPY is the currency pair that should glean most advantage from the hike in US interest rates, given that the BOJ remained implacably on hold while the Fed continued to tighten, underscoring their diverging policy paths. The BoJ's Kuroda said the bank will continue its 'powerful monetary easing' under yield curve control framework 'to achieve the price target at the earliest date possible.' He noted that inflation has been moving sideways while saying that 'momentum for inflation to accelerate to 2.0% remains in place but lacks strength.'

Technically USDJPY remains in a daily downward trend which started on the 16th December 2016 (see below). However, it is also of note that the pair has found support at is 100 day MA multiple times over the last year, and has not closed below this level since its successful breach on 10th October 2016. If this level (currently 113.12) continues to hold, we believe the pair will rebound and attempt a retest of the resistance trendline (115.80). However, a break of this level leaves the pair vulnerable to further slides, with the next level of support being the 61.8% one year Fibonacci retracement of 111.57.

USDJPY to rebound following hike

Source: Bloomberg

Correlation of daily currency movements over the last one month

PAIR	EUR/USD	EUR/GPB	EUR/JPY	GBP/USD	USD/JPY	USD/CAD	AUD/USD	NZD/USD
EUR/USD		0.477	0.512	0.603	-0.551	-0.587	0.609	0.585
EUR/GBP	0.477		0.372	-0.409	-0.143	0.052	0.067	-0.020
EUR/JPY	0.512	0.372		0.160	0.4348	0.057	0.177	-0.017
GBP/USD	0.603	-0.409	0.160		-0.473	-0.677	0.579	0.646
USD/JPY	-0.551	-0.143	0.435	-0.473		0.669	-0.463	-0.626
USD/CAD	-0.587	0.052	0.057	-0.677	0.669		-0.737	-0.687
AUD/USD	0.609	0.067	0.177	0.579	-0.463	-0.737		0.841
NZD/USD	0.585	-0.020	-0.017	0.646	-0.626	-0.687	0.841	

Source: Bloomberg, Emirates NBD Research

Mohammed Al Tajir
+9714 609 3005

Tim Fox
+9714 230 7800

Equities

Notwithstanding the political rhetoric and firming expectations of interest rate hikes in the US, equity markets have broadly remained positive. The strength in global equities can be attributed to better than expected corporate earnings and upbeat economic data. Having said that, it does appear that markets are underpricing the risks of a delay in the fiscal stimulus from the Trump administration. The overhang of concerns over valuation also remains, at least in the short term.

One trend which has dominated the performance of global equity markets in the first quarter of 2017 has been the strength in US equities. The S&P 500 index has rallied +1.6% 1m compared to gain of +1.0% 1m in the MSCI World index. In fact, the current rally is among the top 10% of rallies by duration. Emerging markets gave up a part of their early year gains with the MSCI Emerging Markets index losing -0.2% 1m. However, Indian equities stood out amid broad emerging markets with the Nifty adding +4.2% 1m. MENA equities underperformed as lack of investor interest and stocks going ex-dividend weighed. The MSCI Arabian markets index dropped -4.2% 1m.

Volatility continues to remain low with the exception of the V2X index (Europe) which gained +1.3% 1m. The VIX index (US) and the JP Morgan EM Volatility index declined -1.1% 1m and -5.0% 1m respectively.

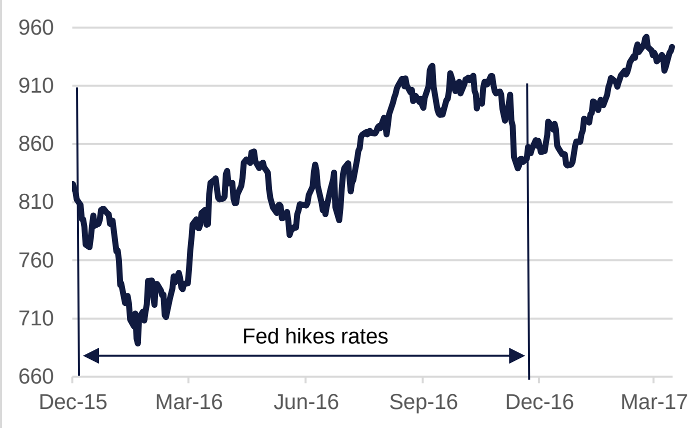
With key risk events over the last month including the rate hike by the Federal Reserve and parliamentary elections in Netherlands received calmly, equity markets are likely to continue their focus on economic fundamentals going forward. The trajectory of oil prices could also play part now that they have broken from the tight range it was stuck in the first two months of 2017. More so in regional equity markets given the lack of investor interest. Most of the year to date losses of -8.3% in Brent prices have come in the last one month (-6.4%).

Emerging Markets

Will they continue to outperform?

After reacting negatively to the US election results, emerging market equities have rebounded strongly and extended their gains. In fact, they have actually outperformed global equities. The MSCI EM index has rallied +9.4% ytd compared to gains of +5.9% ytd in the MSCI World index and +5.7% ytd in the MSCI G7 index. It appears that multiple factors have played a part in the outperformance including increased risk appetite backed by cyclical improvement in global growth, improving commodity prices and a much better growth and fiscal profile in some key emerging economies.

MSCI Emerging Markets Index



Source: Bloomberg, Emirates NBD Research

The two concerns that were at the top of emerging market investors mind at the start of 2017 were about tighter monetary policy and uncertainty relating to trade policy. Though the Federal Reserve has hiked interest rates twice in the last three months, the sting has been taken out by dovish comments and the fact that they have been well telegraphed. The same is reflected in the fact that emerging market equities have actually rallied following the past two rate hikes in the US with the MSCI Emerging Market index returning +10.4% and +8.1% respectively between rate hikes.

The uncertainty regarding trade policy has subsided given that the Trump administration is still coming to terms with other policy issues. While this remains a greater risk, the probability of something like a border adjustment tax (BAT) happening in the short term has receded.

A greater clarity on these two concerns suggests that the emerging market rally has legs to continue further. More so when the improving dynamics in key emerging markets are taken into account. For example, the initial GDP data from India suggests that the country has managed to minimize the impact of demonetization and growth is expected to be closer to 7.0% in FY 2017. The economic data from China also remains robust even as the government target growth in the range of 6.5% - 7.0%. The manufacturing PMI data for China for February 2017 came in at 51.6 while the non-manufacturing PMI data remained at a robust 54.2.

MENA equities

Why is it underperforming?

Regional equities have failed to build on the positive start to the year. In fact most indices are actually trading in negative territory for the year. The DFM index has lost -0.6% ytd, the Qatar Exchange -1.3% ytd and the Tadawul -5.2% ytd. The headline decline in index should be read with the caveat that they don't adjust for stocks going ex-dividend and also that investors tend to pare their positions past the record date for dividends.

Having said that, it is apparent the region continues to suffer from lack of a broad theme and wide swings in investor interest. Oil prices, which tend to provide a broad theme, have actually broken lower after remaining in a tight range for better part of 2017. Mixed earnings season and continued concerns over growth trajectory also seem to contributing to the lackluster performance.

Aditya Pugalia
+9714 230 7802

On the positive side, however, regulators are pushing ahead with capital market reforms. For example, the Capital Markets Authority in Saudi Arabia has said that they are on track to switch to T+2 settlement cycle. Additionally, they also launched a parallel market called Nomu to encourage more listings from the SME sector. The market has made an encouraging start with seven companies trading on the exchange.

Another positive development has been increase in M&A activity. Shuaa Capital recently announced that they have acquired two financial services companies and are in talks for a merger with Gulf Finance House. The primary market issuance pipeline also looks strong. While ENBD REIT are currently in the market, Emirates Global Aluminium have suggested that they might also consider an IPO. Similarly, more companies are expected to list in Egypt and Saudi Arabia as the government kick starts the privatization process. Once completed, they should improve the depth of market and play a key role in bringing back and sustaining investor interest in regional markets.

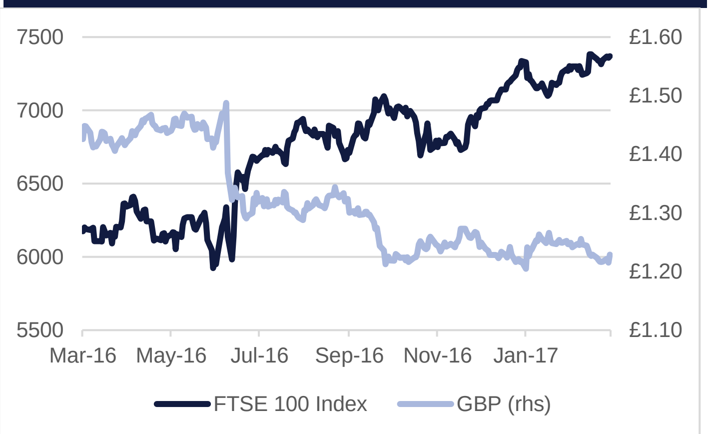
Developed Markets

The Brexit Trade

With the Brexit bill clearing the legislative process, it is expected that the UK Prime Minister May will trigger Article 50 before the end of the month. This coupled with economic data showing first signs of stress post-Brexit should trigger further weakness in the GBP. The January retail sales data missed expectations while corporate earnings also remained below consensus estimates.

This makes the FTSE 100 index attractive as it tends to outperform when the GBP weakens as index consists of large-cap multinationals for whom c.60% of sales come from outside the UK. Conversely, the FTSE 250 index is expected to underperform as it consists of more domestically focused companies. However, it must be noted that some of the macro economic weakness is already priced in the FTSE 250 index in light of the recent data.

FTSE 100 index & GBP



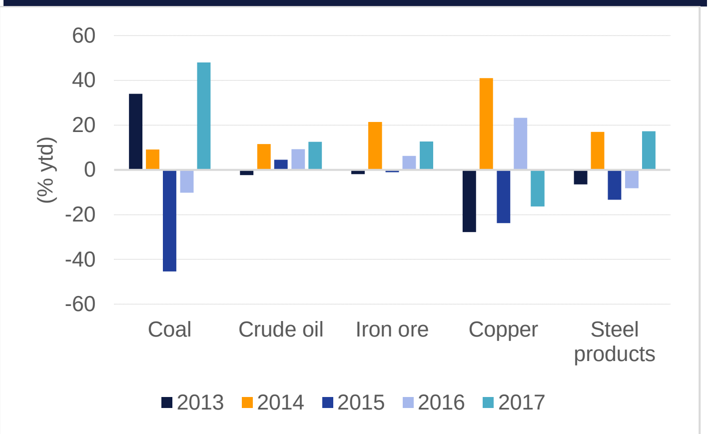
Source: Bloomberg, Emirates NBD Research

Commodities

Industrial commodities have begun 2017 with a spring in their step, nearly all showing gains year to date. Aluminium and copper have both been pushed higher by disruptions, actual or perceived, to supply chains, helping to take the LMEX index up 5.7% ytd. The critical component in any discussion of the base metals and industrial commodities markets remains China and we expect the economy there to slow to a more sustainable level of growth, with some excess heavy industries facing closure for both economic and social reasons.

China's industrial sector is showing signs of life, helping to set a base for industrial commodity prices. Fixed asset investment has found a floor of 8% yoy growth and actually trended higher in February. Meanwhile, imports of key commodities are all looking more healthy in 2017 after several years of mixed performance. However, the government has set a new lower growth target for GDP, which, to us, indicates that China is serious about setting itself on a more sustainable growth trajectory. Excess and outdated heavy industry represents one of the low-hanging fruits the government can squeeze to avoid bubble-inducing growth and also help balance socioeconomic pressures around pollution.

China's imports moving up as of February



Source: Bloomberg, Emirates NBD Research.

Aluminium prices have been one of the best performing commodity markets this year, adding nearly 12% since the start of 2017 to establish a range above USD 1,800/tonne. A general improvement in market sentiment toward commodities along with expectations of a tighter market this year appear to be behind the rally in prices for the light metal. As a consequence of aluminium's outperformance in the first quarter, we are marking our forecasts to market and revising our 2017 annual forecast higher to an average of nearly USD 1,790/tonne from closer to USD 1,700/tonne previously.

The primary catalyst behind the move upward in aluminium prices appears to be policy-related decisions in China. Aluminium producers in China will need to cut output by 30% during winter months while the cuts to alumina and carbon production will also choke future supply chains. Whether the policy will be enforced to the full degree or not will only become apparent later during the year but the market has pre-empted the move by showing signs of substantial tightening.

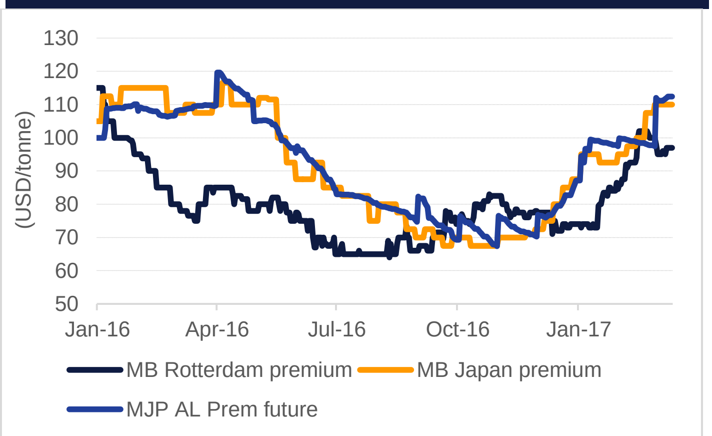
Transparent inventories of aluminium in the LME system have moved to their lowest level since the end of 2008 as the market has flipped into deficit after several years of considerable surplus. Cancelled warrants are also creeping higher as consumers are likely trying to secure supply chains before an uncertain outcome for China's production. Cancelled warrants now represent around 40% of total metal in inventories, compared with around 25% earlier this year. Aluminium inventories are looking particularly tight in Asia, where 50% of LME aluminium stocks are held. Cancelled warrant stocks there represent around a third of total inventories at present compared with less than 10% of total where they spent most of 2016.

Aluminium stocks come back to earth

Source: Bloomberg, Emirates NBD Research.

The tighter market balance is helping premiums for immediate delivery of metal to recover after they collapsed in 2015 and stayed at depressed levels for 2016. Premiums for delivery into Japan are up more than 25% year to date while European premiums have jumped more than 30%.

Aluminium premiums ticking higher



Source: Bloomberg, Emirates NBD Research.

We can't rule out a surge in production from China ahead of the regulations coming into force, and hence why we believe there will be a dip in prices from current levels over Q2-Q3. But by the end of the year we do expect to see compliance with the plan to cut back on output helping to support prices in a market where international smelters have been closing or curbing production.

Supply issues affecting copper market

Copper prices have rallied nearly 6% so far in 2017, largely on the back of labour disputes affecting supply in Chile. There is a risk of labour disputes spreading across the industry as workers demand greater inclusion in the price rally: already in Peru a strike at that country's biggest mine is affecting supply.

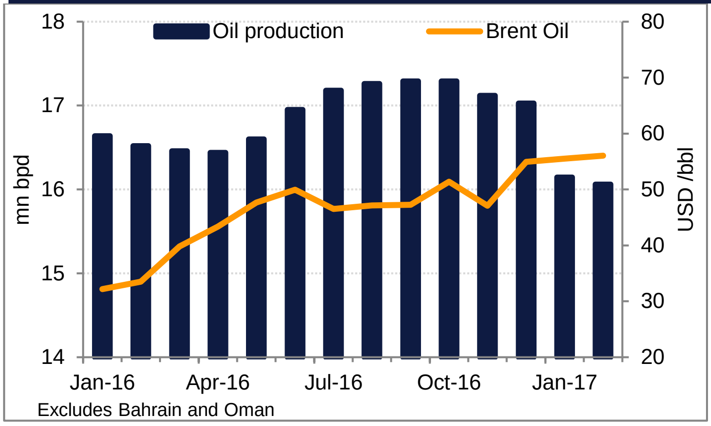
But supply constraints have not been restricted to labour issues or Latin America. In Indonesia, the government has reversed mining regulations that required investment in downstream processing and has re-permitted the export of mineral ores. Miners operating in the country will need a new license that may be less amenable than previous regulations.

Unlike in aluminium, however, we expect that some of the supply disruptions affecting copper can be resolved over the next few quarters which should help to sap some strength away from prices. We also remain cautious over how extensive—and metal intensive—any infrastructure spending in the US will be at this time.

Edward Bell
+9714 230 7701

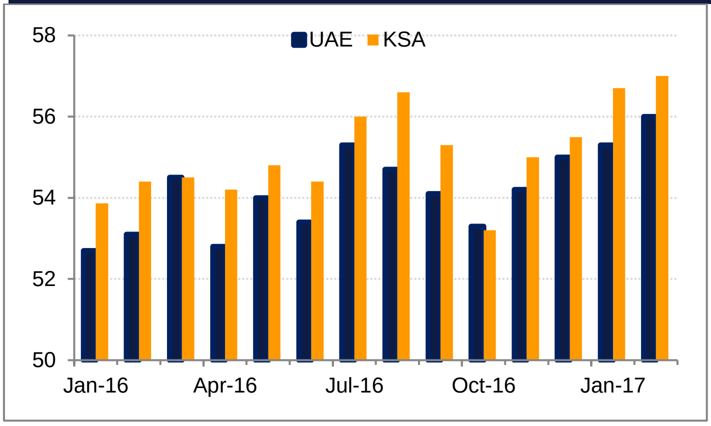
GCC in Pictures

GCC Oil Production and Oil Price



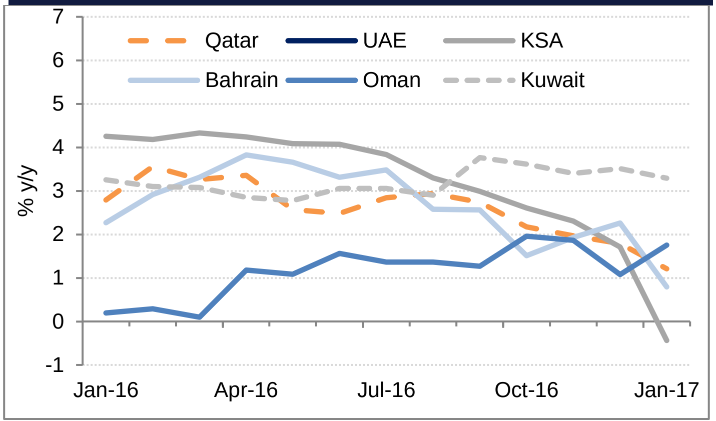
Source: Bloomberg, Emirates NBD Research

Purchasing Managers' Index



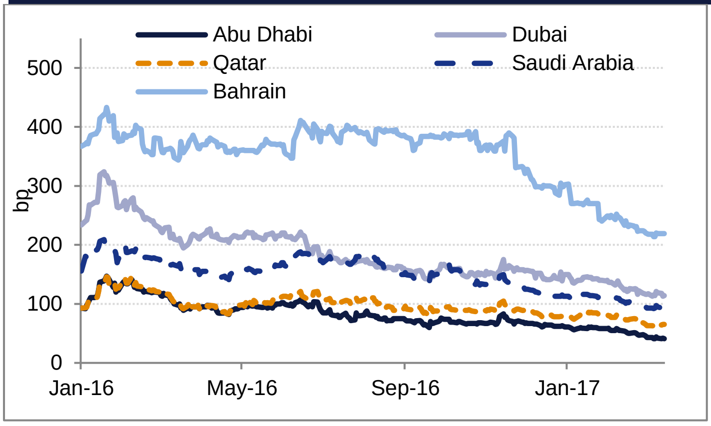
Source: Markit, Emirates NBD Research

Inflation



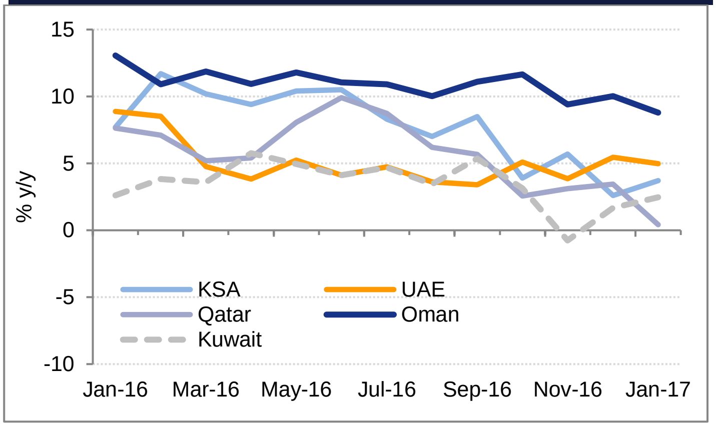
Source: Haver Analytics, Emirates NBD Research

CDS Spreads



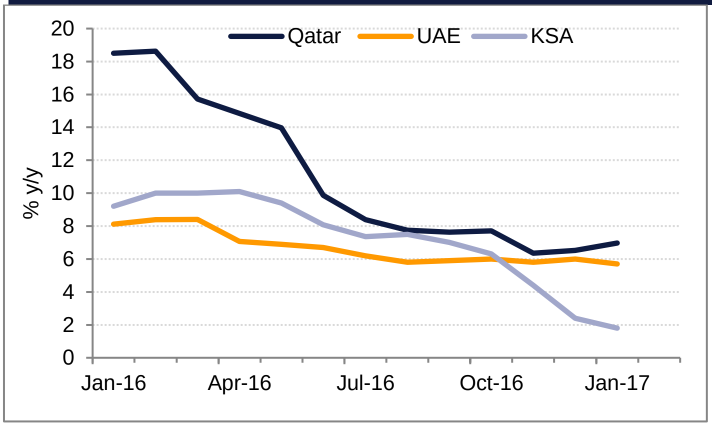
Source: Bloomberg

Money supply (ex Government. deposits)



Source: Haver Analytics, Emirates NBD Research

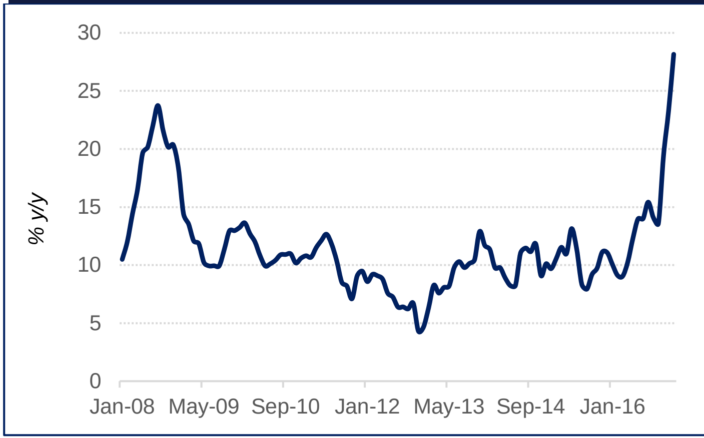
Private sector credit*



**UAE & Qatar data is bank loan growth to private sector, not total private sector credit. Source: Haver Analytics, Emirates NBD Research*

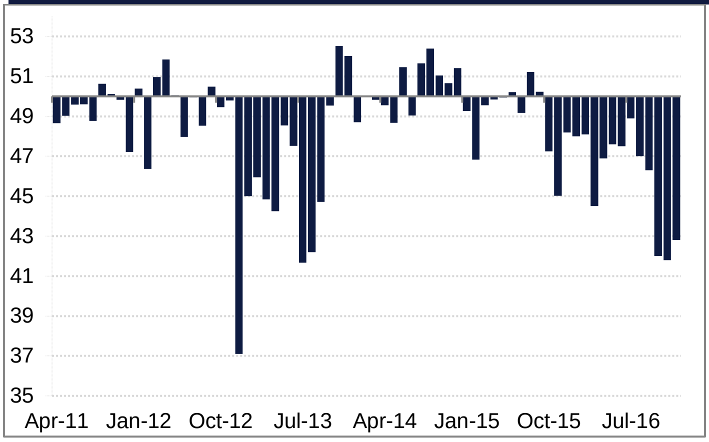
MENA in Pictures

Egypt – Core Inflation



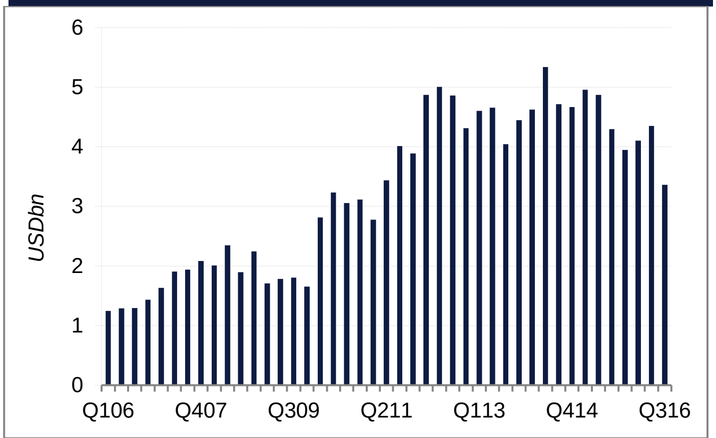
Source: Havers, Emirates NBD Resea

Egypt PMI



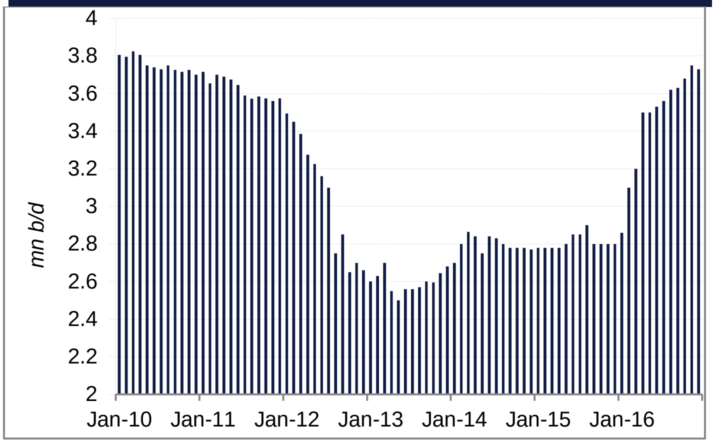
Source: Markit, Emirates NBD Research

Egypt Remittance Inflows



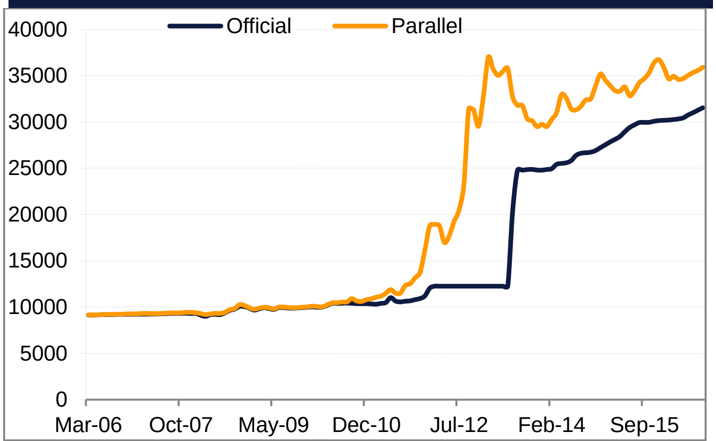
Source: Havers, Emirates NBD Research

Iran Oil Production



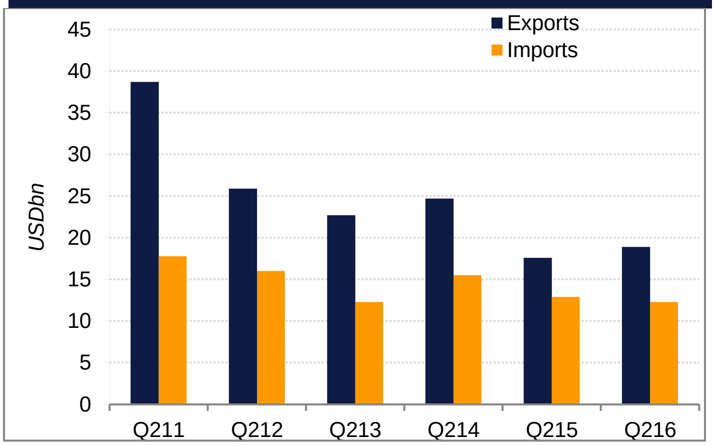
Source: Havers, Emirates NBD Research

Iran Exchange Rates



Source: CBI, Emirates NBD Research

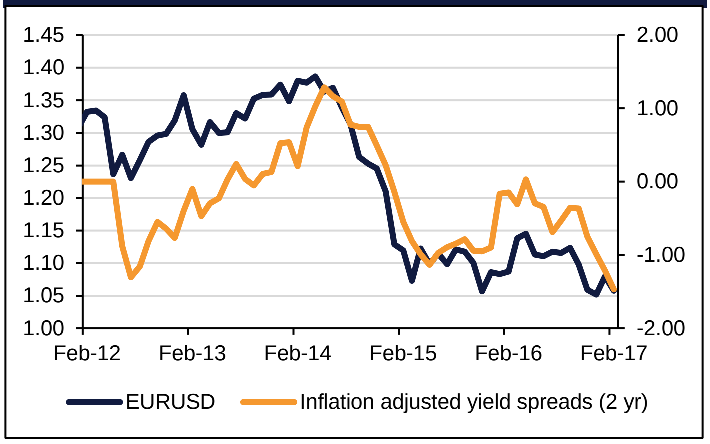
Iran Trade



Source: Bloomberg, Emirates NBD Research

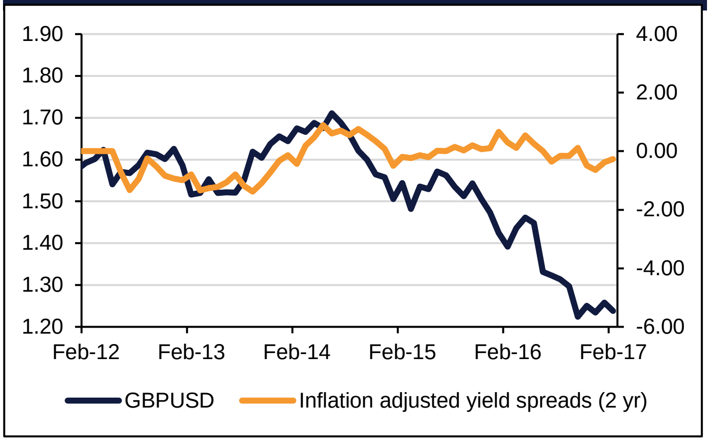
FX–Major Currency Pairs & Real Interest Rates

Interest Rate Differentials–EUR



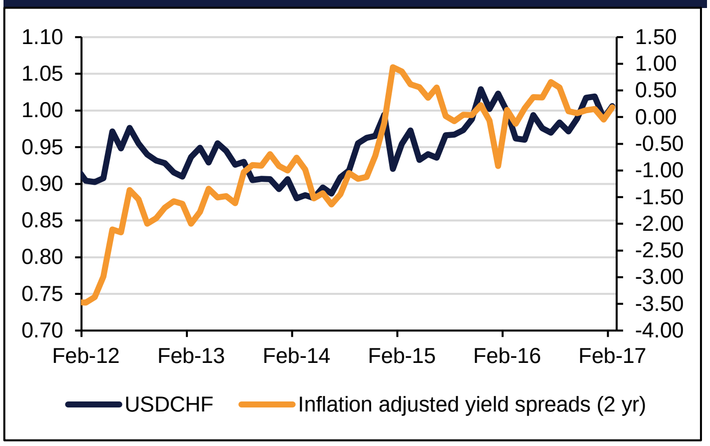
Source: Bloomberg, Emirates NBD Research

Interest Rate Differentials-GBP



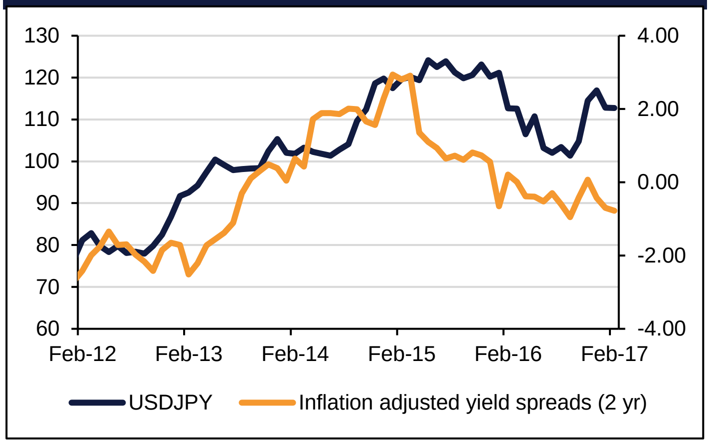
Source: Bloomberg, Emirates NBD Research

Interest Rate Differentials-CHF



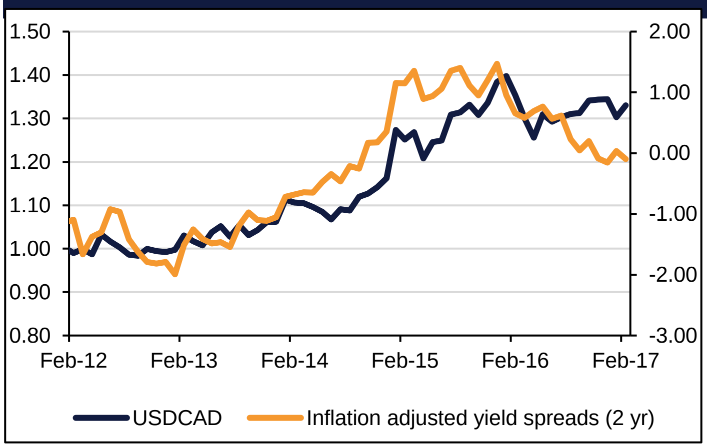
Source: Bloomberg, Emirates NBD Research

Interest Rate Differentials-JPY



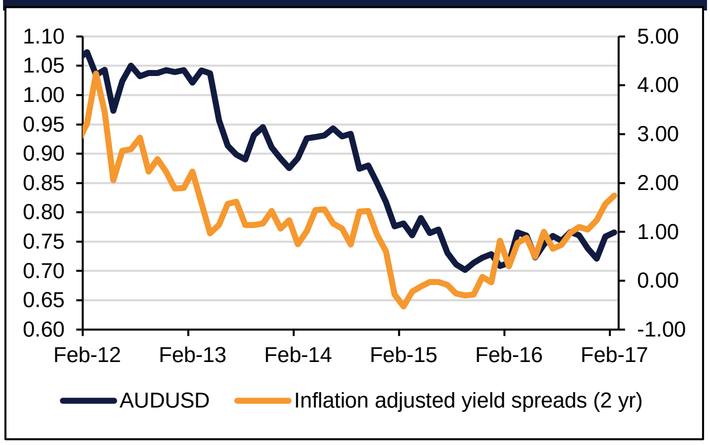
Source: Bloomberg, Emirates NBD Research

Interest Rate Differentials-CAD



Source: Bloomberg, Emirates NBD Research

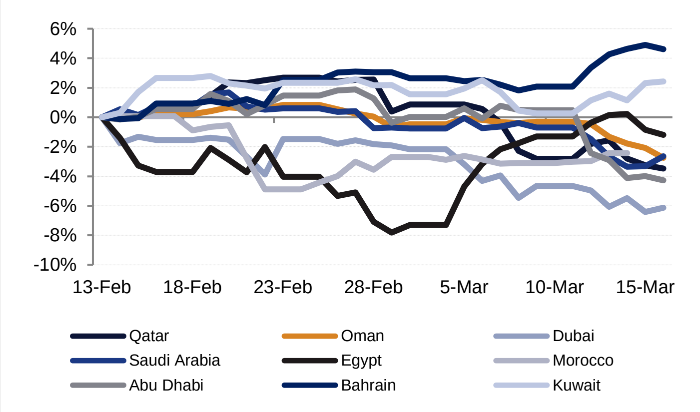
Interest Rate Differentials-AUD



Source: Bloomberg, Emirates NBD Research

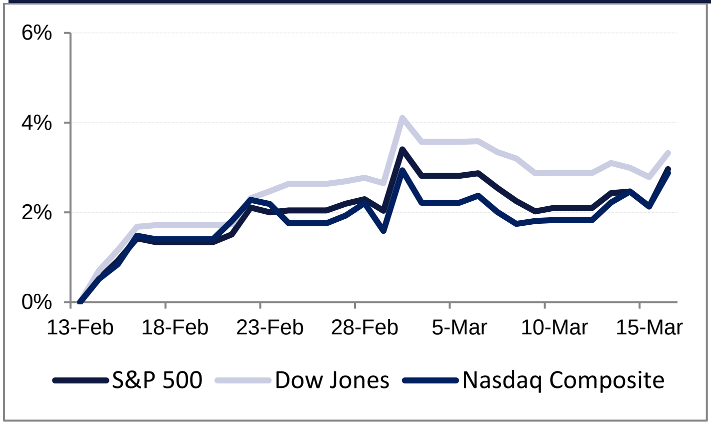
Major Equity Markets

MENA Equity Markets



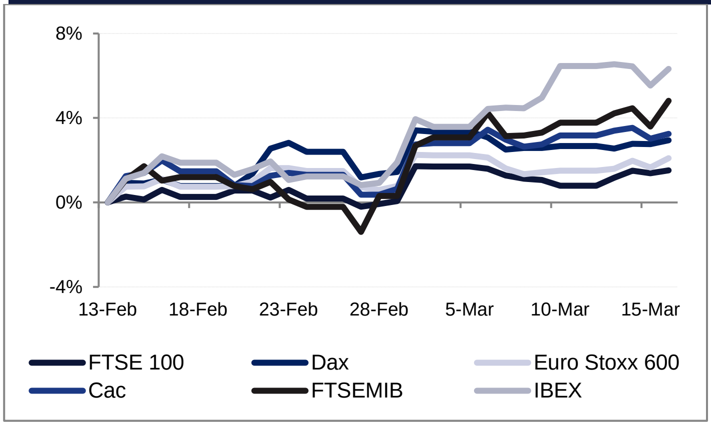
Source: Bloomberg, Emirates NBD Research

US Equity Markets



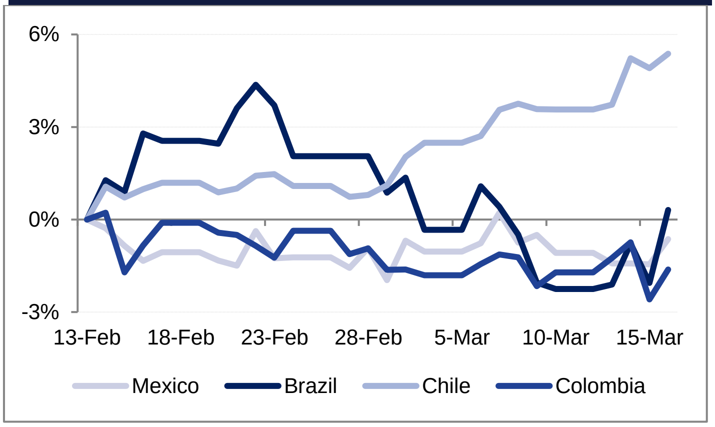
Source: Bloomberg, Emirates NBD Research

European Equity Markets



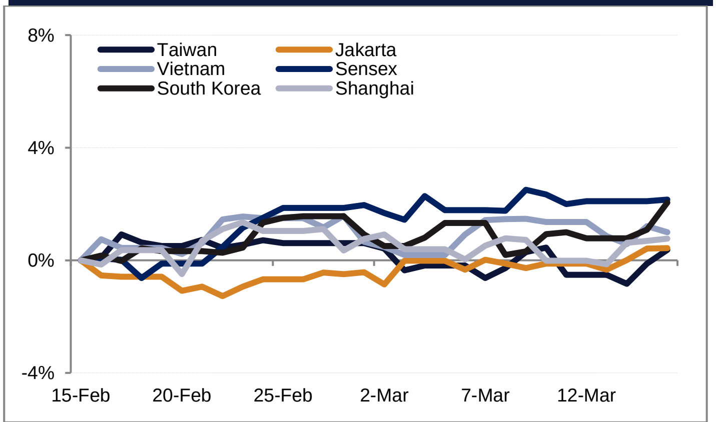
Source: Bloomberg, Emirates NBD Research

Latin American Equity Markets



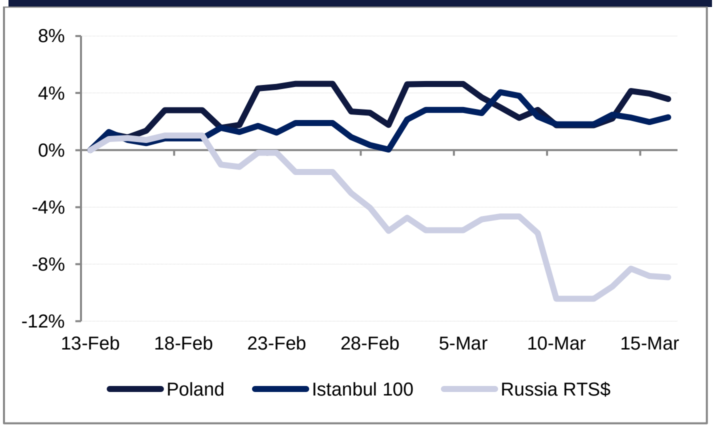
Source: Bloomberg, Emirates NBD Research

Asian Emerging Equity Markets



Source: Bloomberg, Emirates NBD Research

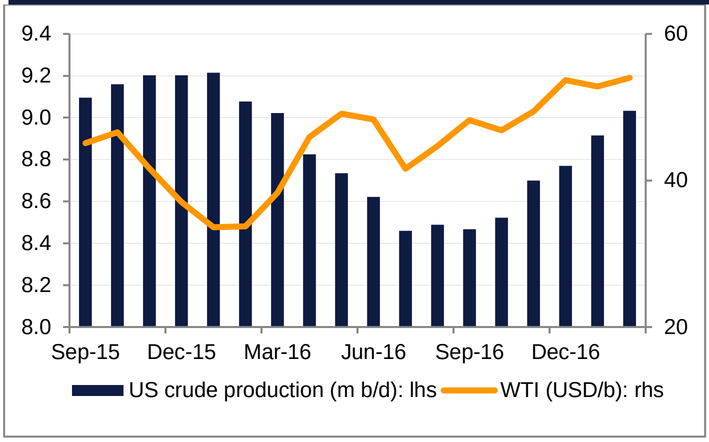
Emerging Europe Equity Markets



Source: Bloomberg, Emirates NBD Research

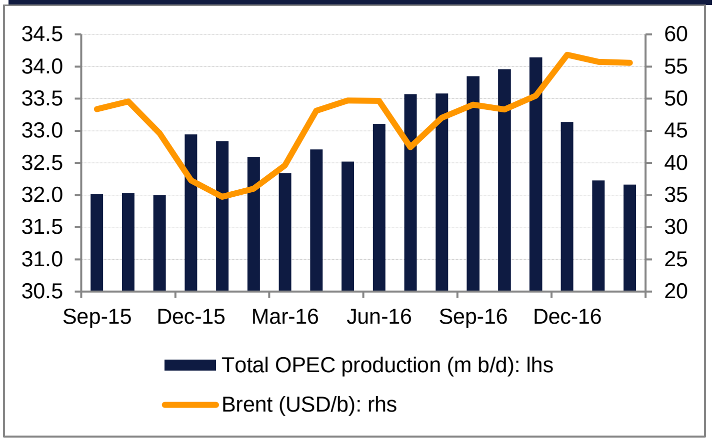
Major Commodities Markets

US oil production and price



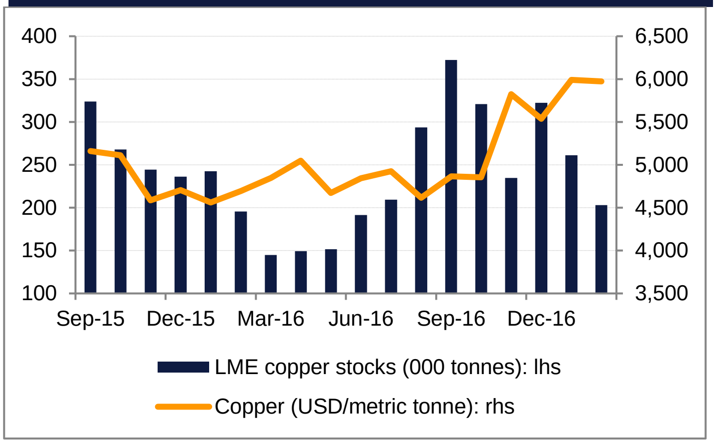
Source: Bloomberg, Emirates NBD Research

International oil production and price



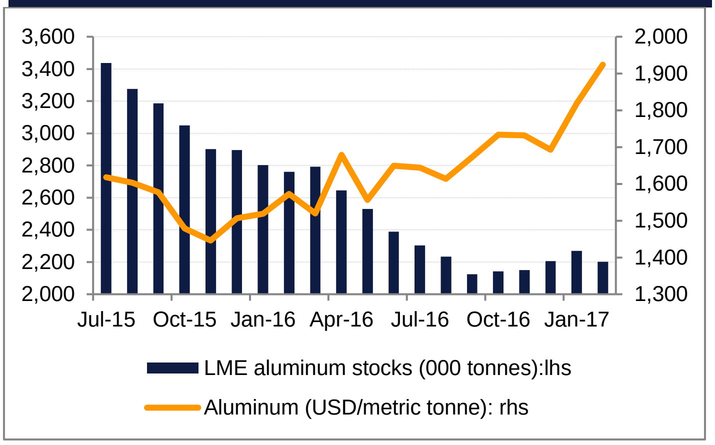
Source: Bloomberg, Emirates NBD Research

Copper stocks and price



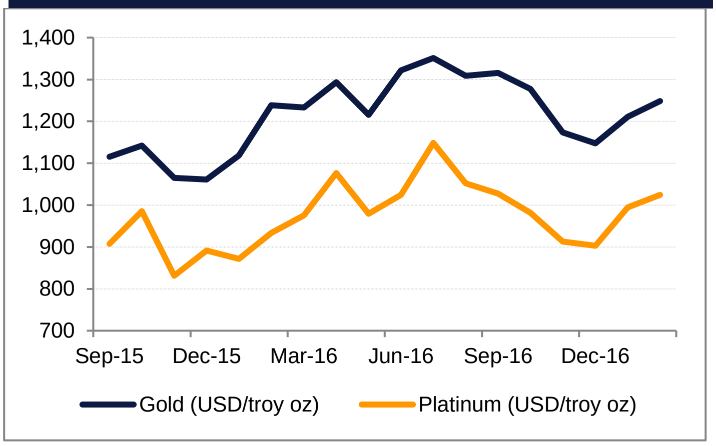
Source: Bloomberg, Emirates NBD Research

Aluminum stocks and price



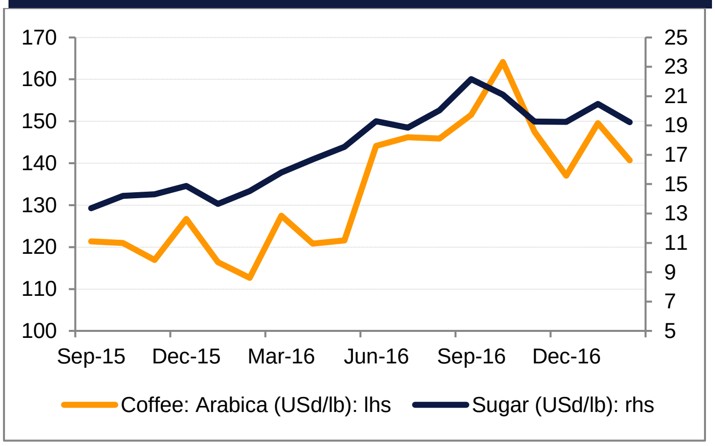
Source: Bloomberg, Emirates NBD Research

Precious metals prices



Source: Bloomberg, Emirates NBD Research

Agriculture prices



Source: Bloomberg, Emirates NBD Research

Key Economic Forecasts - GCC

United Arab Emirates	2014	2015	2016e	2017f	2018f
Nominal GDP $bn	402.2	370.5	374.1	411.3	453.4
Real GDP %	3.1	3.8	3.0	3.4	4.1
Current A/C % GDP	10.0	3.3	-2.0	-0.3	1.6
Budget Balance % GDP	5.0	-2.1	-3.2	-0.8	1.4
CPI %	2.3	4.1	1.8	2.5	3.5
Saudi Arabia					
Nominal GDP $bn	753.8	653.2	635.6	694.6	758.9
Real GDP %	3.6	3.4	1.4	1.8	2.5
Current A/C % GDP	9.6	-9.1	-13.2	-11.0	-5.8
Budget Balance % GDP	-2.3	-14.9	-14.5	-9.8	-6.2
CPI %	2.7	2.2	3.5	2.8	3.5
Qatar					
Nominal GDP $bn	210.1	166.5	166.5	189.6	213.8
Real GDP %	5.0	3.5	2.7	3.7	4.3
Current A/C % GDP	25.1	8.1	-2.0	-0.5	-0.4
Budget Balance % GDP	12.1	1.2	-7.7	-4.1	-4.2
CPI %	3.3	1.9	2.0	3.0	3.5
Kuwait					
Nominal GDP $bn	166.3	116.9	95.9	107.3	120.3
Real GDP %	0.5	1.8	2.7	2.3	2.9
Current A/C% GDP	32.6	5.1	-1.7	7.0	15.4
Budget Balance % GDP	7.4	-13.1	-17.2	-9.2	0.3
CPI %	2.9	3.3	3.2	3.5	3.5
Oman					
Nominal GDP $bn	80.9	69.7	72.5	79.2	87.7
Real GDP %	2.5	5.7	3.7	2.0	2.8
Current A/C % GDP	5.2	-15.5	-17.7	-11.6	3.1
Budget Balance % GDP	-3.4	-17.2	-18.5	-10.0	-3.8
CPI %	1.0	0.1	1.0	1.5	2.0
Bahrain					
Nominal GDP $bn	33.4	31.1	31.9	34.0	36.3
Real GDP %	4.4	2.9	3.5	2.3	2.8
Current A/C % GDP	4.6	-2.4	-5.2	-5.3	-3.7
Budget Balance % GDP	-3.6	-13.0	-15.9	-12.9	-11.0
CPI %	2.7	1.9	2.9	3.0	3.5
GCC (Nominal GDP weighted avg)					
Nominal GDP $bn	491.6	434.1	426.5	466.1	509.2
Real GDP %	3.3	3.5	2.2	2.5	3.2
Current A/C % GDP	13.7	-2.8	-8.5	-5.4	-1.0
Budget Balance % GDP	2.2	-9.6	-11.0	-6.7	-3.4
CPI %	2.6	2.6	2.7	2.7	3.4

Source: Haver Analytics, National sources, Emirates NBD Research

Key Economic Forecasts – Non-GCC Oil Importers

Egypt*	2014	2015	2016	2017f	2018f
Nominal GDP $bn	305.4	332.6	332.2	180.9	196.1
Real GDP %	2.9	4.4	4.3	3.5	4.9
Current A/C % GDP	-1.0	-2.7	-4.5	-2.7	-1.3
Budget Balance % GDP	-12.98	-12.53	-13.95	-10.05	-8.98
CPI %	10.1	10.4	13.7	16.0	11.0
Jordan					
Nominal GDP $bn	35.8	37.5	38.9	40.3	41.7
Real GDP %	3.1	2.4	2.0	2.8	3.0
Current A/C % GDP	-7.3	-9.1	-10.3	-9.8	-9.6
Budget Balance % GDP	-2.3	-3.5	-3.2	-2.9	-2.6
CPI %	2.8	-0.9	-0.8	2.0	2.0
Lebanon					
Nominal GDP $bn	48.6	50.1	55.1	61.8	68.5
Real GDP %	1.8	1.5	2.4	3.1	3.3
Current A/C % GDP	-23.9	-16.1	-16.0	-15.6	-15.7
Budget Balance % GDP	-6.3	-7.9	-7.3	-7.5	-7.7
CPI %	-8.0	-3.8	-1.0	3.0	4.5
Tunisia					
Nominal GDP $bn	47.6	41.1	41.3	41.1	45.0
Real GDP %	2.3	0.8	1.1	2.8	4.0
Current A/C% GDP	-9.0	-9.4	-8.3	-7.4	-6.5
Budget Balance % GDP	-5.1	-5.1	-6.8	-6.4	-6.0
CPI %	5.5	4.9	3.7	5.0	5.0
Morocco					
Nominal GDP $bn	109.7	100.7	116.8	125.8	135.6
Real GDP %	2.6	4.5	1.0	4.7	4.8
Current A/C % GDP	-5.7	-2.1	-4.1	-2.9	-2.1
Budget Balance % GDP	-5.2	-4.7	-3.8	-3.1	-2.5
CPI %	0.4	1.6	1.6	3.0	3.0
Oil Importers (GDP weighted avg)					
Nominal GDP $bn	203.3	224.9	222.9	123.8	134.1
Real GDP %	2.70	3.75	3.08	3.66	4.37
Current A/C % GDP	-5.0	-4.7	-6.2	-5.6	-4.7
Budget Balance % GDP	-9.4	-9.6	-10.1	-6.8	-6.2
CPI %	5.7	6.4	8.2	8.3	6.5

Source: Haver Analytics, National sources, Emirates NBD Research

**Egypt data refers to fiscal year (July-June)*

Key Economic Forecasts – Non-GCC Oil Exporters

Algeria	2014	2015	2016	2017f	2018f
Nominal GDP $bn	213.5	165.3	165.4	186.1	214.3
Real GDP %	2.2	2.3	3.4	3.6	4.2
Current A/C % GDP	-4.3	-16.6	-17.3	-10.9	-8.7
Budget Balance % GDP	-7.3	-16.0	-14.3	-10.7	-8.2
CPI %	3.9	4.4	6.0	7.0	5.0
Libya					
Nominal GDP $bn	48.1	34.4	36.2	40.1	44.7
Real GDP %	-24.0	-10.2	-0.9	10.3	11.3
Current A/C % GDP	-10.5	-9.4	-12.3	-15.0	-17.0
Budget Balance % GDP	-41.4	-23.6	-20.7	-18.8	-17.6
CPI %	2.4	9.5	9.5	10.5	11.5
Iran					
Nominal GDP $bn	503.6	423.7	420.1	406.6	434.1
Real GDP %	5.9	3.7	7.2	4.1	5.0
Current A/C % GDP	3.1	2.1	3.8	5.3	5.8
Budget Balance % GDP	-0.5	-0.7	-0.7	-0.7	-0.7
CPI %	37.4	15.9	8.5	11.1	12.0
Iraq					
Nominal GDP $bn	192.8	164.2	229.6	247.2	288.3
Real GDP %	-0.6	-2.4	8.7	3.5	5.1
Current A/C% GDP	12.7	2.5	-5.3	-5.7	-5.5
Budget Balance % GDP	-6.1	-13.6	-10.7	-6.6	-4.6
CPI %	3.0	1.2	1.0	4.5	6.5
Oil Exporters (GDP weighted avg)					
Nominal GDP $bn	301.3	295.9	294.5	314.9	239.4
Real GDP %	1.9	1.5	6.5	4.1	5.2
Current A/C % GDP	2.7	-2.3	-3.5	-1.9	-7.7
Budget Balance % GDP	-7.5	-10.1	-9.7	-7.4	-7.1
CPI %	9.4	6.2	7.2	8.9	6.3

Key Economic Forecasts - Global

US	2013	2014	2015	2016f	2017f	2018f
Real GDP %	2.2	2.4	2.4	1.8	2.5	2.5
Current A/C % GDP	-2.3	-2.3	-2.6	-2.7	-2.7	-2.9
Budget Balance % GDP	-3.3	-2.8	-2.5	-2.5	-3.0	-3.4
CPI %	1.5	1.6	0.1	1.7	2.3	2.5
Eurozone						
Real GDP %	-0.3	0.9	1.5	1.5	1.7	1.5
Current A/C % GDP	1.8	2.4	3.0	2.7	2.6	2.8
Budget Balance % GDP	-2.9	-2.6	-2.0	-2.0	-1.6	-1.6
CPI %	1.3	0.4	0.0	0.9	1.5	1.5
UK						
Real GDP %	1.7	2.9	2.4	2.0	2.3	2.0
Current A/C% GDP	-4.5	-5.1	-4.5	-4.0	-4.0	-3.3
Budget Balance % GDP	-5.9	-5.4	-4.3	-3.2	-2.0	-2.8
CPI %	2.6	1.5	0.5	1.9	2.0	2.6
Japan						
Real GDP %	1.6	0.0	0.5	0.9	1.0	0.5
Current A/C % GDP	0.8	0.5	3.0	3.2	3.0	3.5
Budget Balance % GDP	-7.8	-7.1	-6.0	-6.0	-5.0	-4.8
CPI %	0.3	2.7	0.8	0.8	1.5	1.0
China						
Real GDP %	7.7	7.3	6.9	6.5	6.3	6.1
Current A/C % GDP	1.5	2.1	2.7	2.8	2.5	1.9
Budget Balance %GDP	-1.8	-1.8	-2.5	-3.0	-3.0	-3.5
CPI%	2.6	2.0	1.4	1.7	2.0	2.2
India*						
Real GDP%	4.7	6.9	7.4	8.0	6.6	7.8
Current A/C% GDP	-2.6	-1.4	-1.5	-1.5	-1.0	-1.0
Budget Balance % GDP	-5.9	-4.8	-4.1	-3.9	-3.9	-3.6
CPI %	10.9	6.4	7.0	5.0	4.8	5.0

Source: Bloomberg, Emirates NBD Research
**For India the data refers to fiscal year (April – March)*

FX Forecasts

	FX Forecasts - Major					Forwards		
	16-Mar	Q1 2017	Q2 2017	Q3 2017	Q4 2017	3m	6m	12m
EUR/USD	1.0730	1.0500	1.0200	1.0000	1.0000	1.0777	1.0829	1.0949
USD/JPY	113.05	116.00	120.00	122.00	124.00	112.60	112.07	110.83
USD/CHF	0.9993	1.0300	1.0500	1.1000	1.1000	0.9937	0.9876	0.9743
GBP/USD	1.2277	1.2200	1.1800	1.2500	1.3500	1.2306	1.2340	1.2419
AUD/USD	0.7709	0.7300	0.7200	0.7000	0.7000	0.7695	0.7684	0.7666
NZD/USD	0.7018	0.6900	0.6700	0.6500	0.6700	0.7001	0.6987	0.6962
USD/CAD	1.3286	1.3500	1.3400	1.3200	1.3000	1.3268	1.3248	1.3202
EUR/GBP	0.8740	0.8607	0.8644	0.8000	0.7407	0.8757	0.8776	0.8817
EUR/JPY	121.30	121.80	118.32	122.00	124.00	121.30	121.30	121.30
EUR/CHF	1.0721	1.0815	1.0710	1.1000	1.1000	1.0708	1.0694	1.0667
	FX Forecasts - Emerging					**Forwards**		
	16-Mar	**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**3m**	**6m**	**12m**
USD/SAR*	3.7502	3.7500	3.7500	3.7500	3.7500	3.7500	3.7542	3.7664
USD/AED*	3.6729	3.6700	3.6700	3.6700	3.6700	3.6700	3.6771	--
USD/KWD	0.3051	0.3000	0.3000	0.3000	0.3000	0.3000	0.3063	--
USD/OMR*	0.3850	0.3850	0.3850	0.3850	0.3850	0.3850	0.3880	0.3933
USD/BHD*	0.3770	0.3760	0.3760	0.3760	0.3760	0.3760	0.3776	0.3785
USD/QAR*	3.6413	3.6400	3.6400	3.6400	3.6400	3.6400	3.6495	3.6605
USD/EGP	18.1475	18.0000	18.5000	18.7500	19.0000	19.0000	17.5500	18.3500
USD/INR	65.353	65.500	66.000	65.000	64.000	65.000	68.4000	69.9800
USD/CNY	6.8903	7.0000	7.1000	7.2000	7.4000	7.4000	6.9745	7.0800

Data as of 16 March 2017
Source: Bloomberg, Emirates NBD Research

Interest Rate Forecasts

USD Swaps Forecasts					Forwards		
	Current	3M	6M	12M	3M	6M	12M
2y	1.67	1.75	1.85	2.15			
10y	2.49	2.60	2.67	2.72			
2s10s (bp)	82	85	82	72			
US Treasurys Forecasts							
2y	1.32	1.40	1.62	1.90			
10y	2.52	2.65	2.70	2.85			
2s10s (bp)	120	125	108	95			
3M Libor							
3m	1.15	1.35	1.55	1.75			
3M Eibor							
3m	1.46	1.70	1.90	2.05			
Policy Rate Forecasts							
	Current%	3M	6M	12M			
FED	0.75-1.00	1.00	1.25	1.50			
ECB	0.00	0.00	0.00	0.00			
BoE	0.25	0.25	0.25	0.25			
BoJ	-0.10	-0.10	-0.10	-0.10			
SNB	-0.75	-0.75	-1.00	-1.00			
RBA	1.50	1.50	1.25	1.25			
RBI (repo)	6.25	6.25	6.25	6.00			
SAMA (r repo)	1.00	1.25	1.50	1.75			
UAE (1W repo)	1.25	1.50	1.75	2.00			
CBK (discount rate)	2.75	3.00	3.25	3.50			
QCB (Repo rate)	2.25	2.75	3.00	3.25			
CBB (o/n depo)	1.00	1.25	1.50	1.75			
CBO (o/n repo)	1.00	1.50	1.75	2.00			

Data as of 16 March 2017
Source: Bloomberg, Emirates NBD Research

Commodity Forecasts

Global commodity prices							
	Current	2016 avg	2017q1	Q2	Q3	Q4	2017 avg
Energy							
WTI (USD/b)	49.13	43.32	50.00	52.50	53.00	55.00	52.63
Brent (USD/b)	52.13	45.04	52.00	55.00	55.00	60.00	55.50
OPEC Reference (USD / b)	48.63	40.68	50.44	53.35	53.35	58.20	53.84
Precious metals							
Gold (USD/troy oz)	1,224.94	1,247.82	1,180.00	1,160.00	1,120.00	1,150.00	1,152.50
Silver (USD/troy oz)	17.43	17.10	16.00	15.30	15.66	16.00	15.74
Platinum (USD/troy oz)	967.70	987.79	950.00	902.50	932.00	960.00	936.13
Palladium (USD/troy oz)	768.80	613.89	703.09	712.67	722.25	731.83	717.46
Base metals							
Aluminum (USD/metric tonne)	1,887.00	1,609.83	1,820.00	1,750.00	1,725.00	1,850.00	1,786.25
Copper (USD/metric tonne)	5,864.00	4,870.75	5,750.00	5,800.00	5,500.00	5,350.00	5,600.00

Prices as of 16 March 2017. Note: prices are quarterly average unless indicated otherwise.
Source: Bloomberg, Emirates NBD Research

Global Equities Market Watch

Index	Last Close	ADV Traded 30d USD mn	Mtd % chg	Ytd % chg	%membera bove 200d MA	BEst PE	BEst PB	BEst Dvd Yld
Dow Jones Industrial Average Index	20,950	6,318	0.7	6.0	90	17.5	3.5	2.5
S&P 500 Index	2,385	33,855	0.9	6.5	80	18.5	2.9	2.1
Nasdaq Composite Index	5,900	19,810	1.3	9.6	64	22.6	3.7	1.1
FTSE100 Index	7,369	6,285	2.3	4.0	75	14.7	1.8	4.3
DAX Index	12,010	3,365	2.5	5.6	93	13.9	1.7	2.9
CAC 40 Index	4,985	3,371	3.4	3.3	77	14.7	1.4	3.5
Swiss Market Index	8,689	2,801	1.4	5.4	90	17.6	2.4	3.5
Nikkei Index	19,577	11,545	2.5	2.5	91	18.4	1.7	1.7
S&P/ASX 200 Index	5,774	3,609	1.3	2.1	58	16.0	2.0	4.4
Stoxx Europe 600 Index	375	27,757	1.9	4.4	81	15.4	1.8	3.5
Dubai Financial Market General Index	3,479	130	-3.7	-1.0	53	10.2	1.1	4.4
Abu Dhabi Sec Market General Index	4,375	61	-3.6	-3.4	52	11.6	1.4	5.3
Tadawul All Share Index	6,836	952	-0.6	-3.9	56	14.0	1.5	3.3
Istanbul SE National 100 Index	89,446	1,149	3.5	15.8	78	9.0	1.1	3.3
Egyptian Exchange Index	12,745	54	7.7	4.1	83	11.8	1.8	3.3
Kuwait Stock Exchange Index	6,797	129	0.1	18.2	90	-	-	-
Bahrain Bourse All Share Index	1,371	3	1.9	12.6	-	-	-	-
Muscat Securities Index	5,660	9	-1.9	-2.0	63	9.3	1.0	-
Qatar Exchange Index	10,292	79	-2.4	0.0	60	13.0	1.7	3.8
MADEX Free Float Index	9,820	12	0.6	2.9	91	18.5	2.7	3.5
Hong Kong Hang Seng Index	23,793	3,504	2.3	10.4	82	11.9	1.2	3.5
Shanghai Composite Index	3,242	29,777	0.8	5.3	61	13.6	1.4	2.0
Korea Stock Exchange Index	2,133	3,956	2.8	6.1	42	10.0	1.0	1.8
BSE Sensex	29,398	636	2.8	11.0	70	20.5	2.8	1.5
Nifty	9,085	1,587	2.9	11.6	75	20.8	2.8	1.4
Karachi Stock Exchange Index	48,306	100	-1.3	0.2	84	10.9	1.9	5.0
Taiwan SE Weighted Index	9,740	2,945	0.9	6.3	78	13.7	1.6	4.0
Bovespa Brasil Sao Paulo SE Index	66,235	2,051	-0.6	10.0	81	12.5	1.5	3.5
Micex Index	1,993	567	-1.2	-9.9	56	6.1	0.7	5.3
FTSE/JSE Africa All Share Index	51,702	1,442	2.8	3.8	62	15.2	1.8	3.3
Vietnam Ho Chi Minh Stock Index	713	133	0.6	7.5	56	13.5	2.2	2.7
Jakarta SE Composite Index	5,432	426	2.4	4.2	57	15.6	2.3	2.1
FTSE Bursa Malaysia KLCI Index	1,717	244	2.6	5.8	73	16.3	1.6	3.2
Mexican Stock Exchange	47,470	349	1.3	4.0	49	16.9	2.3	2.1

Prices as of 15 March 2017
Source: Bloomberg, Emirates NBD Research

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
12thFloor
Baniyas Road, Deira
P.OBox777
Dubai

Jonathan Morris
General Manager Wholesale Banking
JonathanM@emiratesnbd.com

Aazar Ali Khwaja
Group Treasurer & EVP Global Markets & Treasury
+971 4 609 3000
aazark@emiratersnbd.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

Shady Shaher Elborno
Head of Macro Strategy
+9714 2012300
shadyb@emiratesnbd.com

Jean Paul Pigat
Senior Economist
+9714 230 7807
jeanp@emiratesnbd.com

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

Mohammed Al-Tajir
Manager, FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

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

Aditya Pugalia
Analyst
+9714 230 7802
adityap@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