بنك الإمارات دبي الوطني
Emirates NBD

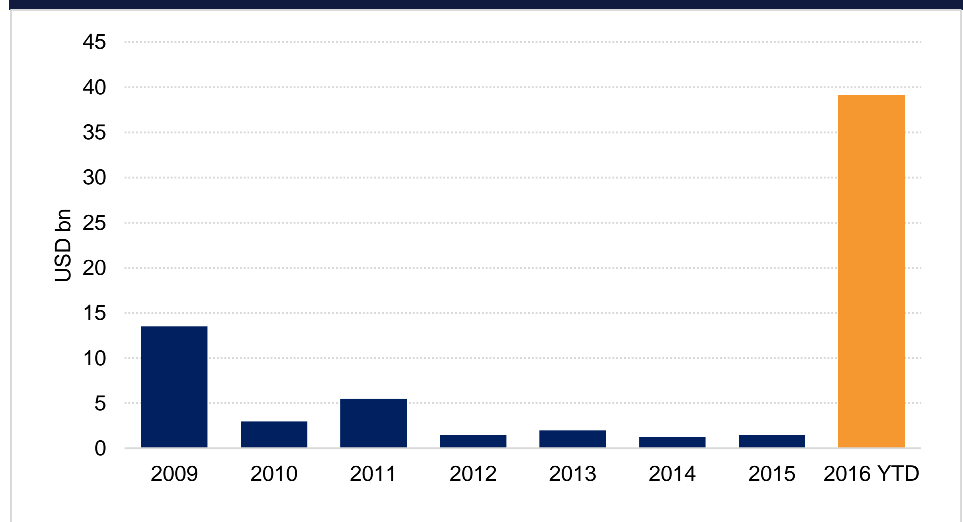
# Monthly Insights

**Debt issuance has been a theme for the region all year and with Saudi Arabia announcing the terms of its new sovereign bond this looks set to remain in focus. This is timely as it is occurring just as investors and major central banks are thought to be considering the continued wisdom of unconventional monetary policies causing yields to push up.**

- **Global macro:** The relative inaction by central banks over the last month reflects the limits of monetary policy, but also the sense that even if the benefits of low rates are becoming more marginal, the prospect of raising them is even more unpalatable.
- **GCC macro:** Economic activity in the GCC was relatively robust in Q3, with evidence of expansion in both the oil and non-oil sectors. However, additional fiscal tightening in Saudi Arabia and the likely impact on consumption and investment has led us to revise our 2016 and 2017 growth forecasts down to 1.4% and 1.8% respectively.
- **MENA macro**: Outside the GCC, Q3 2016 saw little in the way of positive data released that could suggest the region's economic recovery is close to starting.
- **Sector Focus:** The UAE is the second largest automotive market (including cars and commercial vehicles, parts and accessories, tractors) in the GCC after Saudi Arabia.
- **Fixed Income:** Last month marked the inflection point at which markets began accounting for the possibility of higher yields in the near future which in turn saw sovereign and corporate bond prices fall. However, emerging market bonds, including GCC bonds, continued to benefit from investors' perennial hunt for yield.
- **Currencies:** There have been two significant developments for the FX markets in October. Firstly, sterling plummeted to a new 30 year low, demonstrating vulnerability to political uncertainty. Secondly, USD broke out of its 11 month downward trend to reach new 2016 highs.
- **Equities:** Last month, global equity markets paused as first signs appeared of a possible rethink from central banks about the longevity of the current direction of monetary policies. There were also concerns over lack of earnings growth and debate over the need for fiscal stimulus.
- **Commodities:** Oil prices have received a bump upward thanks to OPEC's surprise announcement to cut output but the forward curve has remained stubbornly in contango. Lower industry costs and the potentital for shale to return is keeping doward pressure on longer dated oil prices.

Monthly
19 October 2016

**GCC sovereign bond and sukuk issues at record high in 2016**




*Source: Bloomberg, Emirates NBD Research*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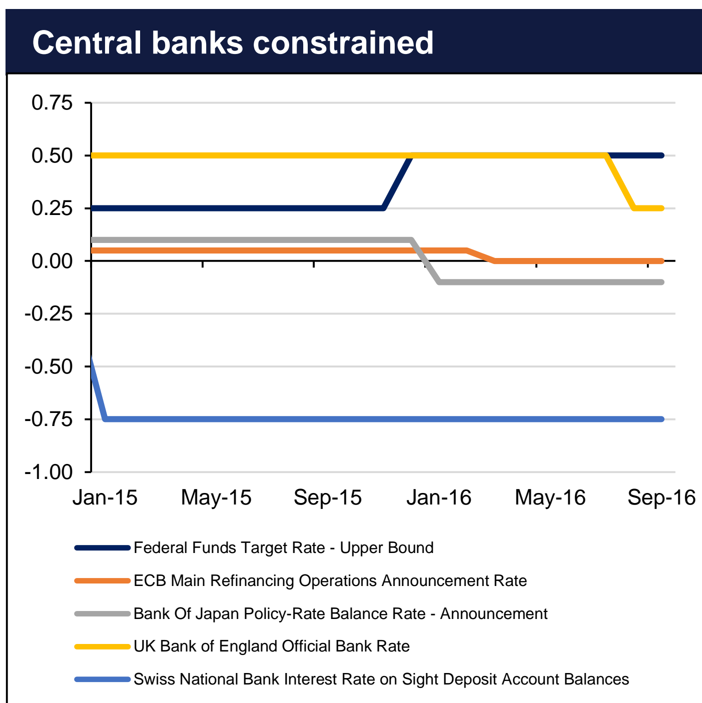
# Global Macro

## Central banks constrained

**Monetary policy decisions in the US and Japan over the last month illustrate the constraints that central banks are operating under. The Fed is still finding it difficult to raise interest rates, despite improvements in the US economy, while the BOJ appears reluctant to cut them further for fear of hurting banks' profitability, instead choosing to tinker with its policy framework.**

The ECB appears reticent to make any further steps into negative rate territory, with its EUR 80bn a month QE program also facing legal challenges and with stories circulating that it may begin tapering QE. The Bank of England may still be promising lower rates to ward off Brexit risks, but the recent data makes the necessity of such cuts increasingly questionable and UK politicians are beginning to express doubts about its effectiveness.

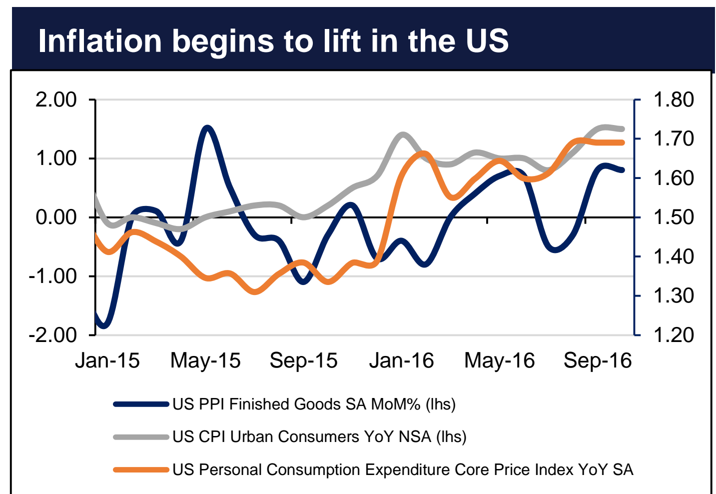



*Source: Bloomberg, Emirates NBD Research*

The relative inaction by central banks over the last month reflects the limits of monetary policy, but also the sense that even if the benefits of low rates are becoming more marginal, the prospect of raising them is even more unpalatable. In this context it is easy to understand the Bank for International Settlements' recent warning that monetary policy in the major economies has become 'overburdened' and that the financial markets have become too dependent on the actions of central banks. However, it may be also that the central banks themselves are too fearful of weaning themselves away from the provision of cheap credit. The risks to us are that if the Fed cannot find its way to continue normalizing policy soon, such paralysis will threaten a replay of the mistakes of Japanese policymakers over the last twenty years who were never able to escape from low rates, with the consequence that monetary policy there has become largely ineffectual. While this need not be the outcome, the longer the Fed prevaricates the greater those risks will become. This is something that Fed Vice Chairman Fischer recently alluded to stating that it is 'not that simple' for the Fed to coax interest rates higher in an environment where an aging population, low demand and weak investment undercut potential. However he warned against the risk of the US economy facing a longer and deeper recessions in the future if interest rates remain stuck at current low levels.

## De ja vu at the Fed

It is good news therefore that the Fed looks to be building the case for a year-end tightening, and the market appears to be finally believing it, now pricing in a 65.9% probability of a December hike. But there is also a sense of dé ja vu with the situation of a year ago when the Fed also ended it with a hike. However, once again by leaving it so late they are again running the risk that a data surprise or a political upset that could still derail it. At the moment at least neither looks likely as the most recent data has been encouraging and the opinion polls are suggesting a Clinton victory in the Presidential election on 8th November. Non-farm payrolls rose by 156K in September, with the unemployment standing at 5% and average earnings at 2.6% y/y. The ISM manufacturing index rebounded to 51.5 in September from 49.4 in August, while the ISM non-manufacturing index leapt to 57.1 from 51.4.Q2 GDP was revised up to 1.4% (annualized), and measures of inflation are also beginning to lift, PPI by 0.3% m/m and the PCE core deflator ticking up to 1.7% y/y.




*Source: Bloomberg, Emirates NBD Research*

## BOJ tinkers with its policy framework

Although the Fed's decision to leave interest rates unchanged last month was not a complete surprise, more surprising was the move from the Bank of Japan to start targeting the shape of the yield curve instead of relying on interest rate changes. The Bank of Japan switched the focus of its monetary policy by adopting a policy called 'yield curve control' whilst leaving official interest rates unchanged at -0.1%. This new emphasis is aimed at countering some of the unintended consequences of negative interest rates, by alleviating pressure on banks' profitability. In theory this should allow the

benefits of negative rates to work more effectively in the economy at large and thereby ultimately to boost inflation. In fact the BOJ said that it will continue to expand the monetary base until the 2% inflation target is met and even overshot, and it will continue to buy JGBs in order to keep 10-year yields around current levels of 0%. Whether or not these measures will have the desired effect, however, remains to be seen, and is effectively another throw of the dice in the BOJ's long standing battle to pull Japan out of stagnation.

## QE policies under scrutiny as yields rise

The BOJ decision is symptomatic of a mood change, however, that is moving away from unconventional monetary policies towards policy normalisation. Recently there was a report citing an informal consensus among ECB officials over tapering QE which attracted significant attention. In reality it is unlikely that this is close to being considered, with the ECB likely to extend QE purchases beyond March next year. However, the way that the story impacted the market, showed that it struck a chord. As noted in our Fixed Income section last month marked an inflection point at which markets began accounting for the possibility of higher yields in the near future.

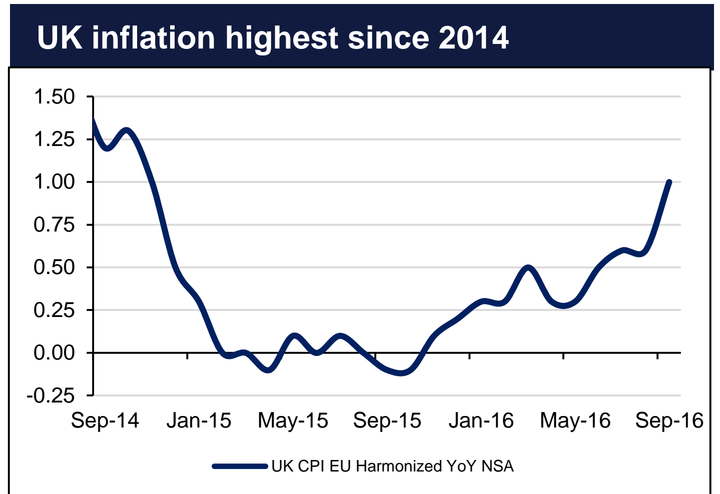
Largely absent from this debate until recently have been politicians, who have been wary of entering into the post-financial crisis discussion about the role of monetary policy which is perceived to be the domain of central bankers. In a world of independent central banks, politicians have rather seen their influence as being restricted to fiscal policy, which until recently has also been seen as off limits due to a number of other factors. This looks like it is beginning to change.

## UK government takes shot at BOE

There are perhaps the first signs that politicians are getting frustrated with the current inertia in terms of growth and in terms of policy responses. US Presidential candidate Donald Trump has notoriously been highly critical of the Fed's monetary policy, but more interestingly other political leaders are also becoming critical of central banks. The new British Prime Minister Theresa May gave a speech recently in which she implicitly criticised the BOE, which has retained the option to cut interest rates and expand QE further after already doing this in August. Subsequent comments from Governor Carney suggest that she hit a nerve, responding that the Bank will not succumb to political pressure and giving the impression that it will look through the rise inflation and cut rates anyway.

With UK growth holding up relatively well in the immediate post-Brexit aftermath and with inflation already starting to rise, up to 1.0% y/y in September from 0.6% in August, it is a very moot point as to whether a further easing is necessary. However, with Article 50 expected to be triggered before the end of March 2017 the BOE is most likely to stick to its guns putting them potentially on collision course with the government in coming months. In fact with elections in a number of major countries in Europe and the US in coming months, we would not be surprised if such discontent grows lespecially as inflation climbs further.

**UK inflation highest since 2014**




*Source: Bloomberg, Emirates NBD Research*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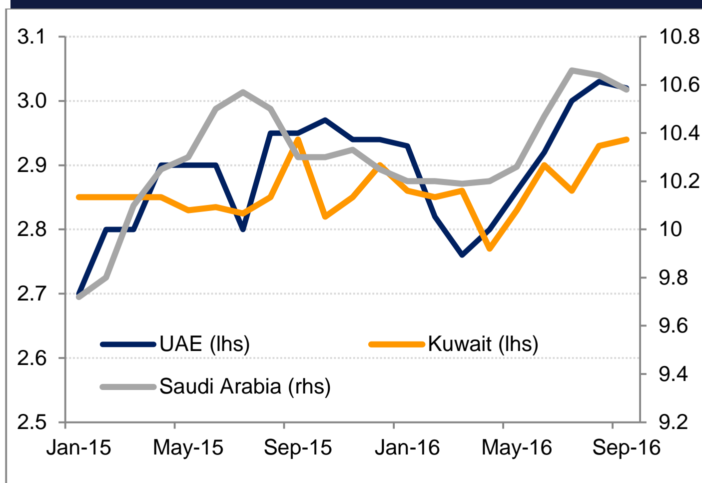
# GCC Macro

## Growth likely picked up in Q3

**Economic activity in the GCC was relatively robust over the third quarter, with evidence of expansion in both the oil and non-oil sectors. Oil production in the GCC (excluding Oman and Bahrain) was up 1.9% y/y in Q3 2016, and for the year-to-September, oil output was 1.2% higher than the same period last year.**

### Oil production (mn bpd)

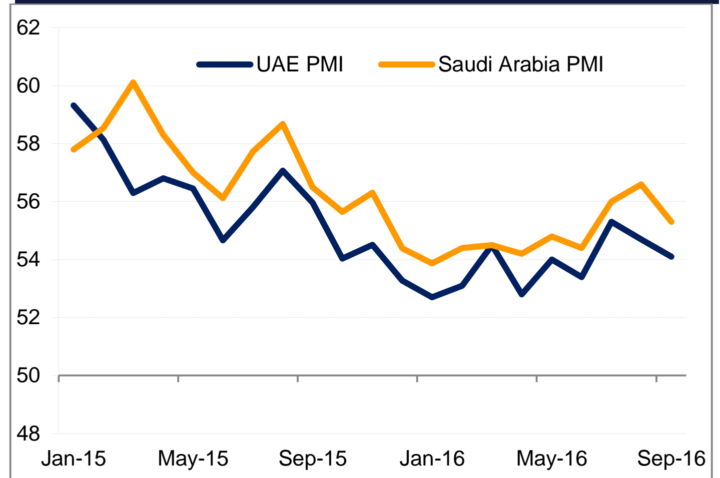



*Source: Bloomberg, Emirates NBD Research*

The rise in crude production was particularly notable in the UAE, where oil output was up 5.5% q/q and 4.0% y/y in Q3 2016. Oil production rose 3.1% q/q (1.6% y/y) in Saudi Arabia and 2.7% q/q (1.3% y/y) in Kuwait last quarter. This will underpin overall GDP growth this year as crude oil production still contributes 30-50% of total GDP in these three economies, as well as supporting activity in the oil-related manufacturing sector.

Non-oil sector activity in the UAE and Saudi Arabia also gained momentum in Q3, according to the Emirates NBD Purchasing Managers' Indices. Saudi Arabia's PMI averaged 56.0 in Q3, up from 54.5 in Q2, while the UAE's PMI averaged 54.7 last quarter, from 53.4 in Q2. However, growth in output and new orders has not led to rising employment for the most part, and margins continue to be squeezed.

### Purchasing Managers' Indices




*Source: Markit, Emirates NBD Research*

## Saudi Arabia and Kuwait growth forecasts revised

Moreover, Saudi Arabia's economy is facing the headwinds of further tightening in fiscal policy in Q4, including public sector wage cuts effective from October, which will likely further constrain consumer spending for the rest of this year. As a result, we have trimmed our forecast for GDP growth in the Kingdom to 1.4% this year from 1.9% previously. We have also revised our forecast for growth in 2017 down to 1.8% from 2.6% previously, as the government will likely scale back (or at least delay) spending on infrastructure and other capex over the next couple of years.

In contrast, the outlook for infrastructure spending in Kuwait has improved, despite the dissolution of parliament earlier this week. The government has made progress on long-delayed projects in the transport and energy sectors, despite the sharp drop in oil revenues to the budget over the last two years. The minister of finance has said that the government will continue to implement the fiscal and economic reform program using its executive powers, until new elections are held on 26 November. Recent data showed Kuwait's economy grew faster than initially estimated in 2015, and we have upgraded our forecast for 2016 growth to 2.7% from 2.0% previously. We expect growth to accelerate to 3.0% in 2017.

## Sovereign debt issuance to continue in Q4

Saudi Arabia's long-awaited debut bond finally came to the market this week. The Kingdom raised USD17.5bn in 5, 10 and 30 year bonds, well above market expectations for a USD 10-15bn placement. This should be more than sufficient to complete the Kingdom's budget financing requirement for 2016 – we project a deficit of around USD 90bn - as the government has also issued around USD 30bn in domestic debt and drawn down deposits at the central bank by USD 53bn (year-to-August). The successful bond issue should also help to ease liquidity conditions in the domestic banking system, provided some of the proceeds are put on deposit at local banks. Net foreign assets at the central bank should also be boosted, easing some concerns about the sustainability of the USD peg.

Kuwait had also indicated that it would issue an international bond this year, but reports suggest that this may be delayed to 2017. Oman tapped its June bond issue for another USD 1.5bn at the end of September.

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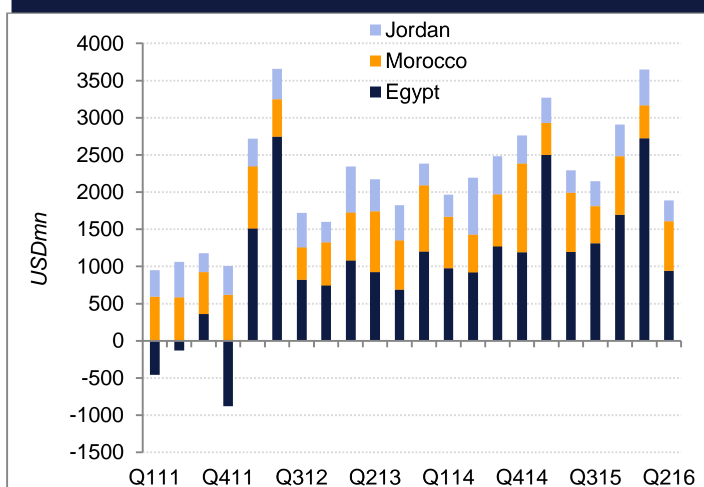
# Non-GCC Macro

**Outside the GCC, the third quarter of 2016 saw little in the way of positive data released that could suggest the region's economic recovery is close to starting.**

High frequency indicators such as monthly Purchasing Managers' Indices pointed to ongoing weakness in private sector activity. As a result of declining tourist arrivals and slowing remittance inflows from the GCC, current account deficits have also widened, while inward investment has dropped. IMF agreements are now in place in Morocco, Tunisia, Jordan, Iraq and Egypt (we expect a program to be finalized by December), highlighting how bilateral aid remains crucial in the region's ability to meet its external financing requirements.

Although the majority of data continues to point to below-trend growth, there have been some positive developments as far as reform momentum is concerned. Since the start of H2 we have seen several of MENA's oil importing economies push ahead with reform agendas that would have been hard to imagine several years ago. Egypt has now approved its long-awaited Value Added Tax, and it is almost inevitable that the central bank will devalue the EGP to a more competitive level before the end of the year. While the impact of fiscal consolidation and a devalued currency could hurt growth in the near term, at this stage the focus appears to be setting in place the right conditions that will help drive a broader economic recovery over the longer term.

## Foreign Direct Investment

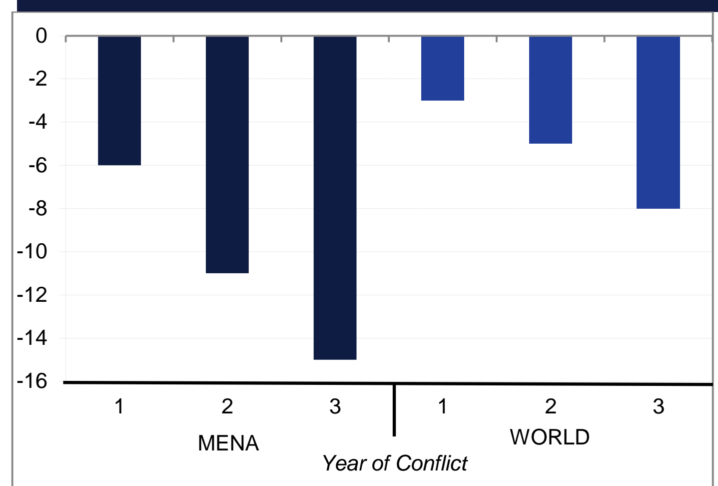



Source: Havers, Emirates NBD Research

Unsustainable growth in government spending is also being tackled in Tunisia, where efforts are underway to contain a massive public sector payroll. Such measures are clearly difficult to implement in an environment of elevated unemployment, particularly given the strength of the country's public sector unions. This is where IMF programs should prove beneficial, as the need to maintain the Fund's participation (i.e. financial support) acts as an important policy anchor.

A key reason why much of MENA remains stuck on a low-growth trajectory is the security environment, as conflicts in Iraq, Syria and Libya depress consumer and business sentiment across the region, raise risk premiums, and deter much needed investment and tourists. A recent report from the IMF attempted to quantify the impact of this volatile security environment across MENA, with the Fund noting how countries bordering a high-intensity conflict recorded an average annual GDP decline of 1.9 percentage points. In addition to the added burden of hosting refugees, the IMF said '*By increasing investor risk, conflict often sparks deposit runs, asset market crashes, and capital flight*'. Clearly, any region-wide economic recovery appears to remain dependent on the prospects for some of these regional flashpoints to stabilize.

## GDP Loss Due to Conflict*




Source: IMF, Emirates NBD Research
*Cumulative changes in GDP by years of conflict

The IMF report also notes how there is a strong positive correlation between foreign investment and political stability, which would seem to be confirmed by latest data showing weakening levels of FDI across much of MENA. In Q2 (latest figures available), combined net FDI in Egypt, Jordan and Morocco fell to USD1.8bn, marking the lowest level since Q4 2012. Even Morocco, which is a relative outperformer and has been successful at attracting investment into export-oriented manufacturing industries, saw FDI inflows slow in the first half of 2016.

As many of these net oil importing markets already suffer from a lack of fixed investment, the combination of slowing FDI inflows, limited room to increase public CAPEX, and weak private sector sentiment, is concerning. A general rule of thumb is that emerging and frontier markets should see fixed investment as a share of GDP amount to over 25% of GDP (but preferably higher). Compared to its peers, Morocco scores strongly in this regard, with fixed investment equivalent to 29% of GDP. On the other end of the spectrum stands Egypt, where fixed investment appears to have fallen to multi-year lows of only13% of GDP.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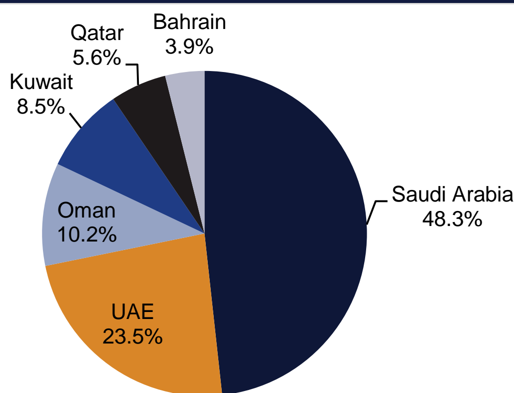
# Sector Focus

## UAE's automotive sector overview

The UAE is the second largest automotive market (including cars and commercial vehicles, parts and accessories, tractors) in the GCC after Saudi Arabia. For new car and light commercial vehicles (LCV below 3.5 tons) sales alone, UAE accounted for 23.5% of GCC's total, down by roughly -20.0% y/y in H1 2016 to around 170,000 vehicles. In terms of used vehicles in UAE, a good estimate would be the 145,000 car ads on Dubbizle for H1 2016 valued at AED 14bn, according to the latest luxury and prestige motors report. Out of this figure, almost 25% or 36,000 are luxury cars highlighting the popularity of this segment with demand remaining strong over 2016.

The UAE relies heavily on imports with virtually the entire supply of cars and commercial vehicles being imported with no local production of passenger cars presently. Apart from a few units assembling truck and bus components, there is no significant automotive production or manufacturing activity taking place in the UAE.

**New car and LCV sales, % of GCC, H1 2016**




*Source: Organization International des Constructers d 'Automobiles (OICA), Business Monitor International (BMI), Focus2Move, BestSellingCarBlog, Marklines, Emirates NBD Research*

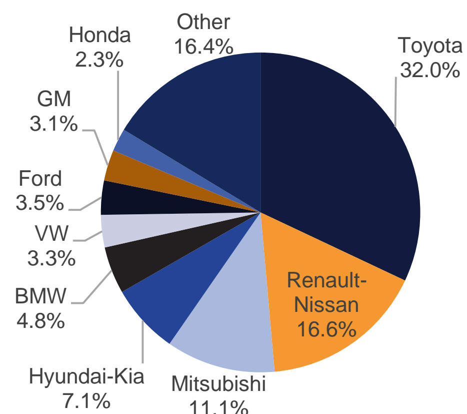
Overall, the UAE's auto sector (including LCV's up to 7 tons as well as other commercial vehicles such as trucks, coaches and buses) declined by roughly -15.0% y/y in H1 2016 after six years of consecutive growth as lower oil prices and weaker consumer demand hit UAE's vehicles sales especially in the second quarter of 2016. In our view, the fall in passenger sales is likely to continue over 2016 while that the planned introduction of VAT in 2018 could boost passenger cars sales in 2017 before the tax is implemented.

Commercial vehicles should continue to outperform in 2016 as investors are looking ahead to the Dubai 2020 Expo, spending on infrastructure and development projects will continue, boosting the demand for heavy trucks and other commercial vehicles that will be needed to help build these projects. Separately, the UAE's well developed infrastructure and increased access to vehicle financing are set to be the drivers for the automotive industry over the coming years.

In our view, the UAE's focus should be on the creation of new production plants and assembly lines taking advantage of the country's attractive and stable framework in the field of vehicle taxation, technical requirements, fuel policy and road infrastructure. Specifically, the country's efficient transport infrastructure (road, train, maritime, air) and strong logistics network are accommodating factors for any investment decision in automotive manufacturing. This framework can further boost the UAE's overall competitiveness with the UAE's automotive production facilities to also serve as an export base to other countries especially in Africa and Asia.

For H1 2016, the car market was broadly divided between roughly 80% for passenger cars and 20% for light commercial vehicles below 3.5 tons. Japanese manufacturers dominated the UAE automotive market with Toyota maintaining its top spot as the chart below shows. Asian manufacturers remained strong occupying five out of ten top spots with Toyota, Nissan and Mitsubishi accounting for roughly 60% of total sales. Chinese manufacturers also look to tap into the growing potential of the UAE market at the lower end. In the LCV segment Toyota accounted for roughly 40% of the vehicles sold in UAE followed by Nissan-Renault (12.5%) and Mitsubishi (8.2%).

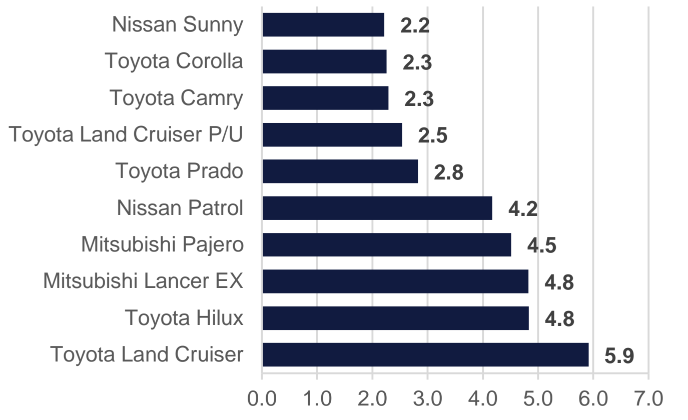
**Top 10 passenger and LCV sales by Auto Group, % of total, H1 2016**




*Source: OICA, BMI, Focus2Move, BestSellingCarBlog, Marklines, Emirates NBD Research*

In terms of models ranking, the Toyota Land Cruiser leads the UAE sales charts with 10,240 sales (5.9% share) for H1 2016, overtaking the Toyota Hilux (-39.9% y/y) and the Mitsubishi Lancer EX (-40.4% y/y) as the graph below shows. The only models in the top 10 list to record sales increase in H1 2016 were the Toyota Land Cruiser and the Mitsubishi Pajero up by 56.7% and 21.8%, respectively.

## Top 10 models, % total market share, H1 2016

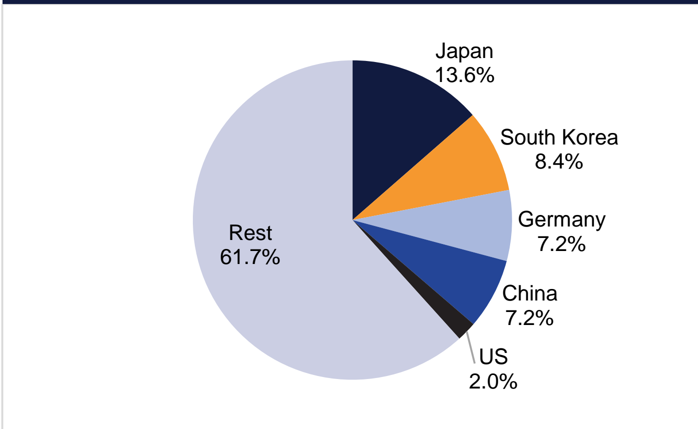



*Source: OICA, BMI, Focus2Move, BestSellingCarBlog, Marklines, Emirates NBD Research*

UAE is one of the largest importers of used cars becoming a regional hub not only for cars but also for vehicle parts and components in the entire MENA region. As a result, the UAE has become a strategic player in the car parts trade within the GCC region positioning itself as a major re-exports center with around 70% of its imported parts are being re-exported to other MENA countries.

Dubai's trade in automotive spare parts and accessories stood at AED 30bn in H1 2016, representing 5.0% of Dubai's total foreign trade, down slightly on the previous year. The top partner country for auto trade with Dubai in 2015 was Japan, followed by South Korea, Germany, China and US. Currently, there are only three automotive plants In Dubai, mainly manufacturing parts and components for European trucks, light commercial vehicles, and construction machinery operating across MENA.

## Top 5 countries for Auto parts trade with Dubai, % of total AED 40.5bn

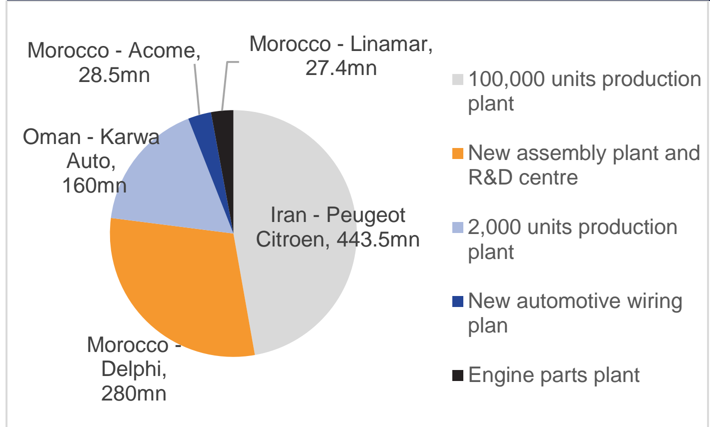



*Source: Dubai Customs Emirates NBD Research*

Not only does there appear to be scope to further increase exports and re-exports of both vehicles and parts, in order to boost the automotive manufacturing sector as a whole, but there also appears to be the potential to add value by creating new production plants for cars, light vehicles and trucks as well as assembly lines for manufacturing and remanufacturing of spare parts and accessories. Counterfeit parts still pose a problem in the UAE with the seizure of fake auto parts worth more than AED 31mn in 2015 and AED 100mn between 2012 and 2015, according to Al-Futtaim Motors. For Q1 2016, an excess of AED 7.6mn worth of counterfeit auto parts had been seized, with over AED 210,000 issued in fines.

In terms of automotive production investments in the MENA region, Morocco is rapidly growing to a regional manufacturing hub mainly due to its proximity to European markets. In the first nine months of 2016 there were three projects totaling USD 336mn in Morocco. While Saudi Arabia had once appeared the most likely regional manufacturing hub, a number of investments over the last year indicate Oman is gaining ground as a production location of choice. The latest project from Karwa Automobiles to build a range of buses, trucks and cars, is a step towards diversifying Oman's auto production capabilities.

## MENA automotive investment projects in USD, as of Q4 2016





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# Fixed Income

**Last month marked the inflection point at which markets began accounting for the possibility of higher yields in the near future which in turn saw sovereign and corporate bond prices fall in general. However, emerging market bonds, including GCC bonds, continued to benefit from investors' perennial hunt for yield.**

## Global Bonds

Market focus is firmly on the US rate hike trajectory as investors increasingly account for improving economic data out of the US. Futures implied probability of a 25bps rate rise before the year-end is now at 63%. Fed Chair Yellen's comments about increasing tolerance for higher inflation and a more heated economy led to upward revision to long term inflation expectations and in turn resulted in steepening of the UST curve during the month. Yields on 2yr, 5yr and 10 yr treasuries closed at 0.80% (+1bps over the month), 1.23% (+1bps) and 1.74% (+3bps) respectively.

The belief about limitation of monetary policy and uncertain benefit of negative rates is gaining traction as global growth remains muted. ECB and BoJ restrained away from aggressive rate cuts at their last policy meetings and BoE is in wait and see mode now. Responding to the reduced ECB enthusiasm for further rate cuts, sovereign bond yields in Europe were pushed higher, barring those on Greece and Portugal which recorded narrowing of spreads against those of the Bunds.

**10Yr Government Bond Yields**

| | Yield % | 1M chg | 3M chg | 12M chg |
|---|---|---|---|---|
| US | 1.74 | +3 | +19 | -28 |
| UK | 1.08 | +20 | +28 | -74 |
| Germany | 0.03 | +2 | +6 | -53 |
| Russia | 3.98 | +5 | -34 | - |
| Brazil | 4.59 | -22 | -11 | -144 |
| Japan | -0.06 | -2 | +18 | -39 |

*Source: Bloomberg*

Emerging market bonds, including the EM sovereigns, are benefiting from the perennial hunt-for-yield which seems to have taken new urgency since mid this year as yield on a substantial part of developed world sovereign bonds remain below one percent. The partial rebound in oil prices also has helped improve sentiment on petroleum linked sovereign such as Brazil, Russia and Mexico. Brazil is specially taking a turn for the better after the change in political regime and reversal of economic contraction. In addition, China's ups and downs are seen as more benign compared with an year ago.

Downgrade of Turkey's rating into junk category by Moody's did rattle some trees, however price reaction was contained as much of this was expected.

**Global Corporate Bond OAS (bps)**

| | OAS | 1M chg | 3M chg | 12M chg |
|---|---|---|---|---|
| US IG Corp | 130 | -9 | -13 | -34 |
| US HY Corp | 465 | -34 | -60 | -126 |
| EUR IG Corp | 59 | - | -4 | -2 |
| EUR HY Corp | 397 | -23 | -37 | -51 |
| USD EM | 316 | -7 | -1 | -84 |

*Source: Bloomberg*

Credit spreads across the developed world narrowed as oil closed higher and corporate result announcements were largely positive. New supply from EM is steaming ahead at record pace (YTD issuance is USD 1.36tn vs USD 1.66tn for the whole of 2015) as ultra-low rates in the developed world has cheapened borrowing costs and petro- linked economies are faced with funding massive budget deficits. While issuance remains high, it is not enough to meet a wall of demand from the DM investors. Considering that the EM bonds have seen capital inflow of average USD 20bn per month in the recent quarter, the direction of travel for the credit spreads remains towards tightening, at least in the coming few weeks.

## GCC Bonds – Secondary market

Secondary market trading in the local GCC bonds picked up pace post the summer lull. Although whispers about vigilance and caution against historical high bond prices in the region are getting louder, money continued to get poured in the region from international investors. Local investors continued to remain reluctant to sell out in absence of attractive alternative investment options. That said, last month represents an inflection point whereby bias seems to have turned negative on bond prices although still within a narrow range.

Oil prices ceased being the major driver of spreads as hopes about controlled future supply of oil have begin to rise after the constructive OPEC meeting in Algiers. Local corporate developments have been minimal and rating changes were negligible during the month, barring downgrade of Shelf Drilling's rating by S&P to CCC. Investor focus through-out the month was firmly on new supply and the trajectory of the US rates.

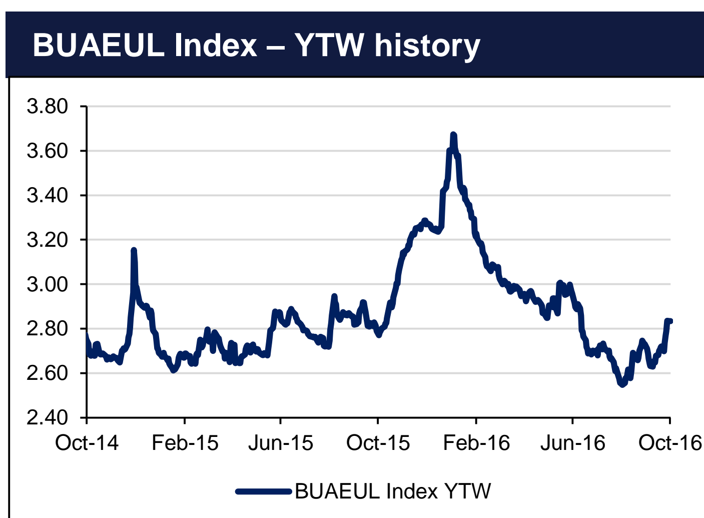
Despite tighter liquidity in the GCC banking systems and slowing economic growth, there are no major concerns about the health of the GCC banks which continue to reflect capital ratios in high teens and NPL ratio in low to mid single digits. That said, perpetual securities of the local banks were one of the most volatile segments, thanks to negative headlines relating to the credit quality of Deutsche Bank and the European banks in general.

Changing inflation expectations and the resultant volatility in the longer dated treasuries created similar ripples in the longer dated bonds of likes of SECO, QATAR, QTEL, TAQA etc.

While SECO will get displaced from its pseudo role of acting as the proxy for SA Government risk after issuance of the debut Saudi Arabia Government's international bond this week, its curve is benefiting materially from the tight pricing being achieved on the SA government bond. In terms of the worst performers in the region, it is the USD 475mn bond from Shelf Drilling Holdings which was recently downgraded by the rating agencies (rated CCC by S&P and B2 at Moody's) and remain on review for further downgrades. SHLFDI 18s last closed at USD 80. Shelf Drilling is the only CCC rated credit in the GCC universe which otherwise has less than 5% total outstanding in a rating categories below BB/Ba2.

October is scheduled to see redemption of more than USD 4.2bn including benchmark sized deals from QTEL, KWIPKK, TAQA and DEWA. Pull-to-par effect on these bonds is likely to create distortion in best and worst performing bonds in the region.

**BUAEUL Index – YTW history**




*Source: Bloomberg*

Although credit spreads narrowed mildly, the average yield on liquid UAE bonds rose circa 9bps during the month to 2.82%, purely reflecting the increase in underlying benchmark yields. On credit spread basis, GCC bonds underperformed its EM peers during the month as new supply picked up pace in the region. Average credit spreads on GCC bonds closed tighter by 2bps to 156bps during the month while that on wider EM closed 7bps lower at 193bps. Although the hunt for yield has benefited EM credits in general, overall wider EM with mix of energy importers as well as energy exporters has performed better than GCC credits. The credit spread differential between the wider EM bonds and the GCC bonds which was circa 91bps at the start of the year has reduced to 37bps now.

## GCC Bonds - Primary Market

S&P recently released a report citing concerns about GCC sovereigns' needing to tap the bond market to fund estimated USD 560bn of budget deficits between 2015-19. YTD new issuance is already running at record level ($48.3bn YTD) and with Saudi Arabia government on the road now, we expect new issue from the region to cross USD 60bn mark this year compared with a total of USD 26bn in all of 2015.

The large sovereign supply this year has skewed GCC bond universe towards sovereign and GREs which tend to be better rated. Therefore although direction of credit ratings in the region is negative, average credit quality of the GCC bond universe as a whole has largely remained stable. Sovereign now account for circa 35% of the total universe compared with circa 28% last year (USD 73bn of the total USD 212bn compared with USD 49bn out of the total USD 175bn as at the end of 2015).

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# Currencies

**The first two weeks of October have shown significant developments in the major currencies. On one hand, we have seen the GBP plummet to a new 30 year low, demonstrating its vulnerability to political uncertainty. On the other, we have witnessed the USD breaking out of its 11 month downward trend (since 3rd December 2016) to reach new 2016 highs amid renewed market expectations that the Federal Reserve is willing to raise interest rates before the end of the year, with the market now pricing in a 65.9% chance a hike by December.**

## Sterling declines for a sixth consecutive month

The pound continued to add to its losses continuing to be the worst performer of 2016. The highlight for the month was a significant "flash crash" in the early hours of Friday 7th October. Amid thin liquidity, an erroneous order is thought to have triggered multiple algorithm sells which plunged GBPUSD to trade as low as 1.1491 before recovering within moments and finishing the day at 1.2434. Although this incident could be considered an irregular annmoaly, it does show how vulnerable the pound remains and suggests there is scope for further weakness. Technical analysis of the four hour candle chart indicates that while cable remains below 1.24 (the upper bound of the descending channel originating on 29th September), a retest of levels below 1.20 remains a realistic possibility. With few technical reasons to be bullish on Sterling and concerns about Brexit still uppermost in the markets' mind, we see further downside risks in the short and medium term.

*Source: Bloomberg, Emirates NBD Research*

## Further upside for USD

In the last 30 days, the Dollar Index has managed to break through its 50, 100 and 200 day MA's to a reach the highest levels seen since March 2016 (98.169). In addition, inspection of the daily and weekly candle charts show strong evidence that there has been a break out of the downward trend that has persisted since the end of last year and this has reversed to an upward trend. Looking technically underpinned, we expect the USD to also benefit from fundamental support as the market begins to accept that the year will end with an increase in interest rates. As a result, we see any lapses in dollar strength as an opportunity to take long positions with a close above 98.50 (just above the one year 76.4% Fibonacci retracement) as opening the path for a retest of 100.50, the high of the last 12 months. The graph below technically re-enforces this as we see the weekly candle begin to open and close above both the 50 week MA and the former downward channel.

*Source: Bloomberg, Emirates NBD Research*

## More ECB action awaited

The EUR has weakened against most of the other majors over the last 30 day period, the exceptions being against JPY and GBP. During this period, we have seen EURUSD fall 1.87% from 1.1226 to 1.1017, having reached lows of 1.0966. Of note is the pair's downside vulnerability, demonstrated by the break through the 200 day MA (1.1174) which had previously acted as a support since the end of the July 2016. It is also worth noting a fall below the 50% one year Fibonacci retracement of 1.1070 and the psychologically significant level of 1.10.

This move was caused in part by muted economic data from the Eurozone, which has demonstrated a slowdown in growth and an increase in unemployment to 10.1% and renewed market expectations that the European Central Bank may not be done with monetary stimulus. While the market does not expect any change in monetary policy from the ECB in October, there is a possibility that Draghi prepares the market for more QE in December, or at least for an extension of QE beyond March next year when the current program comes to an end. This message contrasts with the generally bullish comments from FOMC members, maintaining interest rate divergence as the main driver of EURUSD weakness for the time being.

Based on these technical factors as well as less attractive fundamentals, we are looking for a sustained break of 1.0941 (38.2% one year Fibonacci retracement) to confirm further weakness and pave the way for a further slide to 1.0782, the 23.6% one year Fibonacci retracement which has held as a support since the 7th January 2016.

## JPY vulnerable after breaking out of channel

The Japanese yen (JPY) spent the first three quarters of 2016 to some extent surprising markets by going from strength to strength.

However, the resolve of yen bulls will have been rattled as USDJPY has breached several significant technical barriers in the last two weeks with the JPY having been the second worst performer of the last one month after GBP. On the 4th October the pair broke its 50 day MA of 101.75 and closed more than 100 pips higher at 102.90, a very bullish reversal which also saw it break out of the upper channel of the downward trend line that the pair had been in since February 2016 (see chart below). In addition the pair broke its 100 day MA on 10th October and has closed above this level every day for the previous week. To add to this technical weakness, expectations of further measures from the BOJ combined with an increase in interest rates from the Fed should result in further bid for the pair as we approach the twilight of 2016 and we expect to see the pair circa 108 before the new year.

## Further near-term AUD upside cannot be ruled out

AUD has been the outperformer of the last month, erasing earlier losses to gain against all the other majors. Considering the AUDUSD from a technical perspective, we have seen the 100 day MA continue to provide the strong support seen since the end of July, with the false break of this level on the 13th September being quickly reversed. Further analysis of the 4 hour candle chart and the initial downward trend from 29th September shows that the pair has broken out of the channel and seems likely to attempt a retest of the one year high of 0.7835. Therefore while we maintain that the AUD should finish the year softer, the technical are showing that further near term upside cannot be ruled out.

### USDJPY – downward trend reverses

*Source: Bloomberg, Emirates NBD Research*

### AUD bullish in nearterm

*Source: Bloomberg, Emirates NBD Research*

### 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 | | 0.823 | 0.747 | 0.716 | -0.634 | -0.348 | 0.642 | 0.612 |
| EUR/GBP | 0.823 | | 0.748 | 0.174 | -0.368 | 0.031 | 0.438 | 0.444 |
| EUR/JPY | 0.747 | 0.748 | | 0.319 | 0.040 | -0.247 | 0.293 | 0.249 |
| GBP/USD | 0.716 | 0.174 | 0.319 | | -0.747 | -0.649 | 0.599 | 0.501 |
| USD/JPY | -0.634 | -0.368 | 0.040 | -0.747 | | 0.233 | -0.620 | -0.635 |
| USD/CAD | -0.348 | 0.031 | -0.247 | -0.649 | 0.233 | | -0.450 | -0.440 |
| AUD/USD | 0.642 | 0.438 | 0.293 | 0.599 | -0.620 | -0.450 | | 0.514 |
| NZD/USD | 0.612 | 0.444 | 0.249 | 0.501 | -0.635 | -0.440 | 0.514 | |

*Source: Bloomberg, Emirates NBD Research*

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# Equities

**Last month, global equity markets paused as first signs appeared of a possible rethink from central banks about the longevity of the current direction of monetary policies. There were also concerns over lack of earnings growth and debate over the need for fiscal stimulus. While the headline performance numbers would suggest that markets remained resilient to these thoughts, it was possibly a case of individual markets pulling broad indices higher. Having said that, conditions continue to remain broadly supportive for equities to trend higher albeit with increased volatility.**

The performance of equity markets over the last month was strung together by moves in the forex and commodity markets. Though the MSCI World index declined -0.5% 1m, there were pockets of wide outperformance. The FTSE 100 index rallied +4.5% 1m as the GBP dropped -5.8% 1m. Similarly, the Nikkei index gained +2.7% 1m amid -1.8% 1m weakness in the JPY. The MSCI EM index gained +1.1% 1m helped by +9.8% 1m move in the Bovespa index and +4.6% 1m gain in the MSCI Russia index. Both these indices benefitted from +13.5% 1m rally in ICE Brent futures.

After having fallen to lowest levels since 1994, there has been some pick-up in realized and implied volatility. The VIX index and the V2X index has gained +20.3% 5d and +7.1% 5d. The JP Morgan EM Volatility index continues to remain subdued with drop of 3.2% 5d.

The road leading up to the end of the year is dotted by a series of key events including the US elections, the OPEC meeting, the Italian referendum and central bank meetings. Each of these events have the potential to disrupt the risk-on sentiment. More so, when the markets are pricing in a favourable outcome in each of these events. As we said in our last monthly, the odds of a negative surprise on any count is not as low as the market is pricing in. These coupled with a rather weak start to the Q3 2016 earnings season at a time when valuations are high does lay the ground for heightened volatility and a possible shift to a more cautious approach. The BofA-ML fund manager survey for October does indicate the same with cash levels jumping to 5.8% from 5.5%.

## The last nine months

Global equity markets managed to hold ground in the first 9m 2016 even as flows were punctuated by key event including Brexit. While equity markets did deliver positive returns with the MSCI World index returning +6.1%, it was in mid-quartile among other asset classes. High yield corporate bonds (+14.2%) and Global REITs (+12.1%) were among the best performing asset classes.

Much of the strength in the broader equity index was on account of +16.3% return delivered by emerging markets equities. In fact, returns from the MSCI Emerging Markets index was the third best among all individual asset classes after Brent oil (+31.6%) and gold (+24.0%). The MSCI EAFE index and the MSCI FM index returned +2.2% and +2.1% respectively. The outperformance of emerging markets has been a consistent trend throughout 2016 as they continue to benefit from low interest rates in developed world, stronger growth matrix and supportive commodity prices.

## Asset Class Returns

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 9M 2016 |
|---|---|---|---|---|---|---|---|---|
| Global Equities | 30.87% | 12.41% | -4.99% | 16.56% | 27.42% | 5.57% | -0.28% | 6.06% |
| DM Equities | 32.63% | 8.34% | -11.68% | 17.96% | 23.43% | -4.32% | -0.28% | 2.20% |
| EM Equities | 78.55% | 19.24% | -18.16% | 18.62% | -2.31% | -1.96% | -14.60% | 16.28% |
| FM Equities | 11.32% | 22.19% | -18.43% | 8.47% | 25.94% | 6.61% | -14.78% | 2.12% |
| GCC Equities | 13.58% | 15.29% | -9.24% | 8.00% | 26.03% | 1.31% | -14.85% | -4.29% |
| Dev Sov Bonds* | - | 6.04% | 6.41% | 1.41% | -4.59% | 0.11% | -2.36% | 12.02% |
| Treasuries* | - | 6.00% | 9.77% | 2.03% | -3.37% | 6.19% | 0.85% | 5.05% |
| HY Corp Bonds* | - | 12.00% | 2.66% | 18.63% | 7.55% | -0.26% | -4.90% | 14.23% |
| UAE USD Bonds* | | | | | | 5.57% | 1.78% | 5.68% |
| Commodities | 18.72% | 16.67% | -13.37% | -1.14% | -9.58% | -17.04% | -24.70% | 8.63% |
| Gold* | 24.73% | 29.48% | 10.06% | 7.14% | -27.97% | -1.34% | -10.20% | 23.96% |
| Oil (Brent)* | 70.94% | 21.58% | 13.33% | 3.47% | -0.28% | -48.26% | -34.97% | 31.60% |
| Global REITs | 28.47% | 31.37% | 5.68% | 21.08% | -2.10% | 33.51% | 0.70% | 12.08% |
| Hedge Funds | 9.15% | 7.34% | -5.15% | 5.04% | 7.37% | 1.43% | 0.61% | 2.87% |

*Source: Bloomberg, Emirates NBD Research*

*Indices used - Global Equities (MXWO index), DM Equities (MXEA Index), EM Equities (MXEF Index), FM Equities (MXFM Index), GCC Equities(SEMGPCPD Index) Dev Sov Bonds (BGSV Index), Tresuries (BUSY Index), HY Corp Bonds (BHYC Index), UAE USD Bonds (BUAEUL Index), Commodities (BCOM Index), Gold and Oil (Spot Prices) Global REITS (ENXG Index), Hedge Funds (BBHFUNDS Index). * shows price change while others show total return.*

Within emerging markets, the outperformance was driven by Latin American markets to a large extent followed by Russia and India. While the MSCI EM LA sub index returned +30.1% in 9m 2016, the MSCI Russia index jumped +26.5% and the MSCI India index rallied +6.5%. The same is borne out by fund flows data which shows that EM funds have received inflows to the tune of USD 9.2bn ytd compared to an outflow of USD 142.2bn ytd from equities as a whole. Within the EM space, LatAm funds have received inflows of USD 4.8bn ytd.

For the MENA region, the first nine months have been marked by increased volatility and indifference of investors. It is also notable that the correlation between oil prices and regional markets declined as the year progressed. The S&P Pan Arab Composite index returned -4.3% compared to a +31.6% gain in Brent prices. Much of the underperformance can be pinned to -18.5% drop in the Tadawul which in turn was partly on account of several austerity measures initiated by the government.

## The next three months

For equity markets the next three months could be all about politics, policy and positioning. These along with the ongoing earnings season are a perfect cocktail for a potential rise in volatility and a shift to risk aversion.

### Politics

Much of the attention has centered on the US elections. While the odds of a Donald Trump win has lengthened considerably, the focus has shifted to a possible gridlock in the Senate for the new US President. The market is currently pricing in a Hillary Clinton win and hence there is little upside if that happens. Having said that, if a Hillary Clinton win is accompanied by a Democratic win in the House and/or Senate then we could see a re-pricing of risk in the US. The promise of an increase in fiscal spending by both candidates is a marginally positive for growth but not a game-changer. Needless to say, a Donald Trump win in the US would be a negative surprise for global equity markets.

The Italian referendum scheduled for early December is effectively a referendum about Prime Minister Renzi. Currently, the outcome of the vote is too close to call but the risk of rejection is increasing. A rejection resulting in a new government is being considered as a best case scenario. However, if the rejection results in fresh election then we could see an increase in risk-aversion. The overall risk is also exacerbated by the fact that key challenges of low growth and weakness in the banking system remains.

### Policy

Central banks across the world are reaching the limits of monetary easing and they have started to drop hints about the same (see Global Macro). The Bank of Japan (BoJ) is at the forefront, owning c.40% of Japanese government bonds and if they maintain the current pace of buying then by some estimates, BoJ would hold nearly two-third of government bonds by 2020. Seen in this light, it is no surprise to see the BoJ shift to targeting 10-year yields from a blanket purchase of bonds. The situation for European Central Bank (ECB) is similar with the bank facing a shortage of eligible bonds. The current round of QE in Europe is scheduled to end in March 2017. These two central banks have been at the forefront of quantitative easing and do appear to be running out of options.

However, the markets are pricing in a continuum of policies from these banks with further cuts in short term rates and expansion of bond purchases to riskier assets. Therein lies the risk as these additional measures are likely to have diminishing returns and perhaps unintended consequences. The steepening of yield curve is likely to result in further tightening of liquidity and banks are already hurting from negative rates. The MSCI World Banks index has declined -6.9% ytd compared to a gain of +2.3% ytd in the MSCI World index.

The Federal Reserve is widely expected to raise interest rates by 25 bps in December 2016 and the market is for once pricing this in. The divergence, however, appears when we look further into 2017 where the market is expecting no hike while the Fed is hinting at two.

### Positioning

The muted volatility over the last three months and overarching trend of hunting for yield has led to many crowded trades. The consensus positions include overweight in EM debt, US Credit, US equities and underweight in European equities and the GBP. While positioning in these trades have moderated over the past month, they still remain near extreme levels in some positions. These trades could be a source of short-term risk as they are vulnerable to a market shock or rising volatility especially when combined with high valuations owing to one of the many events scheduled over the next three months.

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# Commodities

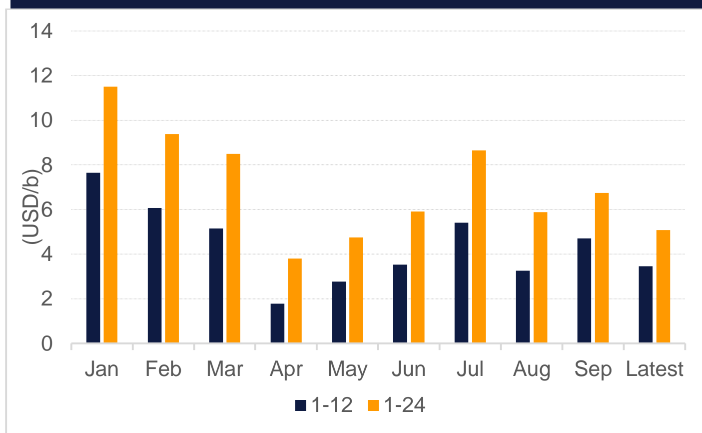
**Speculation ahead of OPEC's meeting in Algeria and its announcement that it had effectively given up on its market share strategy and would return to targeting prices helped oil futures rally strongly over the last three months. Front month Brent futures have gained more than 20% since the start of August, primarily on the back of the market expecting something out of OPEC. But while prompt prices have been rallying strongly, the structure of the forward curve for oil futures has remained stubbornly in contango, a condition where longer-dated prices are higher than near-term prices. Generally, the 1-year and 2-year out curves have flattened recently on the back of the rally in short-term prices but the structure of the curve has remained upward sloping.**

## How did we get here

What has caused the contango in oil markets and what explains its persistence? Oil futures flipped from backwardation (when near-term prices are higher than longer dated ones) in the middle of 2014 as oil prices started their slump down to current levels. Markets began to take notice—belatedly—of the surplus in crude and the extraordinary build up in inventory levels. With the market averaging a surplus of 1.6m b/d in 2015 and around 800k b/d in H1 2016 and inventories elevated across global trading hubs a contango structure looked warranted.

There have been momentary switches at the front end of the curve into small backwardation—most notably in April around the lead up to talks between OPEC and Russia about freezing output—but the premium over longer dated prices has never stuck for very long. A rebalancing of supply to match demand conditions would help prevent any further build-up of inventories but doesn't address the overhang that will be haunting markets for the next several years.

**Contango has flattened but not vanished**




*Source: Bloomberg, Emirates NBD Research. Note: Brent futures as of October 18 2016.*

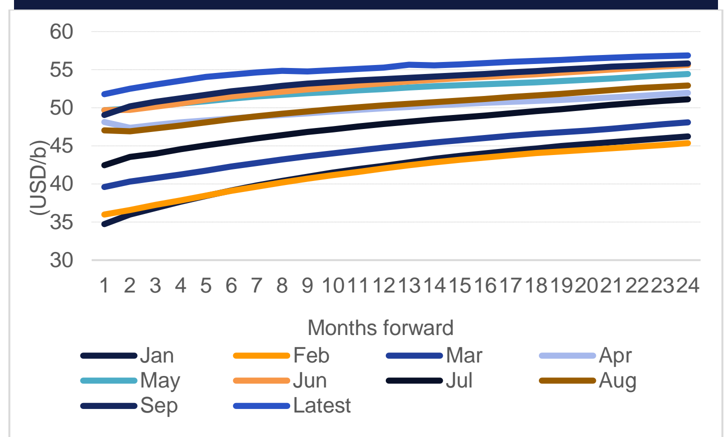
## What then does that mean for the shape of the curve going forward?

Crude balances have been tightening: witness the 38m bbl draw in US inventories since their May 2016 peak and the more than 1.1m b/d drop in US output from its early June 2015 peak to current levels. Supply has also fallen from China—down 9.9% year on year in September—while inventories of oil products in Singapore have been converging toward their five-year average.

But the pace of rebalancing has been frustratingly slow largely thanks to demand showing a muted reaction to low oil prices several years into the current slump. Both the IEA and OPEC are projecting slower demand growth in 2017 and a tentative increase in non-OPEC supplies. Neither of these dynamics bodes particularly well for a hastening of the market's balancing act.

So that leaves balancing—and any changes to the front of the curve—largely at the feet of OPEC in our view. Momentary supply or demand shocks, say Libya's tentative return to global oil supplies failing or Indian demand surging on the back of a weak 2017 monsoon, could support a short-term rise in near-term futures but would likely be quickly squashed downward again as less disciplined OPEC producers find it hard to resist the higher prices.

**55 appears as a limit for long-term prices**




*Source: IEA, Bloomberg, Emirates NBD Research. Note: futures curve as of last calendar day of month. Latest: October 18 2016.*

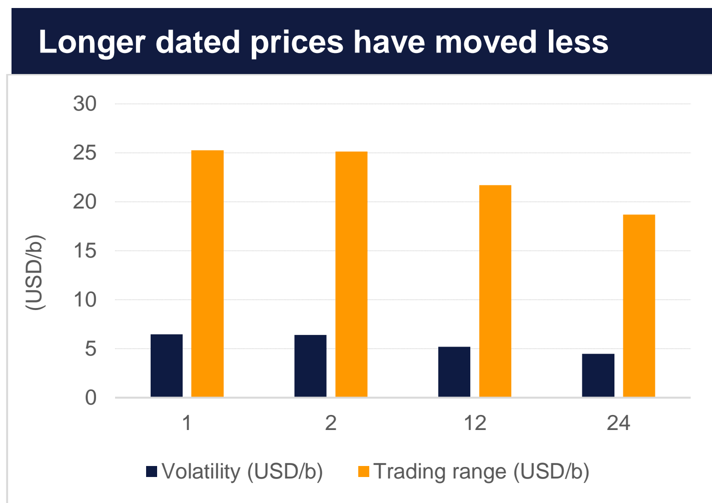
Our forecast is for a gradual rise in oil prices from current levels based on the market rebalancing remaining intact. OPEC's surprise decision in September will also make the market less assured about second guessing the producers' bloc. But while we see higher prices going forward they aren't likely to be much higher. Our forecast is for Brent to average USD 55.50/b in 2017, more or less in line with the current curve.

But much longer-dated pricing doesn't bode well for oil producers or economies highly reliant on oil exports. The current calendar year strip for 2021 futures is around USD 60/b, just 16% higher than current spot prices and below our estimates of fiscal break even prices for all GCC sovereigns except for the UAE. Fear of US shale oil returning to markets along with doubts about future demand are keeping long-dated futures muted. Over the course of the year,

futures for delivery in two years have struggled to move convincingly above USD 55/b (see chart above).

The market's expectation of the shale industry's response to low prices was proven incorrect during the price slump from mid-2014 to around mid-2015 and there is every chance that the market will get it wrong on the way back up as well, meaning a price recovery could be swifter than currently expected. But the shale industry hasn't disappeared, hence the resistance of long-dated prices to move significantly higher even with the major cuts to capital expenditure from the IOCs on conventional projects.

## Longer dated prices have moved less




*Source: Bloomberg, Emirates NBD Research. Note: ICE Brent futures Jan 1 2016 – Oct 18 2016.*

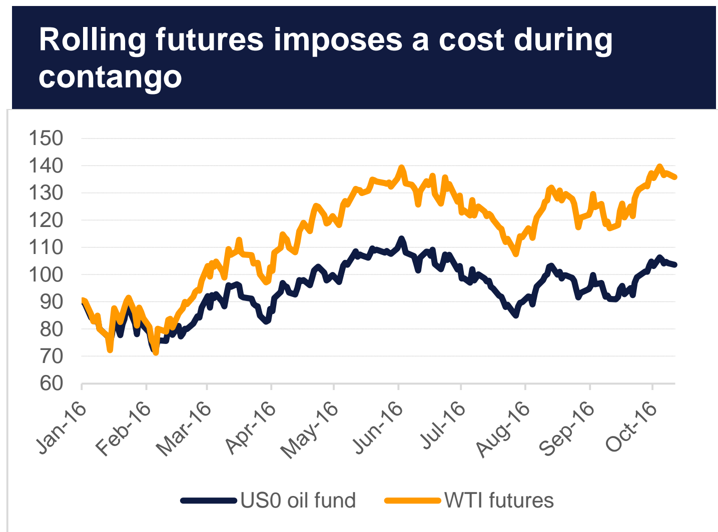
We expect that the contango structure will remain intact for 2017, barring temporary moves at the front of the curve related to oil market news-flow. With the market now having to contend with an OPEC threatening to intervene to support prices while at the same time preparing for a resurgence in US oil production, a flatter, but not inverted curve is likely on the cards for the foreseeable future.

## A note on investing in futures during contango markets

A contango curve poses a risk for investment in oil futures as positons must be rolled over each month if the strategy is to have exposure to the most liquid contract. With the curve upward sloping, new positions will invariably be more expensive than expiring ones, exposing the position to negative roll yield. In the current market there is also little guarantee that the aggregate return on buying and closing oil futures over several months would be enough to compensate for the negative roll yield.

This risk is evident in this year's performance of the USO fund which attempts to track the performance of WTI futures. While we have been discussing the Brent futures curve for the most part, the general narrative has held true for WTI as well. Front month WTI futures have rallied around 35% year to date while the USO fund is up less than 4% (see chart below).

## Rolling futures imposes a cost during contango




*Source: Bloomberg, Emirates NBD Research.*

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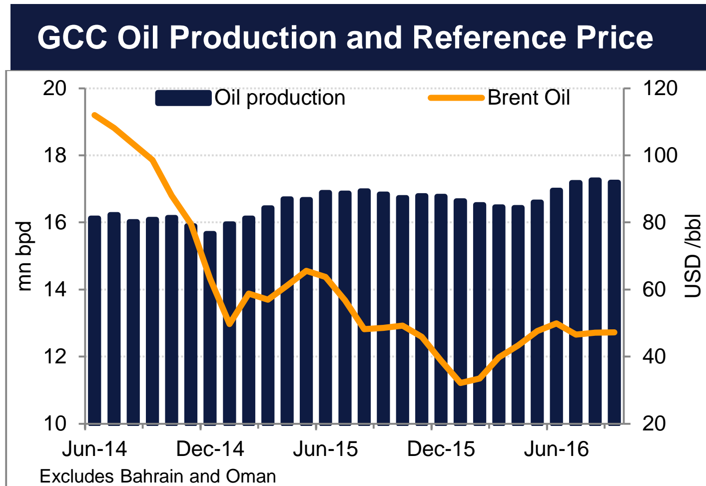
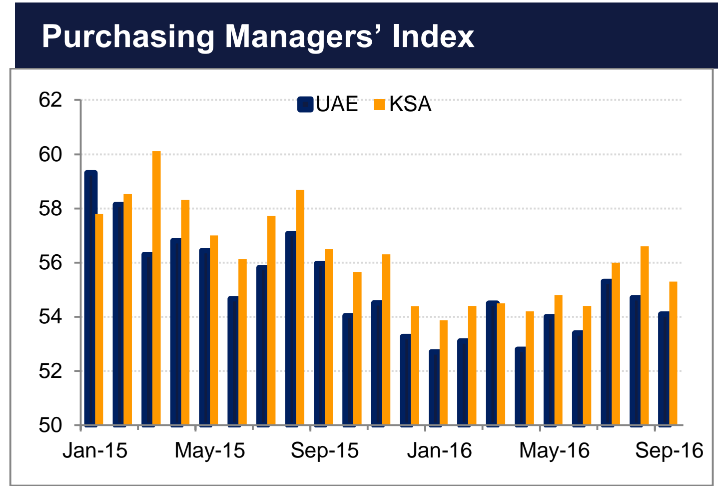
## GCC in Pictures

### GCC Oil Production and Reference Price



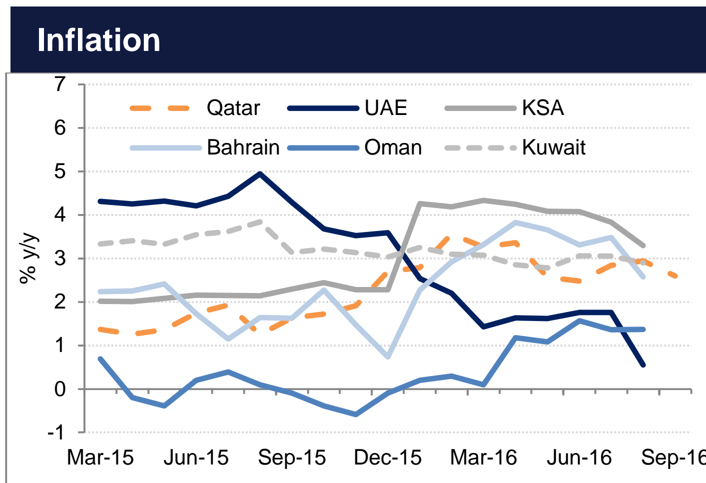

*Source: Bloomberg, Emirates NBD Research*

### Purchasing Managers' Index



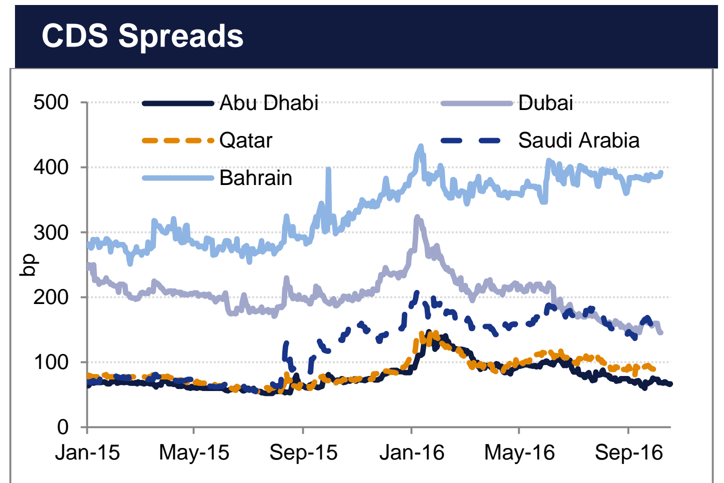

*Source: Markit, Emirates NBD Research*

### Inflation



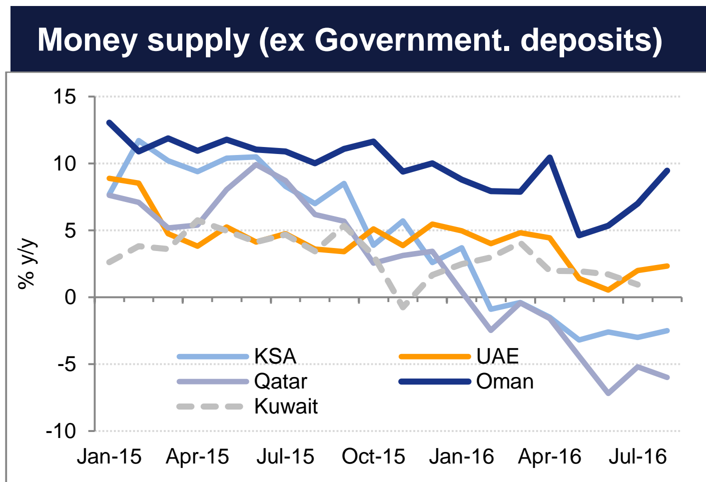

*Source: Haver Analytics, Emirates NBD Research*

### CDS Spreads



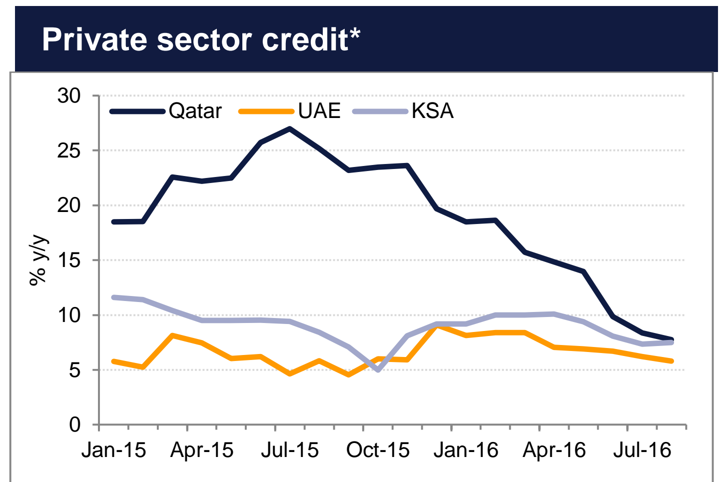

*Source: Bloomberg*

### Money supply (ex Government. deposits)




*Source: Haver Analytics, Emirates NBD Research*

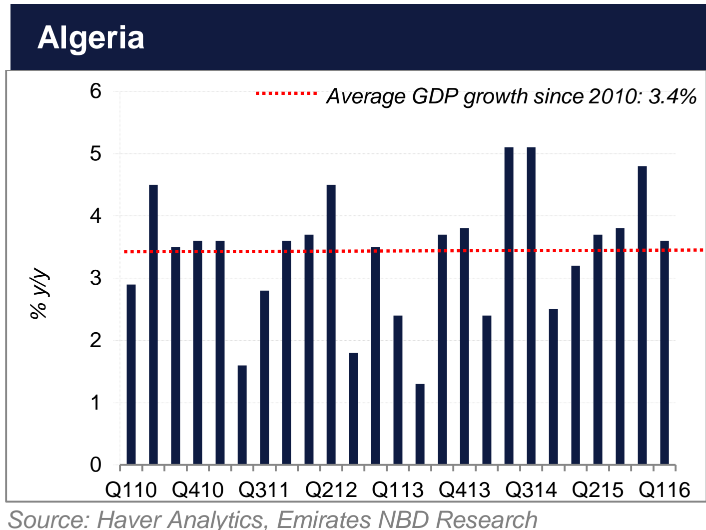
### Private sector credit*




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

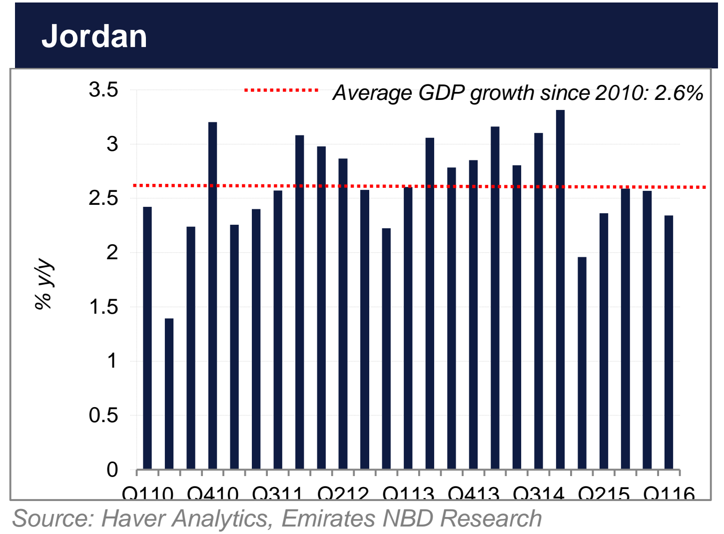
## MENA in Pictures – GDP

### Algeria



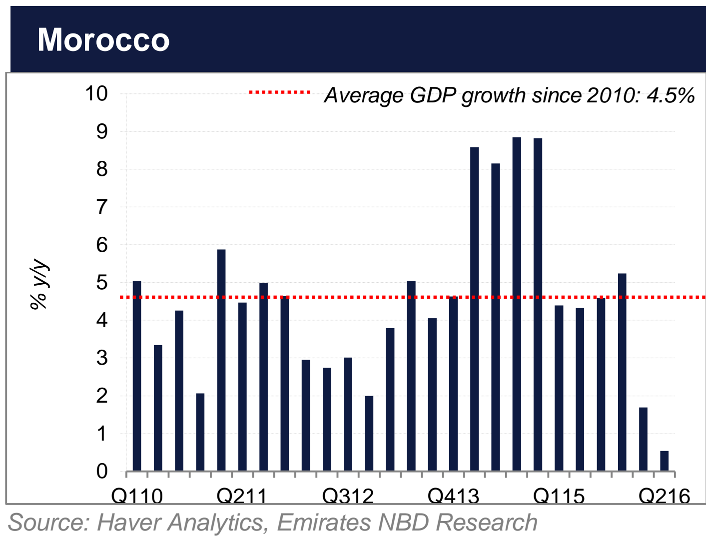

*Source: Haver Analytics, Emirates NBD Research*

### Jordan



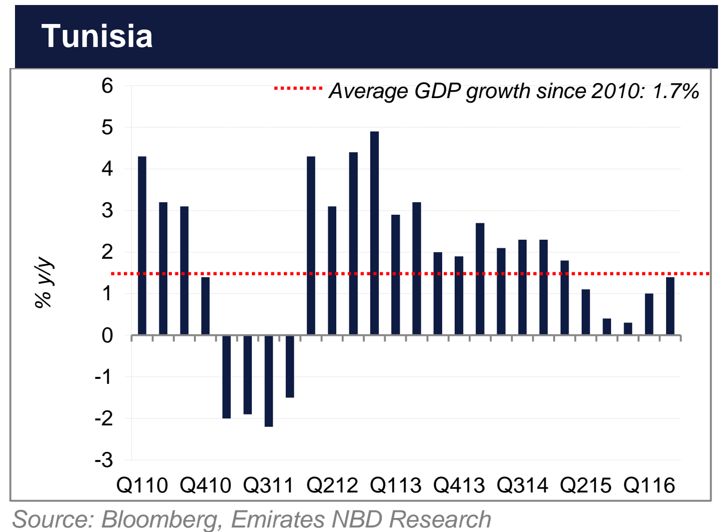

*Source: Haver Analytics, Emirates NBD Research*

### Morocco



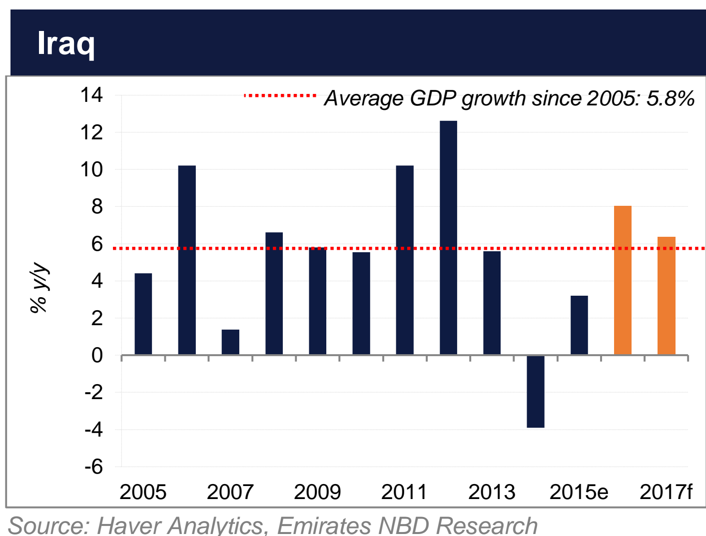

*Source: Haver Analytics, Emirates NBD Research*

### Tunisia



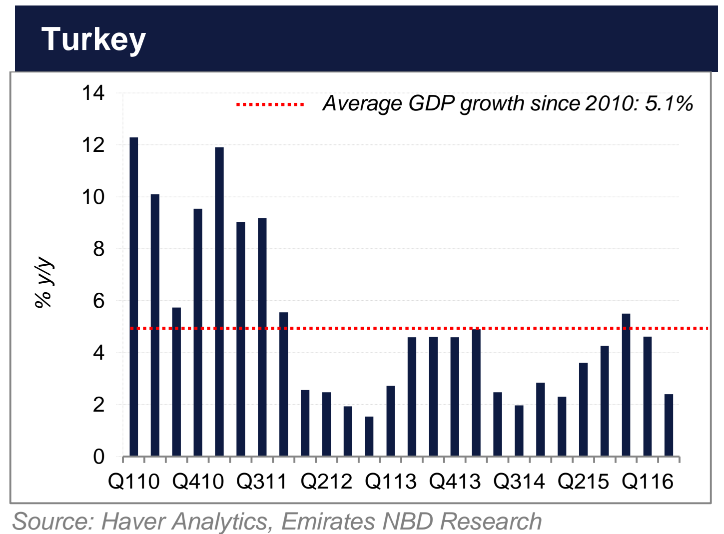

*Source: Bloomberg, Emirates NBD Research*

### Iraq



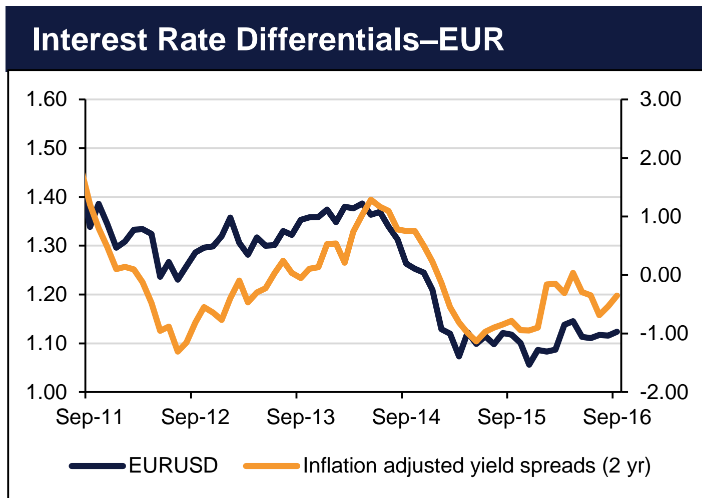

*Source: Haver Analytics, Emirates NBD Research*

### Turkey

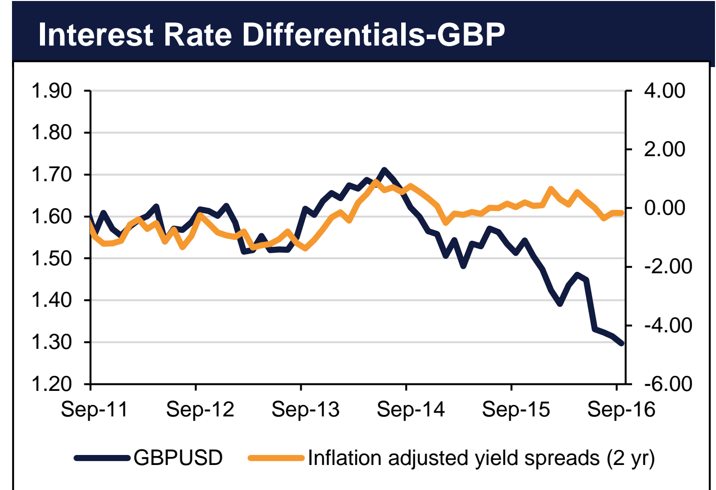



*Source: Haver Analytics, Emirates NBD Research*

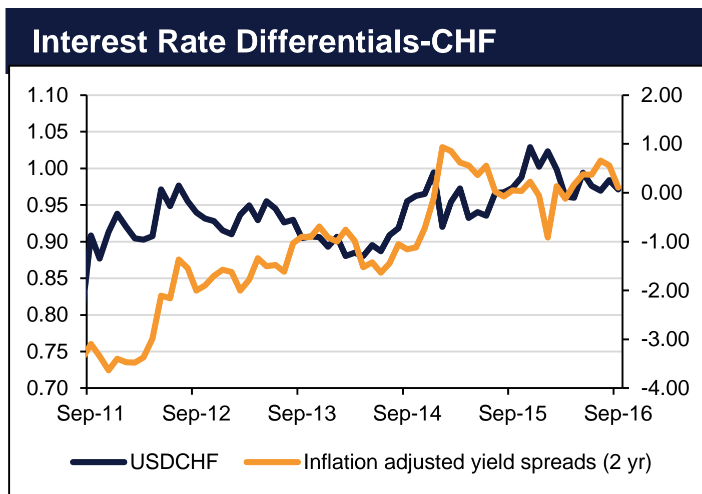
## FX–Major Currency Pairs & Real Interest Rates



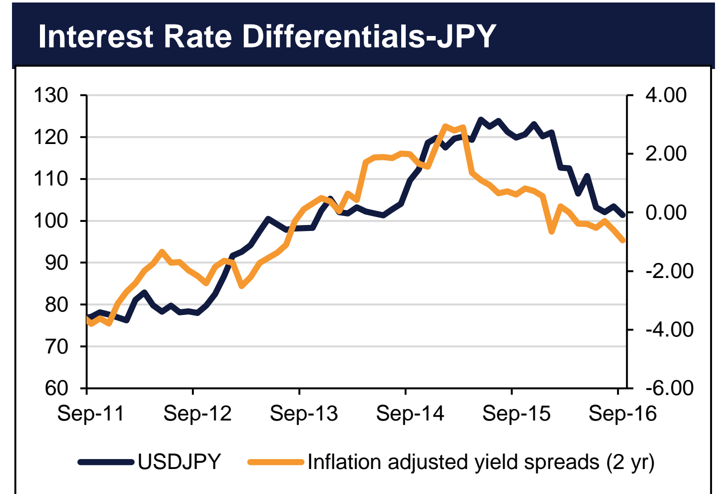

*Source: Bloomberg, Emirates NBD Research*



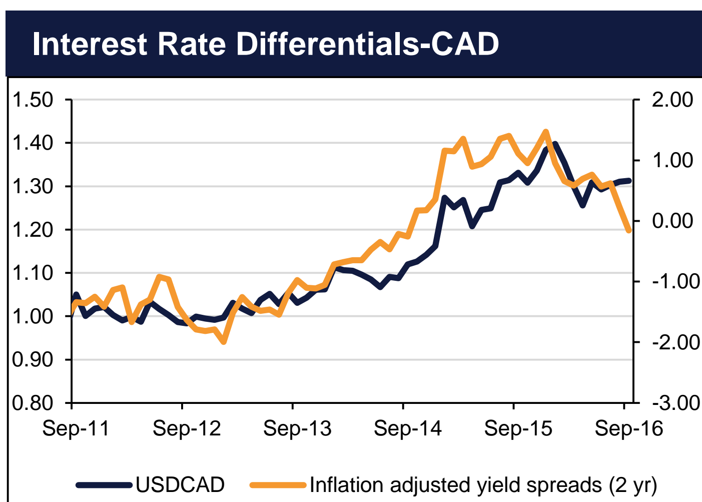

*Source: Bloomberg, Emirates NBD Research*



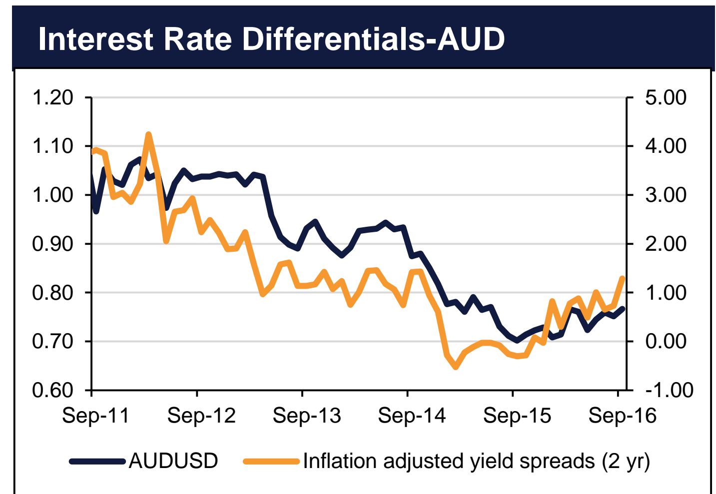

*Source: Bloomberg, Emirates NBD Research*




*Source: Bloomberg, Emirates NBD Research*

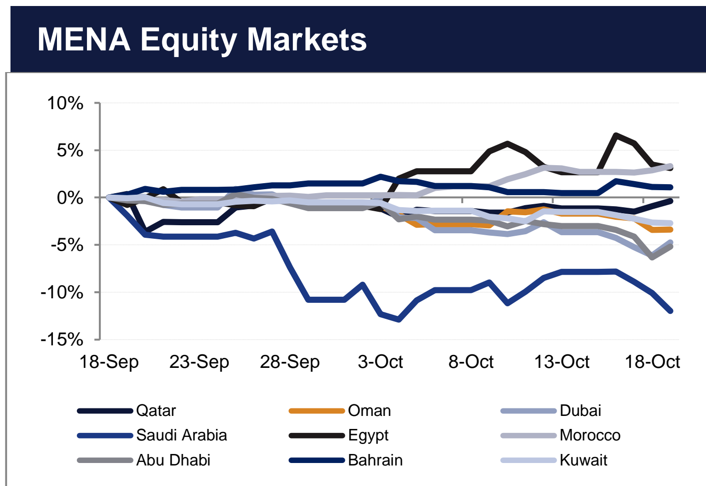



*Source: Bloomberg, Emirates NBD Research*

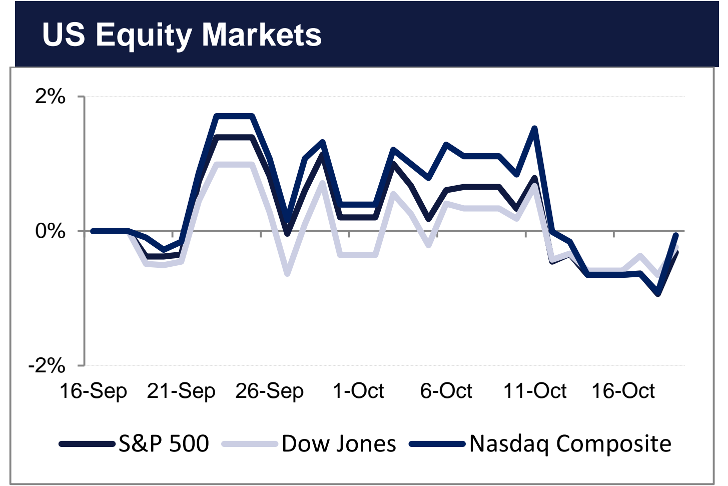



*Source: Bloomberg, Emirates NBD Research*

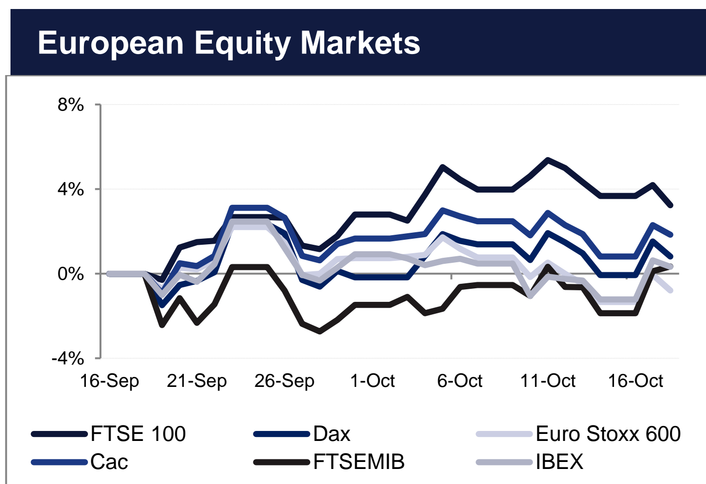
## Major Equity Markets



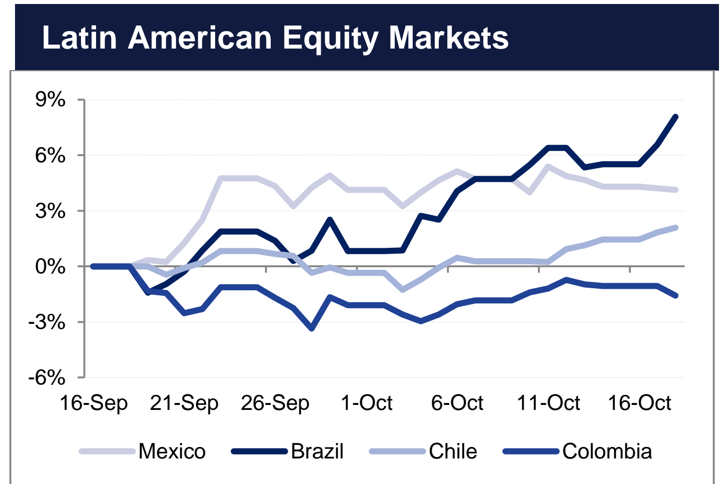

*Source: Bloomberg, Emirates NBD Research*



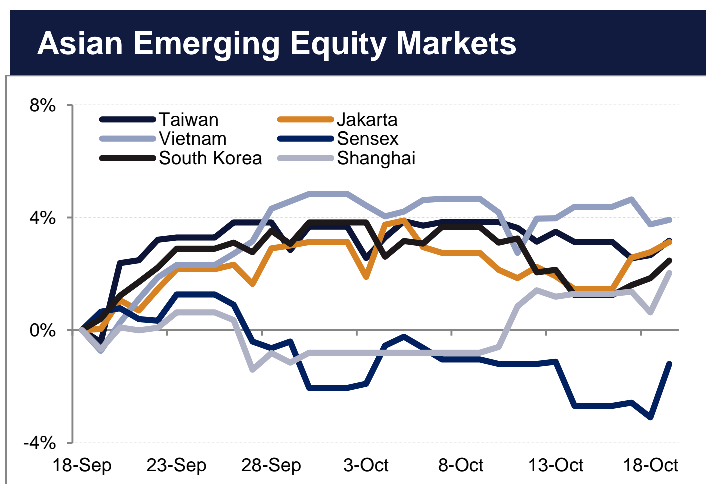

*Source: Bloomberg, Emirates NBD Research*



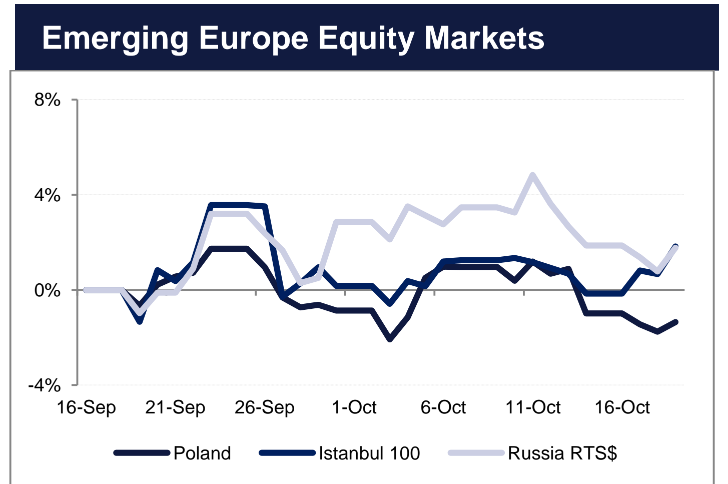

*Source: Bloomberg, Emirates NBD Research*




*Source: Bloomberg, Emirates NBD Research*




*Source: Bloomberg, Emirates NBD Research*

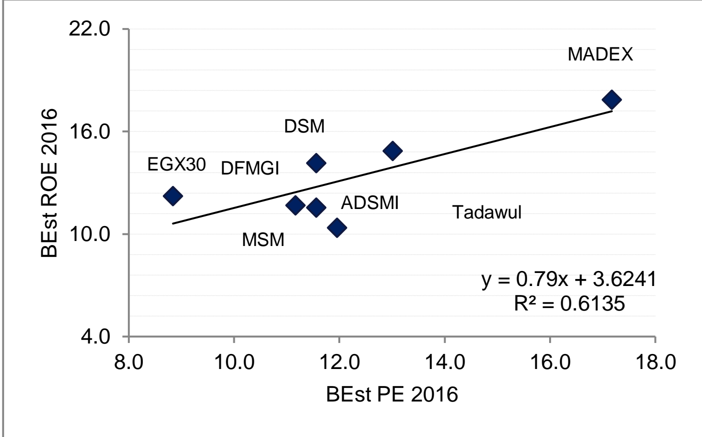



*Source: Bloomberg, Emirates NBD Research*

Emirates NBD

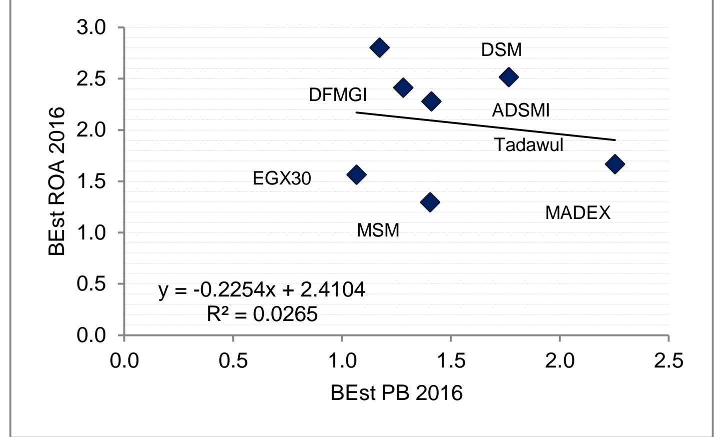
## Major Equity Markets

### MENA Equity Indices PE/ROE 2016E



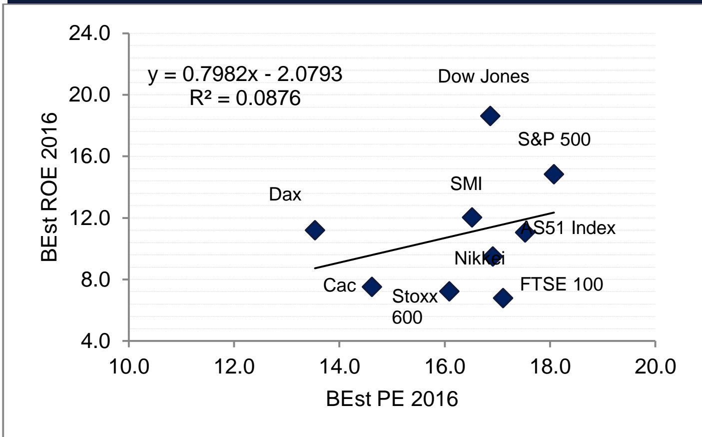

*Source: Bloomberg, Emirates NBD Research*

### MENA Equity Indices PB/ROA 2016E



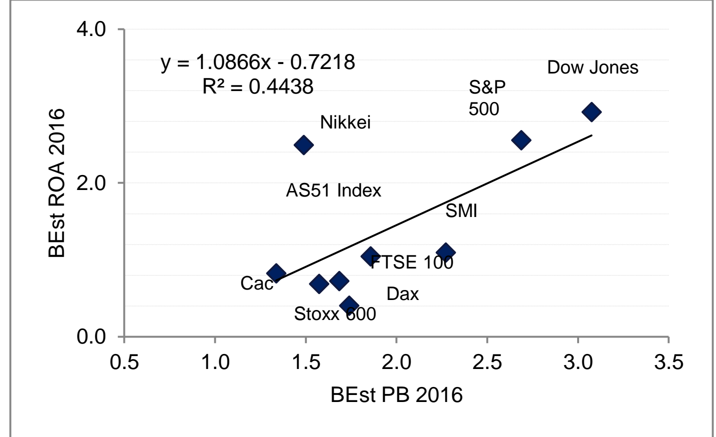

*Source: Bloomberg, Emirates NBD Research*

### D. Market Equity Indices PE/ROE 2016E



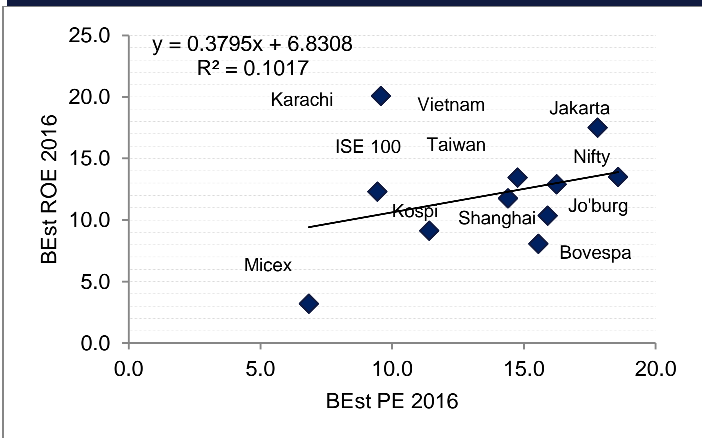

*Source: Bloomberg, Emirates NBD Research*

### D. Market Equity Indices PB/ROA 2016E



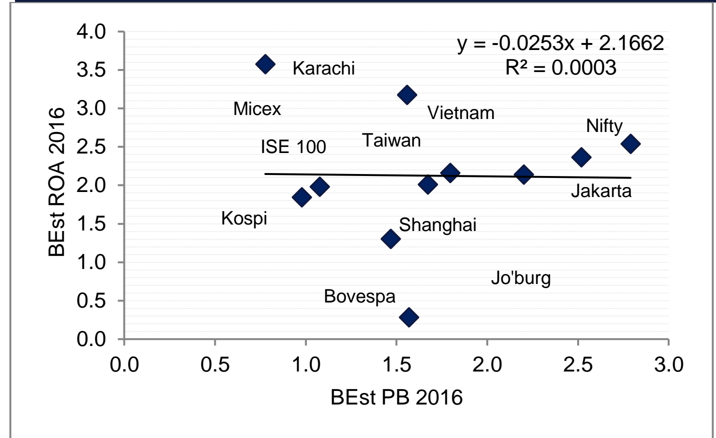

*Source: Bloomberg, Emirates NBD Research*

### E. Market Equity Indices PE/ROE 2016E




*Source: Bloomberg, Emirates NBD Research*

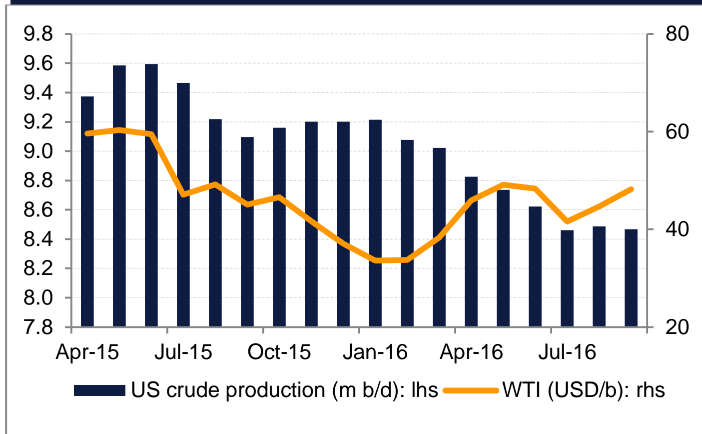
### E. Market Equity Indices PB/ROA 2016E




*Source: Bloomberg, Emirates NBD Research*

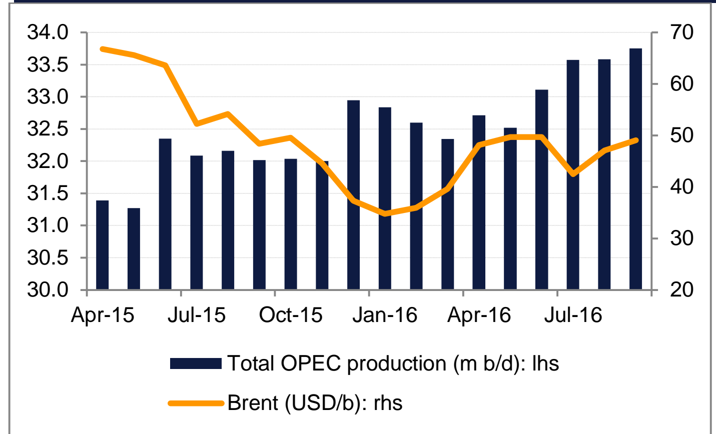
## Major Commodities in Pictures

### US oil production and price



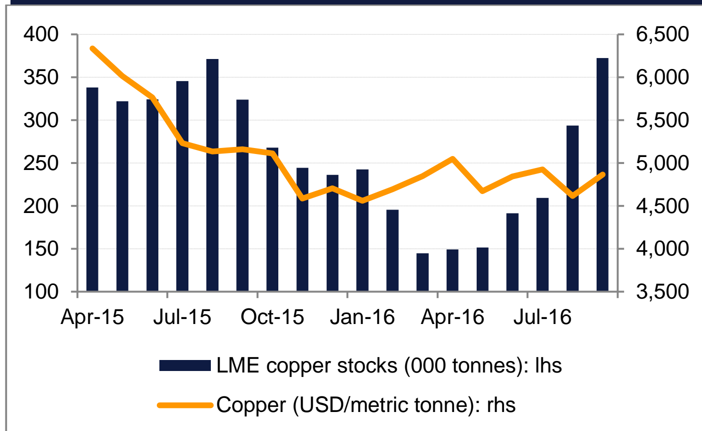

*Source: Bloomberg, Emirates NBD Research*

### International oil production and price



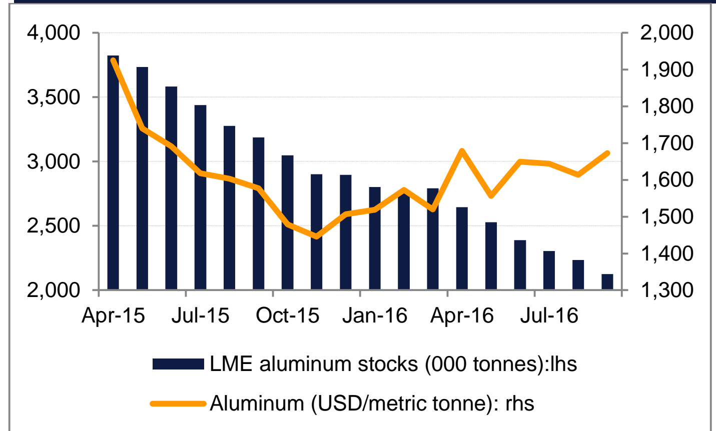

*Source: Bloomberg, Emirates NBD Research*

### Copper stocks and price



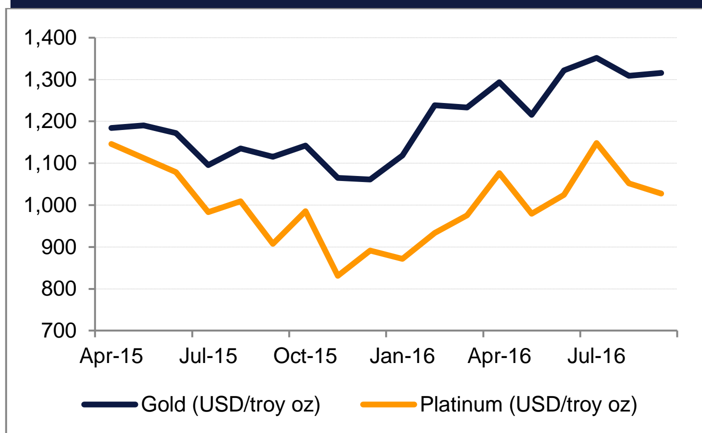

*Source: Bloomberg, Emirates NBD Research*

### Aluminum stocks and price



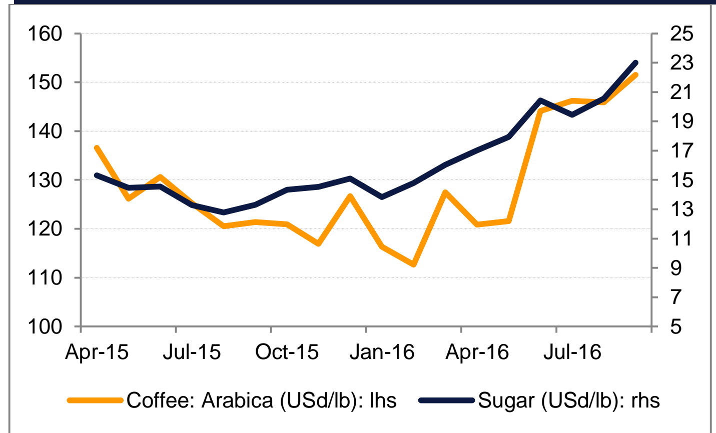

*Source: Bloomberg, Emirates NBD Research*

### Precious metals prices




*Source: Bloomberg, Emirates NBD Research*

### Agriculture prices




*Source: Bloomberg, Emirates NBD Research*

## Key Economic Forecasts - GCC

| United Arab Emirates | 2013 | 2014 | 2015 | 2016f | 2017f |
|---|---|---|---|---|---|
| **Nominal GDP $bn** | 388.9 | 402.2 | 370.5 | 373.3 | 412.7 |
| **Real GDP %** | 4.7 | 3.1 | 3.8 | 3.0 | 3.4 |
| **Current A/C % GDP** | 19.1 | 10.0 | 3.3 | 2.3 | 5.1 |
| **Budget Balance % GDP** | 10.4 | 5.0 | -2.1 | -3.4 | -0.1 |
| **CPI %** | 1.1 | 2.3 | 4.1 | 2.5 | 3.5 |
| Saudi Arabia | | | | | |
| **Nominal GDP $bn** | 744.3 | 753.8 | 653.2 | 644.5 | 712.8 |
| **Real GDP %** | 2.7 | 3.6 | 3.4 | 1.4 | 1.8 |
| **Current A/C % GDP** | 18.0 | 10.0 | -3.9 | -6.7 | -3.3 |
| **Budget Balance % GDP** | 6.5 | -2.3 | -15.0 | -13.9 | -7.9 |
| **CPI %** | 3.5 | 2.7 | 2.2 | 2.5 | 2.8 |
| Qatar | | | | | |
| **Nominal GDP $bn** | 201.9 | 210.1 | 166.5 | 166.9 | 195.5 |
| **Real GDP %** | 4.8 | 5.0 | 3.5 | 4.3 | 5.2 |
| **Current A/C % GDP** | 31.0 | 25.1 | 8.1 | -1.1 | 0.0 |
| **Budget Balance % GDP** | 15.6 | 7.4 | -4.8 | -7.1 | -6.9 |
| **CPI %** | 3.1 | 3.3 | 1.8 | 2.5 | 3.0 |
| Kuwait | | | | | |
| **Nominal GDP $bn** | 175.8 | 166.3 | 116.9 | 96.6 | 111.9 |
| **Real GDP %** | 1.1 | 0.5 | 1.8 | 2.7 | 3.0 |
| **Current A/C% GDP** | 39.5 | 32.3 | 7.3 | -1.0 | 9.4 |
| **Budget Balance % GDP** | 25.9 | 7.4 | -13.1 | -17.3 | -8.9 |
| **CPI %** | 2.7 | 2.9 | 3.3 | 3.5 | 3.5 |
| Oman | | | | | |
| **Nominal GDP $bn** | 78.8 | 80.9 | 69.7 | 71.4 | 79.6 |
| **Real GDP %** | 4.4 | 2.5 | 5.7 | 3.1 | 2.6 |
| **Current A/C % GDP** | 6.9 | 5.2 | -15.5 | -18.7 | -10.9 |
| **Budget Balance % GDP** | -0.3 | -3.4 | -17.2 | -13.3 | -8.7 |
| **CPI %** | 2.1 | 1.0 | 0.1 | 1.0 | 1.5 |
| Bahrain | | | | | |
| **Nominal GDP $bn** | 32.5 | 33.4 | 31.1 | 31.9 | 34.5 |
| **Real GDP %** | 5.4 | 4.4 | 2.9 | 2.6 | 3.5 |
| **Current A/C % GDP** | 7.9 | 3.4 | -2.8 | -5.0 | -2.7 |
| **Budget Balance % GDP** | -3.4 | -3.6 | -13.0 | -16.0 | -12.7 |
| **CPI %** | 3.3 | 2.7 | 1.9 | 3.5 | 3.0 |
| GCC (Nominal GDP weighted avg) | | | | | |
| **Nominal GDP $bn** | 483.4 | 491.6 | 434.1 | 431.9 | 476.2 |
| **Real GDP %** | 3.4 | 3.3 | 3.5 | 2.4 | 2.8 |
| **Current A/C % GDP** | 21.5 | 13.8 | -0.2 | -3.8 | -0.1 |
| **Budget Balance % GDP** | 10.1 | 1.6 | -10.3 | -10.5 | -5.9 |
| **CPI %** | 2.7 | 2.6 | 2.6 | 2.5 | 3.0 |

*Source: Haver Analytics, National sources, Emirates NBD Research*

Emirates NBD

## Key Economic Forecasts – Non-GCC Oil Importers

| Egypt* | 2013 | 2014 | 2015 | 2016f | 2017f |
|---|---|---|---|---|---|
| **Nominal GDP $bn** | 281.9 | 301.4 | 330.7 | 340.6 | 263.7 |
| **Real GDP %** | 2.1 | 2.2 | 4.2 | 4.1 | 3.9 |
| **Current A/C % GDP** | -2.4 | -1.0 | -3.9 | -5.5 | -4.4 |
| **Budget Balance % GDP** | -13.67 | -12.98 | -12.53 | -14.03 | -10.35 |
| **CPI %** | 9.5 | 10.1 | 10.4 | 13.4 | 14.0 |
| **Jordan** | | | | | |
| **Nominal GDP $bn** | 29.6 | 31.5 | 33.1 | 33.9 | 35.6 |
| **Real GDP %** | 2.8 | 3.1 | 2.4 | 2.6 | 3.0 |
| **Current A/C % GDP** | -11.9 | -8.3 | -10.5 | -11.8 | -11.1 |
| **Budget Balance % GDP** | -6.3 | -2.6 | -3.9 | -2.3 | -1.8 |
| **CPI %** | 5.5 | 2.8 | -0.9 | 0.0 | 2.0 |
| **Lebanon** | | | | | |
| **Nominal GDP $bn** | 47.2 | 49.6 | 54.3 | 59.7 | 66.5 |
| **Real GDP %** | 3.0 | 2.0 | 1.6 | 2.4 | 2.6 |
| **Current A/C % GDP** | -25.2 | -23.3 | -15.0 | -14.9 | -14.7 |
| **Budget Balance % GDP** | -8.9 | -6.2 | -7.4 | -6.7 | -7.0 |
| **CPI %** | 4.2 | -8.0 | -3.8 | 2.0 | 3.0 |
| **Tunisia** | | | | | |
| **Nominal GDP $bn** | 46.2 | 46.7 | 41.8 | 40.8 | 42.2 |
| **Real GDP %** | 3.0 | 2.9 | 0.5 | 1.3 | 2.5 |
| **Current A/C% GDP** | -8.4 | -9.1 | -9.3 | -8.4 | -7.5 |
| **Budget Balance % GDP** | -6.9 | -5.0 | -5.0 | -6.8 | -6.5 |
| **CPI %** | 6.1 | 5.5 | 4.9 | 3.5 | 5.0 |
| **Morocco** | | | | | |
| **Nominal GDP $bn** | 106.7 | 109.7 | 100.7 | 117.5 | 126.5 |
| **Real GDP %** | 4.5 | 2.6 | 4.5 | 0.2 | 4.7 |
| **Current A/C % GDP** | -7.4 | -5.7 | -1.9 | -2.2 | -1.5 |
| **Budget Balance % GDP** | -5.6 | -5.2 | -4.7 | -4.2 | -3.5 |
| **CPI %** | 1.8 | 0.4 | 1.6 | 3.0 | 3.0 |
| **Oil Importers (GDP weighted avg)** | | | | | |
| **Nominal GDP $bn** | 281.9 | 201.3 | 223.5 | 229.9 | 174.0 |
| **Real GDP %** | 2.1 | 2.38 | 3.62 | 2.88 | 3.78 |
| **Current A/C % GDP** | -6.6 | -5.1 | -5.4 | -6.4 | -5.7 |
| **Budget Balance % GDP** | -10.6 | -9.5 | -9.6 | -10.2 | -7.4 |
| **CPI %** | 6.9 | 5.6 | 6.4 | 8.7 | 8.5 |

*Source: Haver Analytics, National sources, Emirates NBD Research*
*Egypt data refers to fiscal year (July-June)

Emirates NBD

## Key Economic Forecasts – Non-GCC Oil Exporters

| Algeria | 2013 | 2014 | 2015 | 2016f | 2017f |
|---|---|---|---|---|---|
| **Nominal GDP $bn** | 209.7 | 213.5 | 184.3 | 183.8 | 188.1 |
| **Real GDP %** | 2.8 | 3.8 | 3.8 | 3.3 | 2.1 |
| **Current A/C % GDP** | 0.5 | -4.3 | -14.9 | -14.5 | -8.0 |
| **Budget Balance % GDP** | -0.4 | -7.3 | -14.4 | -12.8 | -9.0 |
| **CPI %** | 4.1 | 3.9 | 4.4 | 6.5 | 5.0 |
| **Libya** | | | | | |
| **Nominal GDP $bn** | 65.8 | 41.3 | 38.2 | 40.7 | 45.9 |
| **Real GDP %** | -52.1 | -24.0 | -12.1 | 9.2 | 10.2 |
| **Current A/C % GDP** | 24.6 | -12.2 | -8.5 | -10.9 | -13.1 |
| **Budget Balance % GDP** | -7.8 | -48.1 | -21.4 | -18.4 | -16.4 |
| **CPI %** | 2.6 | 2.4 | 9.5 | 9.5 | 10.5 |
| **Iran** | | | | | |
| **Nominal GDP $bn** | 425.8 | 497.9 | 411.2 | 434.3 | 503.1 |
| **Real GDP %** | 4.3 | 4.1 | 1.5 | 4.6 | 5.4 |
| **Current A/C % GDP** | 3.7 | 1.8 | 3.1 | 4.1 | 4.2 |
| **Budget Balance % GDP** | -0.5 | -0.7 | -0.7 | -0.7 | -0.7 |
| **CPI %** | 37.4 | 15.9 | 11.0 | 13.0 | 11.0 |
| **Iraq** | | | | | |
| **Nominal GDP $bn** | 205.2 | 225.4 | 294.3 | 327.8 | 363.1 |
| **Real GDP %** | 5.6 | -3.9 | 3.2 | 8.0 | 6.4 |
| **Current A/C% GDP** | 11.0 | 10.8 | 1.4 | -2.6 | -3.2 |
| **Budget Balance % GDP** | -6.9 | -6.0 | -14.4 | -13.6 | -9.3 |
| **CPI %** | 1.9 | 3.0 | 1.2 | 1.0 | 4.5 |
| **Oil Exporters (GDP weighted avg)** | | | | | |
| **Nominal GDP $bn** | 299.7 | 353.8 | 313.7 | 336.0 | 383.9 |
| **Real GDP %** | -2.8 | 1.1 | 3.1 | 4.3 | 5.0 |
| **Current A/C % GDP** | 6.7 | 2.9 | -2.1 | -2.7 | -1.1 |
| **Budget Balance % GDP** | -4.6 | -7.1 | -10.3 | -10.1 | -7.4 |
| **CPI %** | 19.1 | 9.7 | 6.5 | 7.7 | 7.8 |

Emirates NBD

## Key Economic Forecasts - Global

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

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

Emirates NBD

## FX Forecasts

| | FX Forecasts - Major | | | | | Forwards | | |
|---|---|---|---|---|---|---|---|---|
| | Spot 19.10 | 1M | 3M | 6M | 12M | 3M | 6M | 12M |
| EUR/USD | 1.0982 | 1.0900 | 1.0700 | 1.0500 | 1.0200 | 1.1028 | 1.1071 | 1.1165 |
| USD/JPY | 103.80 | 106.00 | 108.00 | 110.00 | 112.00 | 103.40 | 103.00 | 102.11 |
| USD/CHF | 0.9900 | 1.0000 | 1.0300 | 1.0500 | 1.1000 | 0.9847 | 0.9796 | 0.9687 |
| GBP/USD | 1.2278 | 1.2200 | 1.1800 | 1.2500 | 1.3500 | 1.2301 | 1.2321 | 1.2365 |
| AUD/USD | 0.7675 | 0.7300 | 0.7000 | 0.6800 | 0.6500 | 0.7657 | 0.7641 | 0.7607 |
| USD/CAD | 1.3104 | 1.3200 | 1.3400 | 1.3200 | 1.3000 | 1.3096 | 1.3089 | 1.3074 |
| EUR/GBP | 0.8944 | 0.8934 | 0.9068 | 0.8400 | 0.7556 | 0.8964 | 0.8984 | 0.9029 |
| EUR/JPY | 113.99 | 115.54 | 115.56 | 115.50 | 114.24 | 113.99 | 113.99 | 113.99 |
| EUR/CHF | 1.0872 | 1.0900 | 1.1021 | 1.1025 | 1.1220 | 1.0859 | 1.0845 | 1.0816 |
| NZD/USD | 0.7214 | 0.7000 | 0.6700 | 0.6500 | 0.6200 | 0.7188 | 0.7168 | 0.7124 |
| | FX Forecasts - Emerging | | | | | Forwards | | |
| | Spot 19.10 | 1M | 3M | 6M | 12M | 3M | 6M | 12M |
| USD/SAR* | 3.7506 | 3.7500 | 3.7500 | 3.7500 | 3.7500 | 3.7605 | 3.7700 | 3.7956 |
| USD/AED* | 3.6729 | 3.6700 | 3.6700 | 3.6700 | 3.6700 | 3.6747 | 3.6765 | 3.6847 |
| USD/KWD | 0.3027 | 0.2900 | 0.2900 | 0.2900 | 0.3000 | 0.3079 | 0.3142 | - |
| USD/OMR* | 0.3850 | 0.3800 | 0.3800 | 0.3800 | 0.3800 | 0.3860 | 0.3879 | 0.3940 |
| USD/BHD* | 0.3771 | 0.3760 | 0.3760 | 0.3760 | 0.3760 | 0.3777 | 0.3784 | 0.3811 |
| USD/QAR* | 3.6413 | 3.6400 | 3.6400 | 3.6400 | 3.6400 | 3.6491 | 3.6560 | 3.6685 |
| USD/EGP | 8.8791 | 9.0000 | 9.2500 | 9.2500 | 9.5000 | 12.1502 | 12.5999 | 13.6027 |
| USD/INR | 66.728 | 67.000 | 66.000 | 65.000 | 65.000 | 67.5800 | 68.4500 | 70.2200 |
| USD/CNY | 6.5753 | 6.6000 | 6.7000 | 6.8000 | 6.9000 | 6.7905 | 6.8355 | 6.9105 |

*Data as of 19 October 2016*
*Source: Bloomberg, Emirates NBD Research*

## Interest Rate Forecasts

| USD Swaps Forecasts | | | | | Forwards | | |
|---|---|---|---|---|---|---|---|
| | Current | 3M | 6M | 12M | 3M | 6M | 12M |
| 2y | 1.03 | 1.30 | 1.30 | 1.60 | 1.06 | 1.10 | 1.17 |
| 10y | 1.57 | 1.90 | 1.90 | 2.20 | 1.59 | 1.61 | 1.67 |
| 2s10s (bp) | 55 | 60 | 60 | 60 | 52 | 52 | 50 |
| US Treasurys Forecasts | | | | | | | |
| 2y | 0.80 | 1.05 | 1.05 | 1.30 | | | |
| 10y | 1.74 | 2.05 | 2.05 | 2.30 | | | |
| 2s10s (bp) | 94 | 100 | 100 | 100 | | | |
| 3M Libor | | | | | | | |
| 3m | 0.88 | 1.05 | 1.05 | 1.30 | | | |
| 3M Eibor | | | | | | | |
| 3m | 1.26 | 1.45 | 1.45 | 1.75 | | | |
| Policy Rate Forecasts | | | | | | | |
| | Current% | 3M | 6M | 12M | | | |
| FED | 0.25-0.50 | 0.75 | 0.75 | 1.00 | | | |
| 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 | 6.00 | 5.75 | | | |
| SAMA (r repo) | 0.50 | 0.75 | 1.00 | 1.25 | | | |
| UAE (1W repo) | 1.00 | 1.25 | 1.25 | 1.50 | | | |
| CBK (dis. rate) | 2.25 | 2.50 | 2.50 | 2.75 | | | |
| QCB (o/n depo) | 0.75 | 1.00 | 1.00 | 1.25 | | | |
| CBB (1W depo) | 0.75 | 1.00 | 1.00 | 1.25 | | | |
| CBO (o/n repo) | 1.00 | 1.25 | 1.25 | 1.50 | | | |

*Data as of 19 October 2016*
*Source: Bloomberg, Emirates NBD Research*

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## Commodity Forecasts

| Global commodity prices | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Current | 2015q4 | 2016q1 | q2 | q3 | q4 | 2016 avg |
| **Energy** | | | | | | | |
| Crude oil: WTI (USD/b) | 50.73 | 42.18 | 33.45 | 45.59 | 44.94 | 48.00 | 43.00 |
| Crude oil: Brent (USD/b) | 52.12 | 44.71 | 35.08 | 46.97 | 46.98 | 50.00 | 44.76 |
| Crude oil: OPEC Reference | 48.22 | 39.72 | 29.96 | 42.30 | 42.89 | 48.50 | 40.91 |
| **Precious metals** | | | | | | | |
| Gold (USD/t oz) | 1,261.38 | 1,103.76 | 1,181.10 | 1,258.26 | 1,334.95 | 1,290.00 | 1,266.08 |
| Platinum (USD/t oz) | 942.70 | 908.62 | 915.61 | 1,004.40 | 1,087.95 | 950.00 | 989.49 |
| **Base metals** | | | | | | | |
| Aluminum (USD/metric tonne) | 1,642.00 | 1,506.95 | 1,514.73 | 1,582.57 | 1,633.01 | 1,650 | 1,595 |
| Copper (USD/metric tonne) | 4,681.00 | 4,876.94 | 4,666.19 | 4,728.35 | 4,794.41 | 4,700 | 4,722 |

*Prices as of 19 October 2016. 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 | 18,162 | 6,746 | -0.8 | 4.2 | 70 | 16.8 | 3.1 | 2.7 |
| S&P 500 Index | 2,140 | 34,072 | -1.3 | 4.7 | 66 | 18.1 | 2.7 | 2.2 |
| Nasdaq Composite Index | 5,244 | 18,306 | -1.3 | 4.7 | 62 | 22.0 | 3.5 | 1.2 |
| FTSE100 Index | 7,000 | 6,590 | 1.5 | 12.1 | 74 | 17.1 | 1.7 | 4.2 |
| DAX Index | 10,632 | 3,553 | 1.1 | -1.0 | 69 | 13.6 | 1.6 | 3.1 |
| CAC 40 Index | 4,509 | 3,369 | 1.4 | -2.8 | 70 | 14.8 | 1.3 | 3.7 |
| Swiss Market Index | 8,075 | 2,472 | -0.8 | -8.4 | 70 | 17.5 | 2.3 | 3.6 |
| Nikkei Index | 16,964 | 11,246 | 3.3 | -10.7 | 55 | 17.0 | 1.5 | 1.9 |
| S&P/ASX 200 Index | 5,411 | 3,259 | 0.0 | 2.6 | 65 | 16.5 | 1.9 | 4.4 |
| Stoxx Europe 600 Index | 342 | 26,355 | -0.1 | -6.4 | 71 | 16.2 | 1.7 | 3.6 |
| Dubai Financial Market General Index | 3,318 | 76 | -4.4 | 5.4 | 50 | 11.1 | 1.2 | 4.5 |
| Abu Dhabi Sec Market General Index | 4,269 | 35 | -4.1 | -0.4 | 53 | 11.3 | 1.4 | 5.4 |
| Tadawul All Share Index | 5,461 | 742 | -2.9 | -21.0 | 9 | 11.5 | 1.2 | 4.2 |
| Istanbul SE National 100 Index | 78,340 | 1,174 | 2.4 | 9.2 | 62 | 9.5 | 1.1 | 3.2 |
| Egyptian Exchange Index | 8,214 | 49 | 4.2 | 17.2 | 38 | 11.2 | 1.4 | 2.6 |
| Kuwait Stock Exchange Index | 5,284 | 24 | -2.0 | -5.7 | 31 | - | - | - |
| Bahrain Bourse All Share Index | 1,137 | 1 | -1.1 | -6.5 | - | - | - | - |
| Muscat Securities Index | 5,584 | 9 | -2.4 | 3.4 | 47 | 8.7 | 1.1 | - |
| Qatar Exchange Index | 10,484 | 69 | 0.5 | 0.5 | 75 | 13.1 | 1.8 | 3.9 |
| MADEX Free Float Index | 8,466 | 9 | 3.1 | 16.7 | 79 | 17.3 | 2.3 | 3.8 |
| Hong Kong Hang Seng Index | 23,394 | 3,345 | 0.3 | 6.6 | 80 | 12.8 | 1.2 | 3.4 |
| Shanghai Composite Index | 3,084 | 24,112 | 2.7 | -12.8 | 70 | 14.5 | 1.5 | 2.0 |
| Korea Stock Exchange Index | 2,040 | 4,019 | -0.1 | 4.1 | 50 | 11.5 | 1.0 | 1.7 |
| BSE Sensex | 28,051 | 100 | 0.5 | 7.2 | 73 | 18.5 | 2.8 | 1.6 |
| Nifty | 8,678 | 1,372 | 0.6 | 9.0 | 78 | 18.8 | 2.8 | 1.5 |
| Karachi Stock Exchange Index | 40,954 | 94 | 0.9 | 24.6 | 80 | 9.5 | 1.5 | 5.5 |
| Taiwan SE Weighted Index | 9,223 | 2,064 | 1.3 | 11.3 | 58 | 14.9 | 1.7 | 3.8 |
| Bovespa Brasil Sao Paulo SE Index | 63,782 | 1,766 | 9.3 | 47.1 | 93 | 16.4 | 1.6 | 2.5 |
| Micex Index | 1,969 | 429 | -0.4 | 11.8 | 66 | 6.8 | 0.8 | 4.6 |
| FTSE/JSE Africa All Share Index | 51,127 | 1,842 | -1.6 | 0.9 | 62 | 16.0 | 1.8 | 3.0 |
| Vietnam Ho Chi Minh Stock Index | 682 | 99 | 0.6 | 19.1 | 60 | 16.2 | 2.2 | 2.6 |
| Jakarta SE Composite Index | 5,430 | 388 | 1.1 | 18.1 | 63 | 17.9 | 2.5 | 1.8 |
| FTSE Bursa Malaysia KLCI Index | 1,668 | 217 | 0.9 | -1.4 | 67 | 16.7 | 1.6 | 3.1 |
| Mexican Stock Exchange | 48,106 | 408 | 1.8 | 11.9 | 71 | 21.6 | 2.7 | 1.8 |

*Prices as of 18 October 2016*
*Source: Bloomberg, Emirates NBD Research*

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