



بنك الإمارات دبي الوطني
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Daily Outlook

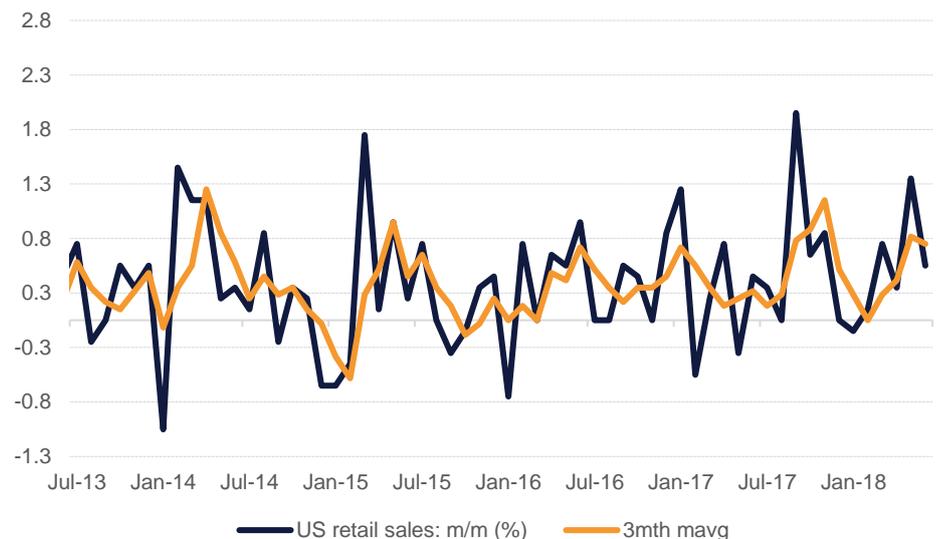
US president Donald Trump held a bilateral summit with his Russian counterpart, Vladimir Putin, and contradicted the assessment of the US intelligence services on whether Russia did interfere in the 2016 US election. The congenial nature of the meeting with Putin juxtaposes sharply with the acrimonious outcome of Trump's recent NATO visit and will raise more uncertainty among traditional allies over their partnership with the US.

UK Prime Minister Theresa May survived another challenge in parliament yesterday by accepting pro-Brexit amendments to her government's customs bill. **The changes to the bill proposed that both the EU and UK will collect duties on a reciprocal basis, a dynamic that may be difficult for EU policymakers to accept as the terms of the UK's withdrawal.** However, Conservative MPs continue to speak out against the government's plan, both from the pro-Brexit and pro-EU wings of the party. **There is a risk that May will continue to face more challenges to her Brexit strategy and raising the risk of a no-deal departure as the clock winds down on the UK actually leaving the EU.**

US retail sales showed strong growth in Q2 and are likely to have helped overall GDP growth accelerate from the first three months of the year. US retail sales rose 0.5% month-on-month in June largely on the back of an increase in car sales. Data for the previous month was also revised upward to growth of 1.3%. The data comes just before Fed Chair Jerome Powell is due to address Congress where he is expected to present a positive view on the US economy.

The IMF updated its World Economic Outlook and warned that escalating trade disputes would ultimately be negative for the global economy, suggesting as much as 0.5% of global output could be cut by 2020. The Fund left its near-term growth rates for the US and China unchanged at 2.7% and 6.4% respectively for 2019 but cut its projections for the Eurozone this year to 2.2% and the UK to 1.4% growth. The IMF raised its overall growth forecasts for the MENA, Afghanistan and Pakistan region, expecting regional growth of 3.5% in 2018 from an estimate of 2.2% in 2017. **For Saudi Arabia, growth is now expected to be 1.9%, an upward revision from the IMF's previous forecast.**

Consumer spending to support US GDP in Q2



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
UK unemployment rate 3mths	12:30	4.2%	US industrial production	17:15	0.5%

Source: Bloomberg

Fixed Income

Stronger than expected US retail sales data caused US treasuries to retreat with yields on 2yr, 5yr and 10yr USTs closing up at 2.60% (+2 bps), 2.75% (+3bps) and 2.86% (+3bps) respectively. Investor appetite for credit risk remained stable with CDS levels on US IG closing unchanged at 61bps.

GCC bond market had a constructive day with credit spreads on Bloomberg Barclays GCC Credit and High Yield index closing 2bps tighter at 175bps, though yield was wider by a bp to 4.45% in response to widening benchmark yields.

Despite low volatility and stable capital market environment, activity in the GCC primary market remains surprisingly muted. In the secondary market, Qatari bonds are benefiting from a bid tone after the sovereign rating outlook was revised to stable by Moody's. COMQAT 23s closed with Z-spread at 185bps – circa 10bps tighter than where it was last week.

FX

The USD was largely steady ahead of testimony from Federal Chair Jerome Powell. The Euro and GBP were steady at 1.1711 and 1.34241 respectively.

The New Zealand dollar jumped to 0.6777 after the central bank's core inflation measure accelerated at the fastest pace in seven years. Australian dollar was little changed at 0.7419 after the Reserve Bank of Australia said it expects a strengthening economy to gradually cut unemployment and lift inflation.

Equities

Developed market equities closed mixed. Dow Jones was boosted higher by solid quarterly result announcements; however, the FTSE 100 closed down by -0.80% as Brexit saga continues to weigh on investors' sentiment. Performance of Asian equities is also mixed with Nikkei rising +0.68% against the back drop of Hang Seng in the red at -0.98% this morning.

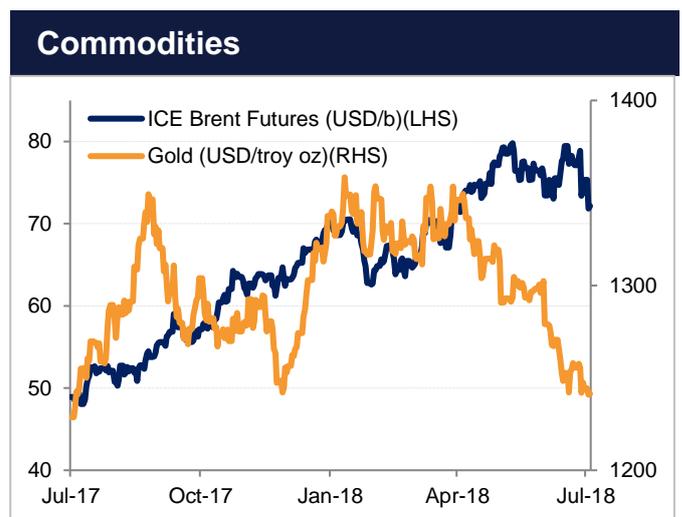
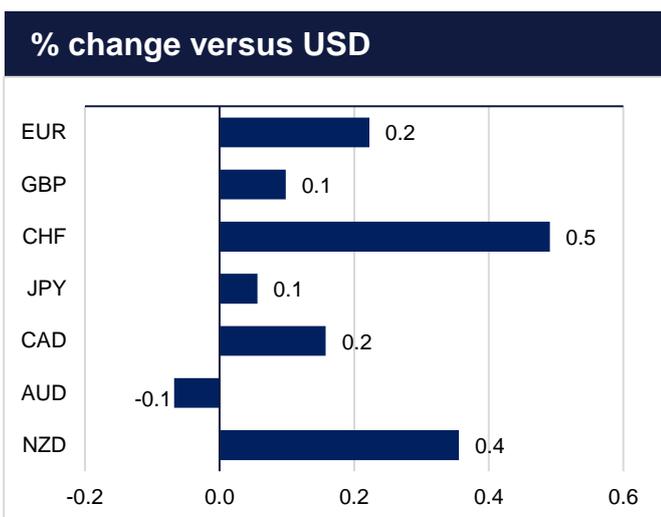
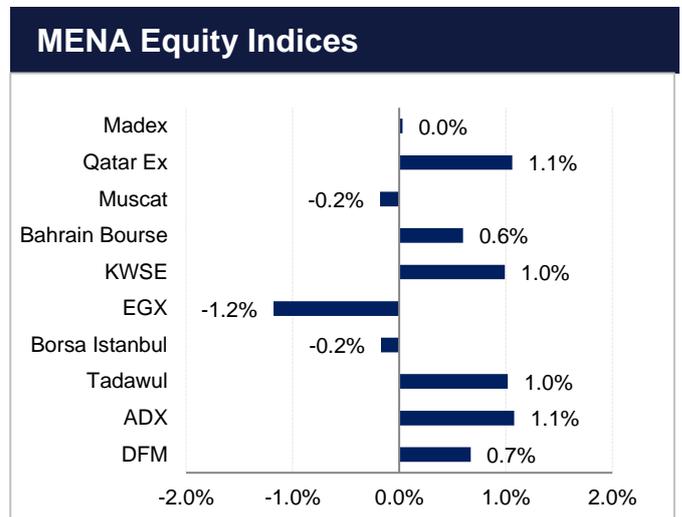
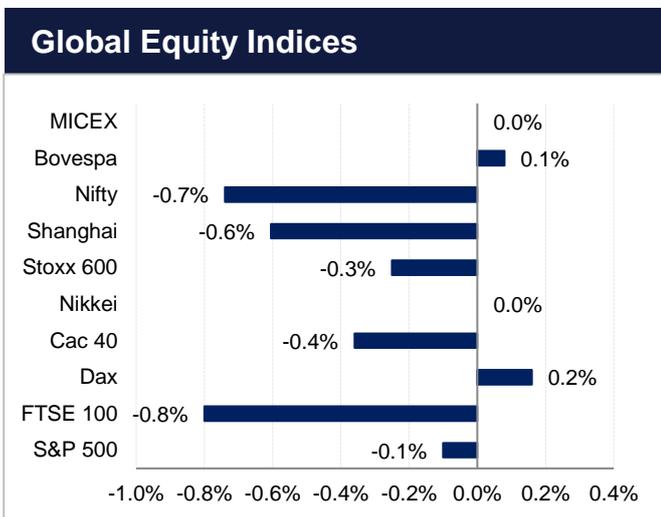
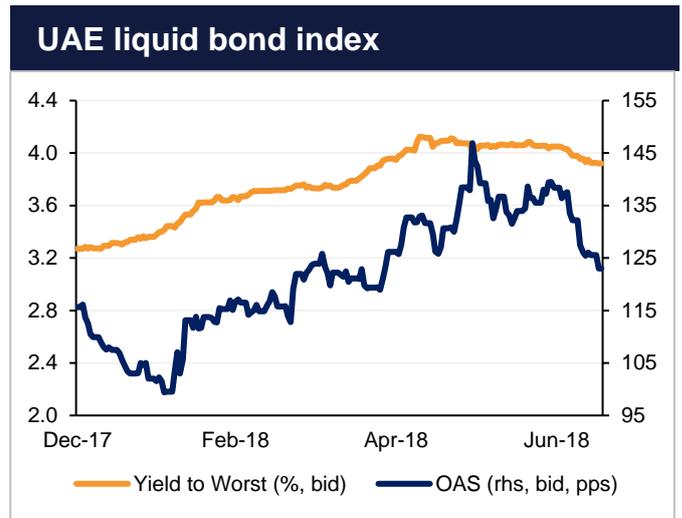
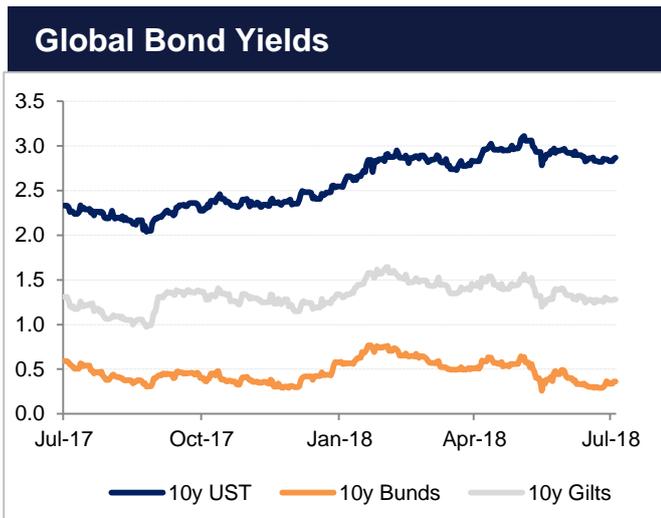
Regional GCC equities had a positive bias yesterday. Increase in Etisalat and FAB shares pushed Abu Dhabi exchange to an 18 months high level of 4747 while Emaar supported the gains in DFMG which closed up by 0.67%. Despite weakness in oil prices, Tadawul and Qatar exchanges also gained, closing up by 0.51% and 1.06% respectively.

Commodities

Crude prices fell sharply overnight, hitting their lowest level since mid-April. Brent futures fell 4.6% to close at USD 71.84/b while WTI closed just above USD 68/b, down 4.2%. The reopening of Libyan export terminals, higher projections for US shale growth and a statement from Treasury Secretary Steven Mnuchin that the US could consider Iran waivers all raised expectations that supply would not be as disrupted as feared in the second half and will be weighing on prices.

Time spreads continue to compress in both WTI and Brent. The front six months of the Brent curve has flattened considerably while Dec spreads in 2018/19 have narrowed to around USD 3/b. In WTI, front month spreads are still around USD 1/b but Dec spreads there as well have fallen from nearly USD 6/b at the end of June to less than USD 4/b now.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1711	+0.22	1.2072	USDTRY	4.8462	+0.16	EURAED	4.3020	+0.22
GBPUSD	1.3235	+0.10	1.3464	USDEGP	17.8971	+0.03	GBPAED	4.8612	+0.05
USDJPY	112.29	-0.08	109.08	USDSAR	3.7503	--	JPYAED	0.0327	+0.06
USDCAD	1.3136	-0.18	1.3058	USDQAR	3.6800	+0.56	CADAED	2.7962	+0.18
AUDUSD	0.7419	-0.07	0.7433	USDKWD	0.3028	-0.10	AUDAED	2.7257	-0.02
USDCHF	0.9968	-0.49	0.9632	USDBHD	0.3790	+0.02	CHFAED	3.6848	+0.47
EURGBP	0.8849	+0.17	0.8967	USDOMR	0.3849	-0.01	TRYAED	0.7600	+0.12
USDAED	3.6730	+0.00	3.6759	USDINR	68.3862	-0.21	INRAED	0.0552	+2.98

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.2075	2.4875	2.8292	3.3038	USD 2 yr	2.826	+2
USD LIBOR	2.0733	2.3360	2.5209	2.7869	USD 5 yr	2.891	+2
GBP LIBOR	0.5575	0.7368	0.8430	1.0108	USD 10 yr	2.921	+3
JPY LIBOR	-0.0718	-0.0428	0.0148	0.1217	EUR 2 yr	-0.166	+0
CHF LIBOR	-0.7742	-0.7172	-0.6470	-0.5158	EUR 5 yr	0.270	+1
					EUR 10 yr	0.879	+1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1240.93	-0.27	ADGB 6.75 19	2.42	--	Abu Dhabi	63	+2
Silver	15.79	-0.16	DUGB 7.75 20	3.58	+3	Dubai	127	--
Oil (WTI)	68.06	-4.15	QATAR 6.55 19	2.47	-7	Qatar	86	+1
Aluminium	2106.50	+1.95	US Tsy 2 yr	2.60	+2	Saudi Arabia	84	+2
Copper	6165.00	-0.83	US Tsy 10 yr	2.86	+3	Bahrain	384	-1

Source: Bloomberg, Emirates NBD Research

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