



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

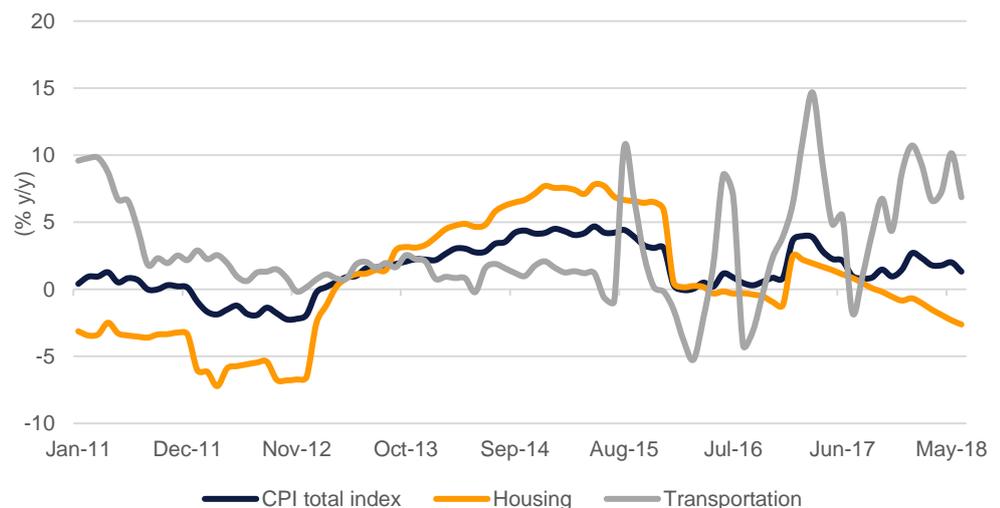
US Fed chair Jerome Powell gave a positive assessment of the US economy in his remarks to Congress, saying the economy was on a good footing and that more “steady” growth was expected ahead. He also indicated that the Fed expected inflation to stay close to its target level of 2% even as the economy reaches full employment which is expected to put upward pressure on wages. **Powell avoided any direct criticism of the Trump administration’s trade policies but came under fire from senators from US states that have already been directly affected by tariffs.**

The latest jobs data for the UK showed that headline unemployment remains at record low levels. In the three months to May the overall unemployment rate held at 4.2%, its lowest level since 1975. However, wage growth (ex-bonuses) slipped to 2.7% y/y, down slightly from the previous reading. **Tracking wage levels will be crucial for the Bank of England when it evaluates whether to raise interest rates at its upcoming meeting in August, particularly as inflation remains above its target level of 2%.**

Annualised Turkish industrial production growth surprised to the upside with a modest uptick in May, climbing to 6.4% y/y compared with an upwardly revised 6.3% in April. However, this represented comparatively weak growth as compared to the 12.0% y/y recorded in January, and the m/m growth figure presents a more negative outlook at -1.6% compared to 1.0% the previous month. **The sharp depreciation of the Turkish lira over recent months has pushed PPI inflation to a 14-year high of 23.7% in June, which will likely weigh on production over the coming months.**

Dubai’s inflation slowed to 1.3% y/y in June as lower housing costs (-2.6% y/y) offset price rises in most other components of the index. Transport costs rose 6.8% y/y, reflecting higher fuel costs as oil price increases have been passed on to consumers. Restaurants and hotel prices have also increased sharply this year following the introduction of VAT in January. Annual inflation in this sector ran at 10.7% y/y in June. Separately, central bank data showed that bank deposits increased by 0.7% m/m and 6.0% y/y in June while bank loans growth accelerated to 3.4% y/y from 1.1% y/y in May.

Inflation slows in Dubai in June



Source: Bloomberg, Emirates NBD Research

Today’s Economic Data and Events

	Time	Cons		Time	Cons
UK CPI y/y	12:30	2.6%	EC CPI y/y	13:00	2.0%

Source: Bloomberg

Fixed Income

The testimony of Fed Chairman Jerome Powell did not alter the recent trend of long-end treasuries outperforming short-end treasuries. Comments from the Fed Chair were largely in line with expectation that the Fed remains on track to deliver on its policy rate path for 2018. Yields on the 2y UST, 5y UST and 10y UST closed at 2.61% (+2 bps), 2.76% (+1 bp) and 2.86% (flat) respectively.

Regional bonds continued to trade in a trade tight range. The YTW on the Bloomberg Barclays GCC Credit and High Yield index rose 1 bp to 4.46% and credit spreads widened 3 bps to 175 bps.

FX

USDJPY continues to approach the 200 week moving average of 113.38, having reached briefly reached 113.08 earlier in the Asian session. As we go to print, USDJPY is currently trading at 0.04% higher at 112.94. A weekly close above the 200 week moving average is likely to result in more significant gains, however short term risks of a pullback put this scenario at risk. The Relative Strength Indicator (RSI) is currently showing that USDJPY is overbought and profit taking may result in declines, as investors take profit close to this key resistance level.

The Dollar Index is trading firmer this morning, having gained 0.09% to reach 95.031. A weekly close above the 200 week moving average (95.195) and above the 2018 high (95.535) is likely to be followed by additional advances towards the 50% five year Fibonacci retracement (96.036).

Equities

Developed market equities closed higher following a rebound in technology stocks and as the earnings season continued to remain strong. The S&P 500 index and the Euro Stoxx 600 index added +0.4% and +0.2% respectively.

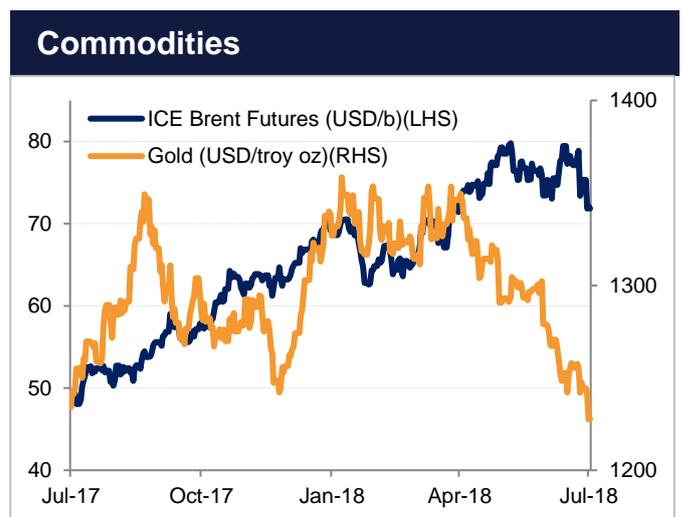
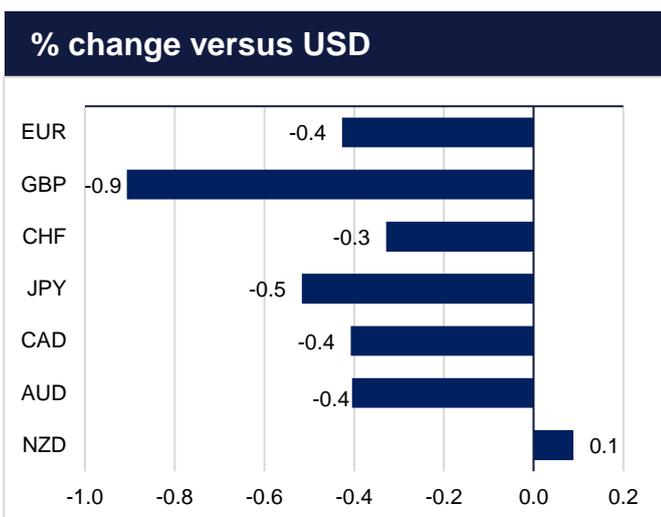
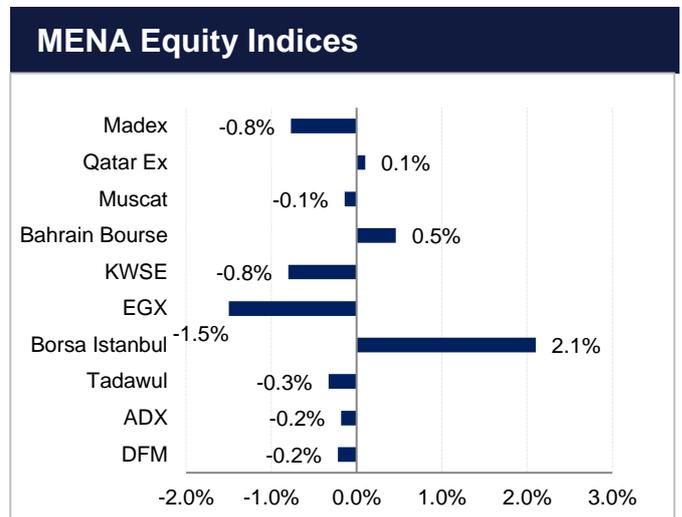
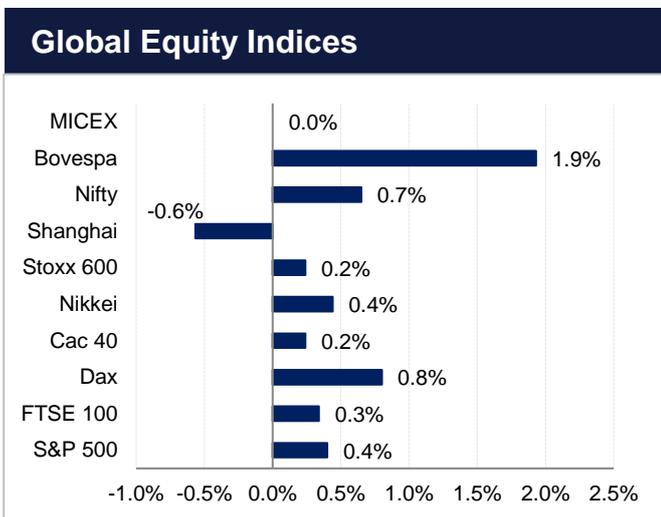
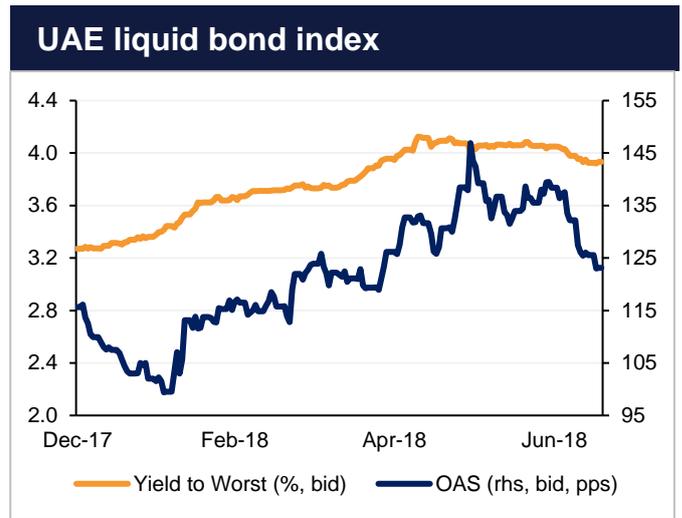
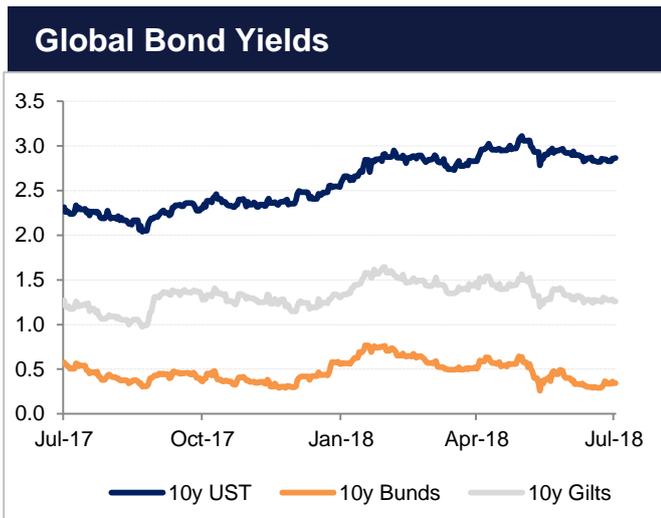
Regional equities closed lower amid weakness in market heavyweight stocks. The DFM index and the Tadawul dropped -0.2% and -0.3% respectively. Sabic dropped -0.5% and Emaar Properties lost -1.0%.

Commodities

Oil prices edged up overnight, gaining by 0.45% in Brent markets to close at USD 72.16/b while WTI effectively held steady. Both benchmarks are down today after API data reported a surprise build in US crude stocks of around 600k bbl. Data from the EIA is out later today and a build there would be surprising given the interruptions to imports from Canada still affecting North American crude balances.

The front end of the Brent curve has moved back into contango, albeit at very narrow levels. As roll yields move closer to neutral or indeed into negative there is likely to be more investor selling of Brent futures would could catalyse a move out of the USD 70-80/b range Brent prices have held in since the start of May.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1661	-0.43	1.2022	USDTRY	4.8044	-0.86	EURAED	4.2834	-0.43
GBPUSD	1.3115	-0.91	1.3343	USDEGP	17.8868	-0.06	GBPAED	4.8172	-0.91
USDJPY	112.88	+0.53	109.65	USDSAR	3.7503	--	JPYAED	0.0325	-0.52
USDCAD	1.3191	+0.42	1.3109	USDQAR	3.6800	+0.57	CADAED	2.7845	-0.42
AUDUSD	0.7389	-0.40	0.7407	USDKWD	0.3027	-0.00	AUDAED	2.7135	-0.45
USDCHF	1.0001	+0.33	0.9662	USDBHD	0.3788	-0.05	CHFAED	3.6726	-0.33
EURGBP	0.8891	+0.47	0.9009	USDOMR	0.3849	--	TRYAED	0.7600	+0.28
USDAED	3.6730	--	3.6763	USDINR	68.4000	-0.25	INRAED	0.0552	+2.99

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.1875	2.5861	2.8014	3.2018	USD 2 yr	2.836	+1
USD LIBOR	2.0785	2.3326	2.5185	2.7878	USD 5 yr	2.901	+1
GBP LIBOR	0.5744	0.7531	0.8521	1.0174	USD 10 yr	2.926	+0
JPY LIBOR	-0.0670	-0.0403	0.0157	0.1200	EUR 2 yr	-0.168	-0
CHF LIBOR	-0.7762	-0.7212	-0.6460	-0.5148	EUR 5 yr	0.273	+0
					EUR 10 yr	0.870	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1227.54	-1.08	ADGB 6.75 19	2.42	--	Abu Dhabi	64	--
Silver	15.57	-1.37	DUGB 7.75 20	3.56	-3	Dubai	130	+3
Oil (WTI)	68.08	+0.03	QATAR 6.55 19	2.48	+1	Qatar	86	+1
Aluminium	2065.50	-1.95	US Tsy 2 yr	2.62	+2	Saudi Arabia	85	+1
Copper	6116.00	-0.79	US Tsy 10 yr	2.86	+0	Bahrain	398	+14

Source: Bloomberg, Emirates NBD Research

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