



بنك الإمارات دبي الوطني
Emirates NBD

Daily

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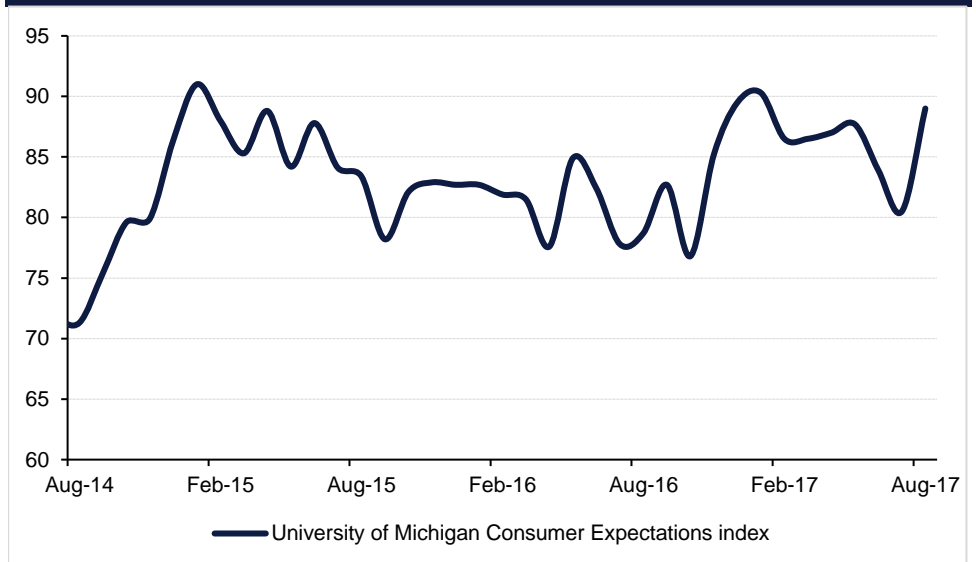
Daily Outlook

Markets continued to be whipsawed by US political developments on Friday as the departure of Steve Bannon, one of the more controversial advisors to President Donald Trump, was received initially as an opportunity for more establishment figures to have a greater influence over policy making and rhetoric. However, that sentiment had ebbed by the end of the day and **US assets generally closed the day in risk-off positions with a weaker dollar, lower Treasury yields and a declining equity market**. Despite the removal of Bannon, whose policy positions on trade and diplomacy appeared anathema to establishment Republicans, there are still major challenges for the administration to build bridges with Congress in time to approve a budget and raise the debt ceiling and a general loss of faith from corporate America with Trump's leadership.

Despite the uncertainty surrounding politics, consumer confidence in the US is at buoyant levels. The University of Michigan consumer expectations index hit its highest level since January, no doubt helped by good labour market conditions and positive signals from equity markets. Consumption growth helped lead Q2 GDP performance and the strong levels of consumer sentiment should help Q3 on track for a decent outturn.

Eurozone inflation in July was flat m/m at 1.3% while core inflation which strips out food and energy prices rose slightly. The increase in core prices is welcome but is still far below the ECB's target of 2% price growth and the absence of inflation when balanced against improving economic performances sets clear the challenge for the ECB. Economic growth in the bloc is increasingly broad-based, with peripheral economies some way off their pre-crisis levels but at least heading in the right direction, while the core economies of Germany and Netherlands are effectively at full employment. The market will be closely watching the upcoming central bankers' symposium at Jackson Hole for any idea how the ECB will avoid choking off the recovery in peripheral economies without overheating core markets.

Trump impact remains positive on consumer expectations



Source: EIKON, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
Canada Wholesale Trade Sales m/m	16:30	-0.50%	Chicago Fed Nat Activity Index	16.30	0.1

Source: Bloomberg.

Fixed Income

Last week was all about US politics. Treasuries reversed part of their mid-week gains following confirmation that the chief strategist Steve Bannon has resigned. Notwithstanding the political upheaval and intra-week moves, yields on US treasuries over the week were little changed. Yields on the 2y USTs increased 1 bps to 1.30%, on 5y USTs by 2 bps to 1.76% and on 10y USTs remained flat at 2.19%. It is apparent that the dovish tilt to the Federal Reserve minutes played its part.

Regional fixed income market continued to trade in a tight range. Yield on the Bloomberg Barclays GCC Credit and High Yield index tightened by 3 bps over the week to 3.47%. The spreads too tightened by 5 bps.

Following on from the data last week which showed the decline in foreign deposits in Qatari banking system, Bloomberg reports that Qatar is asking its banks to tap international investors to raise financing instead of relying on government funding. Despite a visible impact on liquidity owing to political stalemate, Qatari bonds have remained stable. The QATAR 26s ended the week with gains of half a point to close at USD 99.64 while QNBK 21s closed flat at USD 99.20.

Moody's affirmed Egypt's rating at B3 and maintained stable outlook. The rating agency said that very weak government finances will continue to constrain Egypt's rating pending further clarity on sustainability and impact of reform program. The EGYPT 27s, which currently yields 6.21%, continued their positive run with cash prices rallying more than 1 point to end the week at USD 109.11.

FX

USD strengthened slightly over the course of last week, the Dollar Index rising 0.38% to 93.42. However despite these gains, the Index remains vulnerable. The daily downtrend that has been in effect since January 6th 2017 remains firmly intact. In addition, the 14 day Relative Strength Indicator (RSI) remains bearish at 41.84, indicating that further downside towards the one year lows of 92.55 remains a distinct possibility.

After 5 consecutive weeks of gains, EURUSD finished last week 0.52% lower at 1.1761. From a technical view, there are mixed signals. Analysis of the weekly candle chart shows a possible bearish reversal with a close below the previously breached 200 week moving average of 1.1771. However there has been consistently strong support circa the 38.2% five year Fibonacci retracement (1.1736) which argues that the trend is still bullish. In addition, the daily uptrend that has been in effect since 21 December 2016 remains intact.

Equities

It was a positive start to the week for regional equities helped by strong rally in oil prices over the weekend. The Tadawul and the DFM index added +0.4% each.

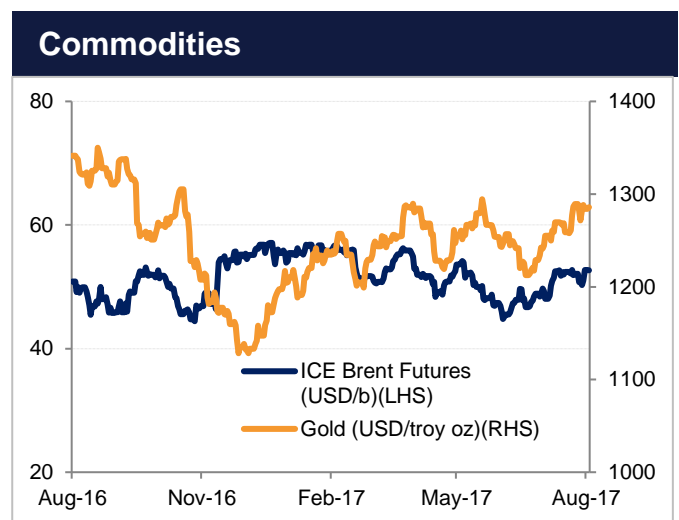
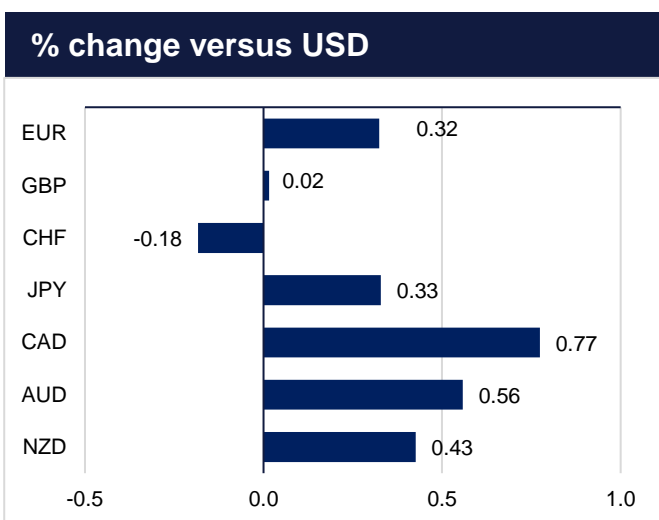
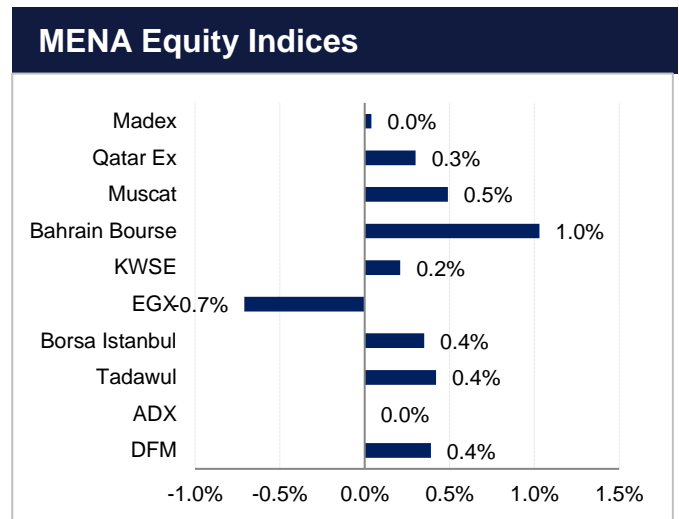
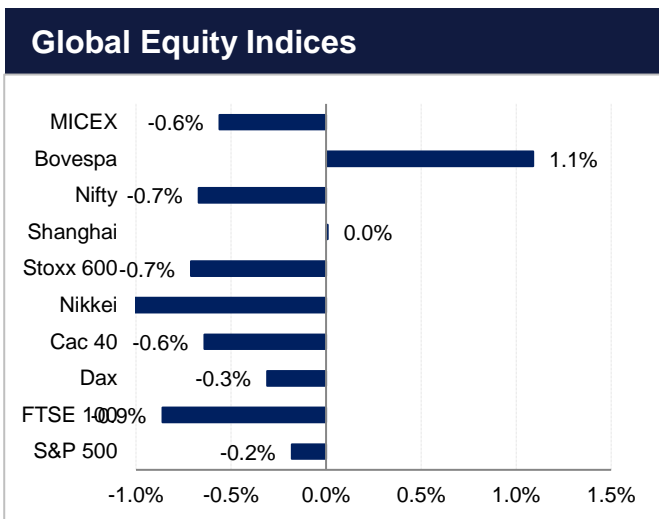
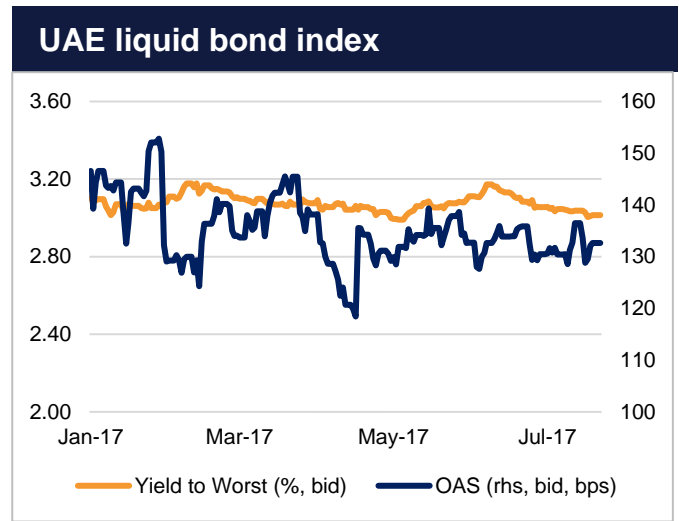
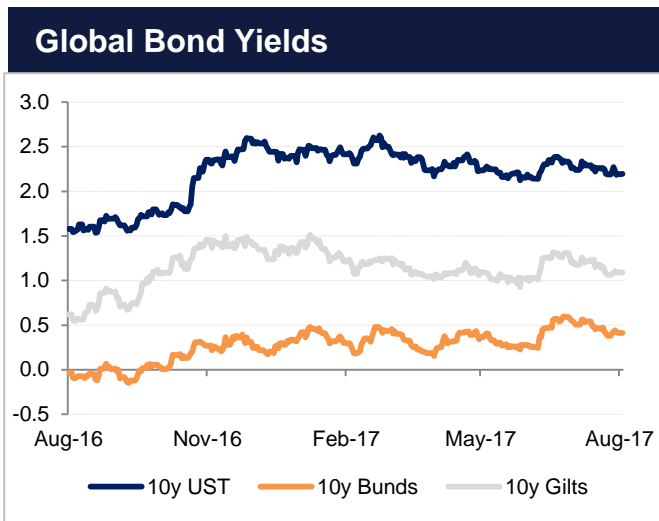
While the rally on the Tadawul was driven by gains in petrochemical stocks, there was plenty of action in insurance stocks too. Saudi Indian Company for Co-op Insurance (-3.8%), Malath Co-op Insurance (-4.5%) and Arabian Shield Co-op Insurance (-7.6%) closed lower after the central bank temporarily banned these companies from selling car insurance policies. Sabb Takaful closed +0.2% after SABB announced that it had signed an agreement to buy all of HSBC's share in the company.

Commodities

Oil markets rallied sharply to end the week—both WTI and Brent futures rose more than 3%—but nevertheless ended the week roughly flat. A weaker dollar and a drop in the US drilling rig count helped propel oil prices higher and returned the front of the Brent curve to backwardation. The market is poised to enter a seasonally lower phase as refinery demand drops off in the US and the driving season ends. If the decline in US inventories reverses over the next several weeks we would expect prices to consolidate in the range they are currently in rather than necessarily push significantly lower.

Gold prices managed to hit USD 1,300/troy oz for the first time this year as political risks continue to emanate from the US. The metal ended the day down slightly and closed the week generally flat. Industrial metals all maintained their upward pull—aside from tin—with zinc rising nearly 8% on the back of strong infrastructure demand in China.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1761	+0.19	1.2008	USDTRY	3.5185	-0.54	EURAED	4.3196	+0.18
GBPUSD	1.2870	--	1.3029	USDEGP	17.7687	+0.06	GBPAED	4.7303	+0.07
USDJPY	109.18	-1.33	107.03	USDSAR	3.7502	--	JPYAED	0.0336	+1.32
USDCAD	1.2585	-1.33	1.2550	USDQAR	3.6667	--	CADAED	2.9183	+1.33
AUDUSD	0.7929	+1.24	0.7893	USDKWD	0.3019	-0.03	AUDAED	2.9117	+1.22
USDCHF	0.9646	-0.84	0.9410	USDBHD	0.3771	--	CHFAED	3.8076	+0.85
EURGBP	0.9135	+0.14	0.9213	USDOMR	0.3850	--	TRYAED	1.0400	+0.17
USDAED	3.6730	--	3.6805	USDINR	64.0562	-0.37	INRAED	0.0573	+0.33

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3213	1.5262	1.7612	2.1490	USD 2 yr	1.575	-3
USD LIBOR	1.2350	1.3147	1.4564	1.7262	USD 5 yr	1.831	-6
GBP LIBOR	0.2514	0.2778	0.4051	0.5939	USD 10 yr	2.144	-8
JPY LIBOR	-0.0364	-0.0359	-0.0066	0.1094	EUR 2 yr	-0.170	-0
CHF LIBOR	-0.7838	-0.7258	-0.6510	-0.5040	EUR 5 yr	0.205	-2
					EUR 10 yr	0.832	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1284.13	+0.88	ADGB 6.75 19	1.74	-1	Abu Dhabi	57	--
Silver	16.97	+1.68	DUGB 7.75 20	2.54	-6	Dubai	120	+2
Oil (WTI)	48.51	+1.57	QATAR 6.55 19	2.17	-2	Qatar	94	+1
Aluminium	2071.50	+0.84	US Tsy 2 yr	1.31	-4	Saudi Arabia	92	+2
Copper	6452.25	+1.71	US Tsy 10 yr	2.19	-7	Bahrain	230	--

Source: Bloomberg, Emirates NBD Research

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Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
 12th Floor
 Baniyas Road, Deira
 P.O.Box 777
 Dubai

Jonathan Morris
 General Manager Wholesale Banking
 JonathanM@emiratesnbd.com

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

Tim Fox
 Head of Research &
 Chief Economist
 +9714 230 7800
 timothyf@emiratesnbd.com

Research

Khatija Haque
 Head of MENA Research
 +9714 230 7803
 khatijah@emiratesnbd.com

Anita Yadav
 Head of Fixed Income Research
 +9714 230 7630
 anitay@emiratesnbd.com

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

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

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

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

Aditya Pugalia
 Analyst
 +9714 230 7802
 adityap@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
 Tariq Chaudhary
 +971 4 230 7777
 tariqmc@emiratesnbd.com

Saudi Arabia Sales
 Numair Attiyah
 +966 11 282 5656
 numaira@emiratesnbd.com

Singapore Sales
 Supriyakumar Sakhalkar
 +65 65785 627
 supriyakumars@emiratesnbd.com

London Sales
 +44 (0) 20 7838 2241
 vallancel@emiratesnbd.com

Egypt
 Gary Boon
 +20 22 726 5040
 garyboon@emiratesnbd.com

Emirates NBD Capital

Ahmed Al Qassim
 CEO- Emirates NBD Capital
 AhmedAQ@emiratesnbd.com

Hitesh Asarpota
 Head of Debt Capital Markets.
 +971 50 4529515
 asarpotah@EmiratesNBD.com

Investor Relations

Patrick Clerkin
 +9714 230 7805
 patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
 +9714 609 4113
 ibrahims@emiratesnbd.com

Claire Andrea
 +9714 609 4143
 clairea@emiratesnbd.com