



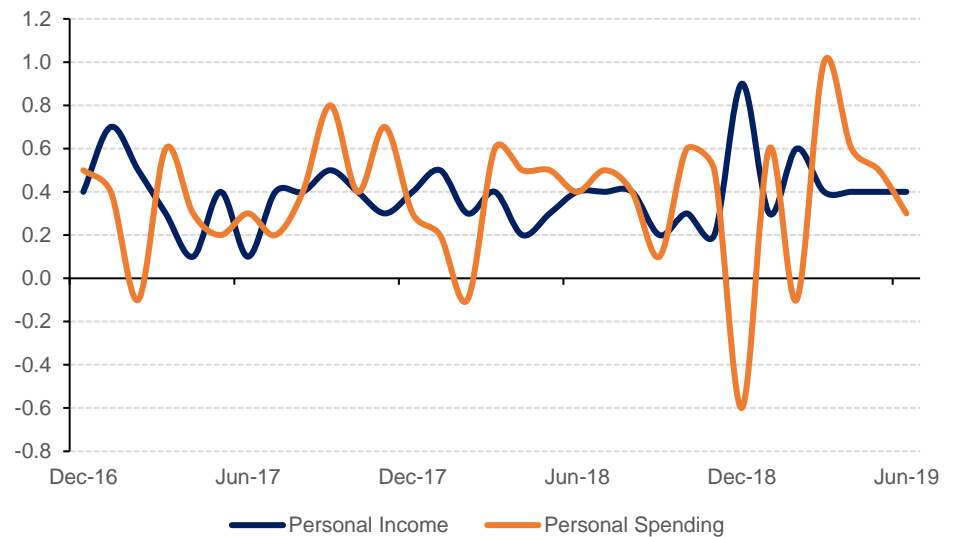
# Daily Outlook

**Expectations are high that there will be a 25bp cut in the fed funds rate later today.** It would be a surprise if the FOMC cut by 50bp though markets expect more rate cuts over the rest of this year and in 2020. Accordingly the focus will be largely on Fed's guidance in its policy statement and Chair Powell's press conference. Powell will have to choose his words very carefully and he will not want to box himself into further cuts as he did with this meeting. Some analysts are concerned that Fed easing is unnecessary when US equities are at record highs, but global economic conditions are soft and CPI inflation generally low. **US consumer spending rose by 0.3% m/m in June, down from 0.5% m/m in May, with real spending rising by 0.2%.** During the same period, personal income rose at 0.4% m/m maintaining its steady pace of expansion. Other data showed the Fed's favourite measure of inflation the PCE core deflator rose 1.6% y/y in June, up from 1.5% y/y in May.

**Soft economic data in the Eurozone strengthened the case for the ECB to cut interest rates in September.** The European Commission Economic Sentiment Indicator slowed to 102.7 in July, from 103.3 the previous month. This decline to a forty-month low was due to declines in business sentiment and shows that growth is likely to remain subdued going forward. **Meanwhile in China the composite PMI inched up to 53.1 in July from 53.0 in June,** with the manufacturing index improving slightly from 49.4 to 49.7.

**Saudi Arabia registered a budget deficit SAR33.5 billion riyals or USD8.9 billion in Q2** up from SAR7.4bn last year. Spending rose 5% from the second quarter last year, accounted for by significant jumps in capital spending and in subsidies and social benefits. Oil revenue dropped 5% y/y and non-oil revenue declined 4%.

## US personal income and spending



Source: Bloomberg, Emirates NBD Research.

## Today's Economic Data and Events

	Time	Cons		Time	Cons
Germany Unemployment	11:55	5.0%	ADP Employment	16.15	150k
EZ Q2 GDP y/y	13:00	1.0%	FOMC Rate Decision (Upper Bound)	22:00	2.25%

Source: Bloomberg, Emirates NBD Research.

## Fixed Income

Treasuries traded in a tight range ahead of the interest rate decision by the Fed. The sharp surge in US consumer confidence had limited impact on USTs. Yields on the 2y UST, 5y UST and 10y UST closed at 1.84% (-1 bp), 1.84% (flat), 2.05% (-1 bp) respectively.

Regional bonds traded in a tight range. The YTW on Bloomberg Barclays GCC Credit and High Yield index closed flat as did credit spreads.

GEMS Education raised USD 750mn in a term loan and USD 900mn in senior notes. The notes were priced to yield 7.125%.

## FX

GBPUSD fell for a fourth day on Tuesday, remaining below the 1.22 level amid increasing investor fears that the UK may leave the European Union without a deal on October 31. With the deadline coming nearer, Prime Minister Boris Johnson wants the EU to scrap the backstop guarantee for the border with Ireland while Brussels are refusing to entertain the idea. With Mr. Johnson having a history of promising to deliver Brexit on the deadline, with or without a deal, the risks of a hard landing are increasing and as such GBP remains vulnerable to further downside risks.

With this said, the 14-day Relative Strength Indicator is in oversold territory and as such GBPUSD may experience some temporary relief if short positions close to take profit.

## Equities

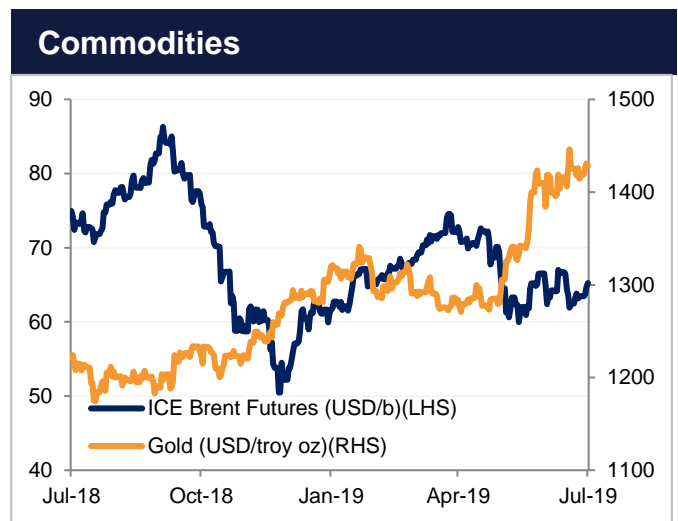
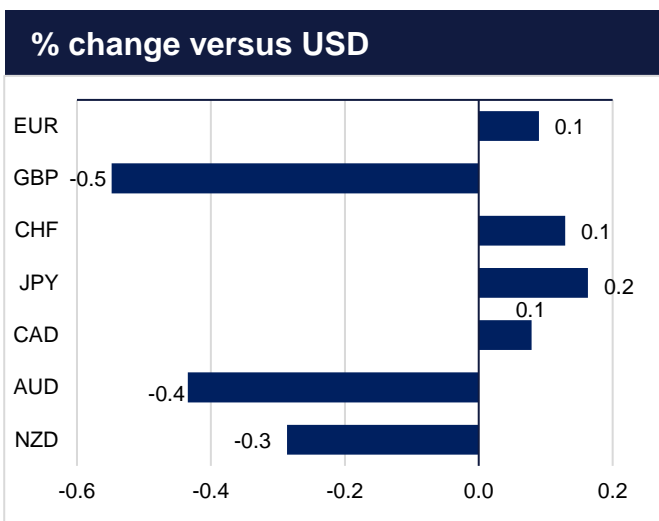
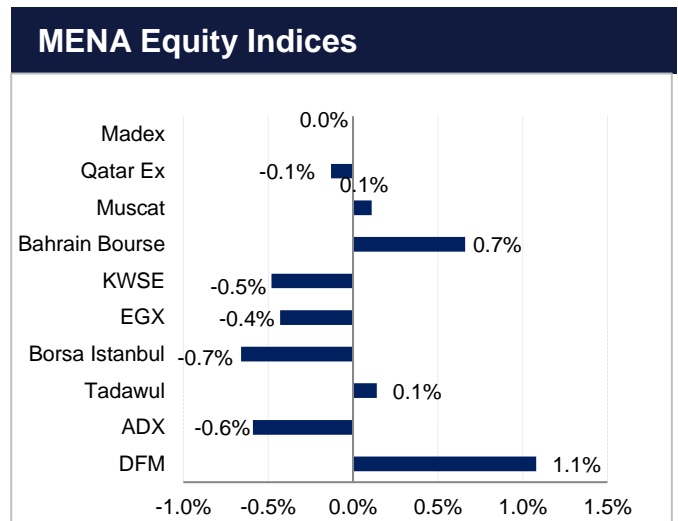
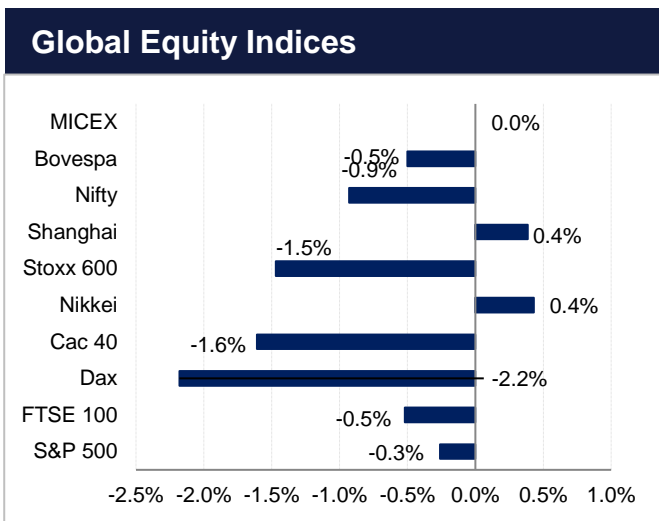
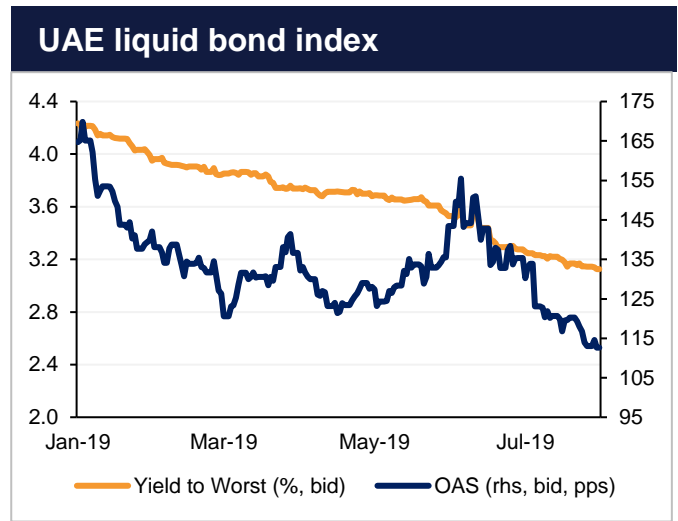
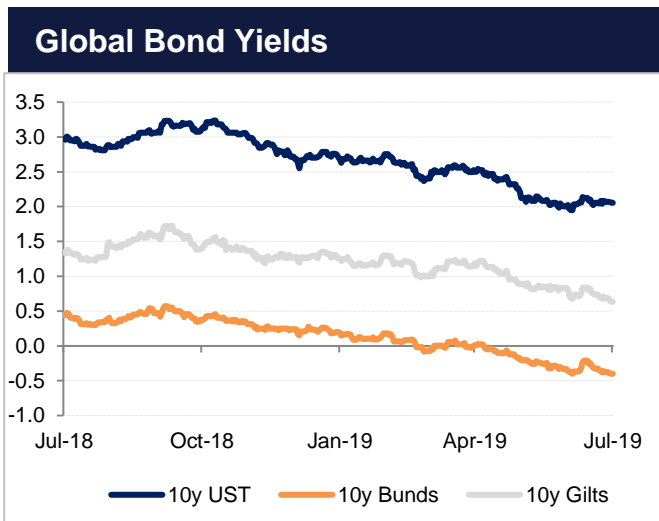
Ahead of the Federal Reserve meeting later today, developed market stocks closed lower. Weak corporate earnings also weighed on investor sentiment. The S&P 500 index and the Euro Stoxx 600 index lost -0.3% and -1.5% respectively.

Regional markets grinded higher on the back of strength in the DFM index (+1.1%). Emaar-related names continued to lead the rally. Emaar Properties added +1.5%.

## Commodities

Oil prices extended its gains as data is expected to show that US crude stockpiles continue to tighten. Government data is forecast to show that supplies fell by 2.75 million barrels. The WTI and Brent prices closed with gains of +0.7% and 0.9% respectively.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1155	+0.09	1.1471	USDTRY	5.5587	-1.00	EURAED	4.0974	+0.10
GBPUSD	1.2152	-0.55	1.2337	USDEGP	16.5600	-0.18	GBPAED	4.4629	-0.54
USDJPY	108.61	-0.16	105.80	USDSAR	3.7508	+0.01	JPYAED	0.0338	+0.17
USDCAD	1.3151	-0.10	1.3098	USDQAR	3.6800	+1.07	CADAED	2.7926	+0.09
AUDUSD	0.6872	-0.43	0.6940	USDKWD	0.3041	--	AUDAED	2.5242	-0.41
USDCHF	0.9904	-0.12	0.9590	USDBHD	0.3770	-0.01	CHFAED	3.7090	+0.13
EURGBP	0.9180	+0.63	0.9298	USDOMR	0.3850	--	TRYAED	0.6600	+0.90
USDAED	3.6729	+0.00	3.6793	USDINR	70.7225	-0.64	INRAED	0.0552	+3.39

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.4473	2.6710	2.7625	2.8564	USD 2 yr	1.872	-0
USD LIBOR	2.2344	2.2555	2.1963	2.1980	USD 5 yr	1.804	-1
GBP LIBOR	0.7143	0.7776	0.8100	0.8568	USD 10 yr	1.972	-1
JPY LIBOR	-0.0942	-0.0713	-0.0313	0.0490	EUR 2 yr	-0.435	+0
CHF LIBOR	-0.8090	-0.7596	-0.7356	-0.6212	EUR 5 yr	-0.320	-0
					EUR 10 yr	0.042	-1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1430.88	+0.29	ADGB 6.75 19	2.42	--	Abu Dhabi	48	--
Silver	16.45	+0.44	DUGB 7.75 20	2.14	-1	Bahrain	233	-3
Oil (WTI)	58.05	+2.07	QATAR 5.25 20	2.70		Dubai	129	--
Aluminium	1777.50	-0.53	US Tsy 2 yr	1.85	-1	Oman	289	--
Copper	5925.00	-1.25	US Tsy 10 yr	2.06	-1	Qatar	49	--
						Saudi Arabia	71	1

Source: Bloomberg, Emirates NBD Research

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