



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

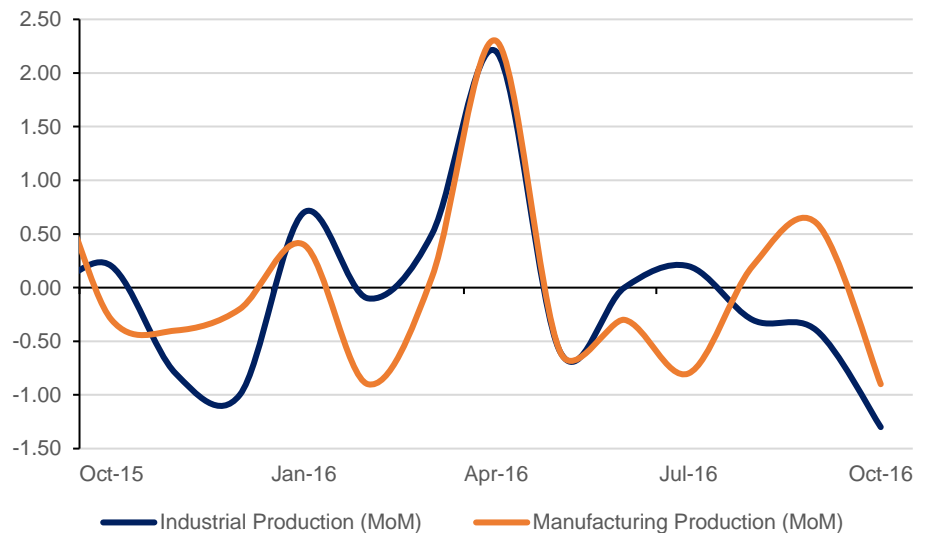
Data out of the UK disappointed yesterday as both manufacturing and industrial output failed to meet market expectations. Manufacturing for October fell 0.9%, its most in eight months, while industrial output fell more than 1% thanks to a shutdown of the Buzzard oil field in the North Sea. After a few months of better than anticipated data post-Brexit the latest numbers are a bit of a surprise but may be isolated datapoints and probably won't be enough on their own to derail overall UK growth this year.

In a surprise move, the Reserve Bank of India left interest rates unchanged at 6.25% even as the central bank reiterated that it retains an accommodative stance. The RBI also lowered the gross value added (GVA) estimate from 7.6% to 7.1%. In the press conference, the central bank indicated that the decline in GVA estimate was on account of growth slippage in Q2 FY 2017 than the impact of demonetization which is likely to be transitory. It does appear that the central bank is looking for inflation trajectory to firm up and gauge the full impact of demonetization decision before easing further.

The Bank of Canada also kept interest rates unchanged at 0.5% yesterday as **governor Stephen Poloz warned about the uncertain outlook for exports and investment following the election of Donald Trump, who has made some worrying noises about existing free trade deals such as NAFTA.** Investment in Canada may take some more time to recover, particularly in the energy focused province of Alberta as it recovers from wildfires and low oil prices.

The UAE's oil minister expects the announced OPEC and non-OPEC production cuts to be enough to balance oil markets in 2017. Suhail al Mazrouei said that the balancing would only work if non-OPEC producers hold to their side of the deal. The minister also cautioned that OPEC could step in again to put a floor under prices if they do resume a downward trajectory. **At present only Russia and Oman have made firm commitments to cut production while OPEC will hold a meeting with counterparties over the weekend.**

UK production contracts in October



Source: Bloomberg, Emirates NBD Research.

Day's Economic Data and Events

	Time	Cons		Time	Cons
ECB rate decision	16:45	-0.4%	ECB Asset Purchase Target	16:45	80bn
US Initial jobless claims	17:30	255k			

Source: Bloomberg.

Fixed Income

Benchmark fixed income markets ended in the green yesterday with UST 10yr yields giving up nearly 5bps. Markets are awaiting the outcome of today's ECB meeting to see if additional monetary easing will be announced, or at least extended, helping to spur a rally across most markets last night.

Commercial Bank of Qatar, CBQ rated A2/stable, will acquire the remaining stake in Turkey's Alternatif Bank, rated Ba2/stable by H2 next year to make it its wholly owned subsidiary. Alternatif's credit rating will receive a positive boost and spread on both should converge. No material movement was registered yesterday on COMQAT 21s though ALNTF 26s closed with YTW at 8.01% (-25bps over the last three days).

Activity in the primary market remains muted. One of the potential issuer, Ezdan Holdings instead closed a USD 460m Islamic loan facility in the syndicated loan market. NBAD also signed a USD 2bn loan deal at undisclosed price.

Oman has indicated plans to sell up to as much as USD 1.5bn-USD 2bn in bond next year to help meet a fiscal deficit caused by low oil prices. Oman last entered markets in June this year, borrowing USD 1.5bn in 10yr bonds at MS +245.

Equities

Developed market equities continued their positive run with the S&P 500 index touching new highs. Optimism that the European Central Bank will extend the stimulus program at its meeting later today is playing its part in boosting investor sentiment. The S&P 500 index and the Euro Stoxx 600 index rallied +1.3% and +0.9% respectively.

Asian equities are trading higher this morning tracking positive close to developed markets overnight. The MSCI Asia Pacific index was trading +0.8% at the time of this writing.

The Tadawul (-0.4%) was a notable exception in what was a positive day of trading for regional equities. The DFM index and the ADX index rallied +1.3% and +1.8% respectively.

The flow trend remained the same with banking sector stocks rallying in Abu Dhabi while midcap stocks dominated trading in Dubai. ADCB and FGB gained +1.9% and +5.4% respectively while Arabtec and DFM rallied +3.0% and +4.9% respectively.

FX

NZD is this morning's top performer following comments by RNBZ Governor Wheeler that the official cash rate was likely to remain at the record-low of 1.75% for some time, prompting the market to interpret that the central bank would not cut interest rates any further. So far this morning, the NZDUSD has appreciated 0.70%, rising to 0.7213, breaking the pairs 100 day MA (0.7198). The underperformer of the Asia session is the USD, with the Dollar Index falling 0.23% to 100.00.

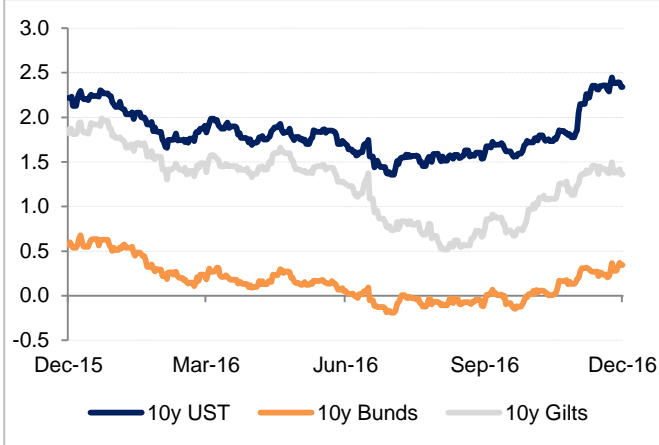
This afternoon markets will turn their focus towards the ECB who are expected to leave their monetary policy unchanged with the exception of a 6 month extension of asset purchases. Investors will be closely scanning Draghi's final policy announcement of the year in order to gain some insight into when the ECB's asset purchases may come to an end.

Commodities

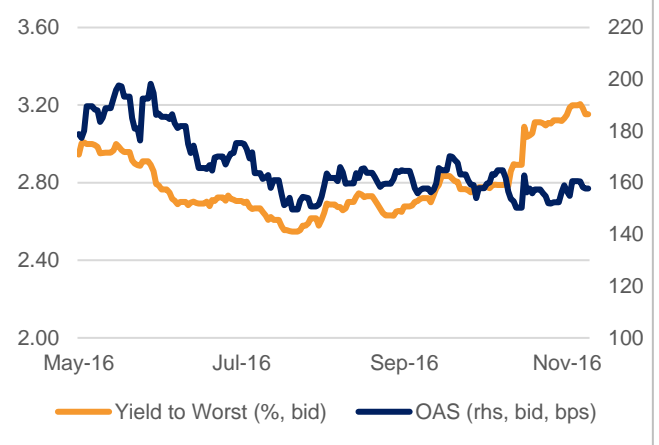
Oil markets continued to tumble yesterday, WTI gave up 2.3% and Brent was down 1.7%. The weekly EIA data out of the US showed an overall draw of 2.39m bbl last week thanks to decent flows out of the Gulf Coast but a large build at Cushing, more representative of the recent upswing in production seen over the past few months. US oil production was essentially unchanged at 8.7m b/d and is now nearly 300k b/d higher than it was in the trough of July.

Markets in Charts

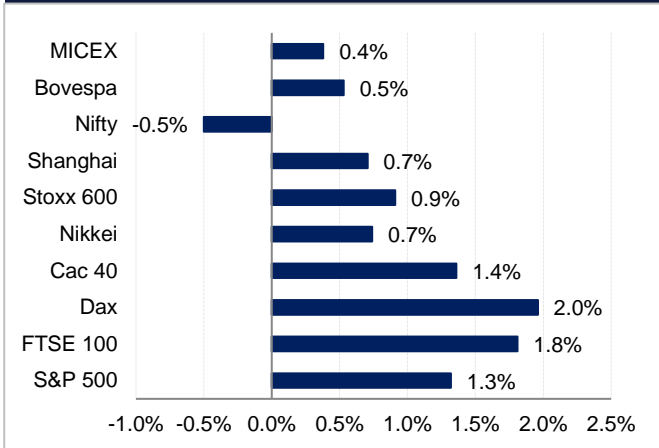
Global Bond Yields



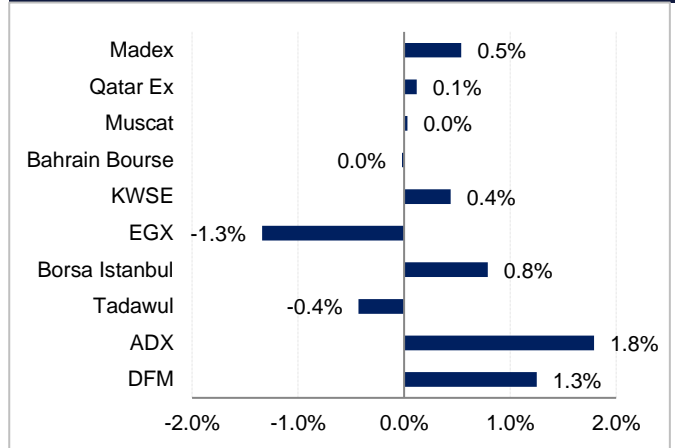
UAE liquid bond index



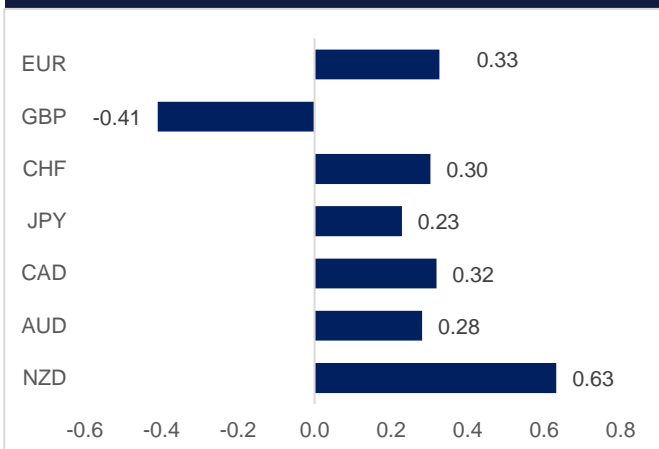
Global Equity Indices



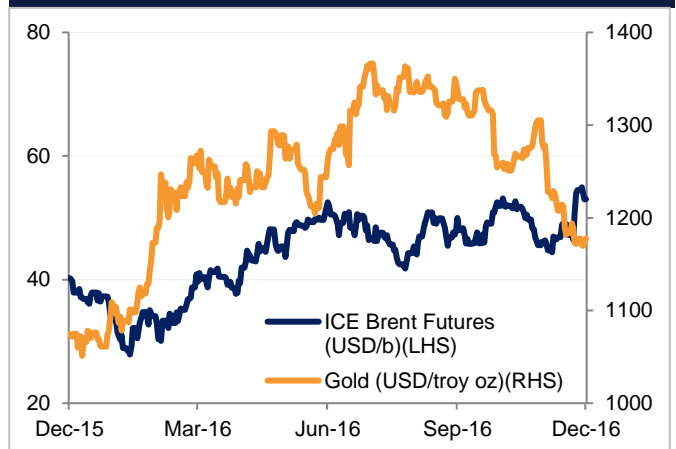
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0753	+0.33	1.0956	USDTRY	3.3896	-1.63	EURAED	3.9494	+0.31
GBPUSD	1.2626	-0.41	1.2741	USDEGP	18.0950	+1.01	GBPAED	4.6374	-0.41
USDJPY	113.77	-0.22	111.63	USDSAR	3.7506	+0.01	JPYAED	0.0323	+0.22
USDCAD	1.3234	-0.32	1.3176	USDQAR	3.6414	--	CADAED	2.7756	+0.33
AUDUSD	0.7482	+0.28	0.7427	USDKWD	0.3050	+0.09	AUDAED	2.7482	+0.28
USDCHF	1.0075	-0.27	0.9833	USDBHD	0.3770	-0.00	CHFAED	3.6466	+0.30
EURGBP	0.8517	+0.75	0.8600	USDOMR	0.3850	--	TRYAED	1.0800	+1.32
USDAED	3.6730	--	3.6870	USDINR	67.6350	-0.39	INRAED	0.0545	+0.45

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.7790	1.3626	1.6849	2.1341	USD 2 yr	1.320	-2
USD LIBOR	0.6489	0.9508	1.2932	1.6457	USD 5 yr	1.795	-4
GBP LIBOR	0.2619	0.3823	0.5439	0.7891	USD 10 yr	2.190	-5
JPY LIBOR	-0.1126	-0.0577	0.0100	0.1071	EUR 2 yr	-0.148	-1
CHF LIBOR	-0.8198	-0.7402	-0.6726	-0.5016	EUR 5 yr	0.135	-2
					EUR 10 yr	0.742	-3

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1173.98	+0.35	ADGB 6.75 19	1.68	-2	Abu Dhabi	66	-2
Silver	17.12	+2.38	DUGB 7.75 20	2.88	-0	Dubai	152	-3
Oil (WTI)	49.77	-2.28	QATAR 6.55 19	1.95	+1	Qatar	84	-3
Aluminium	1711.25	-0.01	US Tsy 2 yr	1.09	-2	Saudi Arabia	121	-2
Copper	5779.25	-1.64	US Tsy 10 yr	2.34	-5	Bahrain	305	-5

Source: Bloomberg, Emirates NBD Research

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