



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

PMI surveys across the world painted a grim picture of the health of global economy and reinforced expectations of easy monetary policies across economies.

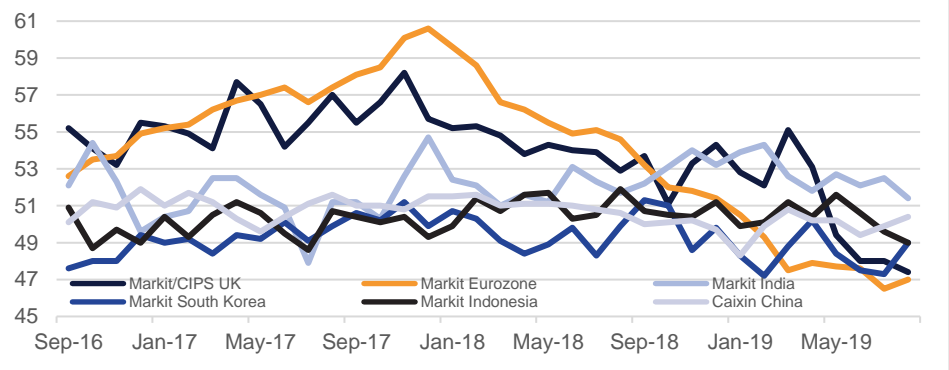
In Asia, the Markit manufacturing PMIs across economies with the exception of South Korea and China came in weaker than the previous month. South Korea's and China's manufacturing PMI rose to 49.3 in August (versus 47.3 in July) and 50.4 (versus 49.9 in July) respectively. In contrast, India's and Indonesia's reading came in at 51.4 and 49.0 respectively.

The Eurozone final Markit manufacturing PMI readings for August were not very different from those in Asia. All key economies with the exception of France remained well in contraction territory with readings of 48.8 for Spain, 48.7 for Italy and 43.5 for Germany. The Markit manufacturing PMI reading for the UK also dropped from 48.0 in July to 47.4 in August. The overall Eurozone manufacturing PMI reading stood at 47.0 in August 2019.

The IHS Markit GCC PMI surveys for August showed diverging trends in the non-oil private sectors. Saudi Arabia's PMI rose slightly to 57.0 as both output and new order growth remained elevated. However, the UAE's headline PMI fell to an eight year low of 51.6 last month, down from 55.1 in July. Slower output and new work growth contributed to the softness in August, as did a contraction in stocks of inventories. There was no evidence of private sector job growth in either economy however. In the UAE, average selling prices declined for the eleventh month in a row, as firms competed for new work. In Egypt, the headline PMI retreated into contraction territory in August, declining to 49.4 from 50.3 in July on lower output and new orders. Input costs increased sharply in Egypt last month, but there was limited pass-through to selling prices, suggesting that consumer inflation is likely to remain contained.

The Q2 2019 GDP reading from Turkey came in better than expected. The seasonally adjusted data showed that the economy shrank -1.4% y/y compared to a fall of -2.1% y/y in Q1 2019. This was relative to consensus expectations of a -2.0% y/y decline. On a q/q basis, the seasonally adjusted GDP grew at +1.2% relative to consensus expectations of +0.4%. The continued decline in investments and consumer spending weighed on the economy.

Manufacturing PMI readings remain weak



Source: Bloomberg

Today's Economic Data and Events

| | Time | Cons | | Time | Cons |
|----------------------|-------|------|----------------------|-------|-------|
| US ISM Manufacturing | 18:00 | 50.0 | RBA Cash Rate Target | 08.30 | 1.00% |

Source: Bloomberg, Emirates NBD Research.

Fixed Income

It was a rather quiet day for fixed income market on account of a holiday in the US.

Gilts in the UK rallied sharply as chances of a fresh general election rose following increased possibility of the Parliament forcing the UK Prime Minister to avoid no-deal Brexit and seek another extension. Yields on 10y Gilts dropped -6bps to 0.41%.

Regional bonds closed flat. The YTW on Bloomberg Barclays GCC Credit and High Yield index remained at 3.07% and credit spreads at 158 bps.

The primary market gathered pace with Emaar Properties and Bank of Sharjah mandating banks to raise money. Both issuers are expected to raise at least USD 500mn and sales could happen as soon as this month.

FX

Yesterday GBP dropped sharply to close at a two week low as investors positioned themselves for a Brexit showdown in the UK Parliament. The increased probability of a fresh general election in the UK also weighed on investors. The GBP/USD ended the day at 1.2066 (-0.74%).

Equities

European equities closed higher on the back of strength in mining stocks. The Euro Stoxx 600 index added +0.3%.

Within regional markets, it was all about DFM. The broader index rallied +4.8% on the back of strength in Emirates NBD (+14.9%) and Emaar Properties (3.4%). Emirates NBD allowed foreigners to own up to 20%, up from an earlier limit of 5%. The bank also said that it will seek shareholder's approval to increase the limit further to 40%.

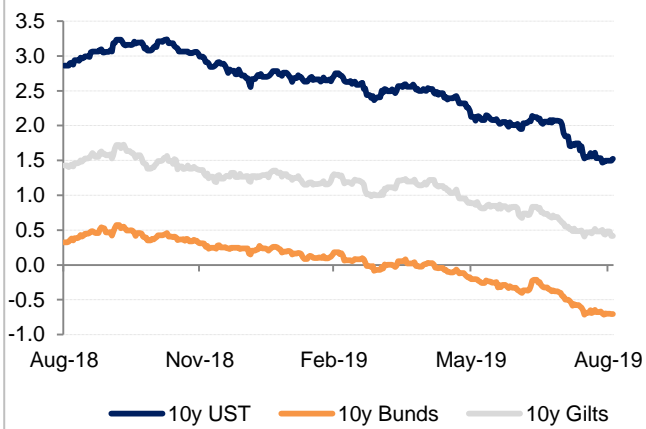
Dubai formed a committee to study the needs of the real estate market, evaluate all future projects and control the pace of projects. The committee will be chaired by the deputy ruler of Dubai His Highness Shaikh Maktoum Mohammed Bin Rashid Al Maktoum and will have representatives from various real estate companies.

Commodities

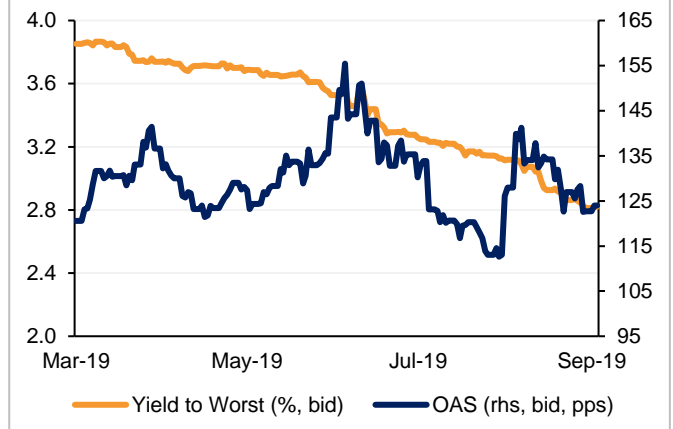
Oil prices dropped sharply after reports that OPEC's crude production rose for the first time since the latest round of output cuts. The production increased by 200,000 barrels a day to 29.99 million a day. Brent oil prices dropped -2.9%.

Markets in Charts

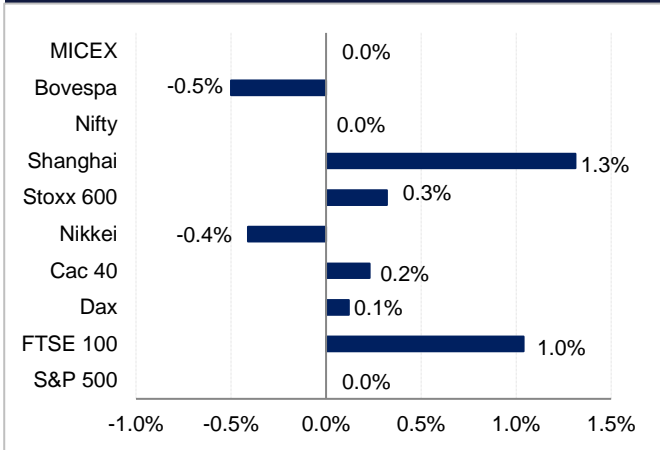
Global Bond Yields



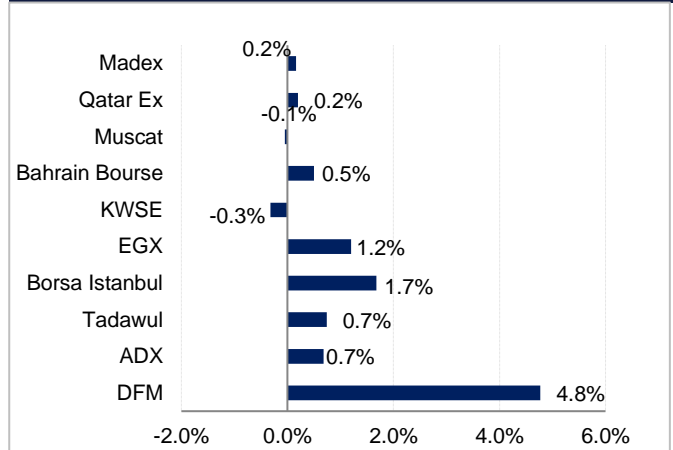
UAE liquid bond index



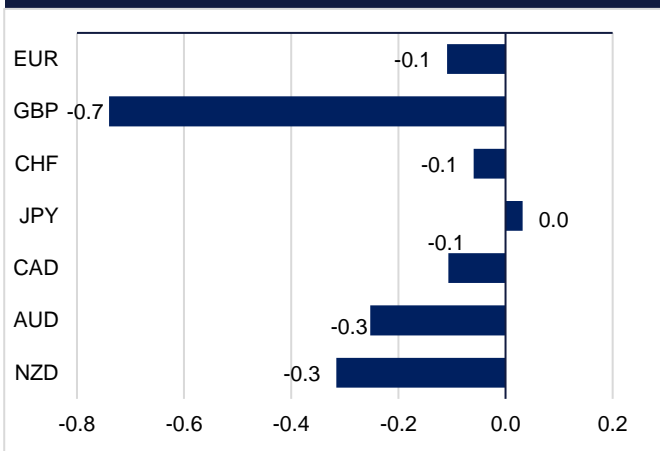
Global Equity Indices



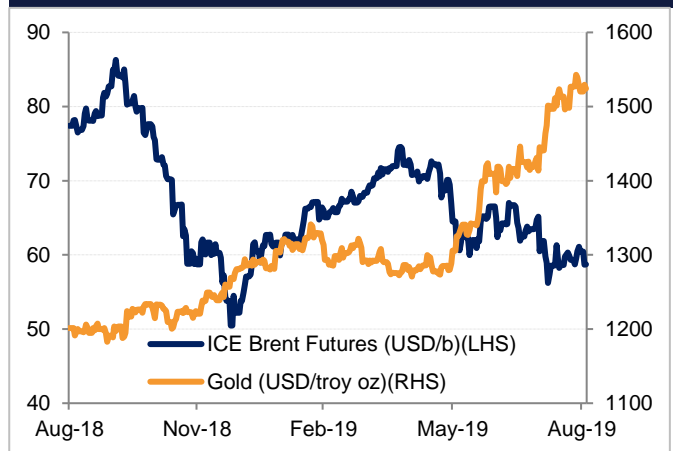
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

| | Close | %1D chg | 1 yr fwd | | Close | %1D chg | | Close | %1D chg |
|--------|--------|---------|----------|--------|---------|---------|--------|--------|---------|
| EURUSD | 1.0970 | -0.11 | 1.1252 | USDTRY | 5.8065 | -0.44 | EURAED | 4.0292 | -0.19 |
| GBPUSD | 1.2066 | -0.74 | 1.2209 | USDEGP | 16.5750 | +0.13 | GBPAED | 4.4318 | -0.80 |
| USDJPY | 106.24 | -0.04 | 103.83 | USDSAR | 3.7509 | +0.01 | JPYAED | 0.0346 | -0.02 |
| USDCAD | 1.3326 | +0.11 | 1.3297 | USDQAR | 3.6800 | +0.48 | CADAED | 2.7564 | -0.09 |
| AUDUSD | 0.6716 | -0.25 | 0.6768 | USDKWD | 0.3042 | +0.05 | AUDAED | 2.4664 | -0.34 |
| USDCHF | 0.9907 | +0.03 | 0.9610 | USDBHD | 0.3770 | -0.00 | CHFAED | 3.7073 | -0.06 |
| EURGBP | 0.9092 | +0.56 | 0.9216 | USDOMR | 0.3848 | -0.06 | TRYAED | 0.6300 | +0.04 |
| USDAED | 3.6730 | -- | 3.6789 | USDINR | 70.7225 | -0.64 | INRAED | 0.0552 | +7.87 |

Rates

| Interbank | 1 mo | 3mo | 6 mo | 1 yr | Swaps | Close | 1D chg (bps) |
|-----------|---------|---------|---------|---------|-----------|--------|--------------|
| EIBOR | 2.2803 | 2.3873 | 2.3875 | 2.6089 | USD 2 yr | 1.508 | -1 |
| USD LIBOR | 2.0819 | 2.1328 | 2.0240 | 1.9494 | USD 5 yr | 1.318 | -0 |
| GBP LIBOR | 0.7081 | 0.7668 | 0.7835 | 0.8321 | USD 10 yr | 1.382 | +0 |
| JPY LIBOR | -0.1227 | -0.0908 | -0.0490 | 0.0377 | EUR 2 yr | -0.570 | -1 |
| CHF LIBOR | -0.8886 | -0.8548 | -0.8492 | -0.7498 | EUR 5 yr | -0.534 | -1 |
| | | | | | EUR 10 yr | -0.273 | -0 |

Commodities & Fixed Income

| Commodities | Close | %1D chg | Bonds/Sukuk | YTM | 1D chg (bps) | CDS | Close | 1D chg (bps) |
|-------------|---------|---------|---------------|------|--------------|--------------|-------|--------------|
| Gold | 1529.29 | +0.59 | ADGB 6.75 19 | 2.42 | -- | Abu Dhabi | 48 | - |
| Silver | 18.47 | +0.51 | DUGB 7.75 20 | 1.93 | +1 | Bahrain | 257 | - |
| Oil (WTI) | - | - | QATAR 5.25 20 | 2.70 | | Dubai | 129 | - |
| Aluminium | 1721.00 | -0.19 | US Tsy 2 yr | 1.50 | -- | Oman | 324 | -25 |
| Copper | 5593.50 | -1.10 | US Tsy 10 yr | 1.50 | -- | Qatar | 48 | -1 |
| | | | | | | Saudi Arabia | 66 | -1 |

Source: Bloomberg, Emirates NBD Research

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