



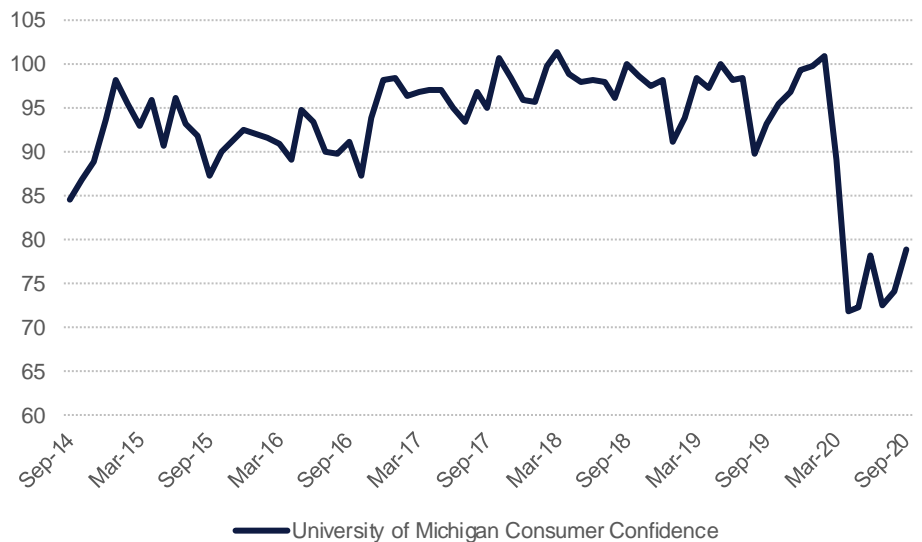
Daily Outlook

The Bank of England kept policy unchanged at its latest MPC meeting at the end of last week. The BoE maintained its policy rate at 0.1% and held its quantitative easing target at GBP 745bn. The BoE is considering how to implement negative interest rates as a potential next step to offset the economic impact of Covid-19. Were the UK to introduce negative rates it would follow the Eurozone and Japan among other major economies that have used the unorthodox policy to limited effect in stirring growth and prompting inflation. Sterling slumped on the proposal but managed to recover over the course of the day.

In the US consumer confidence picked up in September to 78.9 as measured by the University of Michigan's consumer confidence survey. That represents its highest level in the past seven months and an improvement even as additional unemployment benefits have expired and no new round of fiscal support has been agreed upon. Should the recent downturn in equity prices accelerate, or broaden beyond the tech sector, it may weigh negatively on consumer sentiment and shape up for a softer Q4, particularly if no new unemployment payments are forthcoming.

Saudi Arabia's energy minister warned markets that he would not leave the oil market "unattended" and production policy could be prone to change based on the Kingdom's assessment of oil market conditions. Prince Abdulaziz bin Salman castigated other members of OPEC+ who had failed to hit their production targets and the OPEC+ joint market monitoring committee extended until the end of the year time for producers to make up for past production target misses.

Long recovery underway for US consumers



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
US Chicago Fed activity ind.	16:30	1.19			

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasury markets were weaker across the longer end of the curve over the course of the last week even as equity markets weakened and there were few catalysts to prompt the market in either direction. Yields on 2yr yields settled the week at 0.139%, a gain of a bit more than 1bp while 10yr yields added almost 3bps to close at 0.6937%.

EM USD bonds weakened a second week running as anxiety builds over the rising numbers of Covid-19 cases that could threaten the global economic recovery. Spreads over USTs widened for the first time in the past four weeks, moving up slightly to 339bps over benchmarks.

FX

The DXY index, a measure of the dollar against a basket of major currencies, fell by -0.36% and closed on the 93 handle. The slightly more upbeat message from the Fed has done little to influence the greenback overall, which has been operating around the 93 handle for almost all of September. USDJPY was amongst the biggest movers, declining by -1.50% to settle at 104.57. The pairing reached fresh monthly lows of 104.27 before rebounding, and a break beyond the July low of 104.19 is in sight.

GBP advanced by 0.95% over the week and closed at 1.2917, retreating from weekly highs of 1.3007 amid reports that the EU remains opposed to Boris Johnson's Internal Market Bill and the possibility of another nationwide lockdown. The EUR failed to establish any major movement and is largely unchanged 1.1840. The same can be said for the AUD which ended the week with minor gains and closed at 0.7291. The NZD surged on Friday, rallying by 1.40% to close at 0.6760, following comments from New Zealand's finance minister Grant Robertson, that the RBNZ would leave rates unchanged until March 2021 if the economic recovery was stronger than expected.

Equities

The rise in coronavirus cases in major European economies weighed on their equity indices last week, with the UK's FTSE 100, Germany's DAX, and France's CAC losing 0.4%, 0.7% and 1.1% w/w, driven by losses on Friday. Equity markets fared little better in the US, where risk-off tone towards the tech sector continued to weigh on the major indices, which lost 0.3% (Dow Jones) and 0.6% (NASDAQ and S&P 500) w/w – again, losses on Friday erased slim gains built up earlier in the week.

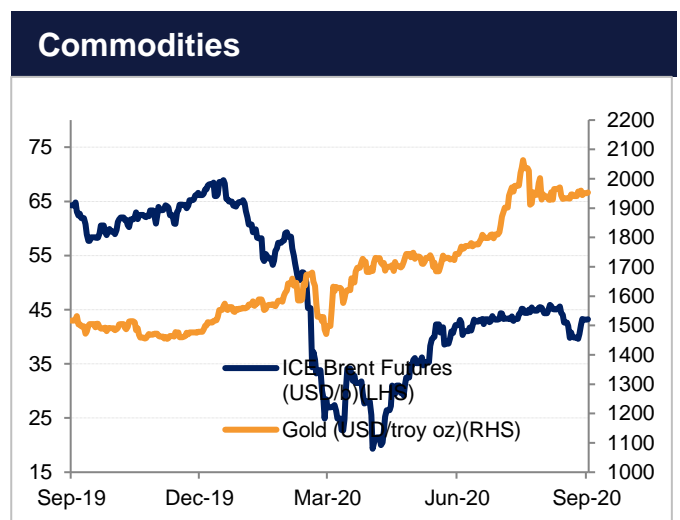
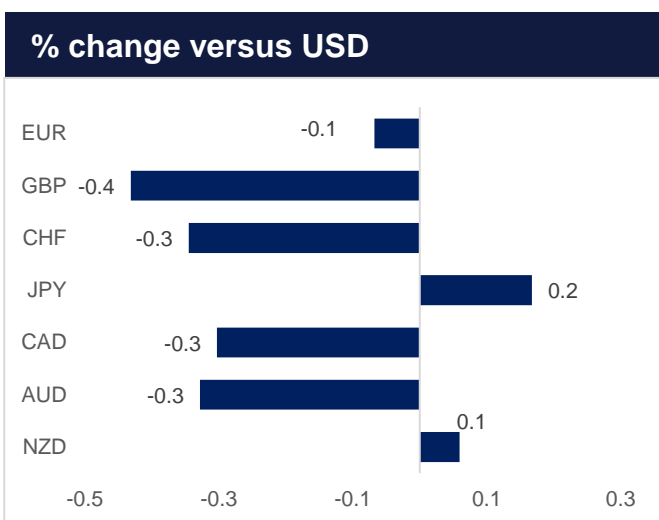
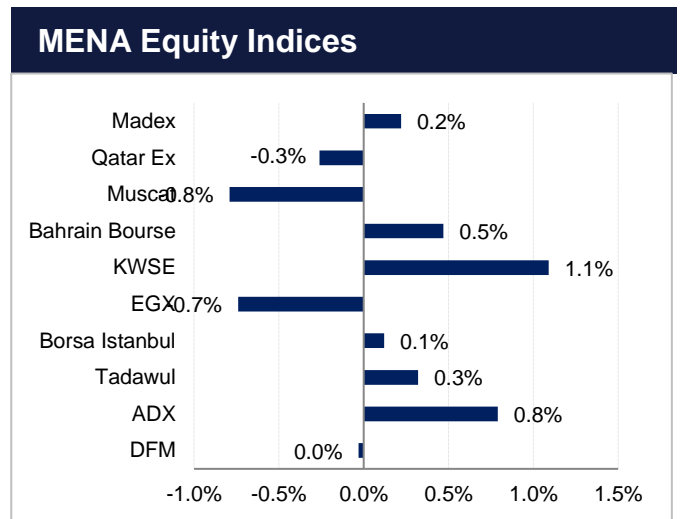
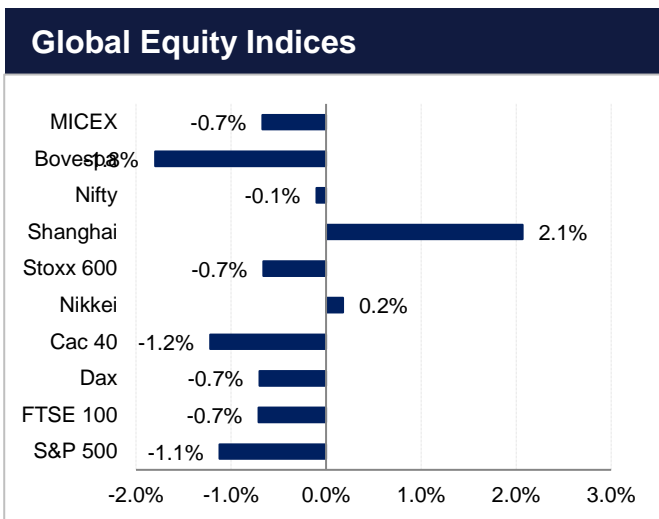
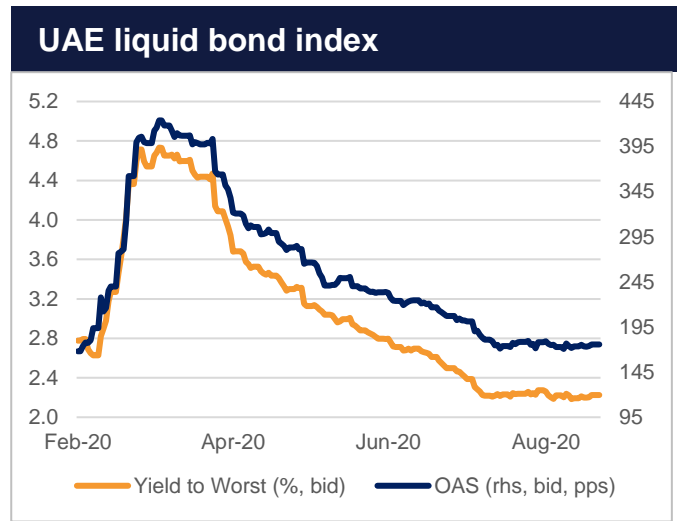
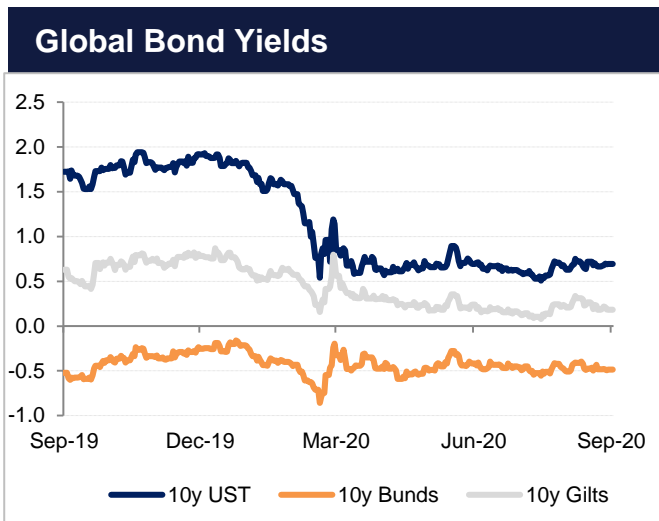
The outperformer in global equity markets last week was the Shanghai Composite, which closed 2.4% higher w/w. The index gained 2.1% on Friday as the PBOC continued to pump cash into the system via its reverse repos, with a net injection of CNY 80bn. With a strengthening economy, questions over the bank's ongoing commitment to boosting liquidity had seen the index fall from its all-time high set in mid-August.

Regionally, the DFM (1.6%) and the Tadawul (1.7%) also saw strong gains over the week.

Commodities

Oil prices snapped two consecutive weeks of losses last week as markets responded to strong messaging from Saudi Arabia's energy minister, Prince Abdulaziz bin Salman, that OPEC+ countries that have failed to hit targets will need to make up ground and that new rounds of output cuts could be a possibility. Brent futures rallied 8.3% to settle at USD 43.15/b while WTI futures gained more than 10% to close at USD 41.11/b.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1840	-0.07	1.1939	USDTRY	7.5625	+0.15	EURAED	4.3488	-0.07
GBPUSD	1.2917	-0.43	1.2948	USDEGP	#N/A N/A	#VALUE!	GBPAED	4.7446	-0.43
USDJPY	104.57	-0.16	103.98	USDSAR	3.7509	+0.00	JPYAED	0.0351	+0.16
USDCAD	1.3204	+0.28	1.3199	USDQAR	3.6800	+1.05	CADAED	2.7816	-0.30
AUDUSD	0.7289	-0.33	0.7293	USDKWD	0.3059	--	AUDAED	2.6779	-0.29
USDCHF	0.9116	+0.36	0.9017	USDBHD	0.3771	--	CHFAED	4.0293	-0.34
EURGBP	0.9167	+0.38	0.9221	USDOMR	0.3850	-0.00	TRYAED	0.4900	+0.73
USDAED	3.6730	--	3.6764	USDINR	73.4500	-0.28	INRAED	0.0552	+10.85

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2592	0.4692	0.6050	0.6933	USD 2 yr	0.222	+1
USD LIBOR	0.1558	0.2254	0.2753	0.3739	USD 5 yr	0.343	+1
GBP LIBOR	0.0490	0.0520	0.0814	0.1419	USD 10 yr	0.703	+1
JPY LIBOR	-0.1192	-0.0987	-0.0407	0.0867	EUR 2 yr	-0.486	-0
CHF LIBOR	-0.7962	-0.7622	-0.7172	-0.5726	EUR 5 yr	-0.423	+1
					EUR 10 yr	-0.221	+1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1950.86	+0.33	ADGB 2.50 25	1.07	+2	Abu Dhabi	44	+2
Silver	26.78	-0.93	DUGB 3.89 25	2.45	-0	Bahrain	303	-4
Oil (WTI)	41.11	+0.34	QATAR 3.4 25	1.19	-0	Dubai	145	+3
Aluminium	1753.10	+0.68	US Tsy 2 yr	0.14	+0	Oman	432	--
Copper	6852.75	+0.68	US Tsy 10 yr	0.69	+1	Qatar	45	+2
						Saudi Arabia	82	--

Source: Bloomberg, Emirates NBD Research

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