



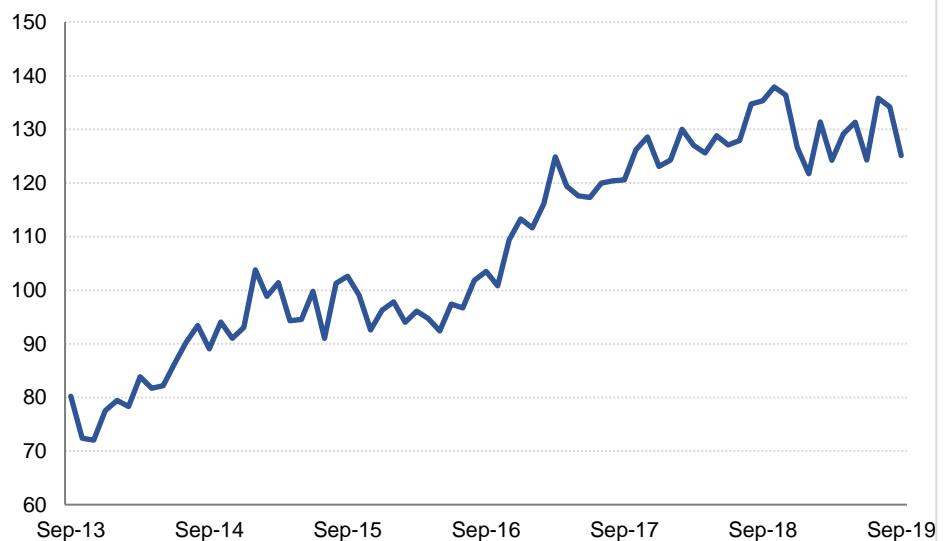
Daily Outlook

The UK's Supreme Court ruled yesterday that the government's prorogation of parliament was illegal and therefore void. Parliament will sit today and PM Johnson is returning early from New York in order to deal with the fallout of yesterday's court decision. His initial response was that he would continue to push for the UK to leave the EU by the end of October, although his options appear to be even more limited now that parliament can continue to pass legislation to prevent a no-deal exit. Uncertainty remains high, and is likely to cap further gains in sterling, which showed a relatively muted response to the Supreme Court's ruling yesterday, appreciating by only around half a percent against the dollar.

A number of factors contributed to the risk-off tone in the US trading session yesterday. US consumer confidence declined by more than forecast in September, as consumers were more pessimistic about both the current situation and their expectations for the future. President Trump's strident remarks on China during his address to the UN General Assembly raised concerns about the ability of both sides to reach any kind of trade deal – interim or otherwise - when talks resume in October. However this morning China is preparing to buy more US agricultural products which may ease market concerns somewhat. Finally, Nancy Pelosi's announcement that a formal impeachment enquiry of President Trump would be launched weighed on equities and contributed to a rally in treasuries yesterday. The White House has said that it will release the full transcript of Trump's call with Ukrainian President Zelenskiy later today. A formal enquiry may not lead to impeachment charges, but is a first step in the process.

Consumer prices in Saudi Arabia declined -1.1% y/y in August, as housing costs weighed on the overall index (-6.5% y/y). Most other components of the index showed rising prices, with furnishing and household equipment costs up 1.4% y/y, and transport, healthcare, education and miscellaneous goods and services costs also higher than a year ago. We expect the rate of deflation to moderate in the coming months.

US consumer confidence falls in September



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
US new home sales	18:00	658k			

Source: EIKON, Emirates NBD Research.

Fixed Income

Treasuries closed higher following reports during market hours of a formal impeachment inquiry of US President Donald Trump. The curve shifted lower with yields on the 2y UST, 5y UST and 10y UST closing at 1.62% (-6 bps), 1.52% (-8 bps) and 1.64% (-8 bps) respectively.

Regional bonds remained largely flat as flows were dominated by a slew of primary issues. The YTW on Bloomberg Barclays GCC Credit and High Yield index remained flat at 3.21% and credit spreads widened 7 bps to 159 bps.

The Kingdom of Bahrain raised USD 2bn in two tranches of 7y (USD 1bn) and 12y (USD 1bn) which were priced to yield 4.5% and 5.625% respectively. In the UAE, DP World raised USD 1bn in two equal tranches of 10y and 20y. The 10y sukuk was priced at 3.75% while 30y bond was priced at 4.7%. We also had National Bank of Fujairah raise USD 350mn in Tier 1 perpetual notes at 5.875%.

FX

This morning the dollar is trading slightly firmer following Tuesday's decline which was catalyzed by a fall in yields. As we go to print, the Dollar Index (DXY) is 0.17% higher at 98.51. EURUSD is trading 0.15% lower at 1.2467, while EURUSD is 0.14% lower at 1.1003. Elsewhere the NZD has risen in the aftermath of the RBNZ meeting at which the central bank kept interest rates at their record low of 1.00%. While policy makers noted that there is scope for further easing if necessary, they argued that the economic data released since August's meeting "did not warrant a significant change to the monetary policy outlook". Currently NZDUSD is trading at 0.6330.

Equities

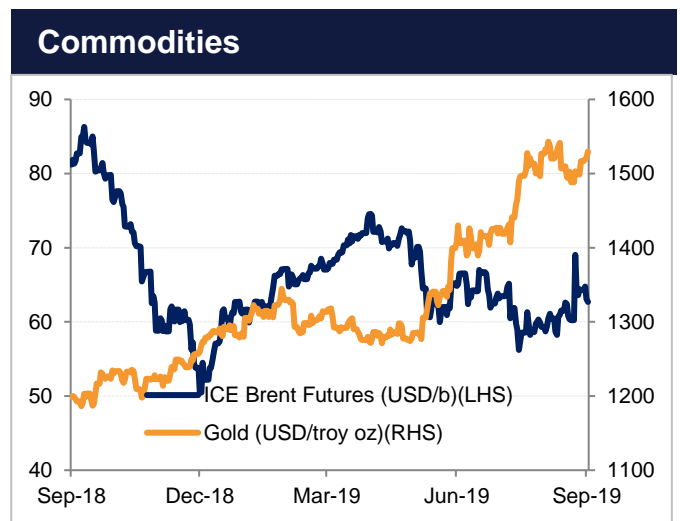
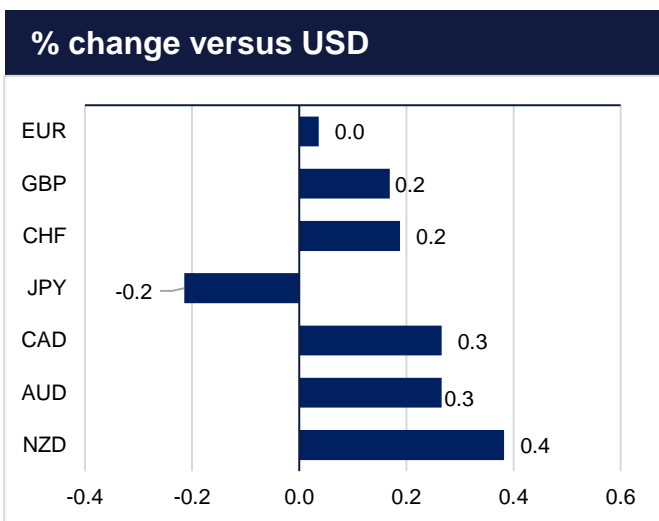
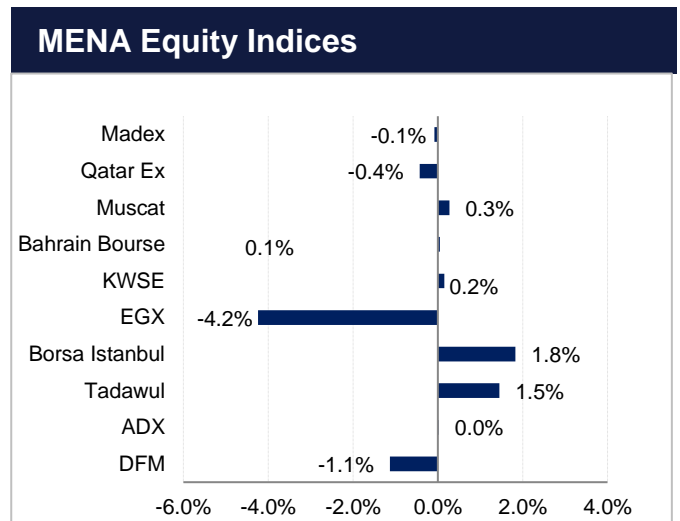
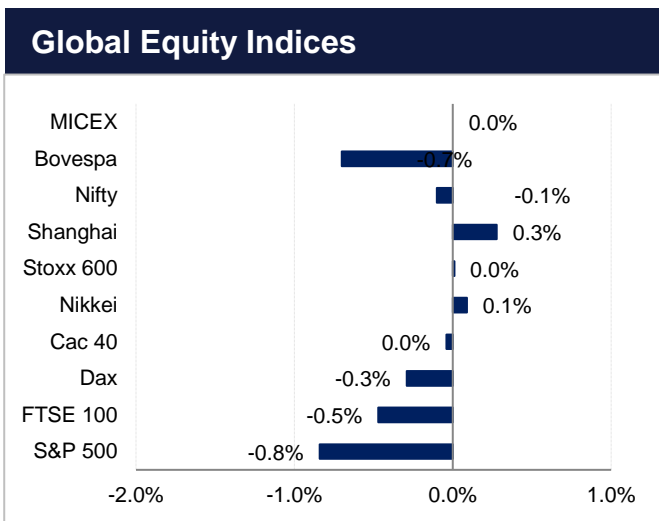
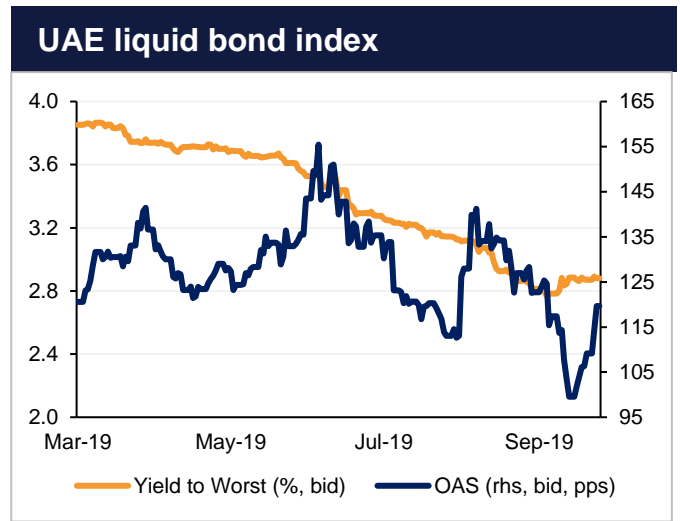
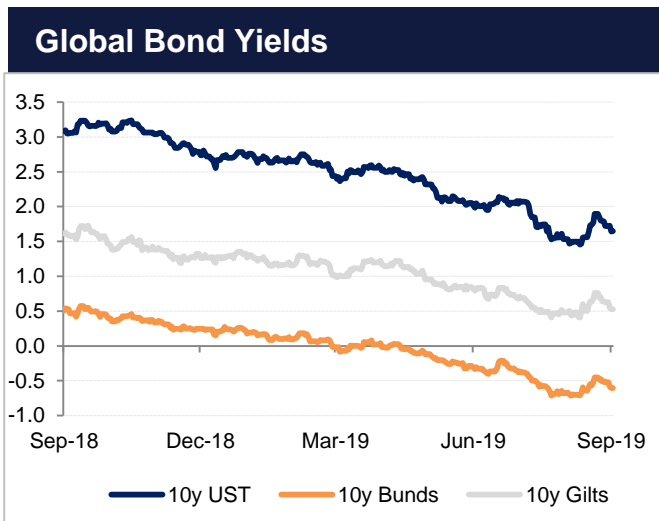
Developed market equities closed lower as domestic politics in the US and the UK turned uncertain. Weak economic data also weighed on investor sentiment. The S&P 500 index and the Euro Stoxx 50 index dropped -0.8% and -0.1% respectively.

Regional equities closed mixed with the DFM index losing -1.1% and the Tadawul adding +1.5%. Egyptian equities continued to remain under pressure with the EGX 30 index losing -4.2%. Gains on the Tadawul were led by Sabic (+1.2%) and Al Rajhi Bank (+1.3%).

Commodities

Oil markets fell in response to renewed trade war fears following US President Donald Trump's criticism of China at the UN. Trump told the assembled world leaders he would not accept "a bad deal" which seemed to pour water over expectations for any progress in the short-term. Brent fell 2.6% to close the day at USD 63.10/b while WTI fell 2.3% to end at USD 57.29/b. Both contracts are now up just 4% from the levels prior to the attacks on Saudi oil infrastructure even as the timeline for repair remains uncertain.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0988	+0.04	1.1267	USDTRY	5.6819	-0.67	EURAED	4.0357	+0.02
GBPUSD	1.2444	+0.17	1.2582	USDEGP	16.3030	+0.10	GBPAED	4.5707	+0.15
USDJPY	107.69	+0.21	105.16	USDSAR	3.7513	--	JPYAED	0.0341	-0.22
USDCAD	1.3258	-0.26	1.3236	USDQAR	3.6800	+0.50	CADAED	2.7704	+0.26
AUDUSD	0.6789	+0.27	0.6849	USDKWD	0.3039	+0.06	AUDAED	2.4936	+0.26
USDCHF	0.9894	-0.19	0.9617	USDBHD	0.3770	+0.01	CHFAED	3.7126	+0.19
EURGBP	0.8830	-0.14	0.8955	USDOMR	0.3848	+0.00	TRYAED	0.6500	+1.23
USDAED	3.6730	--	3.6790	USDINR	70.7225	-0.64	INRAED	0.0552	+6.67

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.2053	2.4313	2.4268	2.4575	USD 2 yr	1.667	+1
USD LIBOR	2.0459	2.1130	2.0630	2.0293	USD 5 yr	1.523	+1
GBP LIBOR	0.7138	0.7660	0.8446	0.9368	USD 10 yr	1.584	+1
JPY LIBOR	-0.1198	-0.0928	-0.0502	0.0268	EUR 2 yr	-0.442	-1
CHF LIBOR	-0.8094	-0.7548	-0.7100	-0.5930	EUR 5 yr	-0.413	-0
					EUR 10 yr	-0.181	-0

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1531.87	+0.63	ADGB 6.75 19	2.42	--	Abu Dhabi	55	+4
Silver	18.57	+1.04	DUGB 7.75 20	2.07	-0	Bahrain	238	--
Oil (WTI)	57.29	-2.30	QATAR 5.25 20	2.70		Dubai	130	--
Aluminium	1740.00	-1.40	US Tsy 2 yr	1.63	-6	Oman	323	--
Copper	5753.25	+0.05	US Tsy 10 yr	1.65	-8	Qatar	55	+2
						Saudi Arabia	77	+3

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
Senior Executive Vice President
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

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

Aditya Pugalia
Financial Markets Research
+9714 230 7802
adityap@emiratesnbd.com

Daniel Richards
MENA Economist
+9714 609 3032
danielricha@emiratesnbd.com

Mohammed Altajir
FX Analytics and Product Development
+9714 609 3005
mohammedtaj@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

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

Emirates NBD Capital

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