



# Daily Outlook

**Markets have clearly entered into a period of risk-off in the early hours of the morning**, as the race for the U.S. presidency is significantly tighter than almost everyone predicted. At the time of publication the race was still too close to call, confounding expectations of a Clinton victory. Traditional safe haven assets were rallying strongly, with both gold and the JPY up nearly 3%, while oil prices had fallen by a similar margin. The Mexican peso, which has been looked at closely throughout the election campaign for what it says about the possibility of a Trump presidency, was -10% lower against the dollar at one point. Many other emerging market currencies such as the Turkish lira and South African rand were also down sharply. The election is far from over, but for financial markets the main near-term policy implication from a Trump presidency would be to lower the possibility that the U.S. Fed will raise rates in December.

**To the extent that any of the data released over the past 48 hours still matters, the latest U.S. JOLTS survey published yesterday provided further evidence that the labor market was continuing to tighten**, with the job openings rate climbing slightly higher to 5.4mn. The amount of voluntary 'quitters' (a bullish indicator since it highlights confidence in finding alternative employment opportunities) also rose marginally to 3.0mn. This came on the heels of the release of the latest U.S. Labor Market Conditions Index which hit a three-month high of 0.7 in October.

**Turkish industrial production figures for September missed estimates by a wide margin, with output falling -3.1% y/y (-3.8% m/m)**, compared to expectations for a rise of 2.5%. This is the latest in a string of data releases in recent weeks which continue to suggest the economy has slowed sharply in the second half of the year. Figures on retail sales, tourism, credit growth, confidence and unemployment all point to weaker domestic demand conditions as we enter the final months of 2016.

## Mexico Peso Plunges -10% in Early Trading



Source: Bloomberg, Emirates NBD Research.

## Day's Economic Data and Events

	Time	Cons		Time	Cons
Dubai Economy Tracker	08:15	-	UK Trade Balance	13:30	-

Source: Bloomberg.

## Fixed Income

Financial markets are in a bit of mayhem trying to adjust to the possibility of a Trump presidency. Bid for safe haven assets is seeing escalated demand for US treasuries. Yields on 2yr and 10yr is at 0.73% (-12bps) and 1.73% (-12bps) respectively at the time of print.

In the short term, a Trump presidency may be positive for GCC bonds as they will benefit from falling UST yields, however lower commodity prices and risk of capital outflow from emerging markets plus the ongoing high supply in the region leaves many downside risks on the table.

Primary market has Kuwait sovereign and Bank of Oman preparing for benchmark sized international bonds early next year.

## Equities

Equity market futures are currently trading deep into red territory as early trends indicate that election for US Presidential elections is much tighter than what polls indicated. The S&P 500 futures is trading 95 points lower.

In Asia, India's Sensex is currently trading -4.0% as investors grapple with the possibility of a Donald Trump win and they analyse the impact of demonetization of high currency notes by the Government of India.

Most regional equity markets closed in the green yesterday amid positive news flow from Saudi Arabia. The Tadawul gained +2.1%.

## FX

USD trades softer against a basket of currencies this morning as the risk off sentiment dominates the market. At the time of writing, the Dollar Index trades 1.37% lower at 96.53 breaking its 50 day MA and targeting its 100 day MA of 96.29.

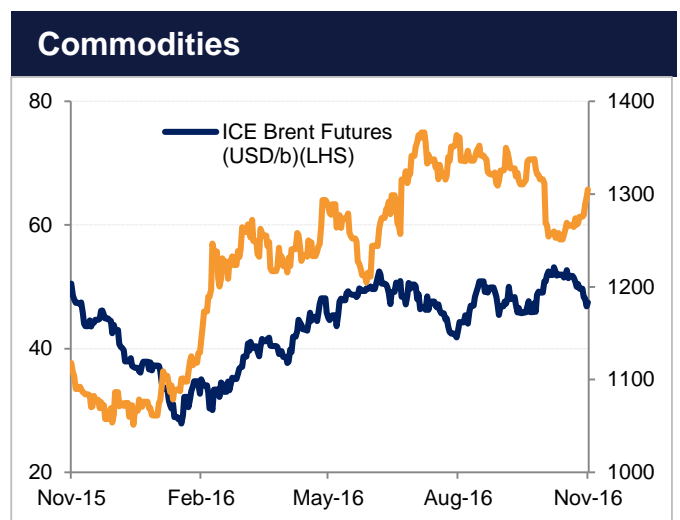
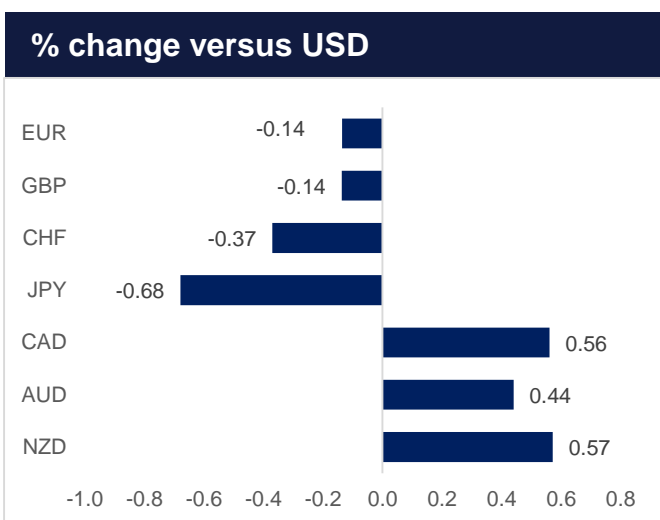
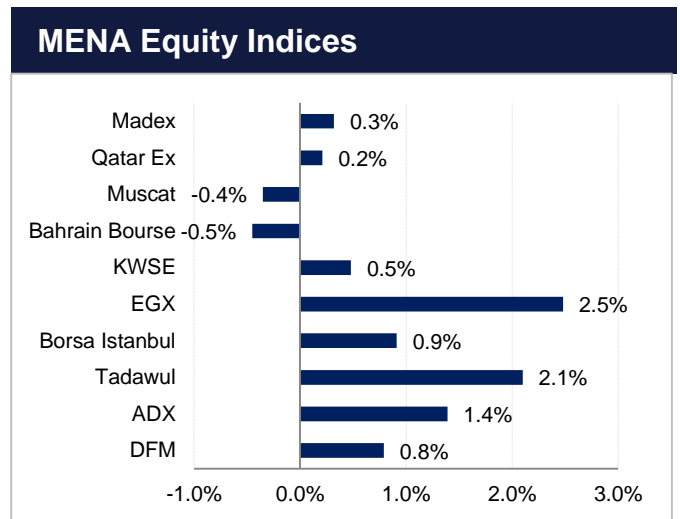
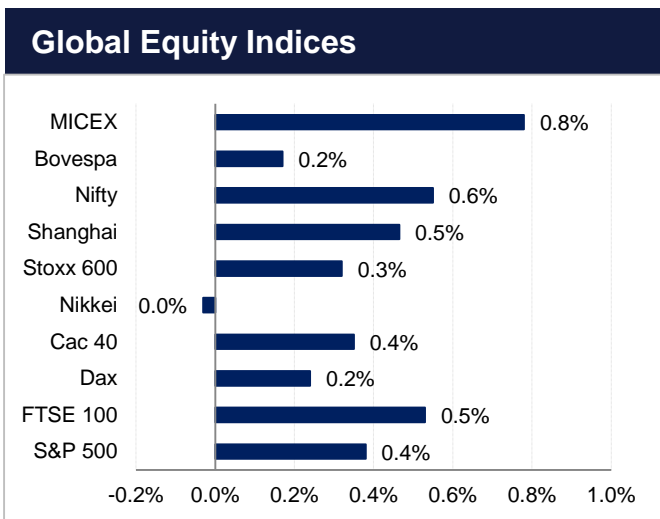
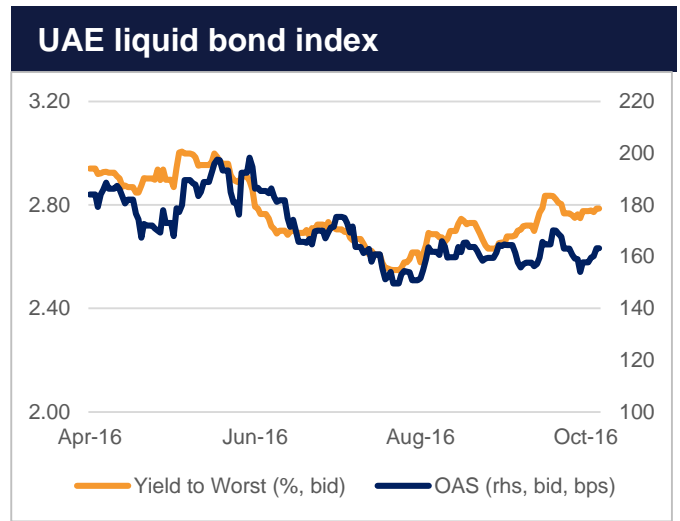
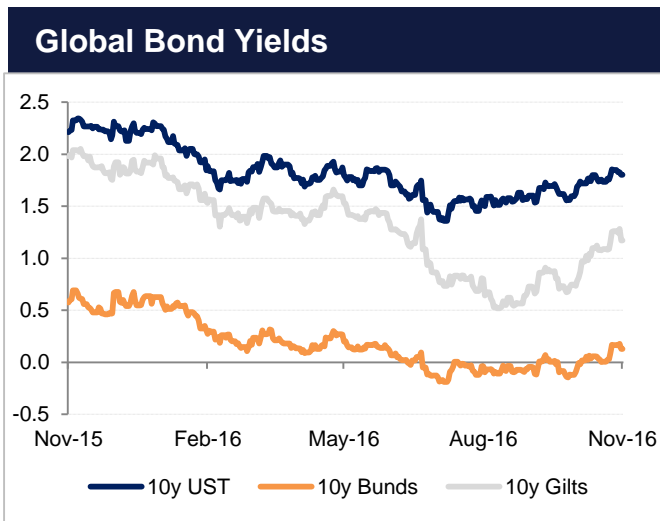
The outperformer this morning is Japanese yen which has benefitted from safe haven bid as investors flee to safe assets. Currently, USDJPY trades 3.15% lower at 101.84, breaking it out of the daily upward trend that was in effect since September 27<sup>th</sup> and opening the door for a test of the important psychological level of 100.

## Commodities

Yesterday may as well have been last decade as far as oil markets are concerned at the moment. Both Brent and WTI are down heavily in thin Asian as investors flee risk assets at the prospect of a Trump presidency. WTI is now down below USD 44/b (-3% today) while Brent is off 2.6%. OPEC released its World Oil Outlook yesterday anticipating demand to rise steadily over the next five years to just shy of 100m b/d in 2021. Non-OPEC supply is seen rising slowly from 2018 while OPEC's share of total global oil supply will be reasonably steady at around 40% of the global market from 2016-20, although crude volumes will tick higher.

Gold is the one beneficiary of the risk off move this morning, up more than USD 40/troy oz and just below USD 1,320/troy oz.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1141	+0.22	1.1329	USDTRY	3.1568	+1.28	EURAED	4.0914	+0.21
GBPUSD	1.2517	+1.48	1.2611	USDEGP	15.3774	+73.22	GBPAED	4.5978	+1.50
USDJPY	103.12	+0.54	101.37	USDSAR	3.7507	+0.01	JPYAED	0.0356	-0.53
USDCAD	1.3404	+0.20	1.3362	USDQAR	3.6408	-0.01	CADAED	2.7404	-0.20
AUDUSD	0.7673	+0.12	0.7606	USDKWD	0.3023	-0.11	AUDAED	2.8194	+0.16
USDCHF	0.9684	-0.18	0.9469	USDBHD	0.3770	+0.00	CHFAED	3.7935	+0.20
EURGBP	0.8900	-1.26	0.8983	USDOMR	0.3850	+0.00	TRYAED	1.1600	-1.56
USDAED	3.6730	+0.00	3.6850	USDINR	66.7200	--	INRAED	0.0550	-0.11

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.7480	1.3401	1.5799	1.9149	USD 2 yr	1.034	-2
USD LIBOR	0.5353	0.8826	1.2454	1.5590	USD 5 yr	1.269	-3
GBP LIBOR	0.2656	0.4064	0.5666	0.8111	USD 10 yr	1.640	-3
JPY LIBOR	-0.0491	-0.0506	0.0076	0.1096	EUR 2 yr	-0.154	+1
CHF LIBOR	-0.7894	-0.7292	-0.6440	-0.4926	EUR 5 yr	0.021	-6
					EUR 10 yr	0.511	+2

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1305.06	+0.64	ADGB 6.75 19	1.36	-2	Abu Dhabi	69	+1
Silver	18.43	-0.26	DUGB 7.75 20	2.70	-1	Dubai	153	+1
Oil (WTI)	44.07	-2.80	QATAR 6.55 19	1.63	-2	Qatar	91	+1
Aluminium	1715.75	-0.45	US Tsy 2 yr	0.78	-3	Saudi Arabia	135	+1
Copper	4977.50	+1.45	US Tsy 10 yr	1.78	-3	Bahrain	369	+9

Source: Bloomberg, Emirates NBD Research

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