



بنك الإمارات دبي الوطني
Emirates NBD

Daily

1 October 2019

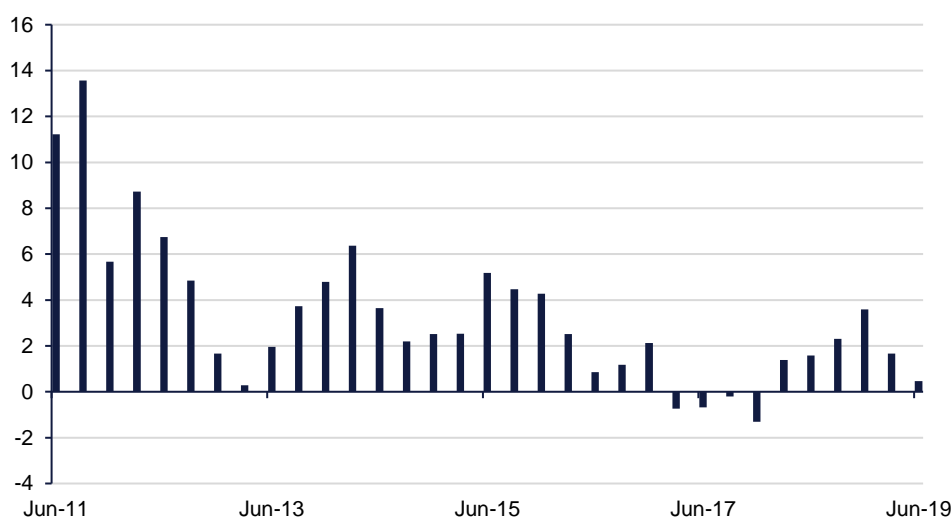
Daily Outlook

Fitch has downgraded Saudi Arabia's sovereign credit rating to A from A+, citing rising geopolitical tensions and risks. Fitch's rating on the kingdom is now one notch below Moody's and one notch above Standard & Poor's. **Separately, Saudi Arabia's economy slowed in Q219 as oil production cuts took their toll on growth.** Overall the economy grew by 0.5% y/y in Q2, down from 1.7% y/y in Q1. The breakdown showed the oil sector contracting by 3% while the non-oil sector expanded by 2.9%, the fastest since 2015, and consistent with firmer PMI readings in Q2. We forecast overall growth of 2.0% in 2019. **Other data from SAMA showed net foreign assets rising USD 4.6bn in August to USD 502.2bn,** following declines in June and July. Broad money supply growth accelerated to 4.9% y/y in August, reflecting faster growth in M1. Business & individual demand deposits grew 8.1% y/y in August, the fastest annual growth in this component since September 2015. However, private sector credit growth slowed to 2.4% y/y from 3.0 in July.

US activity data for September showed softness with both the Chicago PMI and the Dallas Fed index both falling by 3.3 points and 1.2 points respectively. Elsewhere in the world economic data reported yesterday was a mixed bag with **the final release of UK Q2 GDP data showing an unexpected revision higher in y/y growth, to 1.3% from the provisional 1.2%** estimate. Q1 growth was also revised higher, to 0.6% q/q and 2.1% y/y, from 0.5% and 1.8% respectively before. This morning **the Japanese Tankan report fell to 5 from 7 in Q3,** although this was better than expected.

The Eurozone also saw mixed data. There was a loss of 10,000 jobs in Germany during September, although the unemployment rate remained unchanged at 5.0% for the month. In the Eurozone as a whole, the unemployment rate unexpectedly fell to 7.4% in August down from 7.5% in July. **Germany's harmonized inflation measure also fell back to 0.9% y/y** in the advance reading for September, from 1.0% y/y in the previous month. The national CPI rate also dropped to 1.2% y/y from 1.4% y/y in August. with lower energy prices being the key factor, with a price decline of -1.1% y/y in September.

Saudi Arabia GDP % y/y



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
EZ Eurozone Manuf.PMI	12:00	45.6	US US Manuf.PMI	17.45	51.0
EZ CPI y/y	13:00	1.0%	ISM Manufacturing	18:00	50.1

Source: Bloomberg, Emirates NBD Research.

Fixed Income

A 3bps rise has taken the yield on ten year US Treasuries to 1.7% this morning, while a similar gain has taken the five year yield to 1.57% and the two year yield has risen by 1 bps to 1.64%.

The Fitch downgrade on Saudi credit had little impact on the bonds. Presently there are unconfirmed reports that the kingdom seeks to issue a dollar-denominated sukuk as soon as early as next month, taking advantage of lower boring costs.

FX

The Dollar ended September and is starting October with a firm bias, with the DXY reaching 28-month highs of 99.50 this morning. A soft EURUSD contributed most to overall USD strength, reaching as low as 1.0885 on the back of cool German CPI. Softer U.S. Chicago PMI and Dallas Fed index did see some USD position squaring however. Elsewhere, USDJPY traded over 108.15 on better risk taking levels, while GBPUSD dipped below 1.23.

Currently AUDUSD is almost unchanged at 0.67477 in the aftermath of the RBA cutting interest rates 25bps to 0.75%. Despite the policy makers communicating that they are willing to ease interest rates further, the AUD has not softened as this activity was largely priced in.

Equities

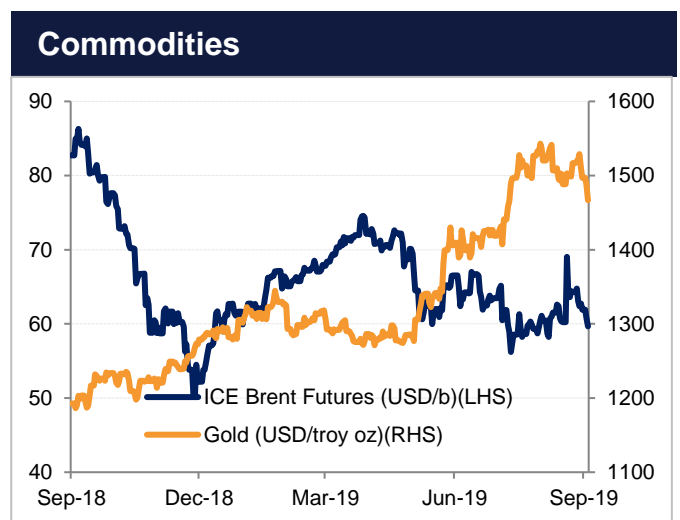
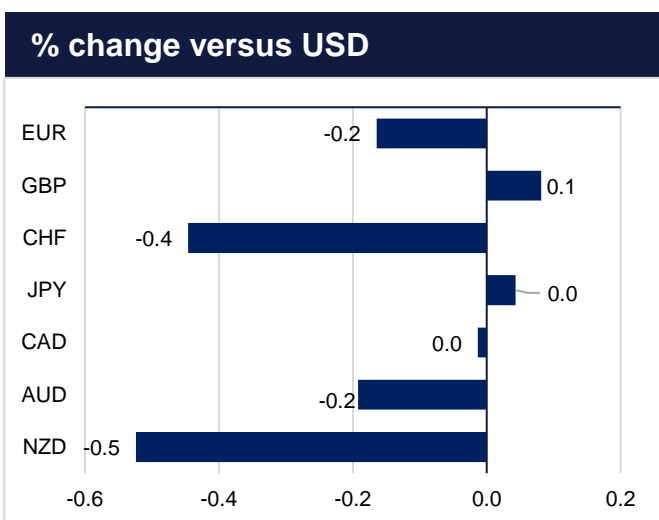
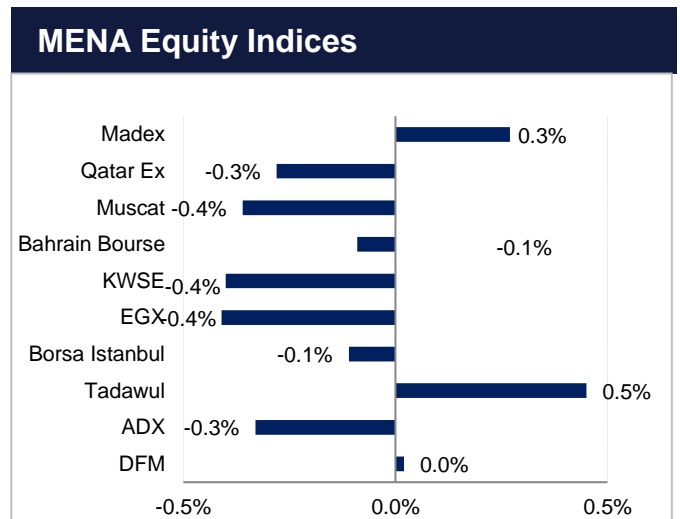
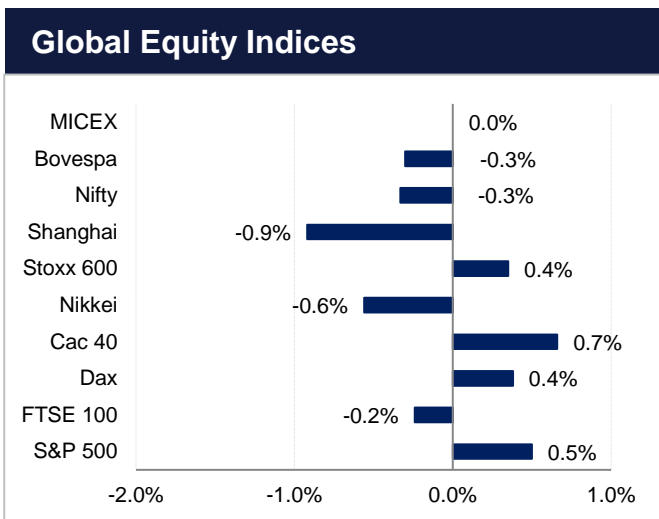
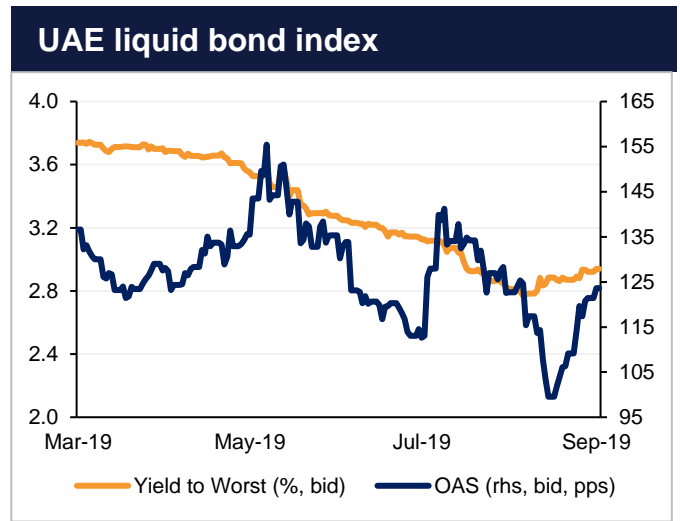
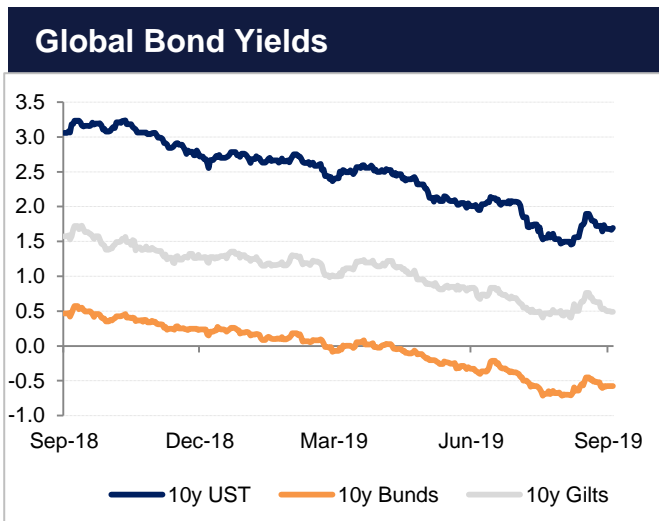
Global equity indices closed higher for the most part overnight, with only the FTSE 100 down a quarter of one percent. The S&P500 posted a 0.36% gain, while the Nasdaq rose by 0.75%. In Europe, the Eurostoxx closed 0.66% higher while DAX appreciated by 0.38%. Japanese equities are higher this morning, despite a decline in the Tankan index. As we go to print, the Nikkei has risen 0.77%, in contrast to the Shanghai Composite Index which is 0.92% lower.

Regional equity indices closed largely lower yesterday, although DFMGI was broadly unchanged and Tadawul ASI was up nearly 0.5%.

Commodities

Oil prices increased slightly overnight ahead of the resumption of US-China trade talks next week, and following the worst quarter so far this year. The news that Saudi Aramco has largely restored output following the attacks in September is likely to limit further upside however, along with concerns about global growth.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0922	-0.16	1.1198	USDTRY	5.6514	-0.37	EURAED	4.0115	-0.16
GBPUSD	1.2302	+0.08	1.2444	USDEGP	16.2810	-0.17	GBPAED	4.5188	-0.02
USDJPY	107.93	+0.01	105.43	USDSAR	3.7517	+0.00	JPYAED	0.0340	+0.17
USDCAD	1.3249	+0.02	1.3230	USDQAR	3.6800	+0.51	CADAED	2.7724	+0.03
AUDUSD	0.6751	-0.19	0.6809	USDKWD	0.3043	+0.02	AUDAED	2.4798	-0.08
USDCHF	0.9953	+0.44	0.9674	USDBHD	0.3770	--	CHFAED	3.6905	-0.32
EURGBP	0.8878	-0.22	0.8998	USDOMR	0.3850	--	TRYAED	0.6500	+0.39
USDAED	3.6729	-0.00	3.6790	USDINR	70.7225	-0.64	INRAED	0.0552	+6.14

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.1671	2.3800	2.4100	2.3985	USD 2 yr	1.655	+1
USD LIBOR	2.0156	2.0851	2.0556	2.0321	USD 5 yr	1.523	+1
GBP LIBOR	0.7153	0.7580	0.8268	0.8895	USD 10 yr	1.587	+1
JPY LIBOR	-0.1087	-0.0992	-0.0508	0.0255	EUR 2 yr	-0.459	-0
CHF LIBOR	-0.8100	-0.7632	-0.7174	-0.6128	EUR 5 yr	-0.407	+0
					EUR 10 yr	-0.145	+1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1472.49	-1.64	ADGB 6.75 19	2.42	--	Abu Dhabi	54	--
Silver	17.24	-1.61	DUGB 7.75 20	2.09	-1	Bahrain	235	+1
Oil (WTI)	54.07	-3.29	QATAR 5.25 20	2.70		Dubai	131	-2
Aluminium	1701.50	-0.89	US Tsy 2 yr	1.62	-1	Oman	323	--
Copper	5695.25	-0.71	US Tsy 10 yr	1.66	-2	Qatar	54	--
						Saudi Arabia	76	+2

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