



بنك الإمارات دبي الوطني  
Emirates NBD

Daily  
3 October 2019

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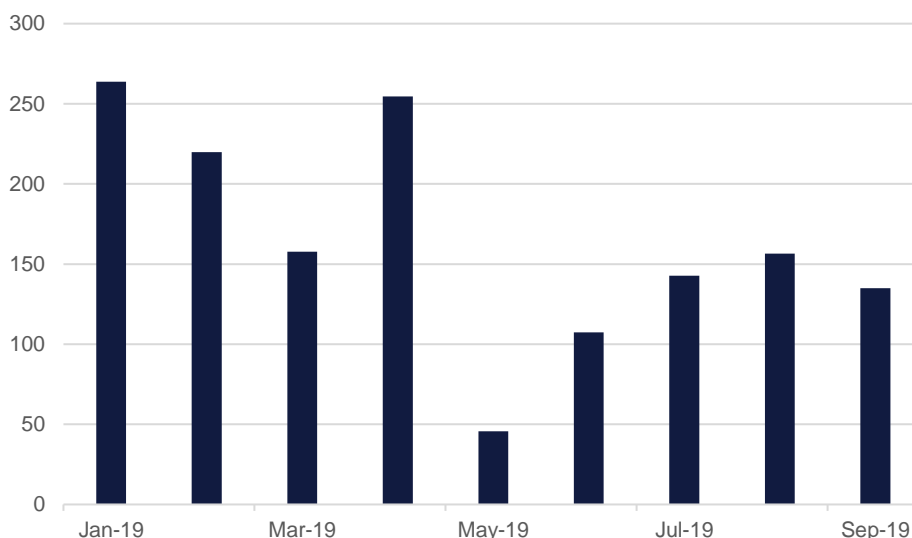
# Daily Outlook

**Markets were down heavily overnight** as a number of uncertainties weighed on them, with particular worries surrounding the growth outlook for manufacturing after the unexpected drop in the US manufacturing ISM index revealed yesterday. This ISM related plunge carried over to Europe and Asia, with **Germany's leading economic institutes yesterday cutting back their GDP projection for next year to just 1.1% from 1.8 previously**, and the forecast for this year cut to 0.5% from 0.8%.

**Trade tensions are also rising this time with Europe after the U.S. got the go ahead from the WTO to impose tariffs on USD7.5bn worth of European exports** in retaliation for illegal government aid to Airbus. This is a different issue to the broader trade wars with China, but it still adds to the risks to global growth and to trade given the fragility of both. The U.S. plans to impose a 10% tariff on large civil aircraft from France, Germany, Spain and the U.K. It will also put 25% levies on a range of other products, and these will all go into effect on October 18th. **The impeachment process in the U.S. is also heating up**, with President Trump yesterday lashing out at his Democratic opponents, suggesting that the markets should brace for some impulsive behavior on a number of issues.

**Brexit is also finally coming to a head, with U.K. Prime Minister Johnson sending Brussels his government's final proposals**, whereby Northern Ireland would stay in the European single market for goods, but leave the customs union - resulting in new customs checks amidst a "two border" approach to solve the impasse. The European Commission said there had been progress but "problems" remained, while the Irish government said the new plan did not "fully meet the agreed objectives of the backstop". If Brussels can be persuaded to support the initiative it appears that PM Johnson might be able to garner enough support in Parliament to back it as well, suggesting that **this is probably the closest the two side might come to finally reaching a deal**. If this does not happen Johnson reiterated yesterday that the UK would have no other option than to leave the EU on the 31st October without a deal.

## US ADP private sector payrolls rise in September



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
UK Services PMI	12.30	50.3	US ISM non-manuf	18.00	55.2
EU Retail sales	13.00	0.3%			

Source: Bloomberg, Emirates NBD Research.

## **Fixed Income**

Benchmark yields continued to slide overnight as markets were caught in a major risk-off move. Yields on 10yr USTs fell nearly 5bps to below 1.6% while the 2yr yield moved below 1.5%. Elsewhere, however, yields tentatively crept higher with bunds, gilts and JGBs all recording higher levels.

ADNOC's CFO indicated the company was examining whether to issue a bond in Q1 2020 given low interest rates and strong appetite for regional debt issuances. ADNOC is rated 'AA' by Fitch but has not issued a bond at the group level. In 2017, ADCOP, the pipeline subsidiary of Adnoc, raised USD 3bn. ADNOC has plans to increase production capacity to 4m b/d by the end of 2020 and has traditionally relied on financing from export partners.

Tunisia has indicated it would be looking to issue EUR 800m in Eurobonds next year in order to meet external financing requirements. Tunisia last tapped markets in July, raising EUR 700m at 6.37%.

## **FX**

The dollar pulled back a little from the highs reached yesterday, taking the DXY to 98.96 lows from 99.41 earlier yesterday. Recession fears following weak manufacturing ISM on Tuesday and an average ADP jobs report yesterday saw equities, Treasury yields, and the USD weaken. Trade concerns also weighed ahead of the upcoming China trade talks (October 10-11th). GBPUSD managed to rally to 1.23 as optimism resurfaced about the possibility of the UK reaching a deal with the EU over Brexit.

## **Equities**

Another round of US tariffs, this time on EU-origin goods in retaliation for an aviation industry dispute, helped push markets sharply lower in both Europe and the US. The FTSE bore the brunt of the decline, losing more than 3% yesterday while the S&P 500 gave up almost 1.8%. Asian markets are trading lower in trading this morning with the Australian index down as much as 2%.

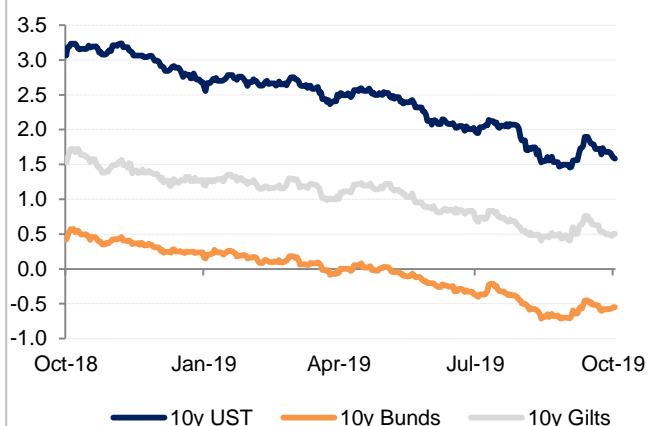
Regional markets remained under pressure with the Tadawul (-0.85%), DFM (-1.25%) and ADX (-0.5%) all recording declines.

## **Commodities**

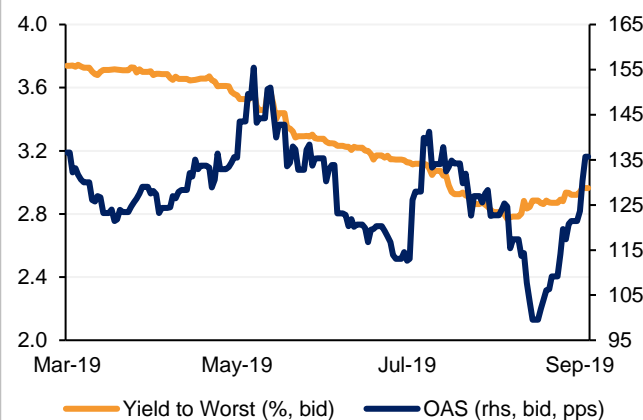
Oil prices remain caught in a tailspin, declining by around 2% for both Brent and WTI overnight. The immediate catalyst for the drop in prices was a build in US crude stocks of over 3m bbl, an opposing estimate to what the API reported earlier this week. The EIA also showed another drop in refining demand to well below its average level for this time of year. Prices have stabilized this morning at USD 52.81/b for WTI and USD 57.69/b in Brent.

## Markets in Charts

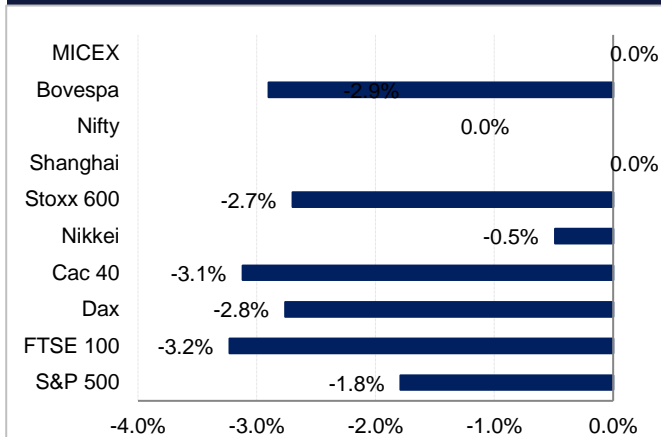
### Global Bond Yields



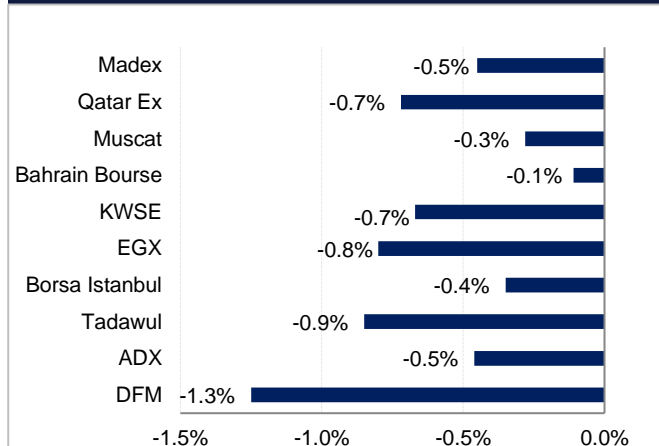
### UAE liquid bond index



### Global Equity Indices



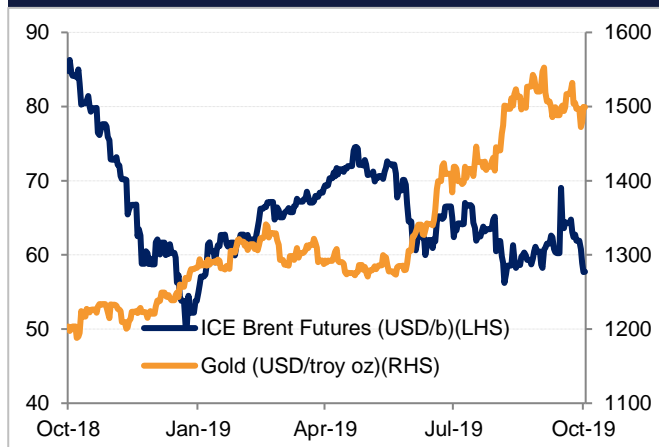
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0959	+0.24	1.1223	USDTRY	5.7010	-0.39	EURAUD	4.0254	+0.25
GBPUSD	1.2303	+0.01	1.2434	USDEGP	16.3115	+0.08	GBPAED	4.5178	-0.05
USDJPY	107.18	-0.53	104.80	USDSAR	3.7510	+0.00	JPYAED	0.0343	+0.53
USDCAD	1.3326	+0.79	1.3315	USDQAR	3.6800	+0.48	CADAED	2.7560	-0.77
AUDUSD	0.6707	+0.04	0.6764	USDKWD	0.3045	-0.02	AUDAED	2.4636	+0.04
USDCHF	0.9969	+0.34	0.9701	USDBHD	0.3770	-0.00	CHFAED	3.6842	-0.38
EURGBP	0.8908	+0.24	0.9027	USDOMR	0.3848	-0.06	TRYAED	0.6400	-0.28
USDAED	3.6730	--	3.6786	USDINR	70.7225	-0.64	INRAED	0.0552	+6.93

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.1581	2.2715	2.3675	2.3871	USD 2 yr	1.520	-5
USD LIBOR	2.0109	2.0886	2.0565	2.0355	USD 5 yr	1.403	-5
GBP LIBOR	0.7159	0.7596	0.8346	0.9109	USD 10 yr	1.507	-3
JPY LIBOR	-0.1180	-0.0985	-0.0500	0.0333	EUR 2 yr	-0.461	-1
CHF LIBOR	-0.8140	-0.7726	-0.7200	-0.6096	EUR 5 yr	-0.407	--
					EUR 10 yr	-0.140	+1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1499.45	+1.37	ADGB 6.75 19	2.42	--	Abu Dhabi	56	+2
Silver	17.56	+1.86	DUGB 7.75 20	2.06	-1	Bahrain	232	+1
Oil (WTI)	52.64	-1.83	QATAR 5.25 20	2.70		Dubai	132	+1
Aluminium	1686.25	-2.08	US Tsy 2 yr	1.48	-7	Oman	323	--
Copper	5643.00	-0.22	US Tsy 10 yr	1.60	-4	Qatar	56	+2
						Saudi Arabia	77	+1

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