



Daily Outlook

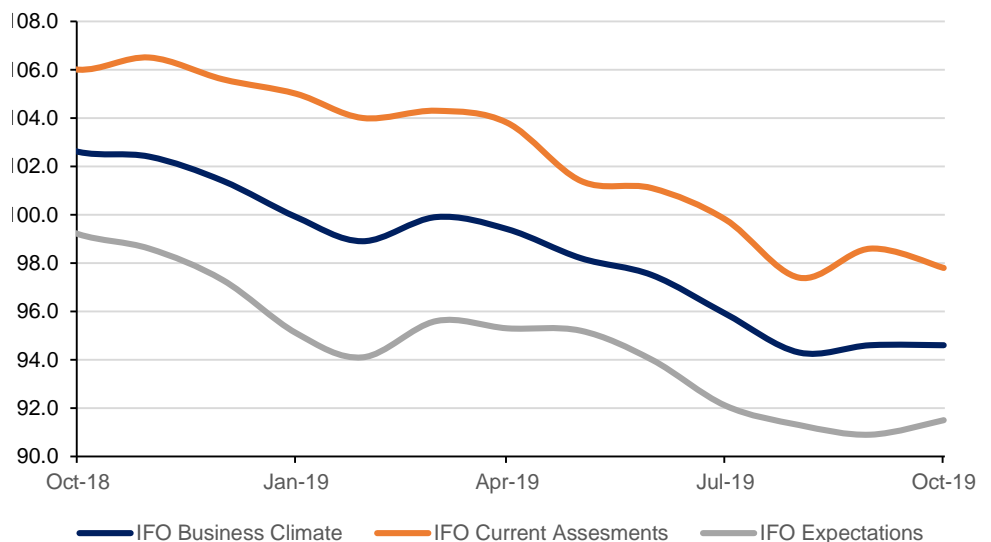
At Mario Draghi's last meeting as ECB President, the central bank left interest rates and QE unchanged. Draghi used his final press conference to caution the markets that low interest rates are likely to stay low for the foreseeable future yet refrained from making comments on Eurozone fiscal policies. Draghi is due to give his farewell speech today before handing over to Christine Lagarde to lead the ECB.

Germany's IFO business survey indicated that economic weakness is likely to drag on into the fourth quarter. However, the survey data also showed some signs of light at the end of the tunnel. Business expectations improved in October to 91.5, from their decade low reading of 90.9 the previous month. Following weak manufacturing surveys released last week, this is a glimmer of hope that conditions in the Eurozone's largest economy may have stopped deteriorating. **This week will see Q3 GDP that will show the Eurozone economy barely grew.**

The Turkish central bank once again surprised to the upside at the close of last week, when it cut the benchmark one-week repo rate by 250 basis points to 14.0%. This marks 1,000 bps of cuts over the past three meetings and takes the benchmark rate to levels last seen in mid-2018, prior to the worst of Turkey's macroeconomic meltdown last year. Disinflation, global easing, and the removal of recently imposed US sanctions last week all gave the bank room to cut.

As in Latin America and Hong Kong, large-scale protests continued in the Middle East over the weekend. **Lebanon entered a 10th day of demonstrations, and Iraq saw clashes across the country.** Demands are disparate, but in both countries those on the streets are protesting against perceived corruption and economic mismanagement as their economies stagnate and fail to offer opportunities.

German IFO business survey stabilises at low levels



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
Chicago Fed Nat Activity Index	16:30	0.05	Dallas Fed Manf.	18:30	1.0
Wholesale Inventories m/m	16:30	0.3%			

Source: Bloomberg, Emirates NBD Research.

Fixed Income

The prospect of the US and China actually securing a lasting trade deal helped to propel benchmark yields higher by the end of the week. Yields on 10yr USTs closed at just over 1.8% (up 5bps) at the end of trading, their highest close since mid-September. The removal of trade war anxiety would help to firm up growth expectations for next year although political risks related to the US and China remain elevated. Nearly the entire US curve rose last week with 2yr yields up 5bps while the 2yr10yr spread held at around 17.5bps. Yields outside of the US also rose for the most part although the UK was a notable outlier with 10yr gilts slipping nearly 3bps.

The Fed meets on October 30 with a 90% probability of a 25bps cut according to market data. That would be the third cut from the Fed this year with market pricing pointing to a hold in December but a possible resumption of easing in 2020.

S&P affirmed Sharjah's BBB+ rating and maintained the sovereign on a stable outlook.

FX

Last week's close at 1.1080, following a decline of 0.77%, means that again, the Euro is trading below the resistive 38.2% one-year Fibonacci retracement (1.1143). Analysis of the daily candle chart shows that the price is also trading back below the 100-day moving average (1.1131). While the price remains below these levels, it is vulnerable to further downside, a risk compounded by the 14-day RSI (Relative Strength Indicator) which is bearish in momentum.

GBPUSD posted the cross's first decline in four weeks following a 1.21% decline over the last five days. While the price (1.2827) did close the week below the 61.8% one-year Fibonacci retracement (1.2838), the price remains above the 200-day moving average (1.2715) and the 50-week moving average (1.2731). We expect these levels to provide support and limit further downside should there be volatility in the week ahead.

A 0.20% rise meant USDJPY gained for a third week to close at 108.67, the highest weekly close since July 2019. While the price has failed to test the 200-day moving average (109.06), it remains above the 50-day and 100-day moving averages (107.46 and 107.58) respectively.

Equities

Equity markets were boosted by chances of a US-China trade deal and lower expectations that the UK would crash out of the EU without a deal by the end of October. The FTSE added 2.4% last week while the S&P 500 gained 1.2%. The Shanghai indices helped to recover some of the prior week's losses although disappointing corporate profit numbers for September point to persistent worries on the impact from the US-China trade war.

Profits at SABIC fell to SAR 830m in Q3 from SAR 6bn in the same period a year earlier thanks to declining margins and an impairment provision for its investment in Clariant. Total revenue was down 23% y/y.

Regional markets were mixed to start the week. The Tadawul gave up 0.3%, similar to declines in the ADX, while the DFM rose by 0.1%.

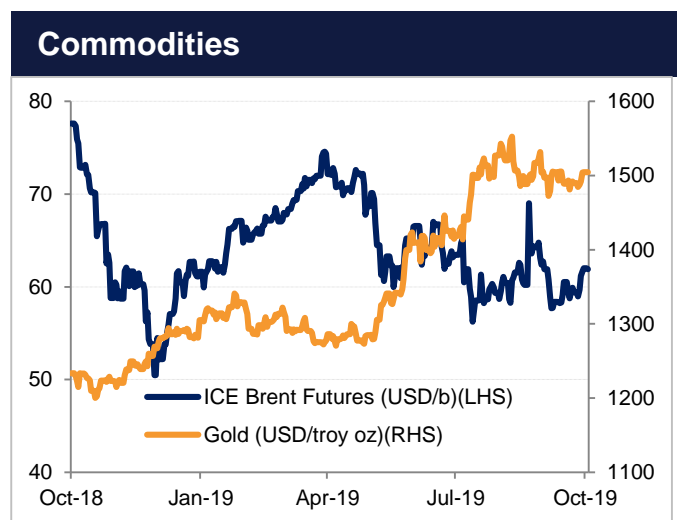
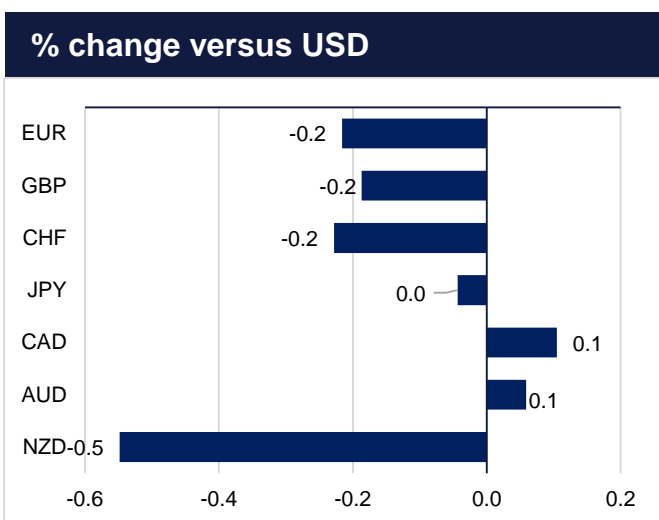
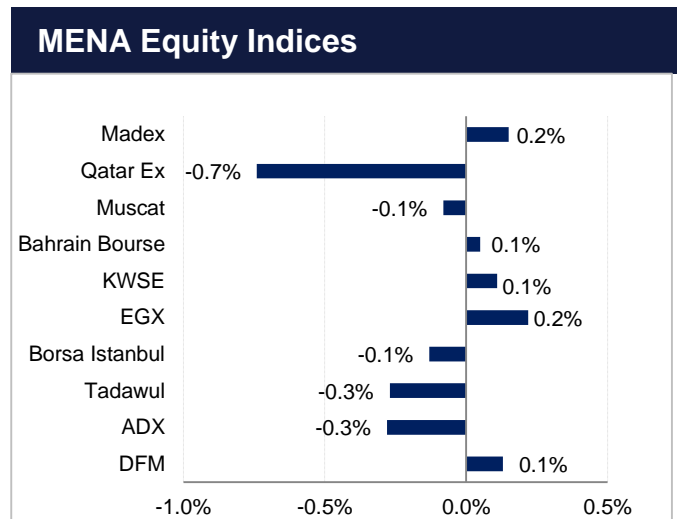
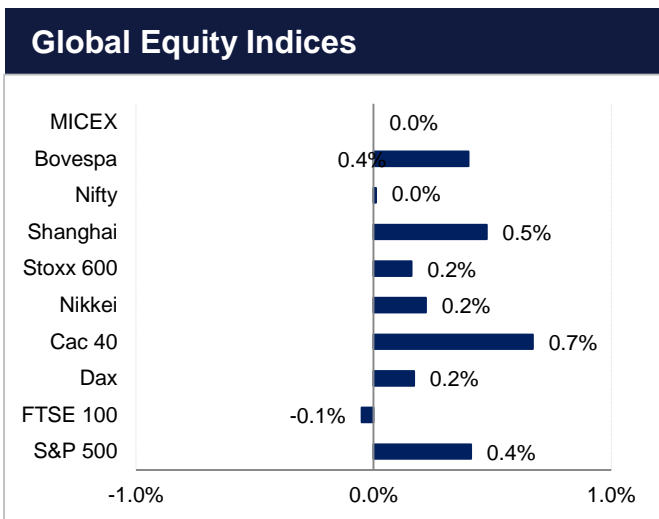
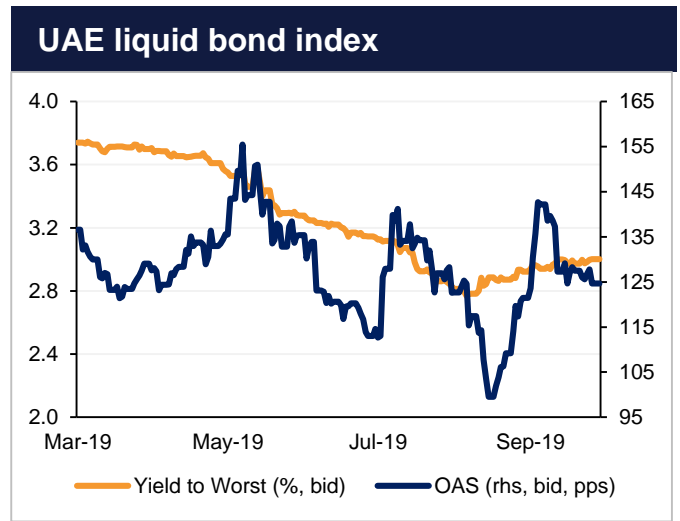
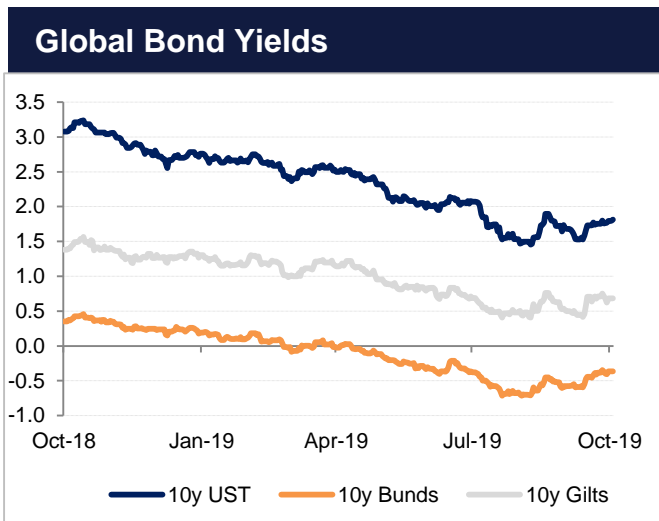
Commodities

Oil prices recorded their biggest weekly increase in mid-September thanks to brewing optimism that a trade deal between the US and China can be achieved and a tight short-term picture reported from the US. WTI gained 5.4% to close at USD 56.66/b while Brent futures settled back up above USD 62/b, a 4.4% rise.

Forward curves were relatively steady at the front end of both the WTI and Brent curves although there were improvements in longer dated spreads. Dec spreads for 20/21 in Brent doubled to USD 1/b in backwardation while in WTI the same spread moved to USD 1.45/b from less than USD 0.9/b a week earlier.

In the US the drilling rig count for oil rigs fell by 17 last week, the biggest single week decline since April. The total rig count is now down by 177 from the same time last year and has moved below 700 for the first time since Q2 2017.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1080	-0.22	1.1340	USDTRY	5.7738	+0.16	EURAED	4.0696	-0.22
GBPUSD	1.2827	-0.19	1.2954	USDEGP	#N/A N/A	#VALUE!	GBPAED	4.7107	-0.22
USDJPY	108.67	+0.06	106.30	USDSAR	3.7503	-0.00	JPYAED	0.0338	-0.05
USDCAD	1.3058	-0.10	1.3061	USDQAR	3.6800	+1.05	CADAED	2.8126	+0.08
AUDUSD	0.6823	+0.06	0.6878	USDKWD	0.3034	--	AUDAED	2.5051	+0.04
USDCHF	0.9947	+0.26	0.9686	USDBHD	0.3770	--	CHFAED	3.6933	-0.22
EURGBP	0.8637	-0.05	0.8753	USDOMR	0.3850	--	TRYAED	0.6400	+0.45
USDAED	3.6729	--	3.6784	USDINR	70.7225	-0.64	INRAED	0.0552	+6.75

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.0022	2.1600	2.3879	2.2753	USD 2 yr	1.650	+4
USD LIBOR	1.8049	1.9281	1.9333	1.9558	USD 5 yr	1.591	+3
GBP LIBOR	0.7124	0.8030	0.8741	0.9623	USD 10 yr	1.712	+2
JPY LIBOR	-0.1050	-0.1100	-0.0475	0.0388	EUR 2 yr	-0.354	+1
CHF LIBOR	-0.7784	-0.7592	-0.6972	-0.5544	EUR 5 yr	-0.244	+3
					EUR 10 yr	0.059	+5

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1504.63	+0.04	ADGB 6.75 19	2.42	--	Abu Dhabi	45	-1
Silver	18.03	+1.25	DUGB 7.75 20	1.68	-2	Bahrain	217	--
Oil (WTI)	56.66	+0.76	QATAR 5.25 20	2.70		Dubai	121	-2
Aluminium	1722.00	+0.35	US Tsy 2 yr	1.62	+4	Oman	323	--
Copper	5907.00	+0.74	US Tsy 10 yr	1.79	+3	Qatar	45	-1
						Saudi Arabia	69	-1

Source: Bloomberg, Emirates NBD Research

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