



بنك الإمارات دبي الوطني  
Emirates NBD

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www.emiratesnbdresearch.com

# Daily Outlook

**European Council President Donald Tusk tweeted yesterday that the EU27 had agreed to accept a request from the UK for a three month delay to Brexit**, which would extend the current deadline to 31<sup>st</sup> January 2020 from October 31<sup>st</sup> previously. This gave the go ahead for PM Boris Johnson to hold a vote in Parliament seeking support for an early general election on December 12<sup>th</sup>. Under the rules of the vote he needed a two-thirds majority of all 650 sitting MPs to win it, but with a 299 -70 outcome the vote was lost given that a large number of MPs that abstained. **Nonetheless Johnson will again seek to win backing for a 12<sup>th</sup> December election later today**, using a different kind of procedure that will only require a simple majority in the House of Commons. This will increase his chance of winning, although it remains to be seen what sort of amendments are added to the bill that might make it less palatable.

**The Federal Reserve Open Market Committee (FOMC) meets today and tomorrow to set monetary policy in the U.S. and is widely expected to cut interest rates by a further 25bps when its decision is announced tomorrow evening, taking the Fed funds target rate band to 1.50% to 1.75% and to a 1.625% midpoint.** Futures prices remain priced for such action, and there has not been any significant push back from key policymakers to suggest the markets are wrong. The Fed is likely to indicate this is another mid cycle adjustment or an insurance move against uncertainties over trade, Brexit, softer growth abroad, and low inflation.

**Overnight the Dallas Fed's Manufacturing index fell 6.6 points to -5.1 in October** after slipping 1.2 points to 1.5 in September. It is the lowest since July, and was at 28.1 a year ago. The Chicago Fed's national activity index also slipped to -0.45 in September from 0.15 previously. The reports continue the wide swings seen in the regional data, but are consistent with the slowing seen in the ISM index. In other data the U.S. advance goods trade deficit narrowed to -\$70.4 bn in September from a revised -\$73.1 bn in August. Exports declined -1.6% and imports dropped -2.3%.

## US Dallas Fed's Manufacturing Index falls back in October



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
UK M4 money supply % m/m	13.30		US Consumer conf.	18:00	127.7

Source: Bloomberg, Emirates NBD Research.

## Fixed Income

Yields across benchmark government bonds continued to push higher on signs of a pending deal emerging between the US and China and tempered risks that the UK will crash out of the EU without a deal. UST 10yr yields gained 5bps while gilts added 4bps and bund yields jumped nearly 5bps.

Markets are likely to remain relatively quiet ahead of the Fed's decision later this week with the probability of a 25bps cut at over 90%.

## FX

Currencies remain relatively well supported against the USD as markets are becoming more confident about the likelihood of a partial trade deal between the US and China later this month. The AUD and the NZD in particular are being underpinned by these hopes, given their economies close links to the global trade cycle. The pound edged slightly lower as the uncertainty over the timing of Brexit continued with the EU announcing that the deadline will be extended to January 31<sup>st</sup> 2020. Uncertainty about the impact of a possible snap general election is also weighing on it.

Of note is the NZDUSD cross which found support overnight at the 50-day moving average (0.6341). While the price remains above this level, it is likely to see a retest of the 23.6% one-year Fibonacci retracement (0.6385).

## Equities

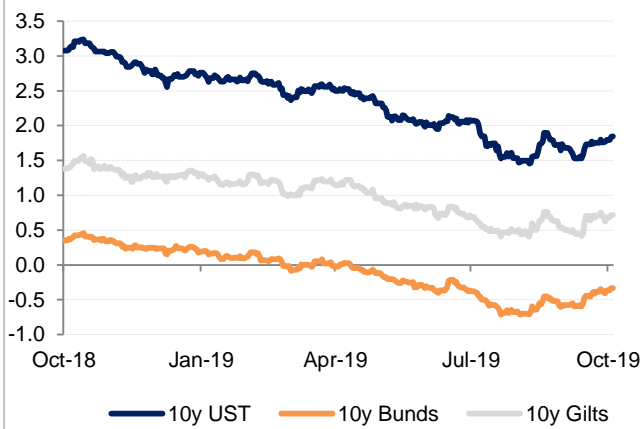
Equity markets were fairly stable yesterday, ahead of major earnings announcements over the coming week and in the absence of any negative trade war news. The FTSE closed up 0.1% as the EU 27 agreed a further Brexit extension, the S&P 0.6% and DAX up 0.4%. In the region, the DFM closed up 0.1% while the Tadawul lost 0.3% on last week's close.

## Commodities

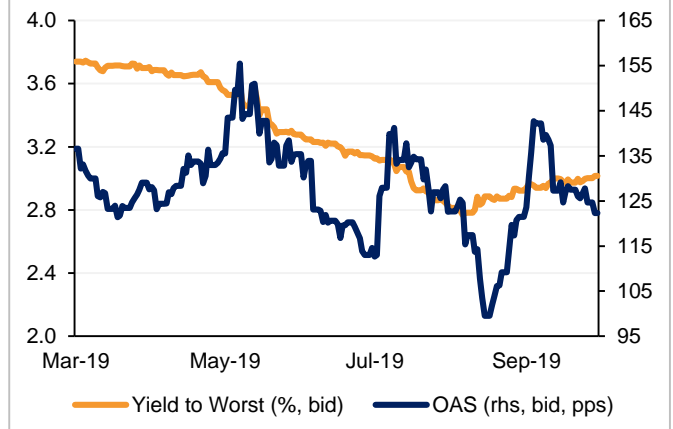
While financial markets are growing more sanguine about the diminishing risks that a US-China trade war could spiral out of control, oil markets are still focused on current demand conditions. Brent futures dipped more than 0.7% to settle at USD 61.57/b and a pushing lower this morning while WTI closed at USD 55.81/b—down 1.5%--and is extending its losses in early trading.

## Markets in Charts

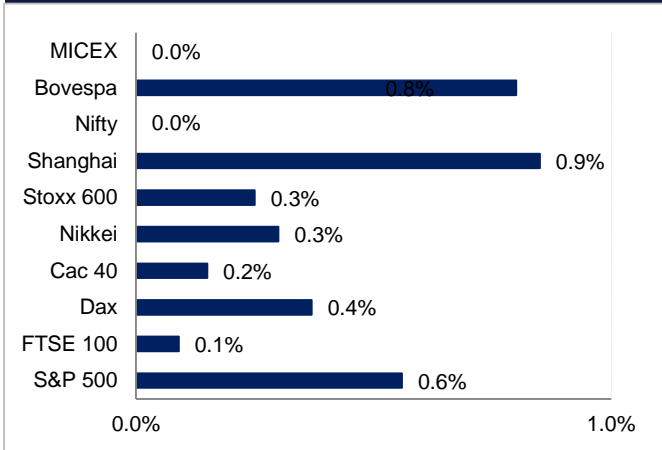
### Global Bond Yields



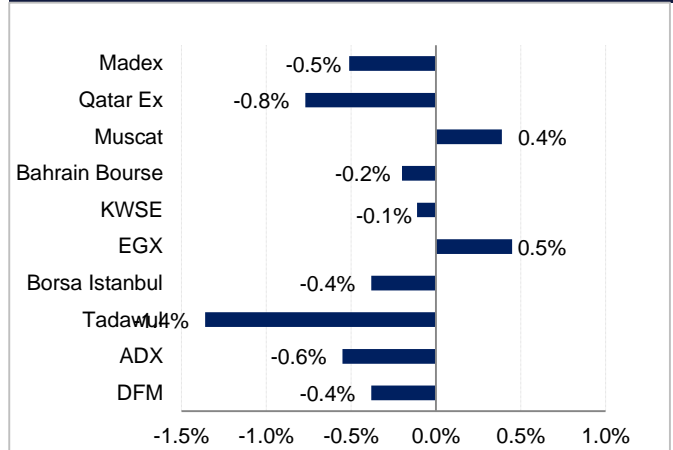
### UAE liquid bond index



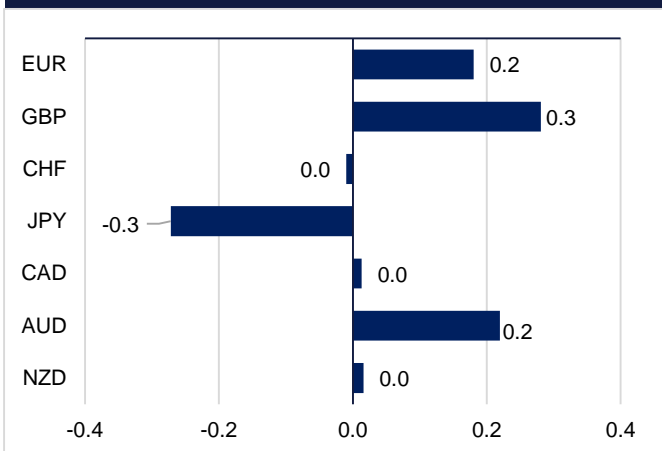
### Global Equity Indices



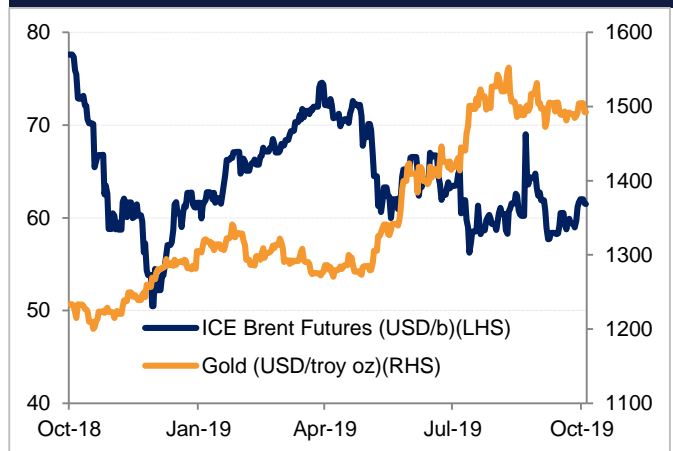
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1100	+0.18	1.1361	USDTRY	5.7314	-0.73	EURAED	4.0769	+0.18
GBPUSD	1.2863	+0.28	1.2990	USDEGP	16.1374	-0.24	GBPAED	4.7228	+0.26
USDJPY	108.95	+0.26	106.57	USDSAR	3.7503	--	JPYAED	0.0337	-0.27
USDCAD	1.3055	-0.02	1.3057	USDQAR	3.6800		CADAED	2.8137	+0.04
AUDUSD	0.6838	+0.22	0.6893	USDKWD	0.3036	+0.05	AUDAED	2.5119	+0.27
USDCHF	0.9946	-0.01	0.9685	USDBHD	0.3770	-0.00	CHFAED	3.6928	-0.01
EURGBP	0.8630	-0.08	0.8747	USDOMR	0.3850	--	TRYAED	0.6400	+0.61
USDAED	3.6729	--	3.6784	USDINR	70.7225	-0.64	INRAED	0.0552	+6.52

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.0475	2.2638	2.3867	2.3039	USD 2 yr	1.672	+2
USD LIBOR	1.8049	1.9281	1.9333	1.9558	USD 5 yr	1.632	+4
GBP LIBOR	0.7124	0.8030	0.8741	0.9623	USD 10 yr	1.760	+5
JPY LIBOR	-0.1050	-0.1100	-0.0475	0.0388	EUR 2 yr	-0.352	+0
CHF LIBOR	-0.7784	-0.7592	-0.6972	-0.5544	EUR 5 yr	-0.227	+2
					EUR 10 yr	0.082	+2

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1492.51	-0.81	ADGB 6.75 19	2.42	--	Abu Dhabi	44	-1
Silver	17.85	-1.03	DUGB 7.75 20	1.83	+15	Bahrain	212	-5
Oil (WTI)	55.81	-1.50	QATAR 5.25 20	2.70		Dubai	120	-1
Aluminium	1729.75	+0.45	US Tsy 2 yr	1.64	+3	Oman	323	--
Copper	5887.25	-0.33	US Tsy 10 yr	1.84	+5	Qatar	44	-1
						Saudi Arabia	68	-1

Source: Bloomberg, Emirates NBD Research

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