



بنك الإمارات دبي الوطني
Emirates NBD

Daily
11 November 2019

www.emiratesnbdresearch.com

Daily Outlook

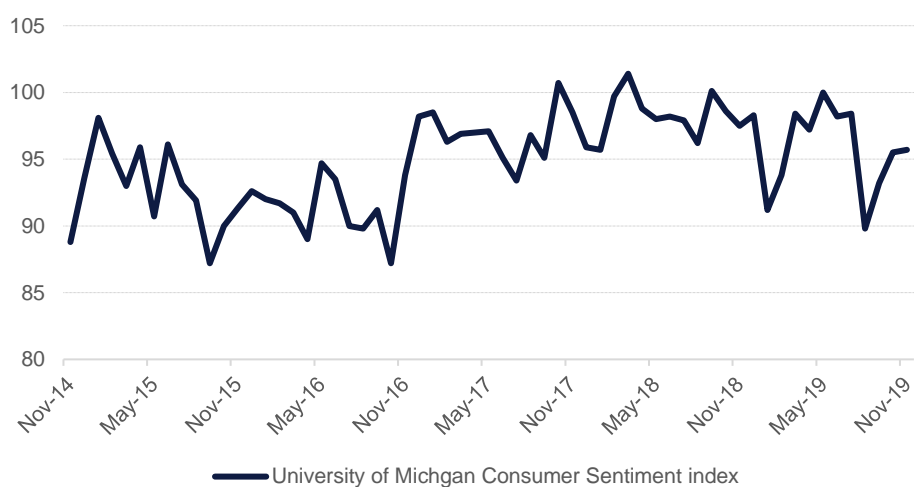
The Bank of England voted to keep rates on hold at its last MPC meeting although it did temper its expectations for growth on weak performance in the global economy and persistent uncertainty over Brexit. Of note at this decision was that two voters dissented from consensus, both of whom voted for cutting rates by 25bps. The MPC noted that risks related to Brexit remain on the downside and has effectively set a high bar for rates to move upward. Inflation expectations, which had been one of the main points supporting a higher rate outlook in the UK, are now lower out to 2021. Sterling and UK assets remain highly levered to the outcome of the UK's general election, in which the ruling Conservatives are still leading polls, and how and when Brexit gets delivered. Elsewhere, Moody's placed the UK's sovereign rating on a negative outlook citing the country's current policy paralysis.

The European Commission cut its growth forecasts for 2019 and 2020, expecting GDP growth of just 1.1% this year and 1.2% next year. Weak performance in the industrial sectors of core economies, as reflected by still struggling PMIs, has been weighing on growth. Industry data will be released mid-week with expectation that it will show more declines in place while later in the week markets will focus on whether Germany managed to avoid a recession in Q3 when GDP data are released.

The University of Michigan's consumer sentiment survey gained a third month running, hitting 95.7 and beating market expectations. The assessment of future expectations moved to a fourth-month high while sentiment toward individuals' financial situation improved. Meanwhile, New York Fed president John Williams said he believed that the US economy was in a "good place" after adjustments to rates and that current interest rates were supportive for growth.

Egypt's headline CPI inflation rate fell to a more-than-nine-year low of 3.1% in October, down from 4.8% the previous month. The ongoing disinflation has taken real interest rates to 10.15% at current levels, lending upside risk to our expectation of a 100bps cut at the Central Bank of Egypt's MPC meeting on Thursday – we now see scope for a 150bps cut reduction to the benchmark overnight deposit rate, with a further cut likely in December. Lower rates will substantially reduce the government's cost of servicing debt, much of which is held in domestic papers.

Consumer sentiment remains healthy in the US



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
UK GDP Q3 y/y	13:30	1.1%	UK industrial prod. m/m	13:30	-0.1%
India industrial prod. y/y	16:00	-2.3%			

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed sharply lower as risk appetite gathered pace following better than expected economic data and positive news flow around Phase 1 trade deal between the US and China. The curve steepened with yields on the 2y UST, 5y UST and 10y UST closing at 1.67% (+12 bps w-o-w), 1.74% (+20 bps w-o-w) and 1.94% (+23 bps w-o-w) respectively.

Following the moves in yields, the scheduled testimony of the Fed Chair Jerome Powell before the US Congress will be keenly watched.

In emerging market space, Moody's cut India's credit rating outlook to negative. The rating agency cited worsening shadow banking crunch, prolonged slowdown in economy and a rising public debt as reasons. The rating was retained at Baa2. Yields on the 10y government bonds rose +11bps w-o-w to 6.55%. The move marked a reversal of trend wherein yields had dropped for the last three consecutive weeks.

Regional bonds closed lower as they moved out of a tight range. The YTW on Bloomberg Barclays GCC Credit and High Yield index rose +6 bps w-o-w to 3.33% and credit spreads tightened 12 bps w-o-w to 148 bps.

Notwithstanding a slight pause in secondary markets gains, primary markets continue to see some interest. Dubai Islamic Bank mandated banks for a possible sukuk issuance.

FX

The USD and JPY recovered a little on Friday as President Trump indicated that he had not decided to roll-back tariffs on China as part of a trade deal between the two countries. The USD made gains against most major currencies, with the JPY the only slight exception. USDJPY slipped to 109.18 while EURUSD touched trend lows of 1.1017. The USD was also stronger over the week as a whole. GBP softened slightly as markets eyed opinion polls, but with the greater likelihood being either a Conservative government or a hung parliament the downside to sterling is likely to be limited from here.

Equities

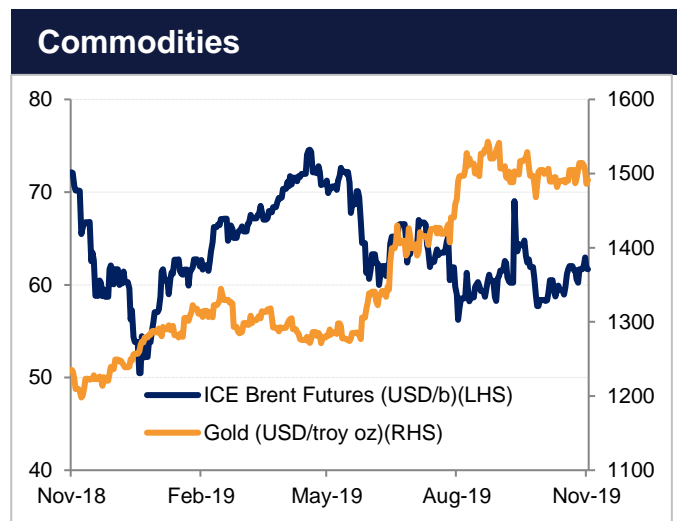
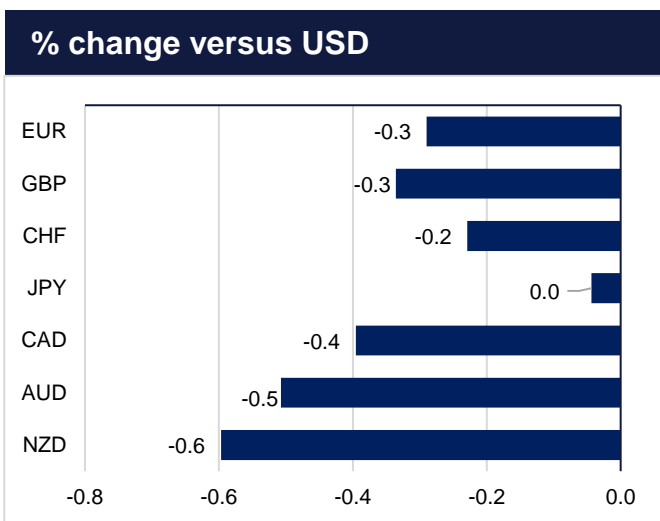
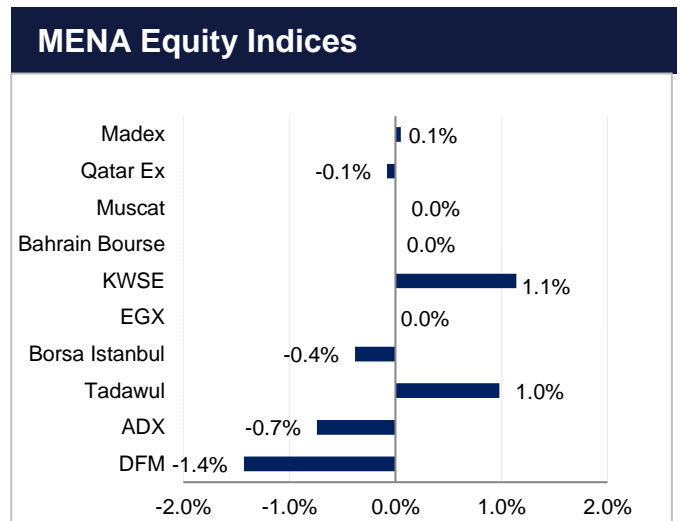
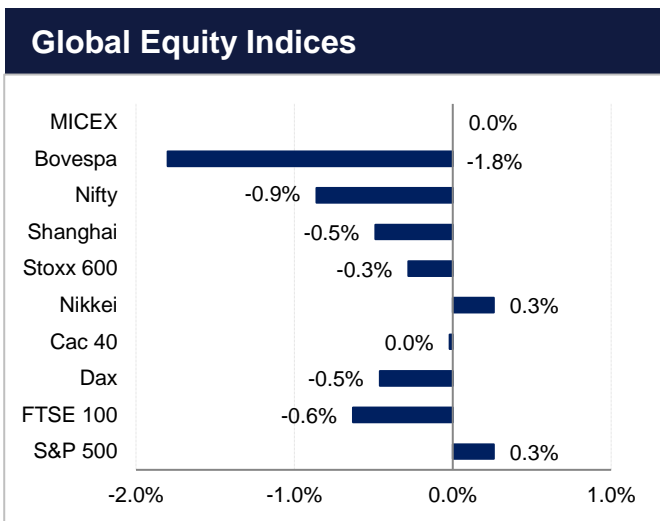
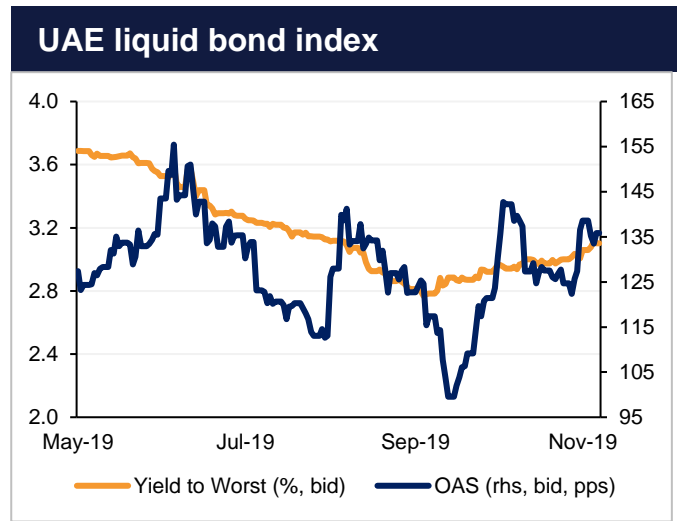
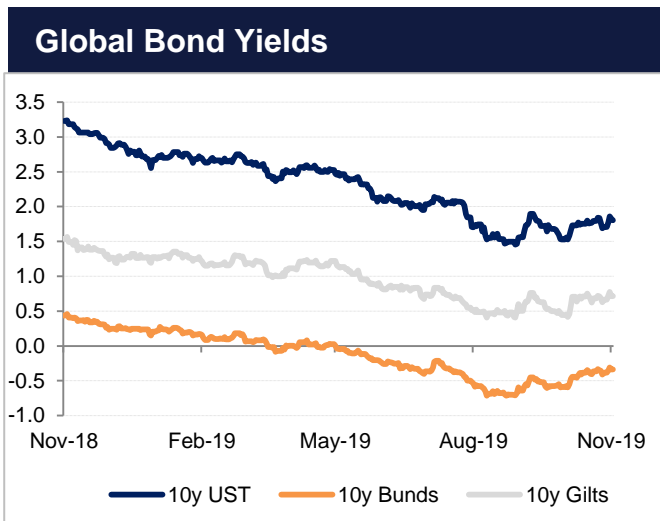
Regional equities started the new week on a mixed note. Flows were dominated by changes to the MSCI EM index. Arab National Bank gained as the stock was included in the index while Emaar Development dropped -7.2% after the stock was removed from the index. Other Emaar-related names also reacted negatively to the development with Emaar Malls and Emaar Properties losing -0.5% and -1.2% respectively.

Commodities

Oil markets gained last week on optimism that a trade deal was nearing completion between the US and China. Brent futures closed the week at USD 62.51/b, up 1.3% and more than offsetting the prior week's decline, while WTI added 1.85% over the week to settle at USD 57.24/b. Oil is weaker to start trading, however, with both Brent and WTI futures down by around 0.7% in early trades.

Saudi Aramco released the prospectus for its IPO although it did not provide substantial details over pricing or the valuation of the company. The prospectus did highlight, though, that production was a Saudi government decision, not Aramco's, and that the country remains committed to abiding by OPEC decisions over the level of output. This has reaffirmed our view that the IPO itself does not affect production decisions in the short-term.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1018	-0.37	1.1275	USDTRY	5.7662	+0.07	EURAED	4.0473	-0.35
GBPUSD	1.2774	-0.51	1.2902	USDEGP	16.1416	+0.08	GBPAED	4.6917	-0.51
USDJPY	109.26	+0.53	106.90	USDSAR	3.7503	+0.00	JPYAED	0.0336	-0.51
USDCAD	1.3228	+0.24	1.3219	USDQAR	3.6800	+0.48	CADAED	2.7765	-0.24
AUDUSD	0.6863	-0.01	0.6916	USDKWD	0.3039	+0.08	AUDAED	2.5201	-0.03
USDCHF	0.9974	+0.48	0.9716	USDBHD	0.3770	-0.00	CHFAED	3.6822	-0.49
EURGBP	0.8624	+0.13	0.8737	USDOMR	0.3850	+0.06	TRYAED	0.6400	+0.40
USDAED	3.6729	--	3.6789	USDINR	70.7225	-0.64	INRAED	0.0552	+6.89

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.9041	2.1899	2.3061	2.2861	USD 2 yr	1.717	+8
USD LIBOR	1.7590	1.9006	1.9230	1.9998	USD 5 yr	1.722	+13
GBP LIBOR	0.7161	0.7899	0.8714	0.9575	USD 10 yr	1.849	+13
JPY LIBOR	-0.0993	-0.1078	-0.0103	0.0952	EUR 2 yr	-0.327	+2
CHF LIBOR	-0.7360	-0.7092	-0.6476	-0.5298	EUR 5 yr	-0.180	+6
					EUR 10 yr	0.144	+7

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1459.00	-2.12	ADGB 6.75 19	2.42	--	Abu Dhabi	42	--
Silver	16.79	-4.43	DUGB 7.75 20	1.96	-8	Bahrain	212	--
Oil (WTI)	57.24	+1.58	QATAR 5.25 20	2.70		Dubai	124	--
Aluminium	1817.25	+0.06	US Tsy 2 yr	1.67	+8	Oman	275	--
Copper	5910.75	+0.38	US Tsy 10 yr	1.94	+14	Qatar	41	--
						Saudi Arabia	66	--

Source: Bloomberg, Emirates NBD Research

Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report. The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O.Box 777
Dubai

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
+20 22 726 5040

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