



بنك الإمارات دبي الوطني
Emirates NBD

Daily

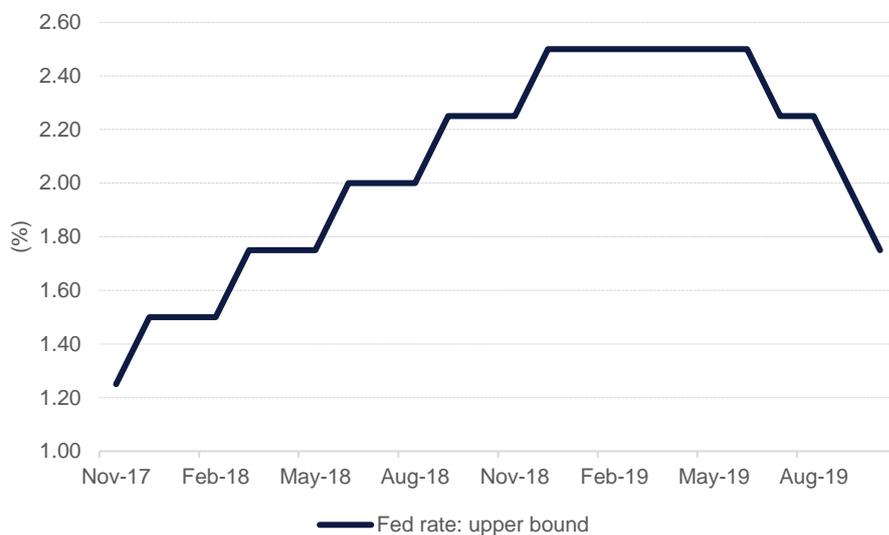
21 November 2019

Daily Outlook

China lowered its lending benchmark rate on Wednesday in a bid to reduce company funding costs, as U.S. trade tariffs slow demand, impacting the economy. The one-year LPR rate set by People's Bank of China (which became the official benchmark rate since August) fell five basis points to **4.15% from 4.20% in October**, while the five-year LPR was lowered by the same margin to **4.80% from 4.85%**. This was the second cut to a Chinese rate in a week and the cuts suggest the PBOC is keen to lower financing costs across the curve. While policy makers vowed in July not to use the property market as a short term stimulus, the lowering of the five-year rate, used to price housing mortgages, could **suggest policymakers softening their cautious stance toward the property market**. As growth slows down and a trade deal with the United States looks increasingly elusive, Chinese authorities are having to tilt towards policy easing to support growth.

The US FOMC released their meeting minutes for the October rate setting meeting showing cautious optimism on trade, with increased focus on corporate debt levels. While discussing cuts to the rate in October, a number of participants said that even though uncertainty over trade policy had depressed business investment they saw "little indication that weakness in business sentiment was spilling over into labor markets and consumer spending". The Fed has been monitoring signs that low corporate spending will have a broader effect on growth. **The Fed's cautious optimism easing political tensions, paired with a growing awareness of financial risks, show a shift at the Fed.** The minutes confirmed no immediate plans for changes to the policy rate, in line with Jay Powell's statement in October, with the committee waiting "material" change in economic conditions before it considers any rate changes.

Fed rates upper bound



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
ECB Monetary Policy Meeting Accounts	16:30	N/A			

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed higher as trade concerns remained on top of investors' minds. Further, the FOMC minutes from the last meeting showed no real surprise with policy rates likely to remain on hold. However, they did see risks as elevated. Eventually, yields on the 2y UST, 5y UST and 10y UST closing at 1.57% (-2 bps), 1.58% (-4 bps) and 1.74% (-4 bps) respectively.

Regional bonds continued to remain in a tight range. The YTW on Bloomberg Barclays GCC Credit and High Yield index dropped -1 bp to 3.27% while credit spreads widened 2 bps to 158 bps.

FX

NZD is trading weaker against the other major currencies following a contraction in consumer spending. Economic data showed that credit card spending declined 1.5% m/m in October following a 0.1% contraction the previous month. As we go to print, NZDUSD is trading 0.14% lower at 0.64088. Having found remained below the 100-day moving average (0.6431) all week, the movement risks remain to the downside while the price remains below this level.

Equities

Developed market equities closed lower as trade concerns remained on the horizon. The S&P 500 index and the Euro Stoxx 600 index dropped -0.4% each.

It was a rather dull day of trading on regional markets with most indices inching higher.

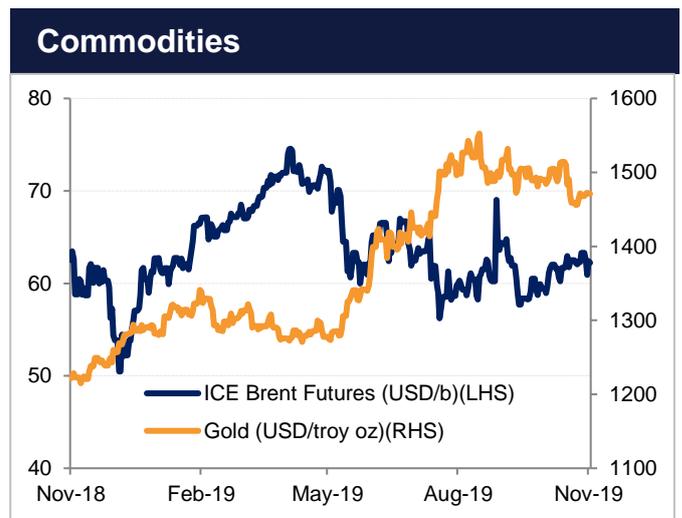
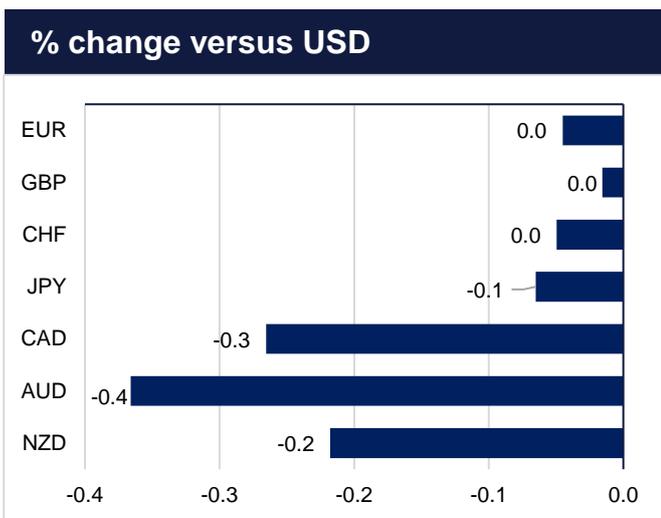
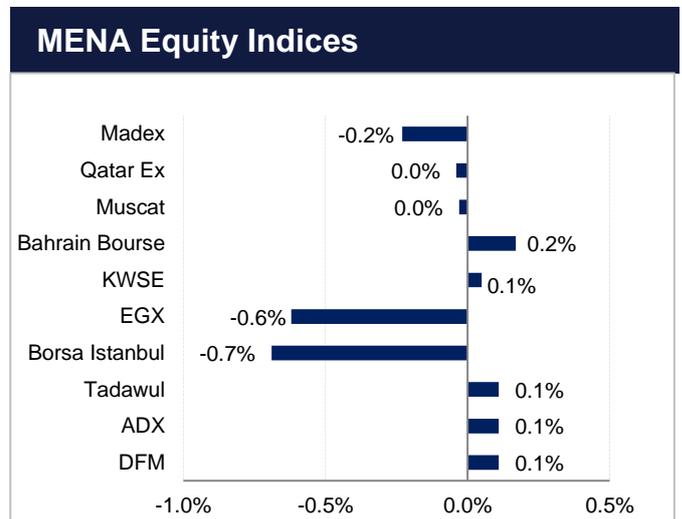
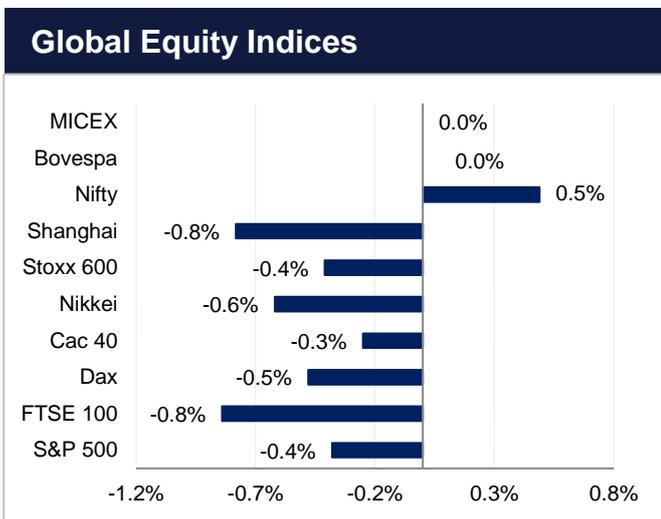
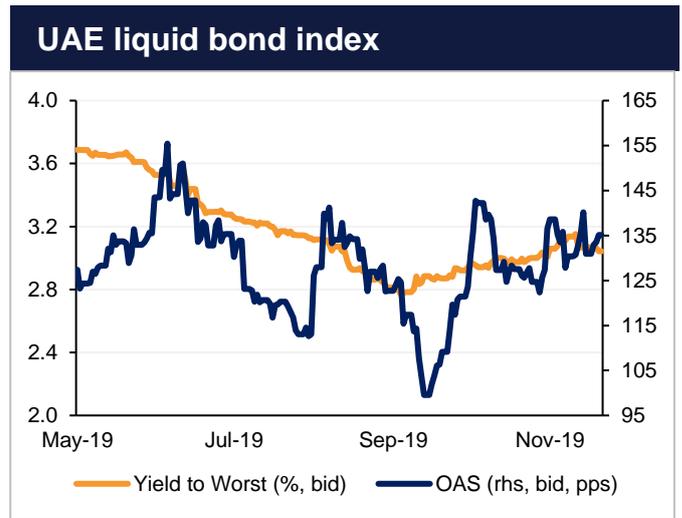
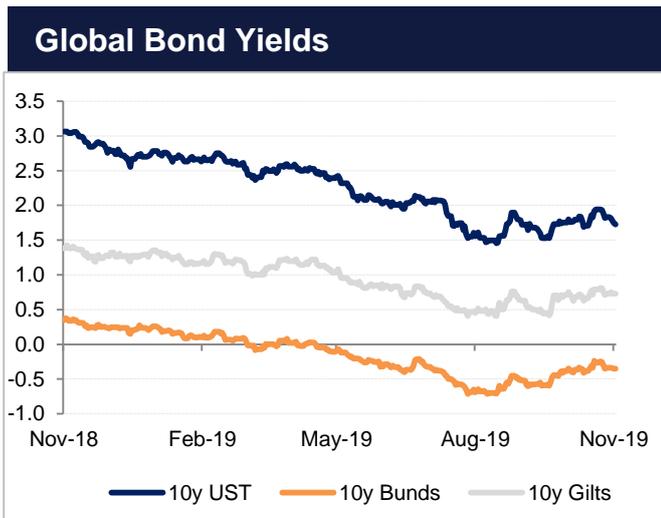
Commodities

Oil prices received a boost from a better than expected inventory report from the US and comments from Russia's energy minister that the country would comply more with production cuts agreed with OPEC. Brent futures added 2.45%, erasing the prior day's decline, to settle at USD 62.40/b while WTI was up more than 3.4% at USD 57.11/b. Both contracts have slipped in early trading today as markets discount the chances of a US-China trade deal being reached by the end of this year.

The EIA reported a build in inventories of just 1.4m bbl, far less than the API reported earlier in the week, and also noted there was a 2.3m bbl draw at Cushing. Performance was mixed across the rest of the barrel while production held steady at 12.8m b/d. Refinery demand picked up slightly while US crude exports pushed back up above 3m b/d.

Russia's energy minister, Alexander Novak, pledged that his country would converge closer to its production cut level by the end of the year but also noted that liquids production from gas fields was likely to increase and should not be counted against Russia's commitment to cut output. Russia's compliance with its output target has been around 74% in the first nine months of the year and would likely have been lower had production not been impacted by contamination on one of its pipelines.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1073	-0.05	1.1323	USDTRY	5.6998	+0.01	EURAED	4.0669	-0.05
GBPUSD	1.2924	-0.02	1.3045	USDEGP	16.1201	+0.04	GBPAED	4.7466	-0.02
USDJPY	108.61	+0.06	106.34	USDSAR	3.7502	-0.00	JPYAED	0.0338	-0.07
USDCAD	1.3304	+0.27	1.3295	USDQAR	3.6800	+0.46	CADAED	2.7607	-0.27
AUDUSD	0.6803	-0.37	0.6857	USDKWD	0.3036	-0.01	AUDAED	2.4984	-0.35
USDCHF	0.9909	+0.04	0.9659	USDBHD	0.3770	-0.00	CHFAED	3.7061	-0.05
EURGBP	0.8568	-0.03	0.8680	USDOMR	0.3847	-0.06	TRYAED	0.6400	-0.70
USDAED	3.6729	--	3.6790	USDINR	70.7225	-0.64	INRAED	0.0552	+8.02

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EURUSD	1.1073	-0.05	1.1323	USDTRY	5.6998	+0.01	EURAED
GBPUSD	1.2924	-0.02	1.3045	USDEGP	16.1201	+0.04	GBPAED
USDJPY	108.61	+0.06	106.34	USDSAR	3.7502	-0.00	JPYAED
USDCAD	1.3304	+0.27	1.3295	USDQAR	3.6800	+0.46	CADAED
AUDUSD	0.6803	-0.37	0.6857	USDKWD	0.3036	-0.01	AUDAED
USDCHF	0.9909	+0.04	0.9659	USDBHD	0.3770	-0.00	CHFAED

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1471.61	-0.06	ADGB 6.75 19	2.42	--	Abu Dhabi	42	-1
Silver	17.15	-0.01	DUGB 7.75 20	1.84	-12	Bahrain	212	--
Oil (WTI)	57.11	+3.44	QATAR 5.25 20	2.70		Dubai	120	-1
Aluminium	1751.00	+0.99	US Tsy 2 yr	1.58	-2	Oman	275	--
Copper	5855.00	-0.04	US Tsy 10 yr	1.74	-4	Qatar	42	-1
						Saudi Arabia	69	+1

Source: Bloomberg, Emirates NBD Research

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