



بنك الإمارات دبي الوطني
Emirates NBD

Daily
25 November 2019

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Daily Outlook

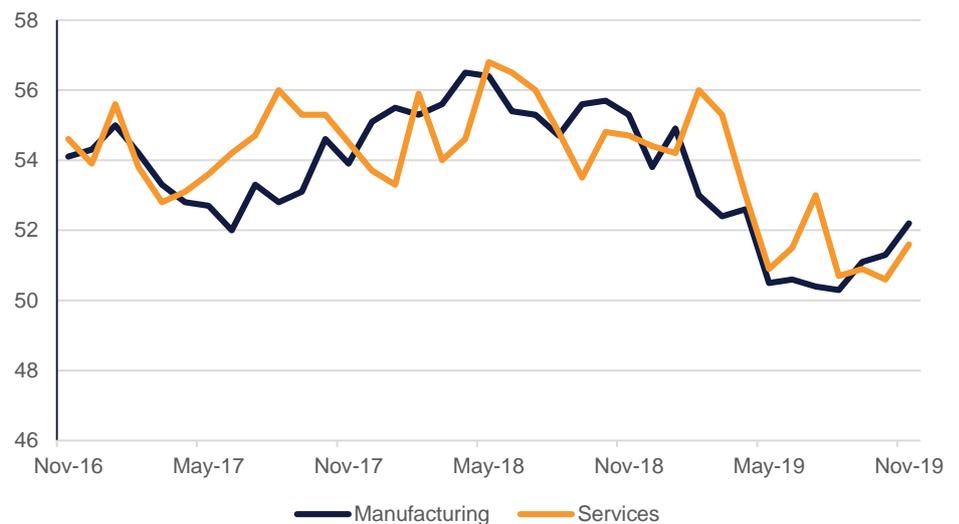
China has announced that it will crackdown more forcibly on intellectual property violations – a matter which has been a key bug bear for the Trump administration in its trade war negotiations. On Friday, both leaders voiced optimism, with Trump saying that a deal was ‘potentially very close’, and markets have responded favourably. However, the unrest in Hong Kong still has potential to throw negotiations off course. **There was positive data from the US on Friday as the IHS Markit flash manufacturing PMI rose to 52.2**, its highest level since April. The services PMI hit 51.6, the quickest expansion since July. Both services and manufacturing saw new orders and job creation, which will likely contribute towards a pause in monetary easing for now. Fed Chair Jerome Powell is set to speak in Rhode Island tonight.

The Dubai Media Office has reported that Dubai saw real GDP growth of 2.1% in the first half, with a 6.2% expansion in transport and storage driving the expansion. Hospitality and tourism saw growth of 2.7%, which chimes with the tourism figures released yesterday; international visitor numbers to Dubai grew 4.3% y/y in the year to September, an improvement on the fractional growth recorded in the same period last year. While India remains the largest source market, visitor numbers from there have declined by more than -5% in the first nine months of this year.

Newly installed ECB president Christine Lagarde has called for Eurozone economies to boost their spending in a bid to stimulate the bloc’s lacklustre economic activity, saying that monetary policy ‘cannot and should not be the only game in town.’ It is becoming increasingly accepted that monetary policy is reaching the limits of its ability to boost growth, and ECB minutes reveal an increasingly pessimistic viewpoint among its members with regards growth prospects. However, fiscal expenditure has yet to fill the gap. Early indications suggest that there will be no meaningful net boost in spending from the major Eurozone economies next year.

Concerns over the Saudi Aramco IPO draining liquidity led to SAMA governor, Ahmed al-Kholifey, making reassurances that there was no problem at the banks. He said **that the central bank was monitoring the situation and would inject liquidity if necessary**, but that in any case the banking system had robust liquidity levels.

US IHS Markit PMI picking up



Source: Bloomberg, Emirates NBD Research

Today’s Economic Data and Events

	Time	Cons		Time	Cons
Canada wholesale trade sales	17:30	0.0%	Dallas Fed manf. activity	19:30	-3.8

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries traded mixed over the week as investors took note of optimism over a trade deal between the US and China and mixed economic data. Following the moves this week, yields on the long end have retraced back most of its move since the last Fed meeting. The curve flattened with yields on the 2y UST and 10y UST ending the week at 1.62% (+1 bps w-o-w) and 1.77% (-6 bps w-o-w).

Regional bonds remained in a tight range. The YTW on Bloomberg Barclays GCC Credit and High Yield index ended the week at 3.27% (-1 bp w-o-w) while credit spreads remained largely unchanged at 154 bps.

FX

Last week's 0.28% gain resulted in the Dollar Index (DXY) closing at 98.273, and helped the index wipe out most of the declines of the previous week. Of note is that although the index initially declined below the 61.8% one-year Fibonacci retracement (97.895), the price recovered to close the week above this level. In addition, technical analysis of the daily candle chart shows that the price was able to break and close above both the 100-day moving average (98.073) and the 50-day moving average (98.236). This in combination with the 14-day RSI (Relative Strength Index) which is currently at 55.55 and bullish in momentum reinforces our view from last week that dollar firmness is likely to persist for the near future.

Equities

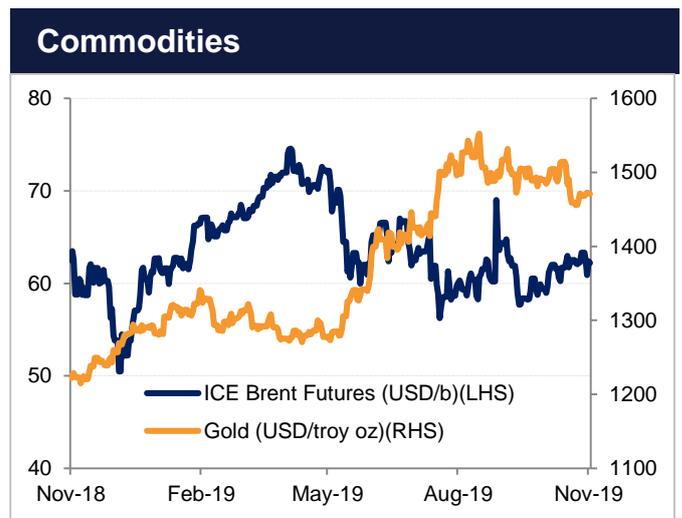
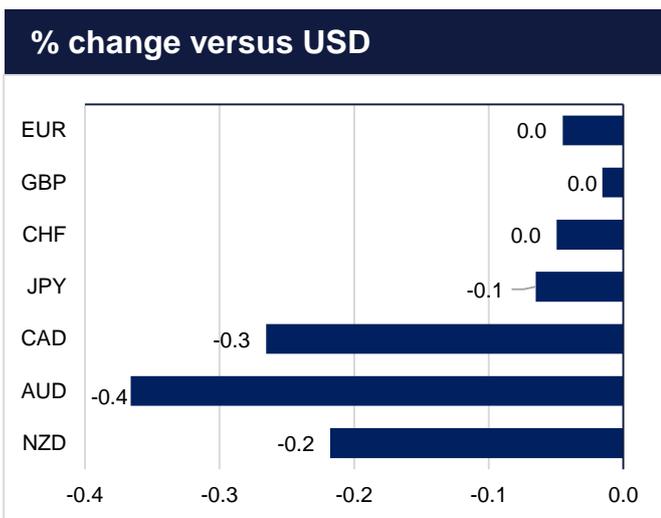
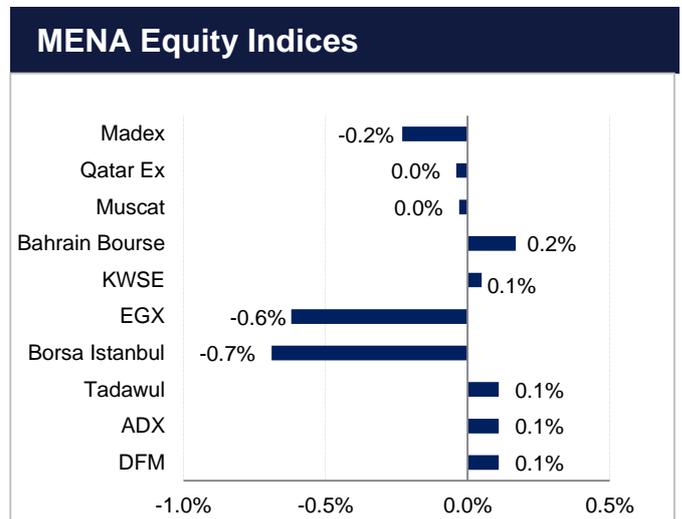
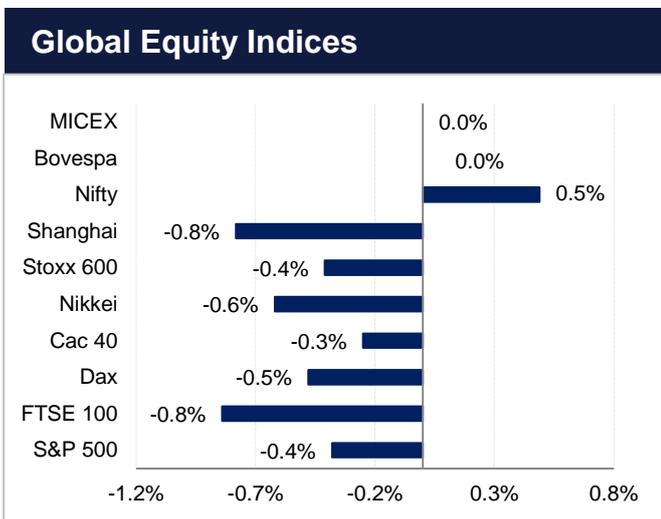
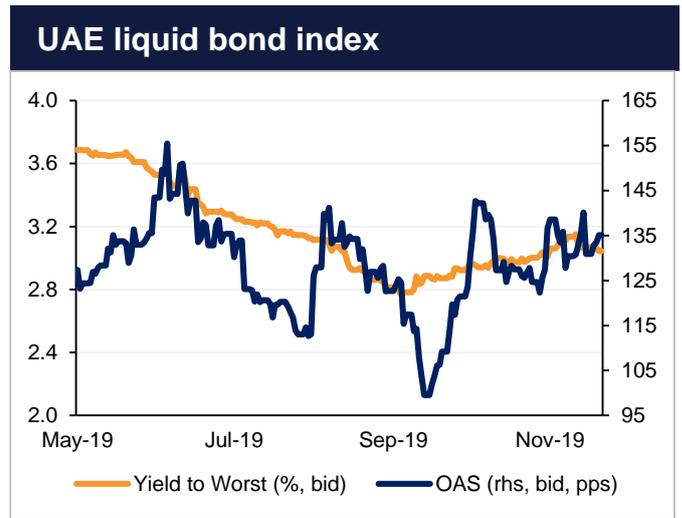
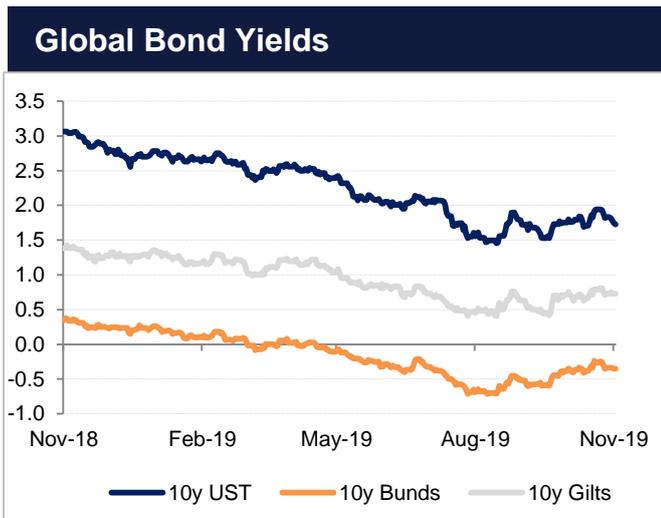
Regional equities started the week on a subdued note with most indices drifting lower. The Tadawul dropped -0.8% as banking sector stocks gave up some of their recent gains. Al Rajhi Bank and Banque Saudi Fransi declined -1.1% and -1.5% respectively. Elsewhere, Egyptian market heavyweights remained under pressure with the EGX 30 index losing -0.3%.

Commodities

Oil markets remain spellbound by US-China trade headlines, leading to choppy trading over the last five days. After recording greater than 1% moves each day last week Brent futures ended the week at USD 63.39/b, a gain of just 0.14%, while WTI was up even less, settling the week at USD 57.77/b. Markets were devoid of any significant fundamental catalyst specific to oil, contributing to volatile trading: moves in the futures market showed a greater than 1 standard deviation change on three out of five days last week.

Similar to flat prices, time spreads showed little movement over the past week. Dec spreads for both Brent and WTI in the 20/21 spread were marginally higher and there was a modest strengthening at the front of the curve. Dubai spreads showed a stronger pull upward, closing at USD 2.40/b in the 1-3 month spread, compared with less than USD 2/b at the end of the prior week (according to Bloomberg data). The Brent/Dubai spread slipped thanks to a tighter picture for heavy, sour grades. A rail strike in Canada is impacting flows of crude oil from producing provinces, helping to tighten up an already relatively short market.

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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