



بنك الإمارات دبي الوطني  
Emirates NBD

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# Daily Outlook

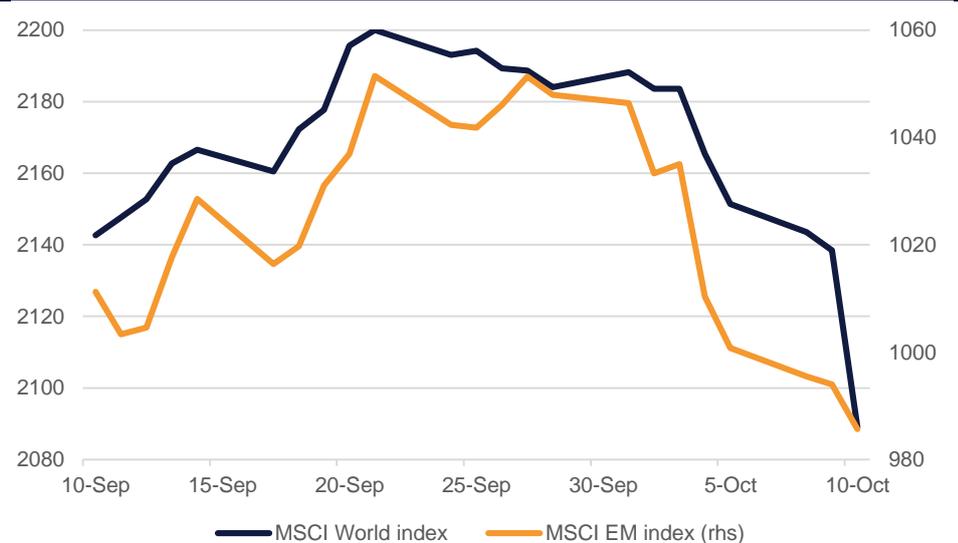
**Risk assets saw a broad sell-off.** In a move reminiscent of the decline in February earlier this year the trigger point seems to be the sharp rise in US Treasury yields. However, this time there is an additional overhang of an extended trade confrontation between the US and China. The length of the confrontation and lack of progress in resolving the same is causing investor angst as they worry about its fallout on corporate earnings. All major indices closed lower. **The MSCI World index lost -2.3%, the MSCI Emerging Market index -0.8% and the MSCI Frontier Market index -0.8%.**

Ahead of the summit on 17 October 2018, EU's Brexit negotiator **Michel Barnier sounded optimistic that a deal could be reached with the UK** even as issues remain to be resolved. He reiterated his demand for the UK to be part of the EU customs union.

**Headline CPI inflation in Egypt rose to 16.0% in September, from 14.2% the previous month.** This marks the fastest pace of price growth since January. The acceleration in price growth puts Egyptian inflation at the edge of the CBE's target range of 13.0%  $\pm$ 3 and will present the monetary policy committee with difficult choices over the remainder of the year. Another rate cut further to the two seen earlier in 2018 is now very unlikely, but discussion could now even turn to hiking once more, especially given ongoing pressure on EMs generally. The inability to cut rates will hit the government's fiscal balance, given that debt servicing costs already account for around a third of expenditure. Transportation was a major driver of the increase in prices, hitting 38.7% y/y, while food and beverages, accounting for 39.9% of the basket, hit 16.0%.

In light of the recent move in Treasuries, the US CPI data, scheduled to be released later today, will be keenly watched. The consensus estimate is for the CPI ex-food and energy to rise 2.3% y/y from 2.2% in the previous month. Ahead of the CPI data, we had the US Producer Price data which showed that final demand prices increased by 0.2% m/m last month.

## Broad sell-off in equities



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
FR CPI y/y	10:45	2.2%	US Initial Jobless Claims	16.30	207k
US CPI y/y	16.30	2.4%			

Source: Bloomberg, Emirates NBD Research.

## Fixed Income

Treasuries closed higher amid a sell-off in risk assets. Yields on the 2y UST, 5y UST and 10y UST closed at 2.84% (-4 bps), 3.00% (-5 bps) and 3.16% (-4 bps) respectively.

Regional bonds closed flat. The YTW on the Bloomberg Barclays GCC Credit and High Yield index remained at 4.58% while credit spreads tightened -1bp to 157 bps.

Fitch placed the CCC rating of Kuwait Energy on Rating Watch Evolving following the announcement of the company's proposed acquisition by United Energy Group.

## FX

The dollar is underperforming this morning during the Asia session, losing against all the other major currencies following comments from President Trump that the Federal Reserve had "gone crazy" with the pace of rate hikes. As we go to print, the Dollar Index is trading 0.31% lower at 95.211 and is on target to fall for a third day.

Of technical significance is the break below the 50-day moving average (95.230). While the price stays below this level, it is likely to test the 76.4% one-year Fibonacci retracement (94.923) and the 100-day moving average (94.853), with a break and daily close below these key levels indicating further short term losses to be likely.

We would also like to highlight that yet again the index seems likely to end the week below its 200-week moving average (95.731) and is currently back below the 100-week moving average (95.340), which further support the case that we may see further dollar weakness going forward.

## Equities

Developed market equities sold off sharply as investors fretted over the sharp rise in US Treasury yields over the past month and the impact of the trade confrontation on corporate earnings. The S&P 500 index and the Euro Stoxx 600 index lost -3.3% and -1.6% respectively.

The DFM index and the Qatar Exchange outperformed their regional peers with gains of +1.2% and +1.3% respectively. The DFM was led higher by strength in Emaar-related names with Emaar Properties, Emaar Development and Emaar Malls adding +2.5%, +0.8% and +2.2% respectively.

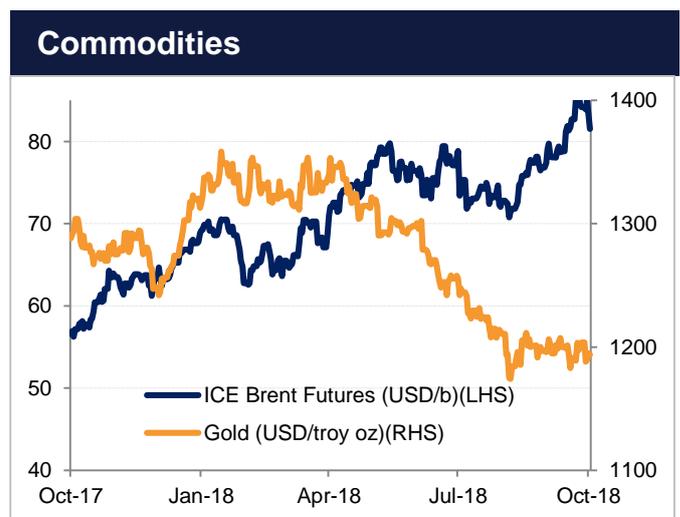
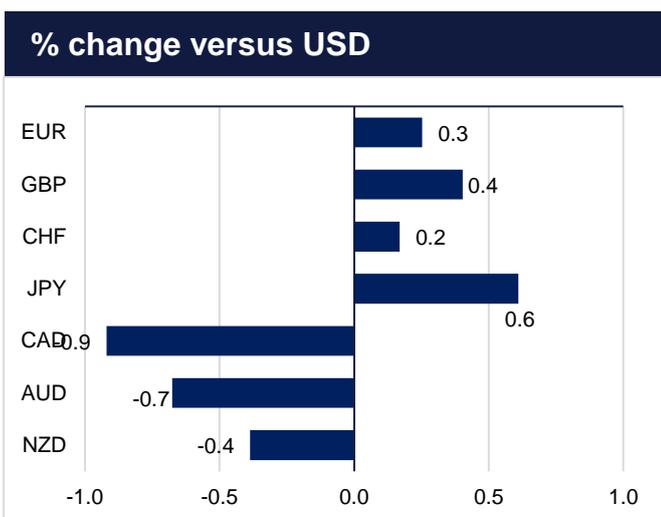
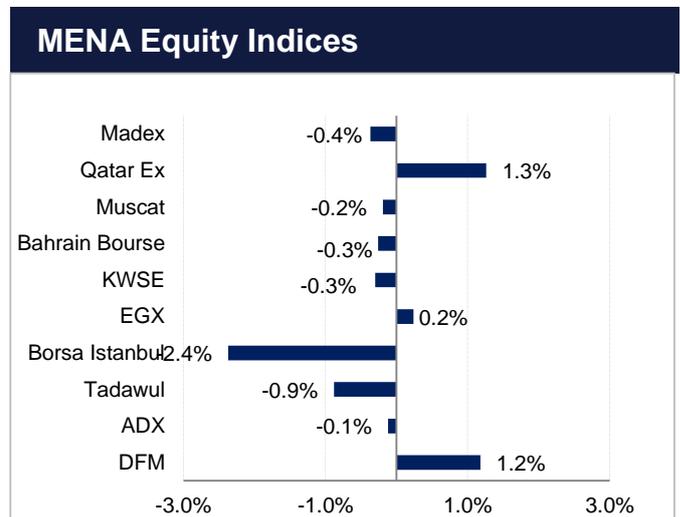
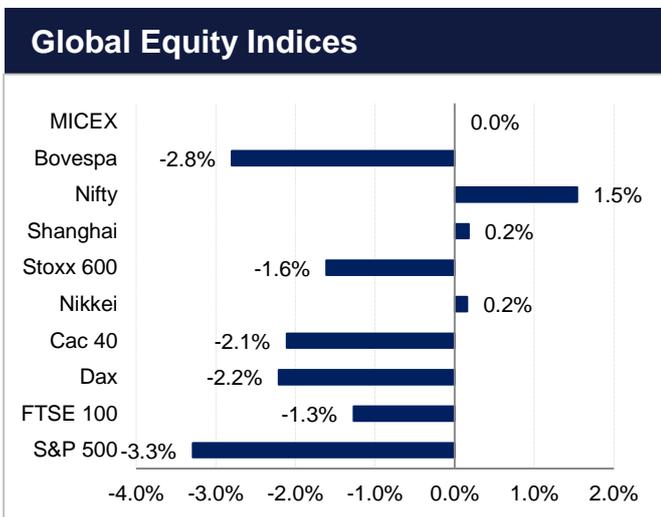
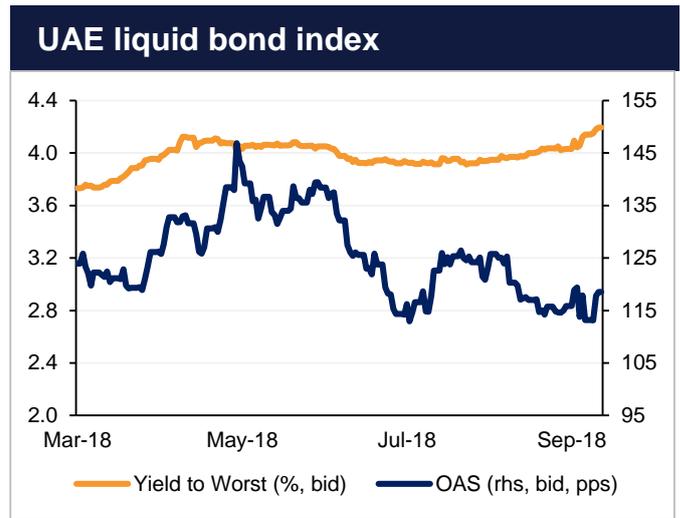
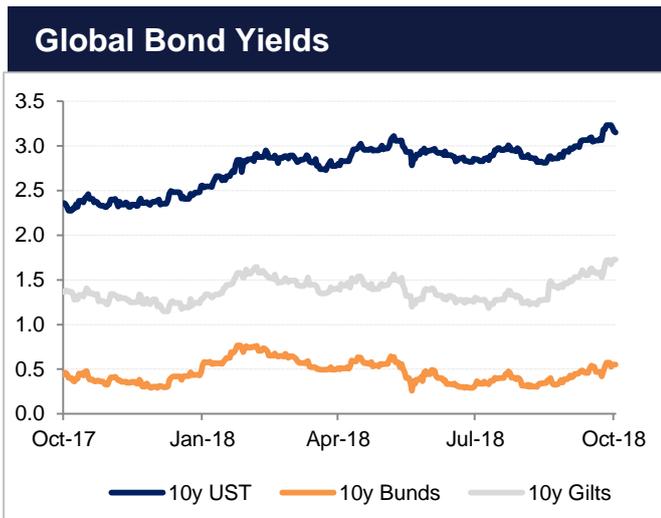
Dubai Islamic Bank added +0.2% after the bank reported Q3 2018 net profit of AED 1.23bn (+11% y/y). Qatar National Bank reported 9m 2018 net profit of QAR 10.8bn (+6.0% y/y).

## Commodities

Oil markets were savaged along with other risk assets yesterday as a move away from equities spread into the commodity complex. Brent futures closed the day down 2.2% at USD 83.09/b and have moved to around USD 81.50/b this morning. WTI lost 2.4% to close at USD 73.17/b and is trading with a USD 71/b handle this morning.

The EIA revised up its projection for supply growth in 2018 to 1.39m b/d from 1.31m b/d previously and also revised up its expectation for 2019 to 1.02m b/d. However, it did lower its projections for US demand growth.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1520	+0.25	1.1908	USDTRY	6.0759	-0.40	EURAED	4.2316	+0.25
GBPUSD	1.3196	+0.40	1.3443	USDEGP	17.9053	-0.00	GBPAED	4.8458	+0.37
USDJPY	112.27	-0.61	108.76	USDSAR	3.7508	--	JPYAED	0.0327	+0.61
USDCAD	1.3068	+0.94	1.2989	USDQAR	3.6800	+0.62	CADAED	2.8107	-0.91
AUDUSD	0.7055	-0.68	0.7098	USDKWD	0.3037	-0.07	AUDAED	2.5923	-0.64
USDCHF	0.9901	-0.21	0.9539	USDBHD	0.3770	+0.00	CHFAED	3.7094	+0.18
EURGBP	0.8732	-0.12	0.8861	USDOMR	0.3847	-0.06	TRYAED	0.6000	-0.34
USDAED	3.6730	--	3.6768	USDINR	74.4250	+0.05	INRAED	0.0552	+11.40

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.4425	2.7038	2.9972	3.3815	USD 2 yr	3.031	-4
USD LIBOR	2.2832	2.4252	2.6363	2.9691	USD 5 yr	3.129	-5
GBP LIBOR	0.7200	0.8045	0.9059	1.0936	USD 10 yr	3.209	-5
JPY LIBOR	-0.1008	-0.0772	0.0093	0.1285	EUR 2 yr	-0.080	+1
CHF LIBOR	-0.7838	-0.7424	-0.6598	-0.5276	EUR 5 yr	0.433	+0
					EUR 10 yr	1.070	+0

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1194.79	+0.42	ADGB 6.75 19	2.42	--	Abu Dhabi	67	-
Silver	14.30	-0.58	DUGB 7.75 20	3.54	-2	Bahrain	291	+13
Oil (WTI)	73.17	-2.39	QATAR 6.55 19	2.84	-2	Dubai	124	-
Aluminium	2040.00	-0.44	US Tsy 2 yr	2.84	-4	Qatar	75	-1
Copper	6251.00	-0.78	US Tsy 10 yr	3.16	-4	Saudi Arabia	78	-

Source: Bloomberg, Emirates NBD Research

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