



Daily Outlook

- **With no further progress on Brexit talks yesterday, PM Boris Johnson will meet EC President Ursula von der Leyen in Brussels** to try and thrash out an agreement before Thursday's EU summit. Meanwhile, MPs in the House of Commons voted to reinstate clauses that would override parts of the Withdrawal Agreement in the Internal Markets Bill, although PM Johnson said he would be willing to scrap these if a deal is reached.
- **German industrial production rose by a bigger than forecast 3.2% m/m in October, although it remains -3.0% lower than a year ago.** A 9.9% m/m rise in auto output contributed to the strong reading in October, offsetting a decline in the output of consumer goods. Industrial production likely softened in November as new restrictions were imposed, although these would have affected services more than manufacturing.
- **The US has imposed sanctions on another 14 Chinese officials** who the US alleges have undermined democratic processes in Hong Kong, and ended five cultural exchange programs with the country. The sanctions include travel bans against the officials and their immediate family and freezing their assets in the US. The move follows President's Trump executive order barring American investment in Chinese firms owned or controlled by the military last month. President-elect Biden has indicated he will not immediately lift the tariffs on Chinese imports imposed by the Trump administration, suggesting that relations between the two countries are likely to remain strained.
- **The US Congress is expected to pass stop-gap measures to avoid a government shutdown this week,** while discussions on a stimulus bill are still ongoing. The US Chamber of Commerce said that failure to pass additional stimulus could result in a double-dip recession.
- **Japan's PM Suga announced another JPY 73tn (USD 702bn) stimulus package** which includes JPY 40tn in fiscal measures (loans, additional spending and investment) as the country tackles rising coronavirus infections which are likely to weigh on consumer spending in Q4. Revised Q3 GDP data released this morning show the economy grew by 22.9% q/q annualised, up from the first estimate of 21.4%.
- **Egypt's gross official reserves rose marginally to USD 39.227bn in November, from USD 39.225bn in October.** FX reserves rose to USD 35.0bn from USD 34.7bn in October while the value of gold reserves declined slightly.

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
UAE PMI	08:15	n/f	GE ZEW expectations	14:00	46.0
GE ZEW current situation	14:00	-66.0	EZ GDP y/y	14:00	-4.4%

Source: Bloomberg, Emirates NBD Research

Fixed Income

- Treasuries closed higher to start the trading week as the Brexit endgame nears. Apparent failed discussions overnight prompted a modest risk-off tone to markets, helping support USTs across the curve while European bond markets also rallied. Yields on the 10yr UST closed down by more than 4bps to settle at 0.9238% helping to bring the 2s10s curve back down below 80bps. Gilt yields came off considerably, dropping nearly 7bps on the 10yr while bunds and OAT yields also sank.
- Emerging market bonds managed modest gains overnight while spreads are holding reasonably steady below 300bps over comparable USTs.
- Morocco will launch a new USD-denominated benchmark issue in multiple tranches (7, 12 and 30yr). Morocco is rated 'BBB-' with a negative outlook by S&P.

FX

- Despite starting the day in positive fashion, at one point going beyond the 91.2 figure, the DXY index has reversed nearly all of its gains and remains soft at 90.870. A new set of sanctions being prepared by the US for Chinese officials is weighing on the greenback. USDJPY fluctuated through gains and losses before consolidating around the 104 handle.
- The GBP weakened by the most in three months following renewed Brexit uncertainty, further compounded after a call between UK PM Boris Johnson and EC President Ursula von der Leyen offered little change. Sterling fell from 1.3441 to lows of 1.3225 and currently trades at 1.3350.

Equities

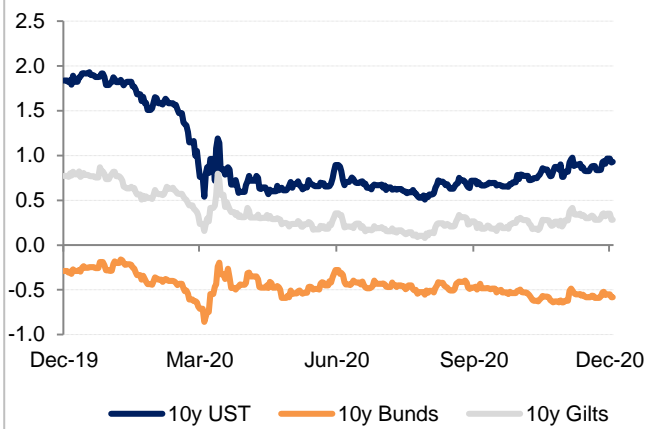
- Benchmark equity markets were generally softer to begin the trading week with both the Dow and S&P 500 dropping, although the NASDAQ managed to record gains overnight. The FTSE was slightly higher, supported by a drop in sterling overnight related to anxiety over whether a Brexit deal can indeed be achieved this week. Asian markets are on a weaker footing in early trade today with declines across the major indices in Japan, Hong Kong and China.
- Regional markets were generally positive. The DFM was little changed although had a higher bias while the ADX added 0.2% and the Tadawul was up 0.6%.

Commodities

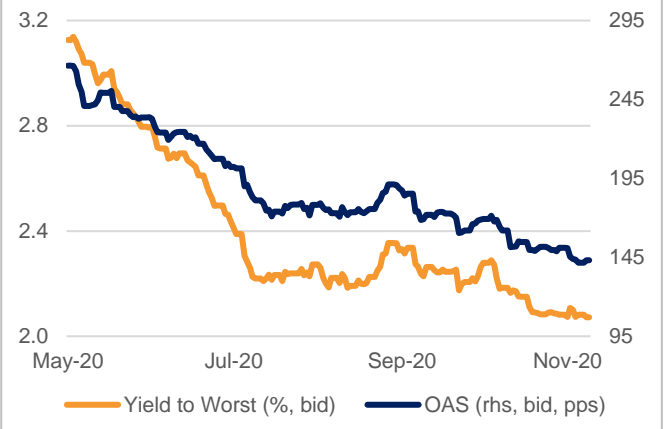
- Oil prices have been sinking so far this week, unwinding much of the gains on the back of last week's OPEC+ meeting. Brent and WTI were both down by either side of 1% overnight and are extending losses in trading this morning with Brent futures down 0.7% at USD 48.43/b and WTI down by 0.6% at USD 45.47/b.
- Iran is reportedly preparing to increase exports and production to "in line with current capacity" according to local media there. Iran is currently exporting negligible volumes of crude but has the potential to ramp up exports to as much as 2m b/d or perhaps higher. If Iran were to deliver on its output increases it would severely curtail the ability of OPEC+ to keep markets in balance or stock draws next year.

Markets in Charts

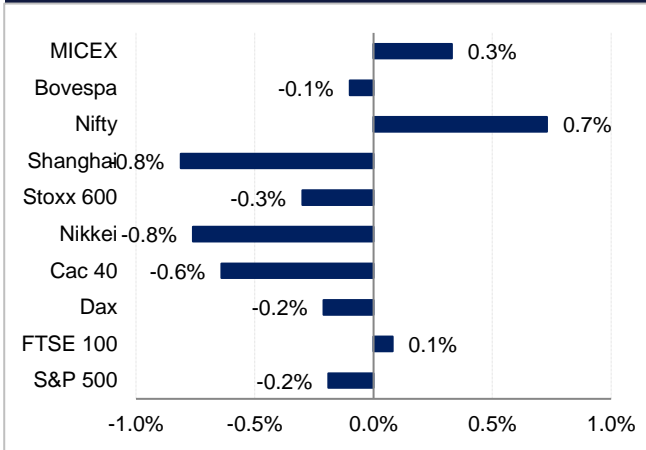
Global Bond Yields



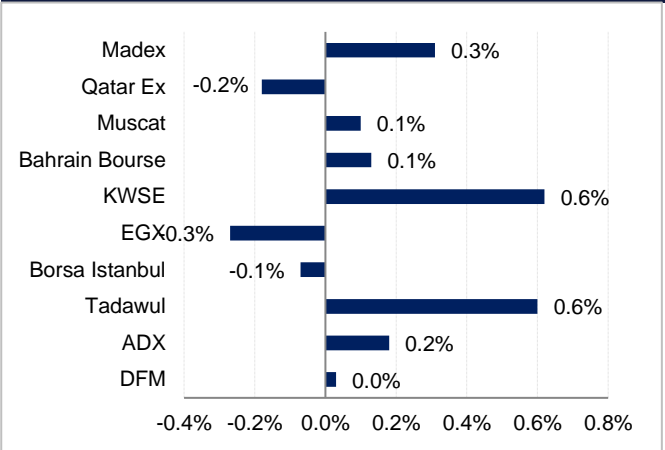
UAE liquid bond index



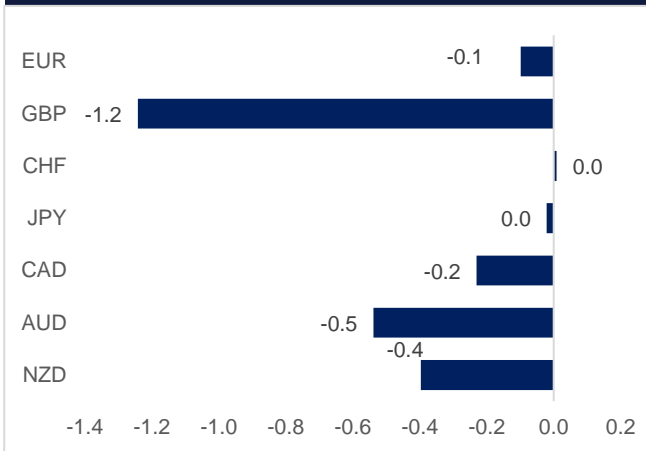
Global Equity Indices



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	1.2109	-0.10	1.2215	USDTRY	7.8566	+0.71	EURAED	4.4474	-0.54
GBPUSD	1.3274	-1.24	1.3304	USDEGP	15.7055	+0.20	GBPAED	4.8755	-1.41
USDJPY	104.20	+0.03	103.66	USDSAR	3.7515	+0.01	JPYAED	0.0352	-0.20
USDCAD	1.2814	+0.23	1.2808	USDQAR	3.6800	+0.49	CADAED	2.8664	+0.36
AUDUSD	0.7385	-0.54	0.7400	USDKWD	0.3045	+0.07	AUDAED	2.7126	-0.52
USDCHF	0.8917	-0.06	0.8817	USDBHD	0.3771	--	CHFAED	4.1186	-0.15
EURGBP	0.9122	+1.10	0.9182	USDOMR	0.3847	-0.06	TRYAED	0.4700	-0.18
USDAED	3.6730	--	3.6756	USDINR	73.9012	+0.15	INRAED	0.0552	+10.80

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2409	0.3450	0.5850	0.5919	USD 2 yr	0.231	-0
USD LIBOR	0.1458	0.2304	0.2531	0.3383	USD 5 yr	0.470	-1
GBP LIBOR	0.0310	0.0324	0.0443	0.1134	USD 10 yr	0.948	-2
JPY LIBOR	-0.0995	-0.0985	-0.0588	0.0573	EUR 2 yr	-0.536	-0
CHF LIBOR	-0.8440	-0.7816	-0.7340	-0.6164	EUR 5 yr	-0.472	-2
					EUR 10 yr	-0.252	-2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1862.73	+1.30	ADGB 2.50 25	0.88	-1	Abu Dhabi	36	--
Silver	23.80	-1.58	DUGB 3.89 25	2.05	-0	Bahrain	256	-8
Oil (WTI)	45.76	-1.08	QATAR 3.4 25	1.01	+0	Dubai	114	-4
Aluminium	1995.28	-1.72	US Tsy 2 yr	0.14	-1	Oman	366	-9
Copper	7695.00	-0.72	US Tsy 10 yr	0.92	-4	Qatar	37	+1
						Saudi Arabia	66	+1

Source: Bloomberg, Emirates NBD Research

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