



بنك الإمارات دبي الوطني
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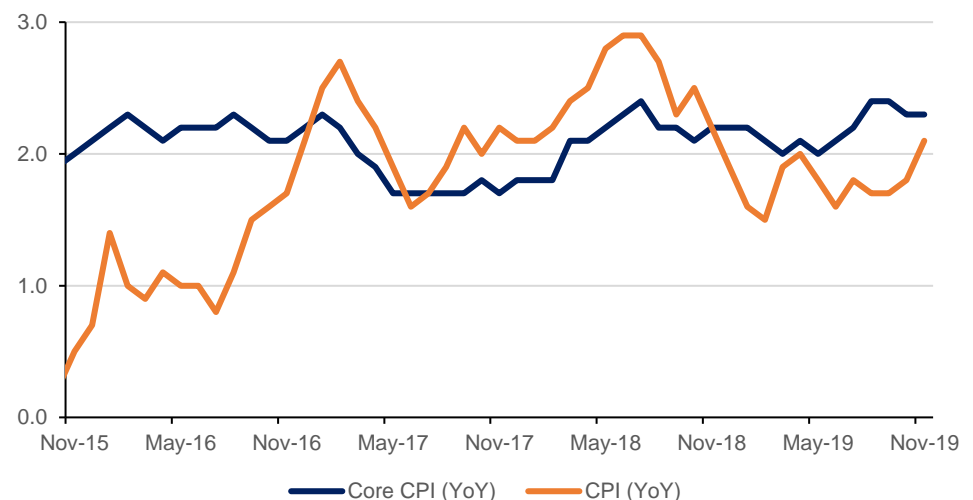
Daily Outlook

The U.S. Federal Reserve left policy unchanged, as expected, with the funds rate target left at 1.50% - 1.75%. The Fed said the "current stance of policy is appropriate," and that it will continue to monitor upcoming information to "assess the appropriate" path of policy, which suggests policy is on hold for the foreseeable future. Meanwhile, the Fed's forecasts took out the remaining hike from 2020, although the new dot plot shows that while interest rates are expected to remain on hold in the near future, most officials still expect rates to be hiked again further ahead. The policy statement noted the labor market remains strong and economic activity has been rising at modest pace, while inflation and inflation expectations remain low. **Notably Powell said he is not seeing 'heat' in the labour market, and reiterated that "I like where we are on policy."** The vote was a unanimous 10-0. These factors suggest a more asymmetric risk to rates in the future, with a much higher bar for a tightening than for an easing. **It would likely take a significant rise in inflation to convince officials to start tightening again**, while there are a number of factors that might bring about a cut including a deterioration in trade conditions. **However, notwithstanding whether there is another cut next year, the main message is that rates likely will remain low for an extended period of time.**

U.S. November CPI rose 0.3% m/m, with the core up 0.2% m/m, with the headline a little firmer than expected, due largely to an 0.8% rise in energy. The yearly rate rose to a 2.1% y/y on the headline, versus November's 1.8%, while the core rate was steady at 2.3% y/y.

Saudi Aramco made its market debut yesterday. The company traded limit up on listing (10%), which should come as no surprise given strong regional interest. Having said that one needs to look beyond the fascination with short-term price gains. In that sense, the successful listing of Saudi Aramco brings several intangible gains for the country and the region. It will make governments more comfortable in speeding up privatization plans, attract newer set of investors' in the region and give a filip to already taken tentative steps towards transparency and higher standards of corporate governance.

US inflation nudges up slightly



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
ECB Deposit Facility Rate	16:45	-0.5%	Initial Jobless Claims	17:30	214k
U.S PPI m/m	17:30	0.2%			

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed higher as the Fed left rates unchanged and its members indicated no further rate cuts until the end of 2020. The central bank reiterated that it feels the current stance of monetary policy remains appropriate given the strength in the economy. Yields on the 2y UST and 10y UST closed at 1.61% (-4 bps) and 1.79% (-5 bps) respectively.

Regional bonds drifted higher as they continue to track benchmark yields. The YTW on Bloomberg Barclays GCC Credit and High Yield index dropped -1 bp to 3.21% and credit spreads widened 3 bps to 147 bps.

FX

EURUSD was quiet ahead of the Fed announcement, but the FOMC's removal of its sole forecast 25 basis point 2020 hike took it above 1.11, with the overall tone of the statement and Powell's press conference considered dovish. GBP also benefited particularly as the markets continued to unwind the likelihood of a no-deal Brexit going into the UK general election today. Christine Lagarde's first press conference as ECB President later today will be watched closely, as markets look for clues about her position on monetary policy.

As we go to print, EURUSD is trading at 1.1144, and looks positioned to test the 200-day moving average (1.1154), a level last seen in July 1st 2019. Should the ECB be less dovish than the market expects, we could witness a daily close above this level which would then be likely to catalyse further gains.

Equities

Developed market equities closed higher as the Federal Reserve remained optimistic on the health of the US economy. The S&P 500 index and the Euro Stoxx 600 index added +0.3% and +0.2% respectively.

In regional markets, it was all about the debut of Saudi Aramco on the Tadawul. The stock closed limit up to close at SAR 35.20. Further, the MSCI confirmed that it will fast-track the inclusion of the stock in their EM index. The stock will be included effective 17 December 2019 and is expected to result in passive inflows of USD 2bn.

Commodities

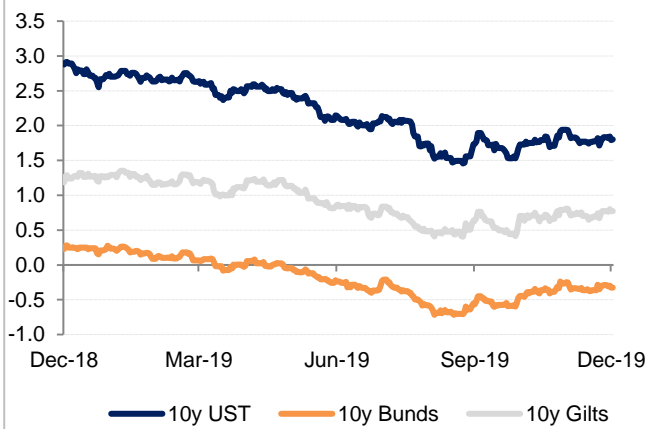
Oil markets dipped overnight as EIA data showed a modest rise in crude inventories but a larger build in product stocks while OPEC cut its projection for the amount of crude the bloc needs to produce to balance markets in 2020. Brent futures fell nearly 1% to USD 63.72/b while WTI was down by 0.8% to settle at USD 58.76/b.

Crude inventories rose by just 822k bbl last week but gasoline inventories jumped by 5.4m bbl, distillates rose by 4.1m bbl and total petroleum stocks were up by 17m bbl, the largest build since the end of May. US crude production fell by 100k b/d to 12.8m b/d but refinery inputs were off by 200k b/d, indicating softer demand in the US.

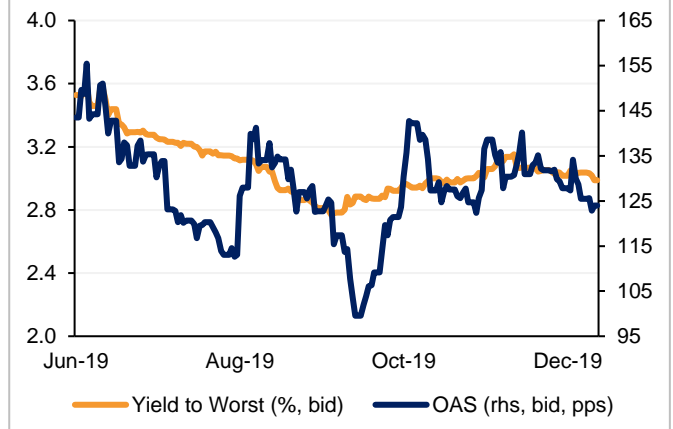
OPEC's projections for 2020 were largely unchanged, expecting demand growth of a little more than 1m b/d and supply growth outside of OPEC of 2.2m b/d.

Markets in Charts

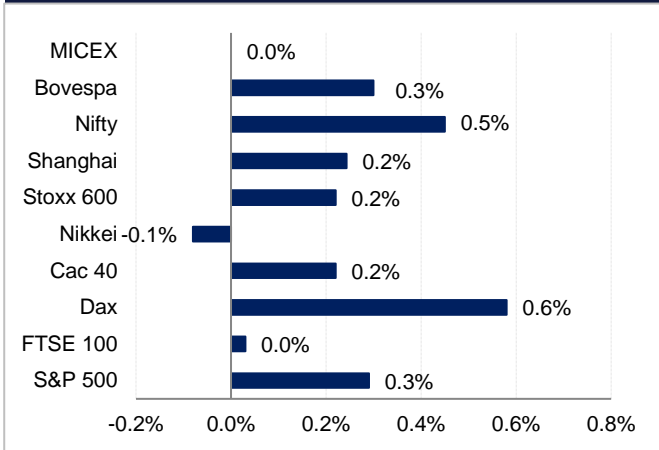
Global Bond Yields



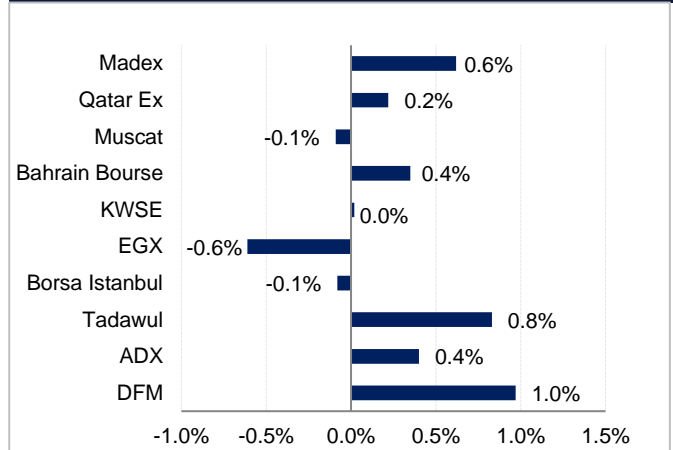
UAE liquid bond index



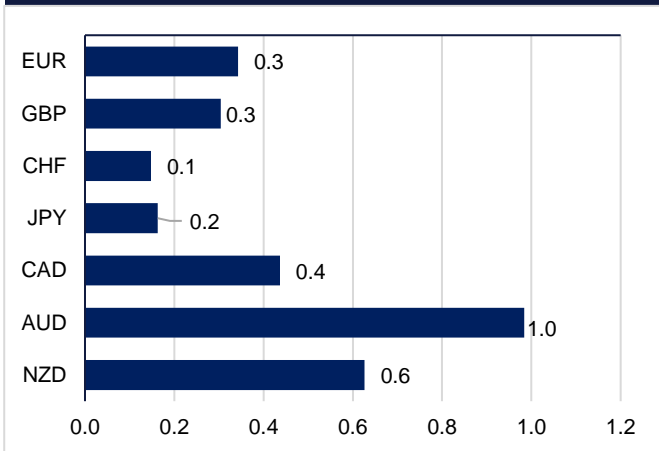
Global Equity Indices



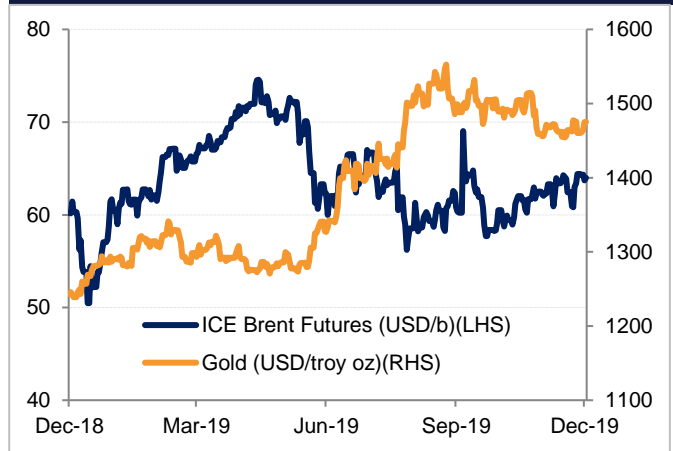
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1130	+0.34	1.1386	USDTRY	5.8035	-0.03	EURAED	4.0881	+0.35
GBPUSD	1.3196	+0.30	1.3326	USDEGP	#N/A N/A		GBPAED	4.8468	+0.29
USDJPY	108.56	-0.15	106.29	USDSAR	3.7503	--	JPYAED	0.0338	+0.16
USDCAD	1.3174	-0.42	1.3172	USDQAR	3.6800		CADAED	2.7886	+0.45
AUDUSD	0.6876	+0.98	0.6933	USDKWD	0.3033	-0.03	AUDAED	2.5262	+1.01
USDCHF	0.9833	-0.11	0.9581	USDBHD	0.3771	-0.01	CHFAED	3.7370	+0.15
EURGBP	0.8435	+0.04	0.8545	USDOMR	0.3850	--	TRYAED	0.6300	-0.42
USDAED	3.6730	--	3.6791	USDINR	70.7225	-0.64	INRAED	0.0552	+6.44

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.8798	2.2302	2.1815	2.4350	USD 2 yr	1.628	-3
USD LIBOR	1.7356	1.8873	1.8786	1.9329	USD 5 yr	1.609	-4
GBP LIBOR	0.7020	0.7853	0.8631	0.9681	USD 10 yr	1.721	-5
JPY LIBOR	-0.1850	-0.0708	0.0015	0.1078	EUR 2 yr	-0.334	--
CHF LIBOR	-0.8124	-0.7180	-0.6502	-0.5152	EUR 5 yr	-0.211	-2
					EUR 10 yr	0.084	-2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1474.88	+0.72	ADGB 6.75 19	2.42	--	Abu Dhabi	41	--
Silver	16.86	+1.17	DUGB 7.75 20	2.15	-2	Bahrain	191	-5
Oil (WTI)	58.76	-0.81	QATAR 5.25 20	2.70		Dubai	95	-12
Aluminium	1751.25	-0.01	US Tsy 2 yr	1.61	-4	Oman	243	-20
Copper	6127.25	+0.95	US Tsy 10 yr	1.79	-5	Qatar	40	--
						Saudi Arabia	64	-2

Source: Bloomberg, Emirates NBD Research

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