



بنك الإمارات دبي الوطني
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Daily Outlook

Two of 2019's most critical issues for financial markets came to a head over the week with the outcome of the general election in the UK pointing to a swifter end to the Brexit saga and the US and China finally coming to agreement on a phase one deal.

In the UK, the Conservative Party won the general election with a substantial majority, allowing Prime Minister Boris Johnson to begin the process of the UK leaving the European Union as early as this week and making the departure date of January 31st 2020 highly likely. The vote clearly came down on issues related to Brexit as the Conservatives were able to win in areas that traditionally supported Labour but voted Leave in the 2016 referendum.

What the vote offers financial markets is at least some near term certainty over the relationship between the UK and EU and markets rallied in response. Sterling moved up to 1.35 against the dollar before calming down and holding on to levels in a range around 1.33. The prospects for the UK economy in 2020 look a little brighter thanks to the certainty that Brexit will happen and also pledges from the Conservatives to spend on infrastructure. However, now the UK will embark on negotiating a new trading relationship with the EU which the Conservatives aim to have finalized and end the post-Brexit transition period by the end of 2020. Past EU trade agreements have taken years to negotiate so the risk that the UK ends up trading on WTO terms with the EU from 2021 onward remains high and may dampen the investment impact of a more certain political landscape.

China and the US managed to agree a Phase One trade deal covering goods trade between the two countries and addresses some of the US' concerns over intellectual property and state interference in China's economy. China has reportedly agreed to increase its imports of goods and services from the US to USD 200bn, a significant boost on pre-trade war levels of closer to USD 180bn. There is little new to the phase one agreement and is a first step in a broader transformation of the US-China trading relationship. But the tempering of hostilities, and news that no new tariffs will be imposed this week, should help to spur an improvement in risk assets. Elsewhere, new ECB president Christine Lagarde kept policy unchanged with rates at -0.5% and EUR 20bn of asset purchases each month.

Brexit saga nears its end, supporting sterling



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
FR Comp. PMI	12:15	52	GE Comp. PMI	12:30	49.9
EZ Comp. PMI	13:00	50.7	US Comp. PMI	18:45	--

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed higher in a week dominated by the last Federal Reserve meeting of 2019 and partial resolution of the US-China trade war. Despite a risk-on mood and intra-day volatility, yields were largely unchanged over the week. Yields on the 2y UST and 10y UST ended the week at 1.60% (-1 bp w-o-w) and 1.82% (-1 bp w-o-w) respectively.

In UK, bonds had a mixed week as well. The aftereffects of the UK election results faded quickly. Overall 10y Gilts ended the week at 0.79% (+2 bps w-o-w).

Regional bonds had a good week following resolution of some key headwinds. The YTW on Bloomberg Barclays GCC Credit and High Yield index dropped 6 bps w-o-w to 3.18% and credit spreads tightened 4 bps to 143 bps.

FX

Over the last week, EURUSD gained 0.58% to reach 1.1121. This was the second week that the price was able to gain ground, importantly finishing above the 100-day moving average (1.1065) which it failed to take the previous week. The next level of resistance can be expected at the 200-day moving average (1.1154), which prevented further gains on Wednesday, Thursday and Friday of last week. A daily close above this level may trigger further appreciation in EURUSD towards the 50% one-year Fibonacci retracement (1.12224).

GBPUSD climbed for a third week, with gains of 1.47% which took the price to 1.3331, the highest weekly close since June 2018. As well as closing far above the 100-week and 200-week moving averages (1.3048 and 1.3098 respectively) for a second week, the price has now closed above the 50-month moving average for the first time since September 2014. In addition, the price briefly reached a new 2019 high of 1.3514. Further gains may initially be hampered due to profit taking from investors closing longs, as the 14-day Relative Strength Index (RSI) shows that at 76.94, GBPUSD is currently overbought. However, the current technical indicators are very bullish for the price and a re-test of Friday's high of 1.3514 cannot be ruled out over the next month.

Equities

Regional equities closed largely positive. The DFM index added +0.2% while the KWSE PM index gained +0.9%. MSCI is scheduled to announce a decision on inclusion of Kuwaiti stocks in its EM index on 18 December 2019. Elsewhere, Saudi Aramco continued its positive run since last week's listing on the Tadawul.

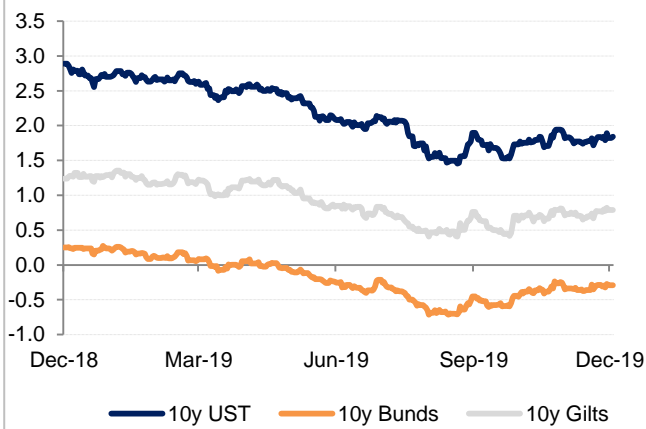
Commodities

Oil prices gained a second week running thanks to optimism that a US-China trade deal could be within reach. Brent added 1.3% over the week to settle at USD 65.22/b while WTI rose 1.5% to close at USD 60.07/b, its first close above USD 60/b since mid September.

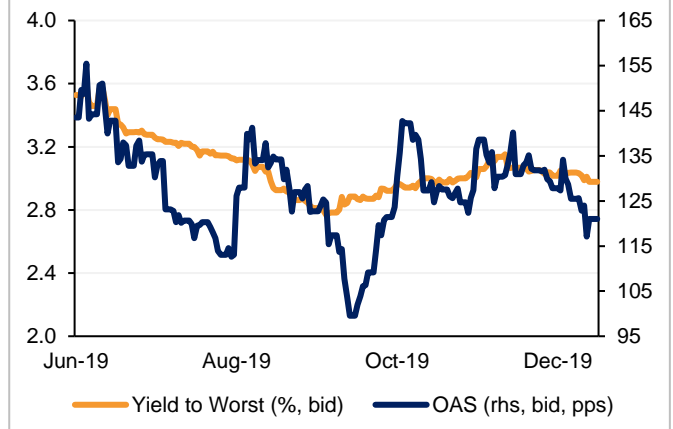
Forward curves in both contracts remain in backwardation with 1-2 month spreads in Brent closing just shy of USD 1/b while in WTI they closed the week at less than USD 0.10/b. Long dated contracts are moving higher, largely on the trade optimism while investors have piled into new long positions in both Brent and WTI.

Markets in Charts

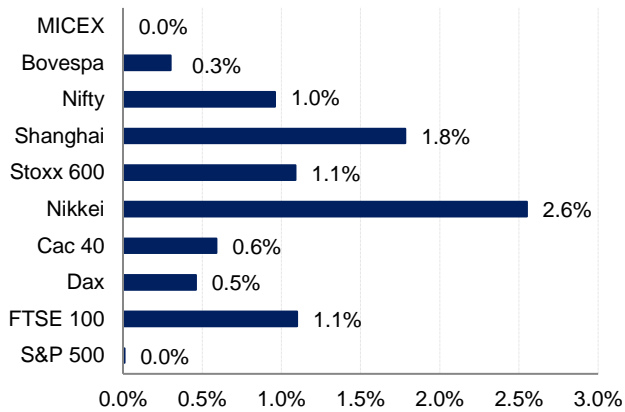
Global Bond Yields



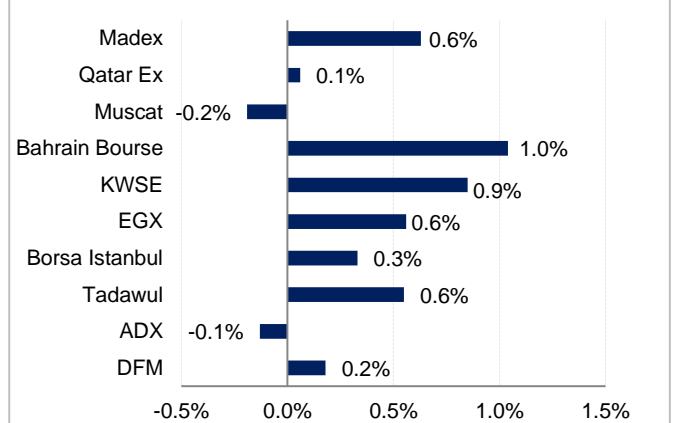
UAE liquid bond index



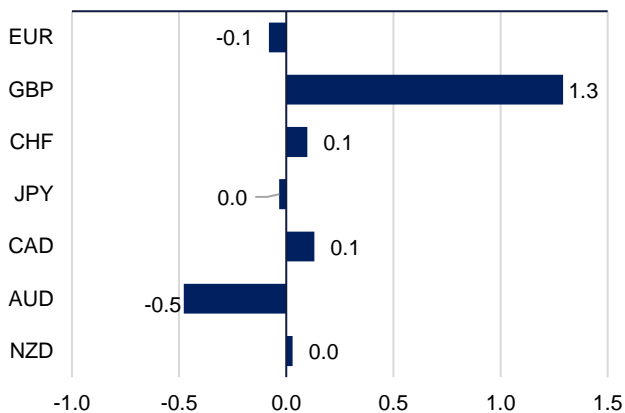
Global Equity Indices



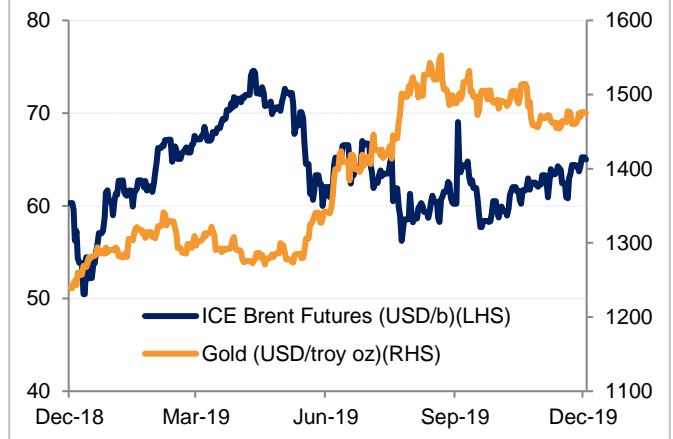
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1121	-0.08	1.1375	USDTRY	5.8061	+0.25	EURAED	4.0850	-0.10
GBPUSD	1.3331	+1.29	1.3456	USDEGP	16.1158	-0.17	GBPAED	4.8959	+1.22
USDJPY	109.38	+0.06	107.11	USDSAR	3.7505	+0.00	JPYAED	0.0336	-0.02
USDCAD	1.3166	-0.14	1.3168	USDQAR	3.6800	+0.41	CADAED	2.7897	+0.13
AUDUSD	0.6876	-0.48	0.6932	USDKWD	0.3033	-0.05	AUDAED	2.5251	-0.50
USDCHF	0.9842	-0.08	0.9593	USDBHD	0.3771	+0.00	CHFAED	3.7334	+0.12
EURGBP	0.8344	-1.33	0.8455	USDOMR	0.3850	+0.06	TRYAED	0.6300	-0.66
USDAED	3.6730	--	3.6791	USDINR	70.7225	-0.64	INRAED	0.0552	+6.09

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.8927	2.0840	2.2700	2.4037	USD 2 yr	1.642	-5
USD LIBOR	1.7374	1.8996	1.9029	1.9639	USD 5 yr	1.630	-8
GBP LIBOR	0.7196	0.7996	0.8819	0.9866	USD 10 yr	1.756	-8
JPY LIBOR	-0.1605	-0.0702	0.0025	0.0943	EUR 2 yr	-0.323	+0
CHF LIBOR	-0.8066	-0.7230	-0.6482	-0.5144	EUR 5 yr	-0.195	-1
					EUR 10 yr	0.089	-3

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1476.33	+0.44	ADGB 6.75 19	2.42	--	Abu Dhabi	37	-1
Silver	16.95	+0.10	DUGB 7.75 20	2.06	-4	Bahrain	191	-
Oil (WTI)	60.07	+1.50	QATAR 5.25 20	2.70		Dubai	91	-3
Aluminium	1756.35	-0.31	US Tsy 2 yr	1.60	-5	Oman	234	-
Copper	6105.75	-0.40	US Tsy 10 yr	1.82	-7	Qatar	37	-1
						Saudi Arabia	61	-1

Source: Bloomberg, Emirates NBD Research

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