



بنك الإمارات دبي الوطني
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Daily Outlook

UK Prime Minister Theresa May survived a confidence vote in her leadership within the Conservative Party with **200 lawmakers voting in her favor and 117 voting against**. The result also confirms that her leadership cannot be challenged for the next one year. However, ahead of the vote Prime Minister May told the MPs that **she will not be leading the party in next general elections**. While the vote removes the immediate overhang over her leadership, the number of members voting against does weaken her position and highlights the difficulty she faces in getting her Brexit deal through the parliament. She will be **meeting with European leaders later today to discuss if any change is possible to the negotiated agreement**.

US consumer price inflation declined to 2.2% y/y in November from 2.5% y/y. The drop was primarily on account of the recent plunge in energy prices. **Core inflation, excluding food and energy, inched up to 2.2% y/y**. The rise in core inflation was helped by a 2.4% m/m surge in used vehicle prices. Overall, there was nothing in the data which could **dissuade the Federal Reserve from raising interest rate by 25 bps when it meets next week**.

India's consumer price inflation for November came in at 2.33% y/y, lower than consensus expectations of 2.58% and previous month's reading of 3.38%. This is the **fourth consecutive reading below RBI's target of 4.0%**. As has been the trend in recent month, food inflation continues to surprise on the downside. In November, food inflation (-1.69% y/y) printed negatively for a second consecutive month and in fact recorded the lowest reading in the current CPI series. The current drop in oil prices also reflected in fuel inflation which decelerated from 10.35% in October to 7.77% in November. **Core-core inflation moderated slightly to 5.63% y/y in November from 5.79% y/y in October 2018**. The data is in line with our view that the **RBI will revert to 'neutral' policy stance at its next meeting early next year from current stance of calibrated tightening**.

US consumer price inflation eases further (y/y, %)



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
German CPI y/y	11:00	2.3%	France CPI y/y	11.45	1.9%
ECB Main Refinancing Rate	16.45	0.00%	US Initial Jobless Claims	17.30	226k

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries traded lower amid a rebound in risk sentiment and signs of progress on the trade front. Yields on the 2y UST, 5y UST and 10y UST closed at 2.77% (+1 bp), 2.76% (+2 bps) and 2.90% (+2 bps) respectively.

Regional bonds continue to trade in a tight range. The YTW (4.64%) on the Bloomberg Barclays GCC Credit and High Yield index has remained within 1bp for the past seven trading sessions. Credit Spreads did tighten slightly to 187 bps.

Dubai Aerospace obtained a USD 535mn credit facility to support its financing needs. The accordion feature allows the facility to be increased to up to USD 600mn any time after the initial closing.

FX

From hitting 20-month lows on Tuesday, GBPUSD closed modestly stronger at 1.2629 yesterday, as UK Prime Minister Theresa May faced down a leadership challenge within her party. Moves in sterling will continue to be news-driven by developments in Brexit. Meanwhile, easing fears over trade wars saw safe-haven yen weaken against its peers to JPYUSD 113.44.

Equities

Developed markets closed higher amid a positive tone in trade talks between the US and China. However, what has been noticeable is the trend of investors' selling into early session rallies in the US markets. The S&P 500 index added +0.5% while the Euro Stoxx 600 index gained +1.7%.

Most regional equities continued their rebound. The DFM index and the Tadawul added +1.5% and +0.7% respectively. The flow data suggests that foreign investors are slowly coming back into the market. However, turnover continues to remain weak. Emaar Properties gained +6.4%.

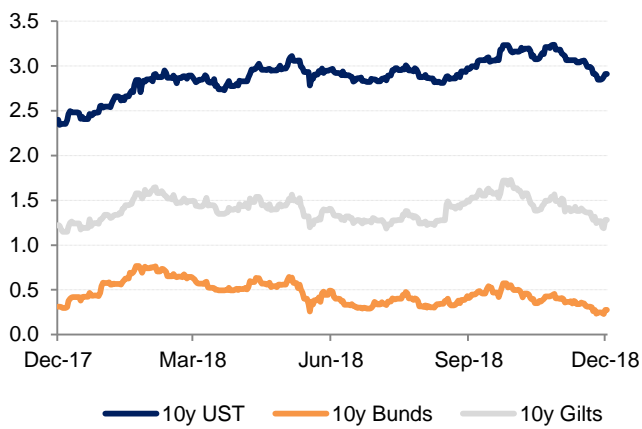
Commodities

Oil benchmarks diverged overnight with WTI losing nearly 1% and Brent holding roughly flat on the day. EIA data showed a draw in US crude stocks of 1.2m bbl although a build in gasoline stocks. Production dipped back slightly to 11.6m b/d. The US petroleum export balance moved back into a net import position after a small net export level recorded last week thanks to a pull back in crude outflows.

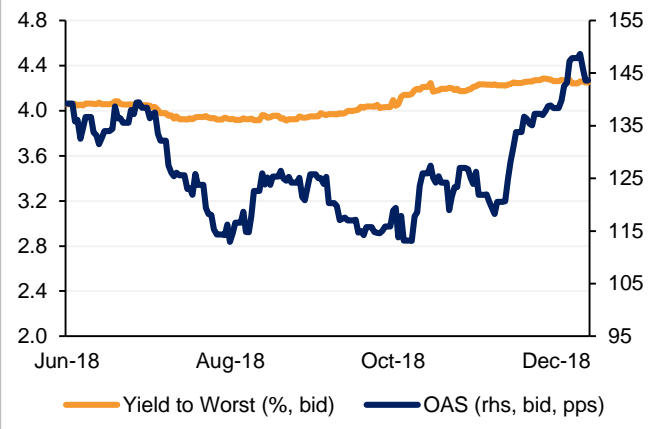
OPEC published its monthly oil outlook and cut its forecast for the amount of crude needed from the bloc in 2019 in order to balance markets. OPEC projects that it would need to produce 31.44m b/d, 1.53m b/d less than its current production levels.

Markets in Charts

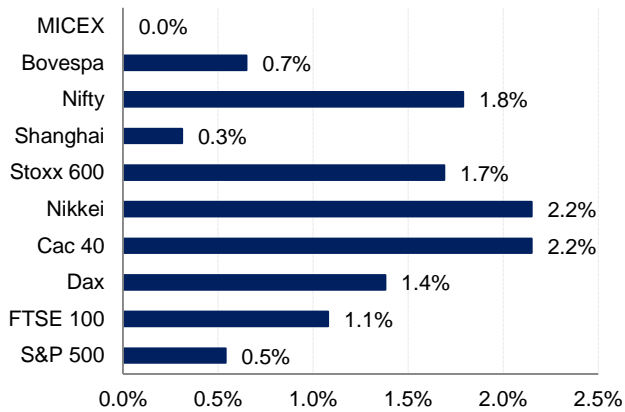
Global Bond Yields



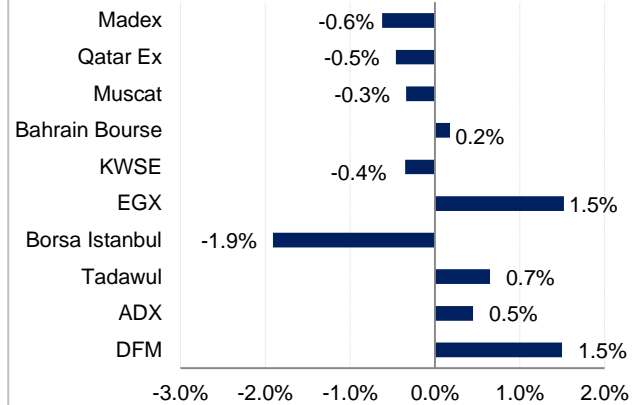
UAE liquid bond index



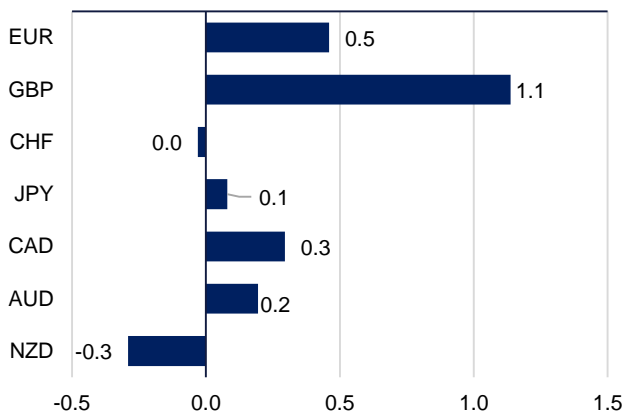
Global Equity Indices



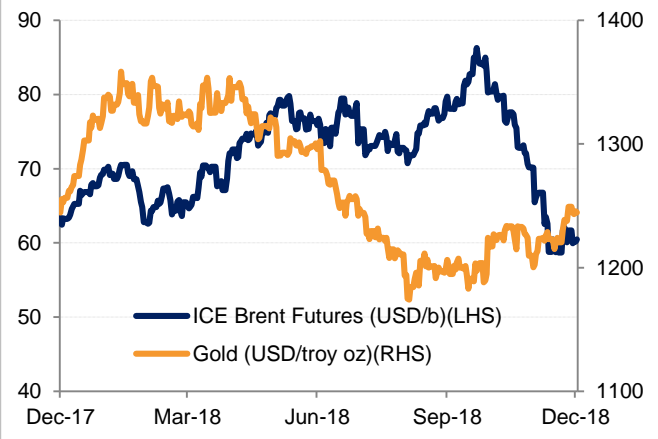
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1369	+0.46	1.1745	USDTRY	5.3454	-0.37	EURAED	4.1766	+0.48
GBPUSD	1.2629	+1.14	1.2859	USDEGP	17.9475	+0.11	GBPAED	4.6382	+1.13
USDJPY	113.29	-0.08	109.72	USDSAR	3.7515	-0.01	JPYAED	0.0324	+0.09
USDCAD	1.3350	-0.30	1.3261	USDQAR	3.6800	+0.77	CADAED	2.7512	+0.30
AUDUSD	0.7220	+0.19	0.7262	USDKWD	0.3044	+0.08	AUDAED	2.6519	+0.22
USDCHF	0.9935	+0.02	0.9577	USDBHD	0.3770	-0.00	CHFAED	3.6969	-0.02
EURGBP	0.9002	-0.66	0.9133	USDOMR	0.3848	--	TRYAED	0.6800	-0.67
USDAED	3.6730	--	3.6755	USDINR	72.0188	+0.21	INRAED	0.0552	+8.76

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.5025	2.9150	3.1521	3.5476	USD 2 yr	2.909	+2
USD LIBOR	2.4401	2.7775	2.8923	3.1013	USD 5 yr	2.874	+4
GBP LIBOR	0.7308	0.9026	1.0191	1.1456	USD 10 yr	2.945	+3
JPY LIBOR	-0.1958	-0.1175	-0.0093	0.1048	EUR 2 yr	-0.133	+1
CHF LIBOR	-0.8226	-0.7374	-0.6582	-0.5254	EUR 5 yr	0.285	+2
					EUR 10 yr	0.889	+3

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1245.66	+0.19	ADGB 6.75 19	2.42	--	Abu Dhabi	67	--
Silver	14.74	+1.22	DUGB 7.75 20	3.39	+1	Bahrain	293	-6
Oil (WTI)	51.15	-0.97	QATAR 6.55 19	2.61	-2	Dubai	131	+2
Aluminium	1922.00	-0.29	US Tsy 2 yr	2.77	+1	Qatar	77	-2
Copper	6144.75	-0.42	US Tsy 10 yr	2.91	+3	Saudi Arabia	94	-1

Source: Bloomberg, Emirates NBD Research

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