



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

A combination of domestic strength and trading partner weakness has pushed the dollar index to highs not seen since June last year. Domestically, the economy continues to fire on all cylinders, with strong GDP growth, multi-decade unemployment lows and a potential uptick in infrastructure spending following Democrat success in mid-term congressional elections last week all pointing towards the Fed maintaining its hiking path next year. **On the other hand, political risk is weighing on the Eurozone and the UK**, with the euro and sterling accounting for nearly 70% of the dollar basket between them. In Europe, today is the deadline for Italy to resubmit its budget to the European Commission after the initial draught was rejected last month. Indications are that the populist government intends to stick to its plans to boost spending and cut taxes, running up a greater budget deficit and thereby raising the risk of incurring financial penalties from the EU. Meanwhile, Brexit negotiations are nearing the endgame, according to British Prime Minister Theresa May, with a deal with the EU meant to be concluded this week. However, even if a deal is thrashed out in Brussels, it would then need cabinet approval before being put to MPs for a meaningful vote, and contentious issues over the end of the backstop, and fishing rights remain.

Turkey ran a current account surplus of USD 1.8bn in September, compared to a deficit of -USD 4.4bn in September last year. This was the second consecutive month of surplus. That in August was the first in three years, following a familiar pattern of Turkey posting surpluses in times of currency crisis, as sharp depreciations lead to a drop in imports.

The UAE government is expected to clarify which sectors of the economy will be eligible for 100% foreign ownership of businesses in early 2019, according to local press reports. Sectors under consideration include technology, renewable energy and artificial intelligence where the government would like to see increased investment. The authorities expect the new law to boost FDI in the UAE by 20%.

Discussions over Libya's future began in Palermo yesterday, as representatives from the varying factions travelled to Sicily to attend a two-day conference aimed at bringing peace and stability to the North Africa country.

Dollar index ticking up



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
UK ILO unemployment rate	13:30	4.0%	Eurozone ZEW survey	14:00	na

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Regional bonds traded in a tight range amid a US holiday. The YTW on the Bloomberg Barclays GCC Credit and High Yield index remained flat at 4.68% as did credit spreads at 167 bps. There was limited impact of continued drop in oil prices as they turned lower towards the end of the session.

FX

Despite a 0.25% recovery this morning, EURUSD remains at the 1.1250 level, not far from 2018 lows of 1.1219. The daily close below the 1.13 level on Monday is significant and the lowest daily close since 2017. The 14-day RSI shows overbought conditions and a temporary relief may be seen due to profit taking, however the price remains vulnerable. The biggest threat at present is further USD appreciation due to the expectation of increasing interest rates.

With the GBP and EUR finding themselves under pressure at the start of the week, investors will be eyeing employment data in the former and sentiment surveys in the latter this afternoon. Any weakness in the data would have the potential to halt these relief rallies and make the crosses resume their declines.

Equities

Developed market equities closed sharply lower on the back of sustained weakness in technology stocks. The S&P 500 index and the Euro Stoxx 600 index dropped -2.0% and -1.0% respectively.

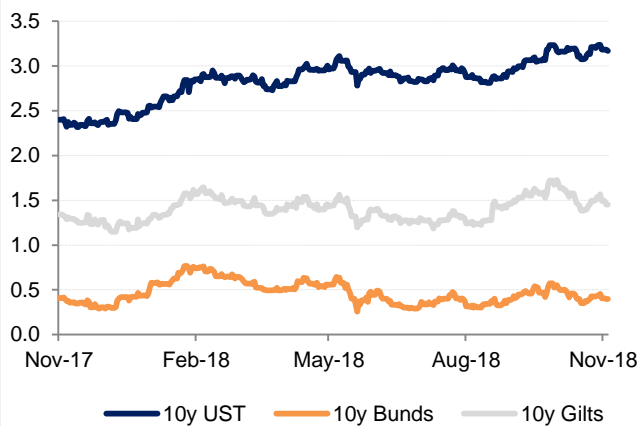
Regional equities closed mixed. The DFM index dropped -0.5% and the Tadawul added +0.8%. Abu Dhabi Islamic Bank added +13.4% after the bank received approval to allow foreign ownership up to 25%. Real estate stocks continued to trade lower with Emaar losing -2.7% and the Aldar dropping -1.7%.

Commodities

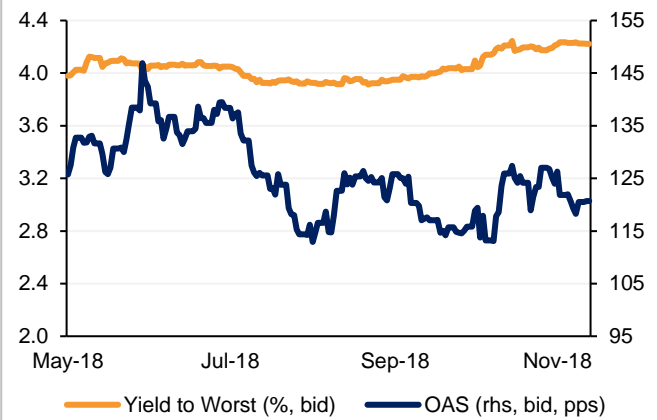
After ticking up during the day on the back of news that Saudi Arabia would cut oil exports in a bid to support falling prices, Brent futures closed at USD70.12/b, down 0.1% on Friday, as Donald Trump came out against the move. The US President tweeted that 'Hopefully, Saudi Arabia and OPEC will not be cutting oil production. Oil prices should be much lower based on supply!' WTI closed at USD 59.93/b, down 0.4%.

Markets in Charts

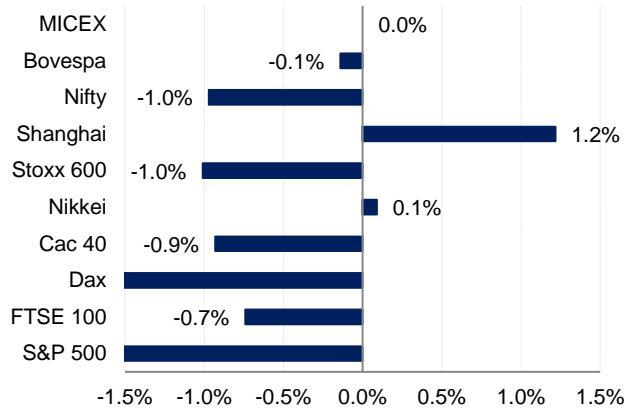
Global Bond Yields



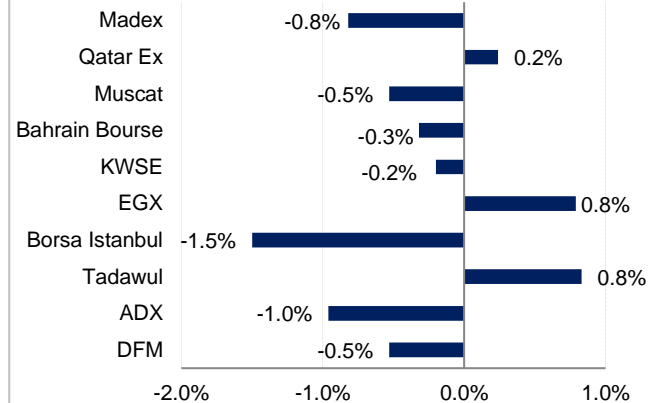
UAE liquid bond index



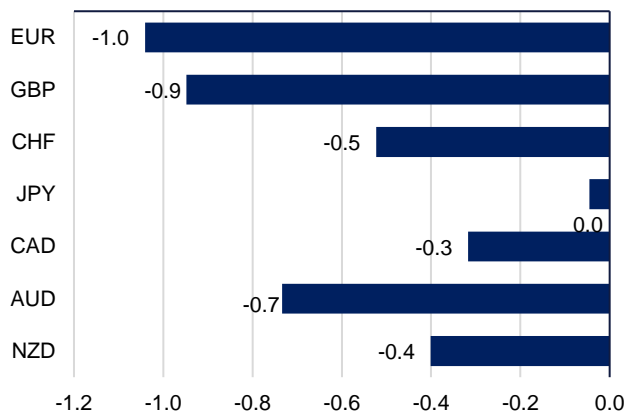
Global Equity Indices



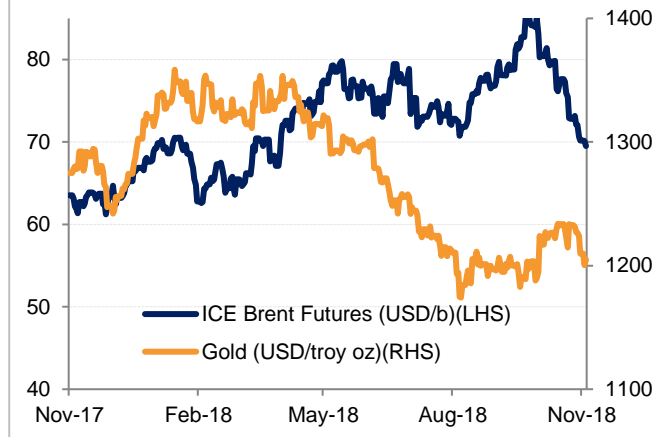
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1218	-1.04	1.1607	USDTRY	5.4655	+0.17	EURAUD	4.1201	-1.04
GBPUSD	1.2849	-0.95	1.3098	USDEGP	17.9445	+0.16	GBPAED	4.7197	-0.97
USDJPY	113.84	+0.01	110.14	USDSAR	3.7512	-0.01	JPYAED	0.0323	-0.05
USDCAD	1.3247	+0.26	1.3170	USDQAR	3.6800	+1.06	CADAED	2.7724	-0.30
AUDUSD	0.7173	-0.73	0.7222	USDKWD	0.3039	+0.10	AUDAED	2.6346	-0.71
USDCHF	1.0109	+0.53	0.9731	USDBHD	0.3770	--	CHFAED	3.6332	-0.52
EURGBP	0.8730	-0.08	0.8861	USDOMR	0.3850	--	TRYAED	0.6700	-0.47
USDAED	3.6730	--	3.6763	USDINR	72.5625	+0.09	INRAED	0.0552	+9.26

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.4100	2.7063	2.9563	3.4740	USD 2 yr	3.099	-2
USD LIBOR	2.3144	2.6181	2.8580	3.1441	USD 5 yr	3.167	-0
GBP LIBOR	0.7270	0.8668	0.9926	1.1628	USD 10 yr	3.245	+0
JPY LIBOR	-0.1008	-0.1033	0.0090	0.1218	EUR 2 yr	-0.119	-1
CHF LIBOR	-0.7832	-0.7478	-0.6670	-0.5324	EUR 5 yr	0.346	-2
					EUR 10 yr	0.956	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1200.37	-0.77	ADGB 6.75 19	2.42	--	Abu Dhabi	67	+1
Silver	14.00	-1.11	DUGB 7.75 20	3.53	--	Bahrain	257	--
Oil (WTI)	59.93	-0.43	QATAR 6.55 19	2.82	-8	Dubai	128	+7
Aluminium	1929.75	-0.84	US Tsy 2 yr	2.92	--	Qatar	74	--
Copper	6073.75	-0.08	US Tsy 10 yr	3.18	--	Saudi Arabia	94	--

Source: Bloomberg, Emirates NBD Research

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