بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

Germany's ZEW economic expectations sentiment index fell to -24.7 this month, matching the July figure which was the worst reading since 2012. This is far off both September's result of -10.6, and consensus expectations of -12.0. The current situation index also disappointed, at 70.1 compared to September's 76.0 and expectations of 74.4. A number of factors are weighing on sentiment, including the risk of escalating trade wars between the US and China, and the prospect of a hard Brexit as the UK leaves the EU. Indeed, the last time the current situation index fell so far m/m was following the result of the Brexit referendum in mid-2016.

Staying in Europe, UK labour market data released yesterday was mixed. While 3m/3m employment slipped to -5k in September, compared to expectations of +15k, unemployment stayed steady and average earnings ex-bonuses rose 3.1% 3m/3m, representing the strongest growth since 2009. While the strong wage growth is encouraging, and could feed through to higher inflation rates in the coming months (September CPI inflation figures are due today) the ongoing Brexit negotiations will likely continue to hold the most sway over central bank policy makers for the time being. UK PM Theresa May is scheduled to meet with EU leaders this evening for a make-or-break summit at which she is expected to try and persuade the EU to drop its Northern Ireland backstop demands.

US industrial production climbed 0.3% m/m in September, slightly slower than the August print of 0.4% but nevertheless still exceeding analyst expectations of 0.2%. Domestic demand for manufactured goods has remained robust despite the growing risk of a trade war, with motor vehicles and technology showing particular strength. Meanwhile, fiscal data showed that the 2018 fiscal year closed with a deficit of USD 779bn, the highest in six years as tax cuts combined with rising debt servicing costs.

Egypt's investment ministry announced yesterday that it had agreed a new USD 3bn financing deal with the World Bank, following a similarly sized deal in 2016.

Germany ZEW current situation survey dips

Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
UK CPI m/m	12:30	0.3%	UK CPI y/y	12:30	2.6%
Eurozone CPI y/y	13:00	2.1%	US housing starts	16:30	1.2mn

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries traded in a tight range amid a rebound in risk appetite. Yields on the 2y UST, 5y UST and 10y UST closed at 2.86% (+1 bp), 3.02% (+2 bp) and 3.16% (+1 bp) respectively.

Regional bonds closed higher. The YTW on the Bloomberg Barclays GCC Credit and High Yield index dropped -4 bps to 4.58% and credit spreads tightened 3 bps to 162 bps.

FX

The pound rose for a third day on Tuesday, following solid employment data from the United Kingdom which showed that the unemployment rate remained at 4.0%, while there was an increase in hourly wages to a nine year high of 2.7% (est 2.6%). Having hit a daily high of 1.3227, GBPUSD has given back some of these gains and currently trades at 1.3175. At this level the price remains above the 50-day and 100-day moving averages which preserves the bullish technical outlook.

This afternoon investors will be eyeing inflation reports, expected to show that headline CPI slowed to 2.6% y/y in September from 2.7% y/y the previous month. While any upside surprises may be positive for sterling, any economic data is likely to be overshadowed by news emerging from today's European Union summit and any announcements on the progress (or lack off) a deal being reached.

Equities

Developed market equities closed higher amid strong corporate earnings and a rebound in technology stocks. The S&P 500 index and the Euro Stoxx 50 index added +2.2% and +1.5% respectively.

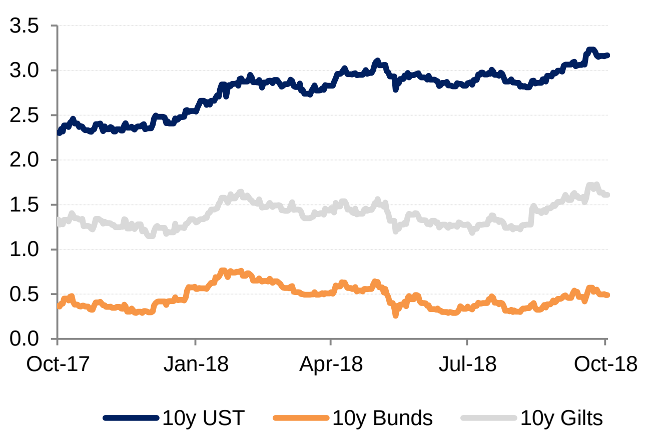
Most regional equity indices closed higher. The DFM index and the Tadawul rallied +0.6% and +1.3% respectively. Real estate sector stocks led gains on the DFM with Deyaar Development (+10.0%) and Emaar Properties (+1.9%) closing higher. Strength in market heavyweights helped the Tadawul rebound from intra-day weakness. Sabic and Saudi Telecom added +4.9% and +5.3% respectively.

Commodities

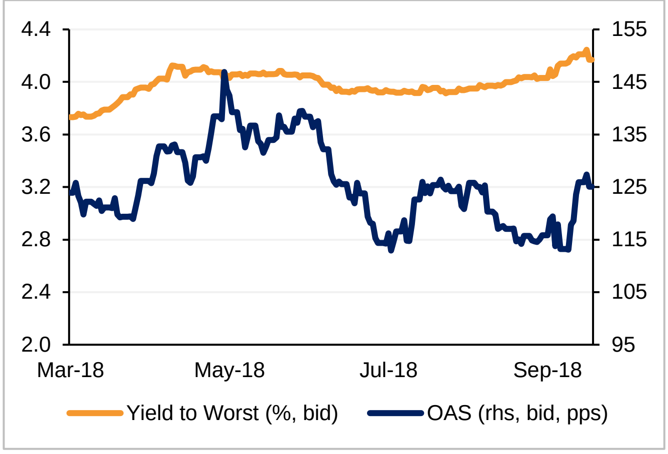
Oil prices closed higher after an industry report showed an unexpected decline in US crude inventories. API was said to report that inventories dipped 2.13mn barrels last week. It is possible that disruption in production due to Hurricane Michael contributed to the draw down.

Markets in Charts

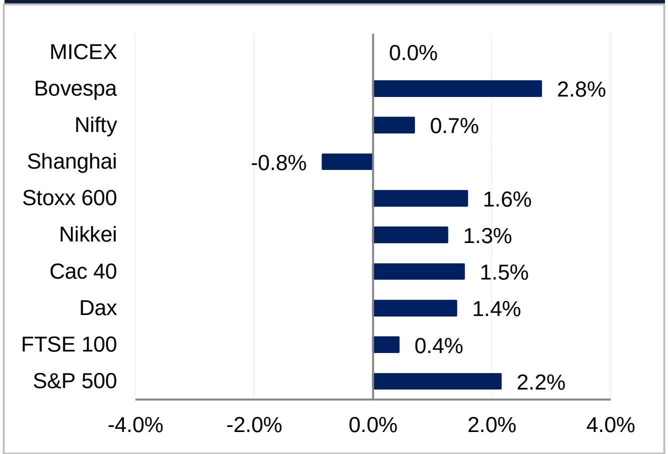
Global Bond Yields



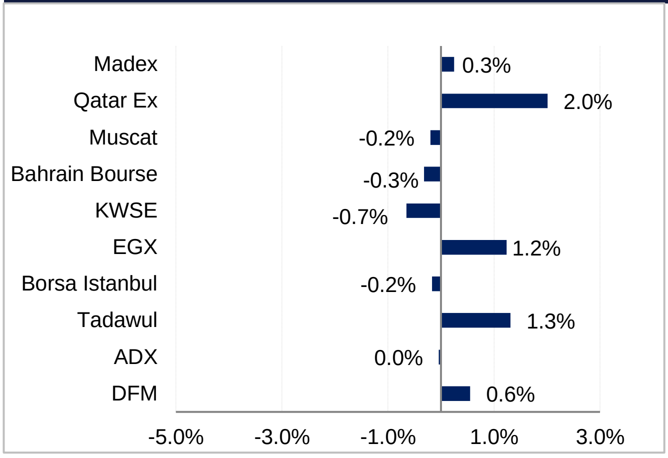
UAE liquid bond index



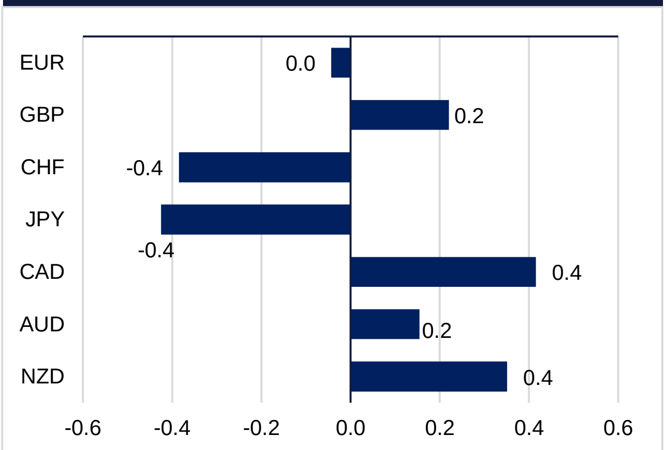
Global Equity Indices



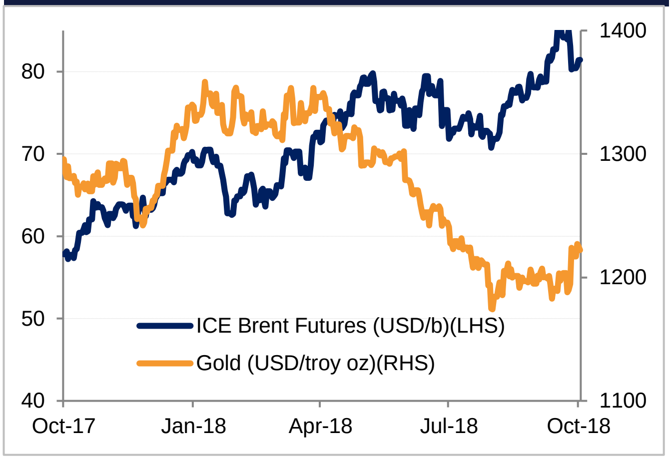
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1574	-0.04	1.1966	USDTRY	5.6857	-1.76	EURAED	4.2514	-0.04
GBPUSD	1.3181	+0.22	1.3432	USDEGP	17.9157	+0.03	GBPAED	4.8428	+0.25
USDJPY	112.25	+0.43	108.71	USDSAR	3.7515	-0.03	JPYAED	0.0327	-0.41
USDCAD	1.2934	-0.44	1.2851	USDQAR	3.6800	+1.07	CADAED	2.8398	+0.42
AUDUSD	0.7141	+0.15	0.7186	USDKWD	0.3030	-0.03	AUDAED	2.6230	+0.15
USDCHF	0.9907	+0.33	0.9542	USDBHD	0.3770	-0.01	CHFAED	3.7076	-0.38
EURGBP	0.8779	-0.28	0.8908	USDOMR	0.3850	--	TRYAED	0.6500	+2.42
USDAED	3.6730	--	3.6768	USDINR	73.3950	-0.58	INRAED	0.0552	+10.83

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.4525	2.6775	3.0181	3.4628	USD 2 yr	3.063	+1
USD LIBOR	2.2895	2.4488	2.6538	2.9668	USD 5 yr	3.157	+1
GBP LIBOR	0.7209	0.8129	0.9004	1.0761	USD 10 yr	3.225	+2
JPY LIBOR	-0.1078	-0.0880	0.0098	0.1293	EUR 2 yr	-0.108	-1
CHF LIBOR	-0.7870	-0.7392	-0.6644	-0.5286	EUR 5 yr	0.406	-1
					EUR 10 yr	1.027	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1224.95	-0.17	ADGB 6.75 19	2.42	--	Abu Dhabi	68	--
Silver	14.67	-0.19	DUGB 7.75 20	3.56	-1	Bahrain	295	+2
Oil (WTI)	71.92	+0.20	QATAR 6.55 19	2.76	+2	Dubai	127	-1
Aluminium	2025.00	-0.02	US Tsy 2 yr	2.87	+1	Qatar	75	-2
Copper	6202.25	-1.60	US Tsy 10 yr	3.16	+1	Saudi Arabia	87	-3

Source: Bloomberg, Emirates NBD Research

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