



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

The market focus is likely to remain on Brexit at the start of the week and through most of it as UK PM Theresa May heads to Brussels for more discussions with EU leaders in coming days. Theresa May managed to rebuild her Cabinet at the end of last week, which in the short term means that the threat of a leadership challenge might have abated, especially as her opponents failed to generate enough letters to force a vote of no confidence last week. However, press reports suggest that they are only a few letters short of what is needed to bring a vote and that difference could be delivered in a matter of days. **May will speak to the CBI today to shore up business support, but in parliament dissent appears to be increasing.**

Should May survive the next few days the next focus will be the EU summit on 25th November which is likely to approve the deal. After that the next stage of the process will likely be a UK Parliamentary vote in December. The assumption at this stage must be that it will fail to get the required number of votes, with both sides unhappy with key elements of the deal, seeing it as an unsatisfactory half-way house. **Thus a no-deal Brexit remains the most likely outcome right now.** However, there is a small possibility that a chaotic change of leadership could end up with another referendum being called, but at this stage this is looking like a relatively low probability and so for the time being the pressure on GBP will probably continue.

Meanwhile the US-China trade dispute will return to headlines following the APEC meeting in Papua New Guinea, which failed to produce a communique for the first time since these meetings began. US Vice President Mike Pence warned that the U.S. was not in a rush to end the trade war 'until China changes its ways' leaving the chances of a rapprochement between the two countries looking slim when President's Xi and Donald Trump meet at the G20 next.

UK Brexit risks to keep GBPUSD pressured



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
EU Current Account	13.00		US NAHB Housing index	19.00	67
EU Eurogroup meeting					

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed higher on the week as weakness in risk assets sustained and political issues persisted. Yields on the 2y UST, 5y UST and 10y UST closed at 2.80% (-12 bps w-o-w), 2.87% (-16 bps w-o-w) and 3.06% (-12 bps w-o-w).

UK Gilts ended the week higher as political crisis seemed to have reached an inflection point on Brexit. Yields on 10y Gilts ended the week at 1.41% (-8 bps).

Regional bonds drifted lower amid weakness in oil prices. The YTW on the Bloomberg Barclays GCC Credit and High Yield index rose to 4.72% (+4 bps w-o-w) and credit spreads widened 17 bps w-o-w to 184 bps.

Emirates Airlines reported an 86% y/y drop in H1 2018 (ending September) profit to USD 62mn. The airline attributed the decline to fuel costs and currency devaluation in Asia, Africa and South America.

FX

Despite starting the week testing 2018 lows near 1.12, EURUSD was able to break and close above the 1.14 handle on Friday. This was the first time the cross was able to record a rise in five weeks. The main catalyst behind this move was a decline in the USD which realized a correction last week, following four weeks of gains. Currently trading at 1.1408, the next level of resistance can be expected at 1.1470.

Noteworthy from last week is AUDUSD whose Friday close has confirmed a break out of the daily downtrend that had been in effect since January 2018. Currently trading at 0.7316, further gains are likely for the cross while the price remains above the 0.7275 level. However, any escalation in trade tensions between the U.S. and China is likely to put AUD under renewed pressure.

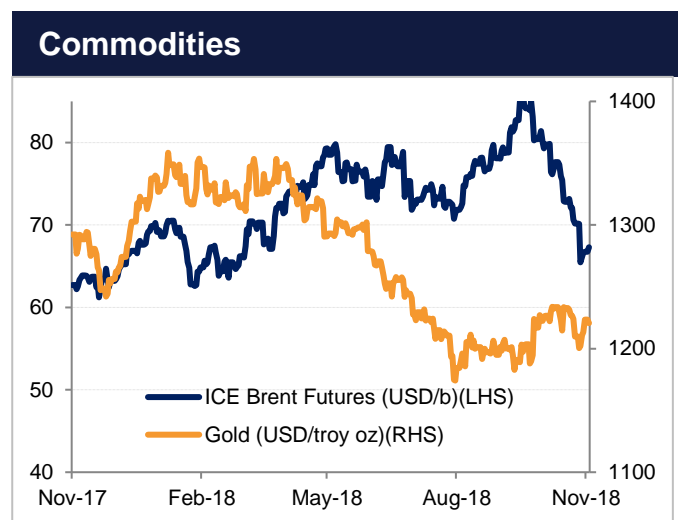
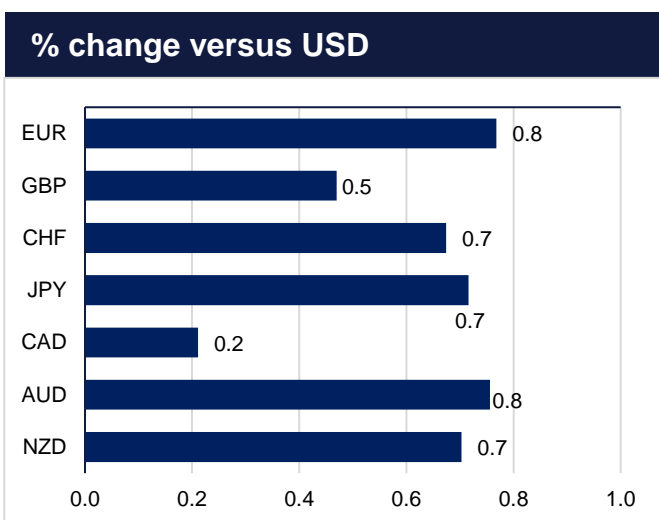
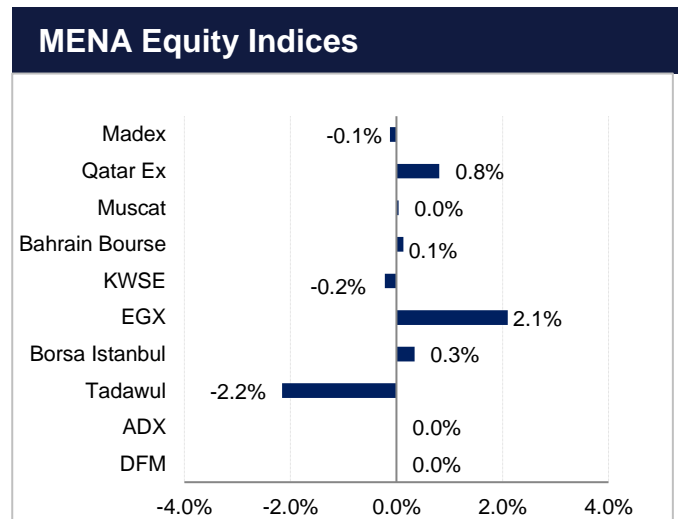
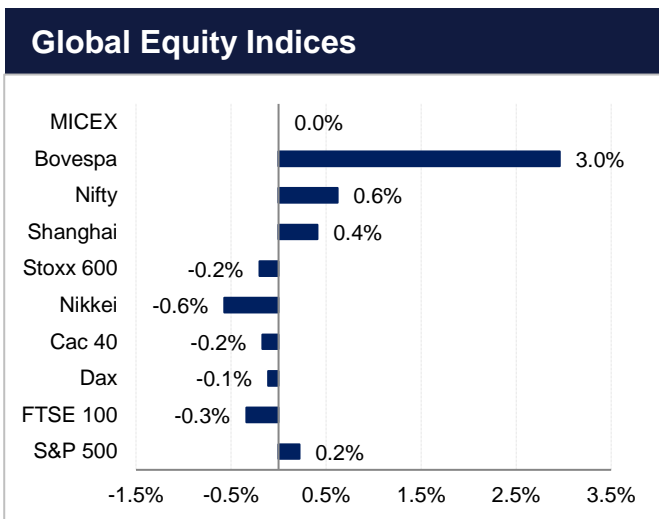
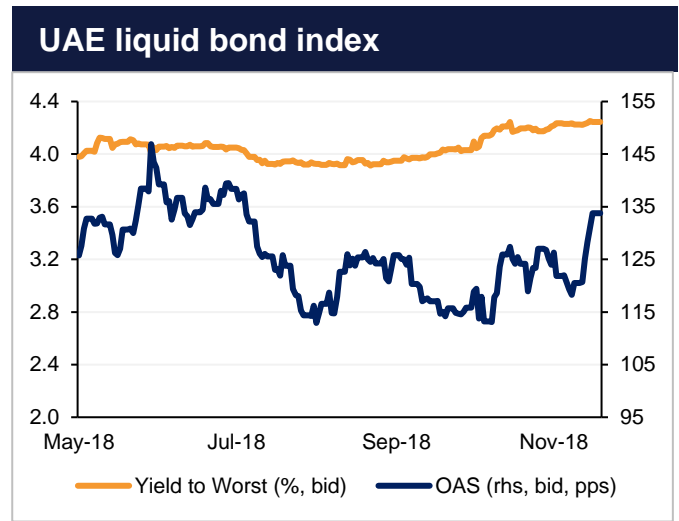
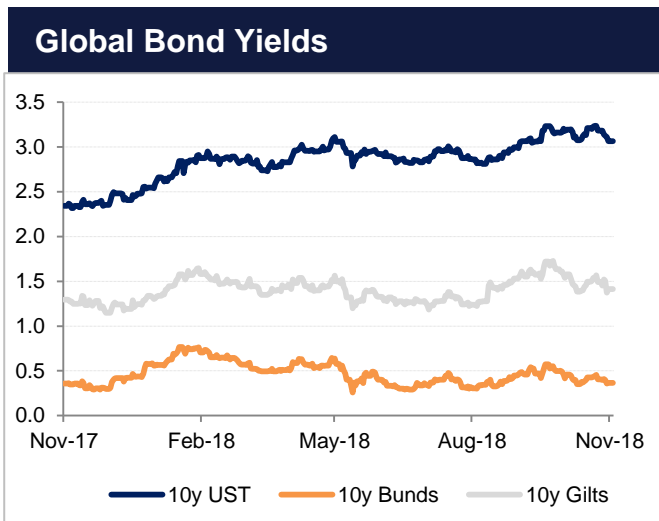
Equities

Regional equities started the week on a mixed note. The Tadawul dropped -2.2% while the EGX30 index added +2.1%. Market heavyweights led the decline on the Tadawul with Al Rajhi Bank losing -2.9%. Qatar Fuel recouped some of its recent losses with gain of +7.6% on higher volumes.

Commodities

Oil has recovered some ground as markets have begun to consider the likelihood of OPEC production cuts being reintroduced. Both WTI and Brent pared recent losses at the end of last week, recovering to USD57 and USD67 respectively, with eyes increasingly turning to the OPEC summit next month. Meanwhile Baker Hughes data released on Friday showed working oil rigs rising to the highest in more than 3 years.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1415	+0.77	1.1800	USDTRY	5.3330	-0.34	EURAED	4.1942	+0.77
GBPUSD	1.2834	+0.47	1.3075	USDEGP	-	-	GBPAED	4.7120	+0.37
USDJPY	112.83	-0.71	109.25	USDSAR	3.7512	-0.02	JPYAED	0.0326	+0.71
USDCAD	1.3148	-0.23	1.3071	USDQAR	3.6800	+1.06	CADAED	2.7938	+0.23
AUDUSD	0.7332	+0.76	0.7378	USDKWD	#N/A N/A		AUDAED	2.6934	+0.76
USDCHF	0.9999	-0.68	0.9632	USDBHD	0.3770	--	CHFAED	3.6739	+0.68
EURGBP	0.8896	+0.32	0.9026	USDOMR	0.3850	--	TRYAED	0.6900	+0.53
USDAED	3.6730	--	3.6763	USDINR	72.0275	+0.06	INRAED	0.0552	+8.09

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	N.A.	N.A.	N.A.	N.A.	USD 2 yr	2.993	-6
USD LIBOR	2.3009	2.6445	2.8626	3.1236	USD 5 yr	3.023	-6
GBP LIBOR	0.7299	0.8878	0.9910	1.1430	USD 10 yr	3.126	-5
JPY LIBOR	-0.1113	-0.1053	0.0068	0.1190	EUR 2 yr	-0.127	+0
CHF LIBOR	-0.7852	-0.7438	-0.6648	-0.5318	EUR 5 yr	0.322	-1
					EUR 10 yr	0.943	+1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1223.36	+0.82	ADGB 6.75 19	2.42	--	Abu Dhabi	68	--
Silver	14.41	+0.79	DUGB 7.75 20	3.49	-1	Bahrain	270	3
Oil (WTI)	56.46	--	QATAR 6.55 19	2.70	-13	Dubai	121	-2
Aluminium	1921.25	+0.72	US Tsy 2 yr	2.80	-5	Qatar	74	-1
Copper	6223.50	+0.41	US Tsy 10 yr	3.06	-5	Saudi Arabia	94	--

Source: Bloomberg, Emirates NBD Research

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