



Daily Outlook

The IMF has downgraded its growth forecasts for the GCC in its latest **Regional Economic Outlook**, to 0.5% in 2017 (previously 0.9%) and 2.2% in 2018 (previously 2.5%). For 2018, the downgrades were due to lower forecasts for Saudi Arabia and the UAE, while other GCC countries' growth estimates were revised higher. **We note that the IMF is projecting an increase in oil sector growth in the GCC next year, which may not materialize if the OPEC agreement is extended beyond the end of Q1 2018.** The Fund expects non-oil sector growth to slow next year as budget deficits remain significant and governments should "sustain – and in some cases intensify - their deficit reduction efforts". However, Saudi Arabia has already indicated it may look to increase spending next year, as it pursues a less aggressive fiscal consolidation program (an approach which was in fact recommended in the IMF's most recent Article IV report on KSA).

Elsewhere yesterday there were more encouraging signs from the U.S. economy with consumer confidence rising to a near 17-year high of 125.9 in October from 120.6 in September. Expectations rose to 109.1 from 103.0 in September while current conditions improved to 151.1 from 146.9. Other recent readings of consumer confidence have also been firm suggesting that retail activity through the rest of the year should remain underpinned. Ahead of today's ISM manufacturing index the **Chicago PMI** was also released yesterday showing the index reaching 66.2 in October from 65.2 in September. **Meanwhile there was even positive news in terms of wages** with the quarterly Employment Cost Index picking up in Q3 by 0.7% q/q, from 0.5% in Q2 and taking the y/y rate up to 2.5% from 2.4%.

The **FOMC concludes its 2-day policy meeting later today** and while no change in monetary policy is expected the statement will be looked at closely to see if the committee is becoming more inclined towards raising interest rates, with the markets currently seeing a 70% chance of a hike in December.

US consumer confidence hits 17-year high



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
UK Markit Manufacturing PMI	13.30	55.9	US Fed policy announcement	22.00	1-1.25%
US ISM Manufacturing Index	18.00	59.5			

Source: Bloomberg

Fixed Income

Treasury markets were little changed at the end of October as the market anxiously awaits the announcement of the new chair of the Federal Reserve, expected later this week. Yields on 10yr UST have edged up marginally this morning; nevertheless USTs are still holding in the lower range they began this week in as the market reacts to the unfolding investigation of the 2016 Trump presidential campaign. The 2-10yr yield spread held roughly stable at around 78bps.

The BUAEL index of liquid local bonds remains stable at around 118 while spread over benchmark securities widened somewhat overnight. However, it still remains at far more subdued levels than seen in most of 2017 thanks to a general improvement in oil prices over October.

FX

The pound shot up yesterday on the back of headlines suggesting that both sides in the Brexit negotiations are looking to make progress when talks resume next week. David Davis the UK's Chief negotiator said that the UK wants to 'strategically accelerate the progress' while Michel Barnier representing the EU said that he was ready to 'speed up negotiations'. The NZD also rallied yesterday after the unemployment rate there fell to an 8-year low, causing the kiwi to gain by almost 1.0% following steep losses in the wake of the recent election which resulted in the return of a new Labour-led government.

Equities

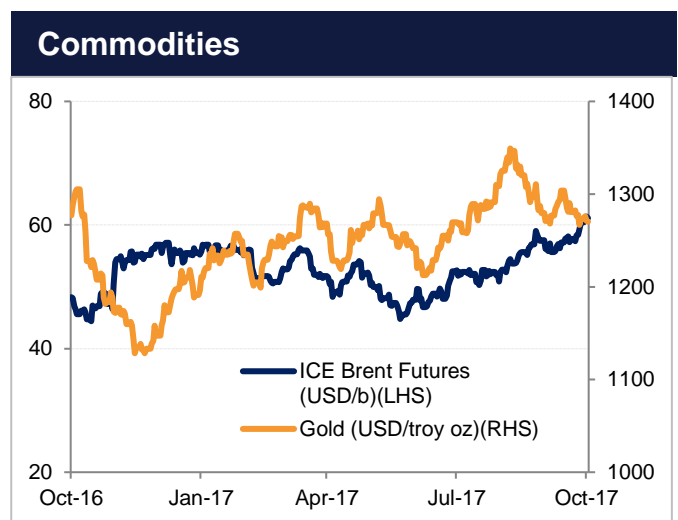
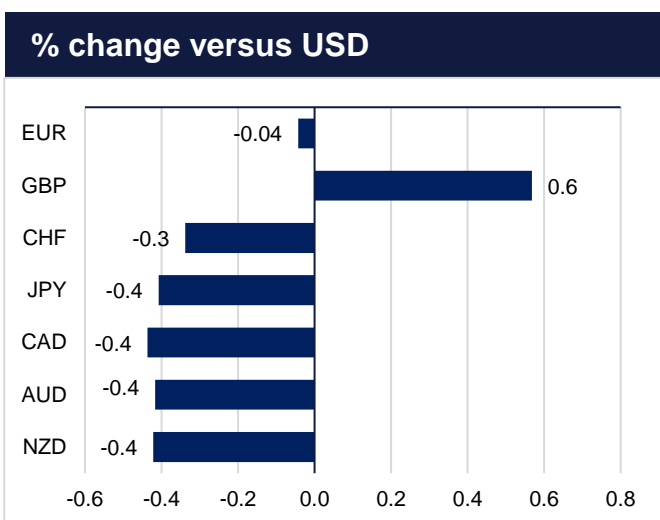
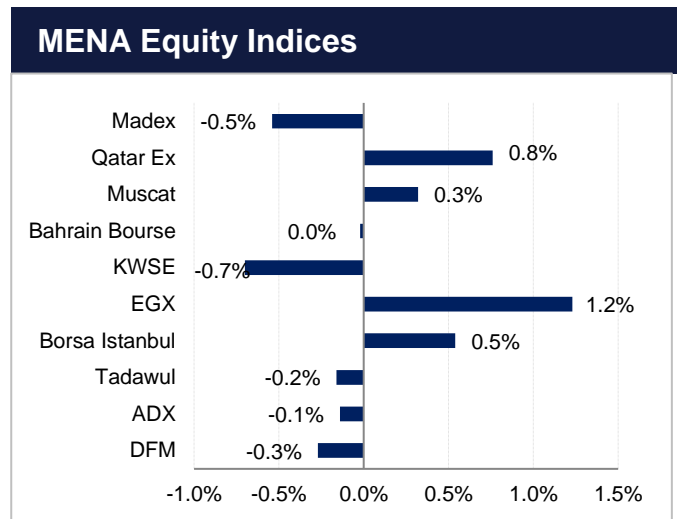
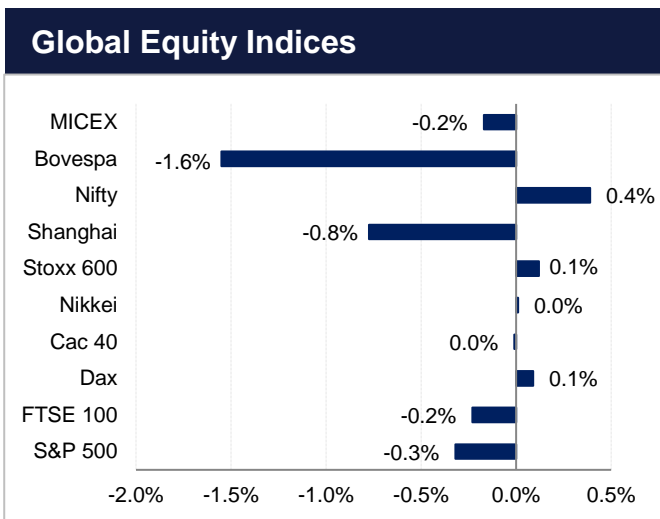
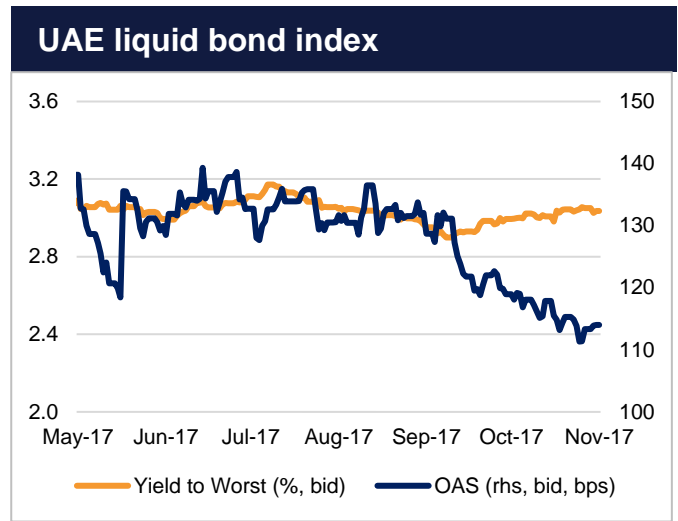
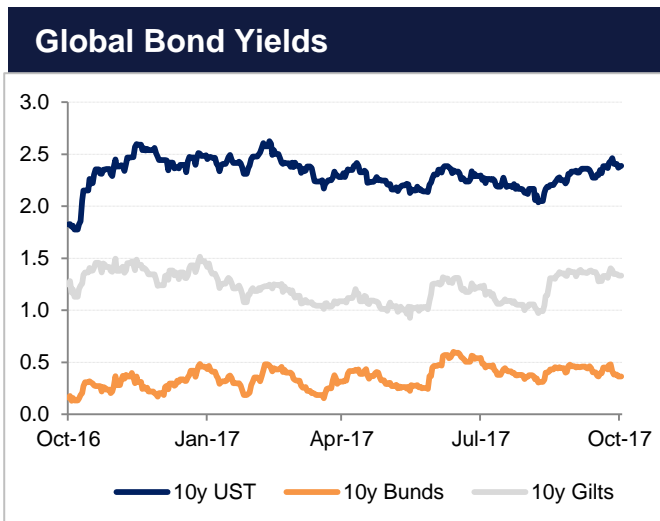
Yesterday global equities ended the day on a positive note. In the US, the Dow Jones posted a 0.12% gain while the S&P500 rose 0.09% and the Nasdaq posted alarger gains of 0.43%. On the other side of the Atlantic, the Euro Stoxx rose by 0.32%, while the DAX remained closed for the day. Regional equities finished the day with slight losses, the DFM losing 0.3% while the ADX closed 0.1% lower and the Saudi Tadawul declined by 0.2%.

This morning, Asian equities have opened in the green. As we go to print, the Nikkei currently trades 1.33% higher at 223-2.28, while the Shanghai Composite trades 0.18% higher at 3399.36.

Commodities

Oil markets are carrying momentum in one direction at the moment, with both benchmark futures contracts pushing higher to close off October. Brent closed up nearly 0.8% at USD 61.37/b and WTI gained 0.4% to USD 54.38/b. OPEC's compliance improved in October to 92% from 86% a month earlier, according to a Reuters market survey. Iraq's compliance improved significantly as the standoff between central government and KRG forces in the north of the country disrupted output and exports. The UAE's compliance also nudged higher according to the survey but still remains at low levels.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1646	-0.04	1.1918	USDTRY	3.7915	+0.19	EURAED	4.2774	-0.05
GBPUSD	1.3283	+0.57	1.3436	USDEGP	17.6447	-0.07	GBPAED	4.8792	+0.58
USDJPY	113.64	+0.41	111.24	USDSAR	3.7501	--	JPYAED	0.0323	-0.41
USDCAD	1.2888	+0.43	1.2848	USDQAR	3.6800	-3.12	CADAED	2.8496	-0.43
AUDUSD	0.7656	-0.42	0.7639	USDKWD	0.3027	-0.01	AUDAED	2.8118	-0.42
USDCHF	0.9976	+0.33	0.9710	USDBHD	0.3772	--	CHFAED	3.6815	-0.33
EURGBP	0.8767	-0.61	0.8870	USDOMR	0.3850	--	TRYAED	0.9700	-0.06
USDAED	3.6731	+0.00	3.6786	USDINR	64.6325	-0.34	INRAED	0.0568	+0.28

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3178	1.5737	1.8145	2.2100	USD 2 yr	1.818	+2
USD LIBOR	1.2421	1.3768	1.5731	1.8423	USD 5 yr	2.091	+2
GBP LIBOR	0.3884	0.4331	0.5580	0.7703	USD 10 yr	2.352	+1
JPY LIBOR	-0.0219	-0.0441	-0.0023	0.1144	EUR 2 yr	-0.198	+0
CHF LIBOR	-0.7826	-0.7264	-0.6486	-0.5230	EUR 5 yr	0.199	+0
					EUR 10 yr	0.836	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1271.45	-0.38	ADGB 6.75 19	1.78	-2	Abu Dhabi	60	-1
Silver	16.72	-0.81	DUGB 7.75 20	2.50	-0	Dubai	148	-1
Oil (WTI)	54.38	+0.42	QATAR 6.55 19	2.02	-2	Qatar	102	+2
Aluminium	2141.75	-0.06	US Tsy 2 yr	1.60	+3	Saudi Arabia	82	--
Copper	6816.75	-0.33	US Tsy 10 yr	2.38	+1	Bahrain	241	+1

Source: Bloomberg, Emirates NBD Research

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