



بنك الإمارات دبي الوطني
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Daily Outlook

UAE central bank data showed bank deposits grew 0.3% m/m (6.5% y/y) in October, outpacing loan growth of 0.2% m/m (0.9% y/y). Non-residents' deposits declined –AED4.4bn (-2.3% m/m and -1.9% y/y) but this was offset by AED 9bn rise in residents' deposits last month. The gross loans to deposits ratio was unchanged from September at 99.0%.

Federal Reserve Chairman Janet Yellen stuck by predictions that U.S. inflation will soon rebound but offered on Tuesday an unusually strong warning: she is "very uncertain" about this and is open to the possibility that prices could remain low for years to come. Yellen said, a key lesson of her four year tenure was to not assume "you have a monopoly on truth," and in regards to inflation "It may be that there is something more endemic going on or long-lasting here that we need to pay attention to". Yellen said that while undershooting the inflation target for too long "can be quite dangerous," the Fed must be cautious not to drive unemployment "way below" sustainable levels "to avoid a boom-bust policy".

UK government borrowing increased by GBP0.52bn to GBP7.46bn in October 2017 from GBP6.95bn in October 2016, and with net borrowing (excluding banks) rising to GBP8bn from GBP7.5bn. The increase was largely driven by a 25% rise in interest costs against a backdrop of rising inflation. Although the data makes disappointing reading as Chancellor Hammond prepares to give his second budget later today, the overall fiscal position has improved this year, and is likely to undershoot the GBP58bn deficit target set for the whole year. This improvement is putting pressure on Hammond to relax austerity measures after the disappointing election result in June, although his ability to do so is constrained by fiscal rules that require him to target the elimination of the budget deficit by the mid-2020s. The budget is also as much about presentation as it is about content as Hammond also needs to repair his reputation for errors made in his last budget speech. In this context the speech also coincides with reports that the British government is likely to announce that it is prepared to double the financial settlement with the EU to ensure a smooth Brexit, something that will not go down well within parts of his own party, meaning that he will have to deliver a commanding performance.

US CPI



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
US Durable Goods Orders (oct)	17.30	0.3%	Michigan Cons Sentiment	19.00	98.0

Source: Bloomberg

Fixed Income

Treasuries closed lower as the curve continued to flatten amid a risk-on mood where equities closed at new all-time highs. Yields on the 2y USTs increased 2 bps to 1.77%, on 5y USTs by 1 bps to 2.10% and on 10y USTs it dropped 1 bps to 2.35%.

Regional bonds is starting to see some buying interest come back. The YTW on the Bloomberg Barclays GCC Credit and High Yield index dropped 1 bps to 3.71% and credit spreads tightened by 1 bps to 159 bps.

Ooredoo has decided to bid for Ojer Telekomunikasyon, a special purpose vehicle that owns 55% of Turk Telecom.

FX

The dollar fell back overnight following Fed Chair Yellen's warning that interest rates should not be raised too quickly. The remarks were a little surprising in the context of the current strength of the economy, although less so given her longstanding reputation as a 'dovish' Fed Chair. USDJPY appeared to be the most affected by the remarks, as it is the currency pair most correlated with interest rate differentials, with other major currency pairs also being driven by other issues. The Dxy dollar index is relatively steady as a result, struggling to sustain gains above 94.0.

Equities

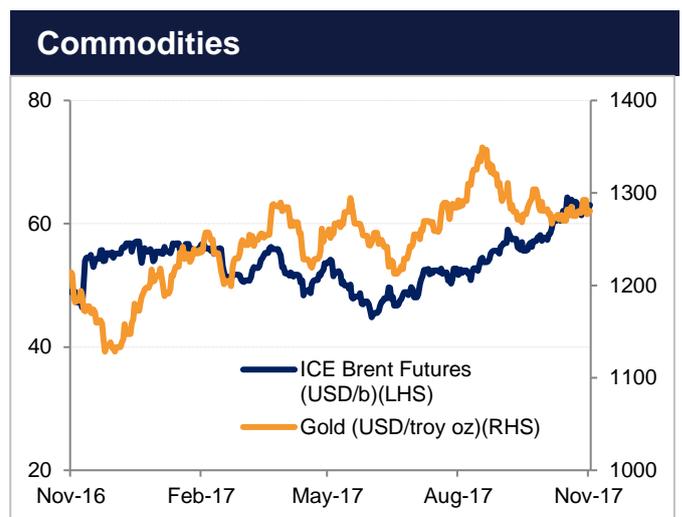
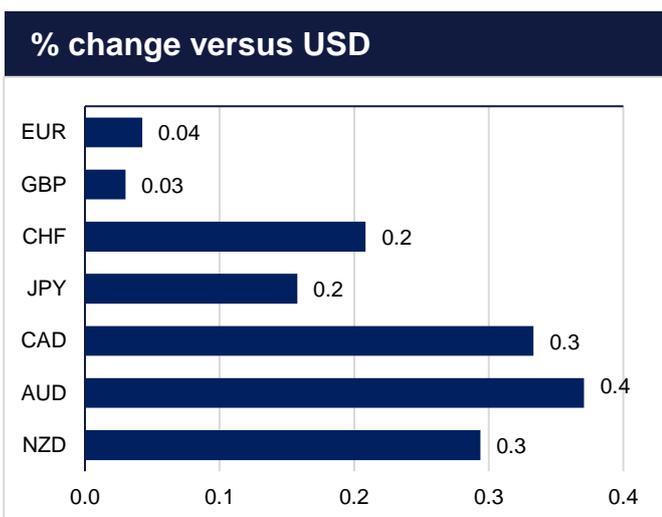
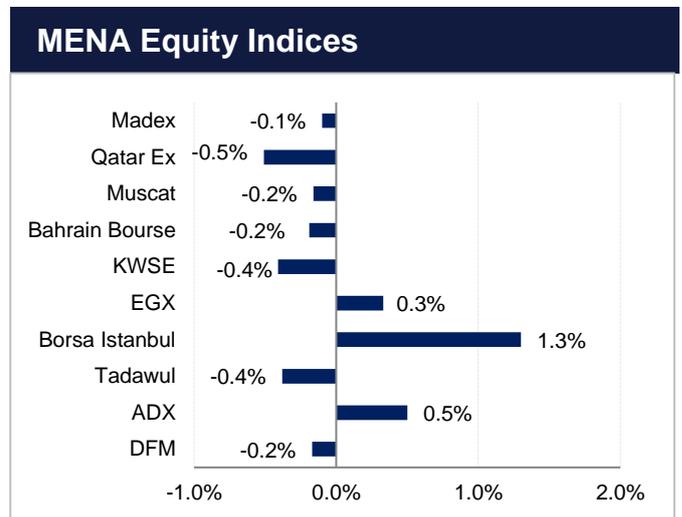
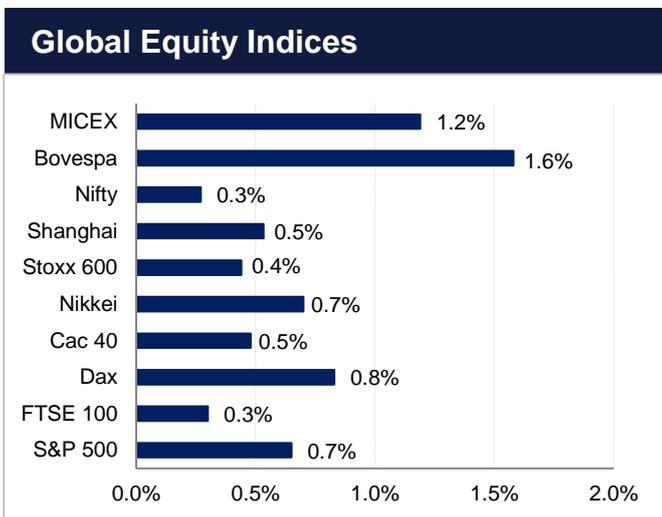
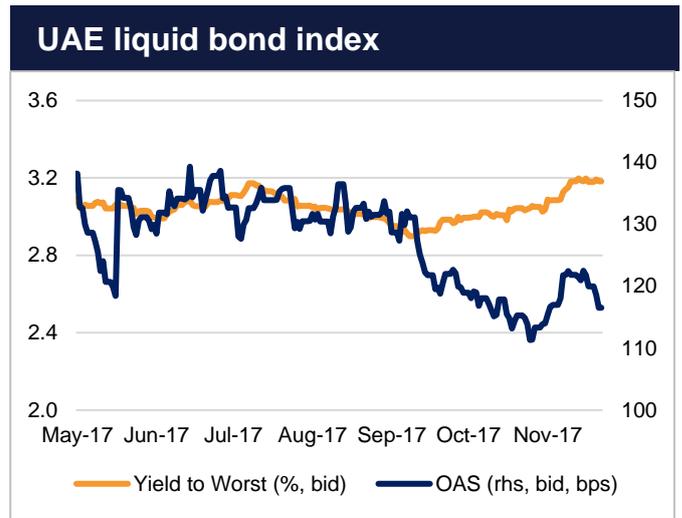
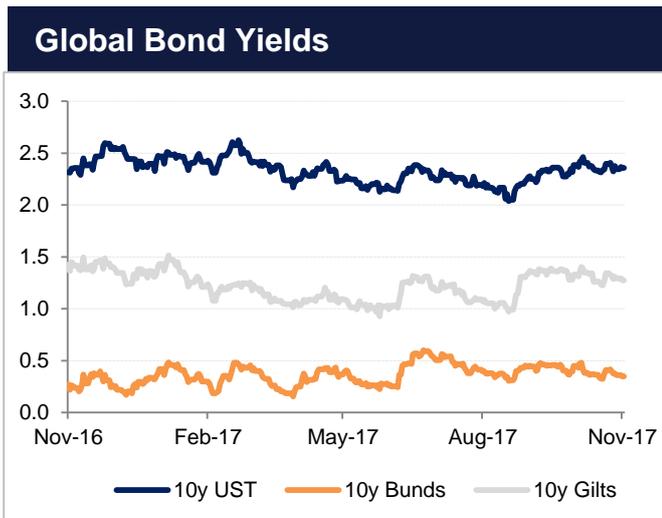
Developed market equities closed at new all-time highs amid optimism over global growth and corporate earnings. Political developments in Germany seem to be having limited impact on equities at the moment. The S&P 500 index and the Euro Stoxx 600 index added +0.7% and +0.4% respectively.

The positive mood in global markets has not rubbed on regional equities. Most of them closed lower with the DFM index and the Tadawul losing -0.2% and -0.4% respectively. Volumes continued to remain light across markets.

Commodities

Oil prices strengthened ahead of the OPEC meeting amid reports that the production cut deal may be extended by another six months. US industry data which showed that crude stockpiles resumed declines also helped sentiment. The WTI and Brent prices gained +1.3% and +0.6% respectively.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1738	+0.04	1.2030	USDTRY	3.9565	+0.70	EURAED	4.3114	+0.04
GBPUSD	1.3239	+0.03	1.3410	USDEGP	17.6700	+0.07	GBPAED	4.8626	-0.00
USDJPY	112.45	-0.15	109.93	USDSAR	3.7502	--	JPYAED	0.0327	+0.16
USDCAD	1.2778	-0.33	1.2725	USDQAR	3.6800	-6.18	CADAED	2.8744	+0.33
AUDUSD	0.7578	+0.37	0.7570	USDKWD	0.3022	+0.11	AUDAED	2.7833	+0.37
USDCHF	0.9914	-0.20	0.9631	USDBHD	0.3778	-0.01	CHFAED	3.7048	+0.21
EURGBP	0.8867	+0.03	0.8972	USDOMR	0.3850	--	TRYAED	0.9300	-0.52
USDAED	3.6729	-0.00	3.6789	USDINR	64.8025	-0.45	INRAED	0.0567	+0.39

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3258	1.5995	1.8617	2.2917	USD 2 yr	1.943	+2
USD LIBOR	1.2942	1.4459	1.6349	1.9084	USD 5 yr	2.164	+1
GBP LIBOR	0.4947	0.5258	0.5859	0.7773	USD 10 yr	2.360	-0
JPY LIBOR	-0.0157	-0.0306	0.0063	0.1194	EUR 2 yr	-0.180	+1
CHF LIBOR	-0.7864	-0.7510	-0.6558	-0.5306	EUR 5 yr	0.193	-1
					EUR 10 yr	0.813	-2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1280.61	+0.29	ADGB 6.75 19	1.86	+3	Abu Dhabi	69	+1
Silver	16.97	+0.35	DUGB 7.75 20	2.62	-1	Dubai	153	+6
Oil (WTI)	56.83	+1.32	QATAR 6.55 19	2.11	+1	Qatar	102	+2
Aluminium	2065.50	-0.16	US Tsy 2 yr	1.77	+2	Saudi Arabia	94	--
Copper	6877.50	+1.18	US Tsy 10 yr	2.36	-1	Bahrain	278	-2

Source: Bloomberg, Emirates NBD Research

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