



بنك الإمارات دبي الوطني
Emirates NBD

Daily
25 October 2018

www.emiratesnbdresearch.com

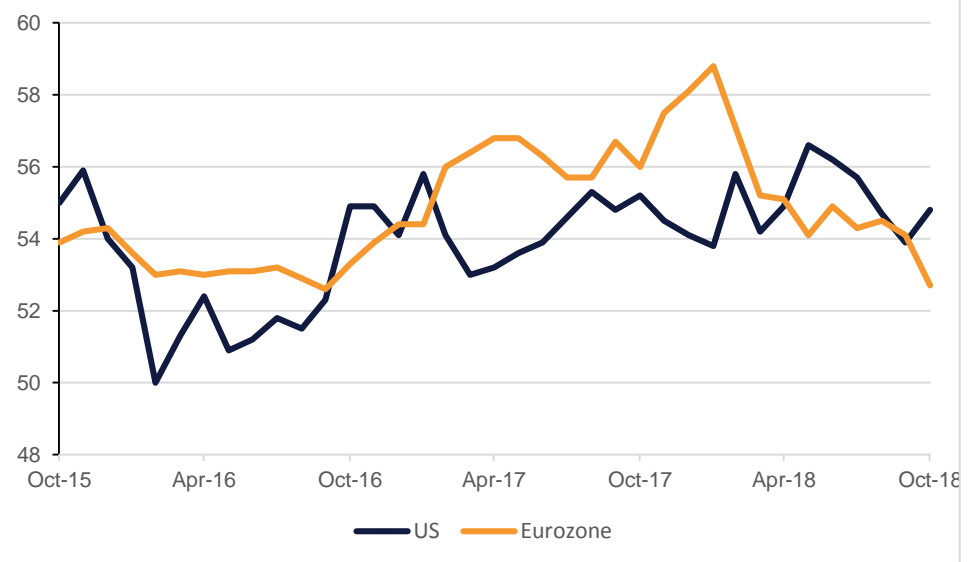
Daily Outlook

The composite PMI reading for the Eurozone disappointed yesterday, coming in at **52.7**, missing expectations of **53.9** and lower than the September reading of 54.1. This signals a slow start to the fourth quarter ahead of the ECB's meeting later today. Both the services and manufacturing indices posted weaker readings than expected, with manufacturing hitting a multi-year low at 52.1, and new export orders dropping into contractionary territory at 48.9. Nevertheless, **the ECB is expected to stick to its plan of ending asset purchases by year-end and raising rates in H2 2019 at its meeting later today**, though given rising headwinds there may be a more cautious tone struck.

Also released were **PMI results from the US, which exceeded expectations**. Manufacturing rose from 55.6 in September to 55.9, beating consensus expectations of 55.3, while services came in at 54.7, beating September's 53.5 and consensus of 54.0. The composite index rose from 53.9 to 54.8. This is supportive of another strong quarter for the year-end, making a fourth rate hike of the year ever more certain. That said, **new home sales data disappointed, slipping from 629k in August to 553k last month, far short of expectations of 625k**. This was near a two-year low for the measure and likely reflected the impact that rising interest rates have on homeowners. Trade wars are also on US firms' minds as the US Federal Reserve's 'beige book' was released last night, illustrating growing concern among US businesses over tariffs. The word and its derivations was mentioned 51 times, having been mentioned only 20 times in the two decades prior to the Trump presidency.

Staying in North America, the **Bank of Canada hiked its overnight lending rate by 25bps yesterday, to 1.75%**. This was widely anticipated and was the fifth hike since the bank began its monetary tightening cycle in 2017. In its communique the bank talked about bringing rates to neutral levels – a level it estimates is between 2.5% and 3.5% – raising the possibility of more rapid tightening hereon in.

Composite purchasing managers' indices



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
ECB main refinancing rate	15:45	0.00	US durable goods orders	16:30	-1.5%
US initial jobless claims	16:30	214k	US wholesale inventories m/m	16:30	0.5%

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed sharply higher amid a rout in risk assets. Yields on the 2y UST, 5y UST and 10y UST closed at 2.83% (-4 bps), 2.93% (-7 bps) and 3.10% (-6 bps).

Regional bonds remained in a tight range. The YTW on the Bloomberg Barclays GCC Credit and High Yield index remained flat at 4.63% while credit spreads widened 5bps to 170bps. It does appear that correction oil prices is starting to weigh on regional credit.

Fixed assigned Dubai Investment Park Development Co a rating of BB+ with stable outlook. Elsewhere, Tabreed raised USD 500mn in a 7-year sukuk which was priced at 5.5%.

FX

CAD was Wednesday's outperformer in the aftermath of the Bank of Canada's decision to raise interest rates (see macro). Over the course of the day, USDCAD fell 0.21% to close at 1.3057. A further 0.28% decline this morning has taken the price to 1.3021 with the price likely to test the 50-day moving average (1.3011) today, a level which it failed to sustain a break of, post BOC. Should we see a daily close below this level, it may catalyse a move towards 1.2950, the 100-week moving average, followed by 1.29 not far from the 200-day moving average (1.2914) and our Q4 2018 forecast.

On the other end of the spectrum, NZD is this morning's underperformer and has softened against the other major currencies after a report from Statistics New Zealand showed that the trade deficit widened to NZD 1559.9Mn in September from a NZD 1470Mn deficit the previous month. As we go to print, NZDUSD is trading 0.10% lower at 0.65229 and remains in the daily downtrend that has been in effect since April 2018. While the price remains below 0.6587, this downtrend will remain intact.

Equities

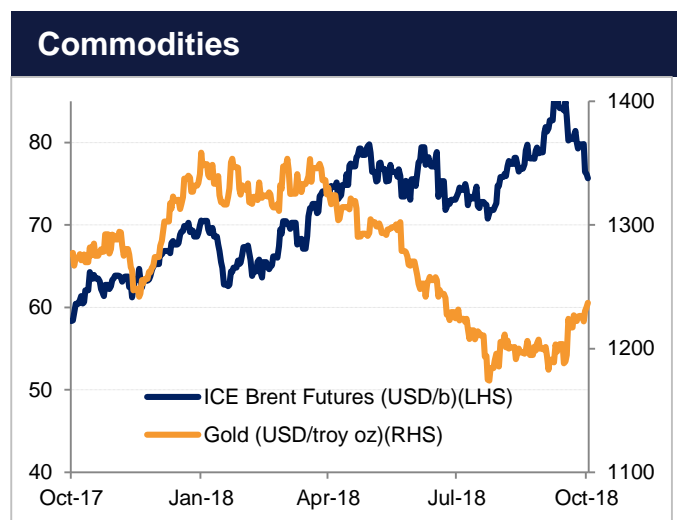
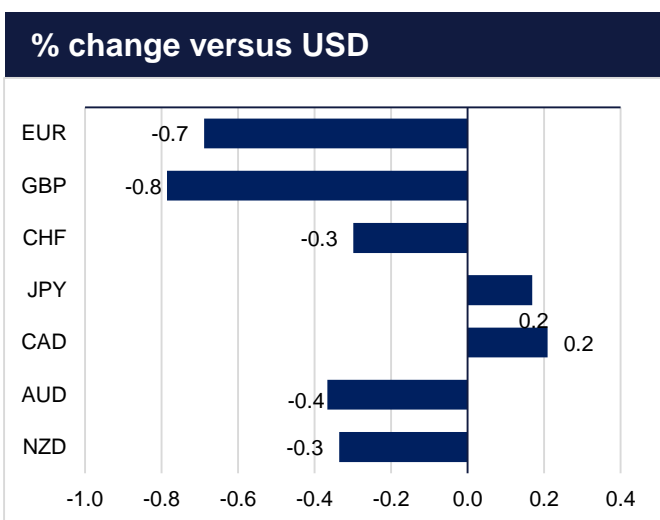
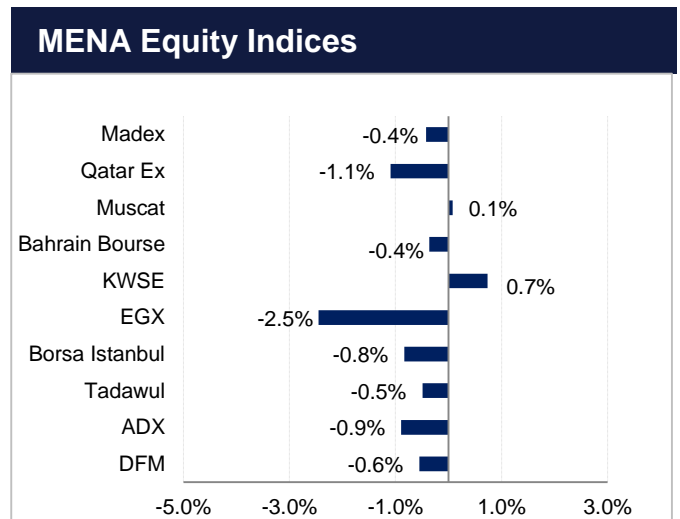
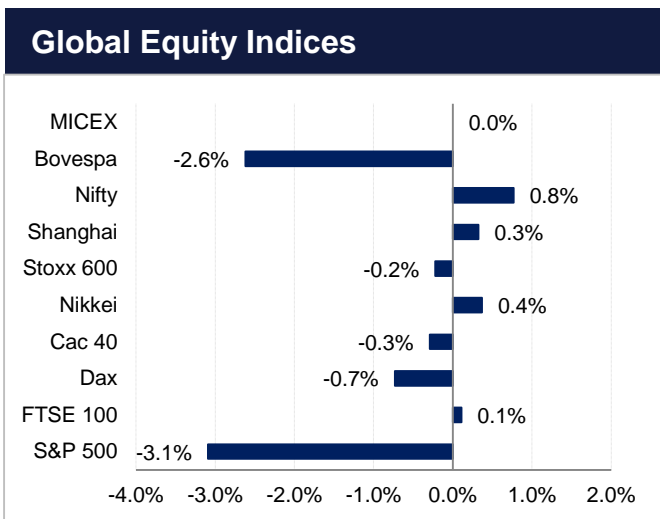
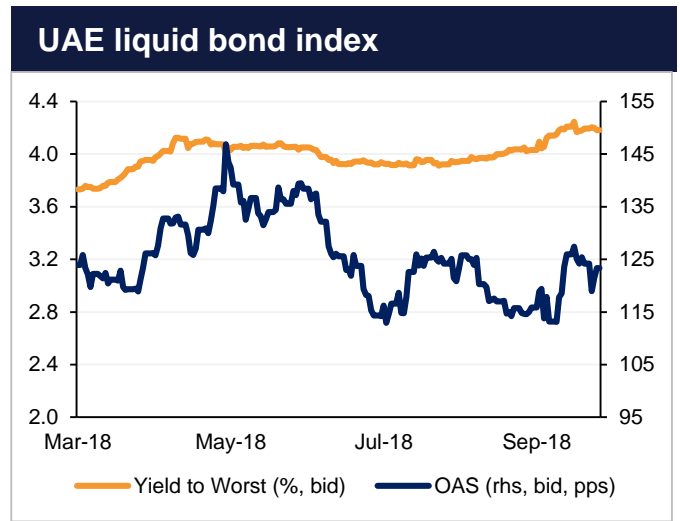
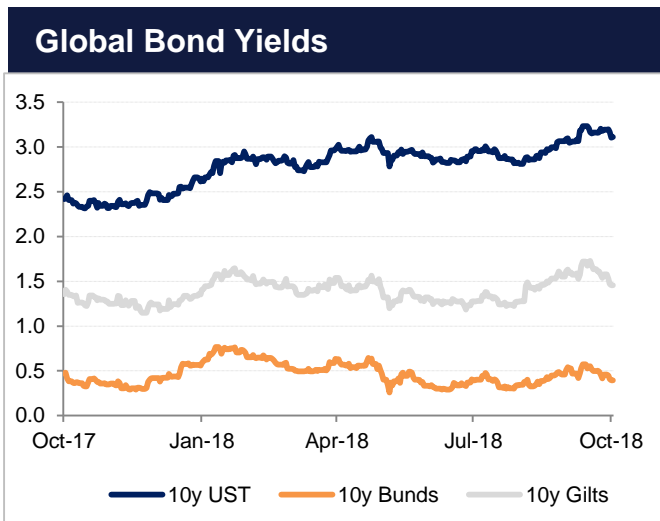
Developed market equities closed sharply lower across as investor sentiment remained weak and corporate earnings mixed. The S&P 500 index dropped -3.1% while the Euro Stoxx 600 index declined -0.2%.

Most regional equity markets closed lower with volumes below 1-month averages. It appears that there was a bout of profit-taking after marginal recent gains. IQCD dropped -2.1% after reporting Q3 2018 net profit of QAR 1.29bn.

Commodities

Brent futures closed at USD 76.17/b on Wednesday, the lowest level in two months. Risk-off sentiment, a rise in US inventories and pledges by Saudi Arabia to ensure supply have all contributed to the fall in recent days.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1392	-0.69	1.1779	USDTRY	5.7027	-0.65	EURAED	4.1852	-0.67
GBPUSD	1.2881	-0.79	1.3129	USDEGP	17.9469	+0.16	GBPAED	4.7319	-0.77
USDJPY	112.26	-0.16	108.70	USDSAR	3.7516	-0.01	JPYAED	0.0327	+0.16
USDCAD	1.3057	-0.21	1.2980	USDQAR	3.6800	+1.07	CADAED	2.8132	+0.22
AUDUSD	0.7060	-0.37	0.7106	USDKWD	0.3035	--	AUDAED	2.5936	-0.35
USDCHF	0.9979	+0.30	0.9610	USDBHD	0.3770	+0.00	CHFAED	3.6813	-0.30
EURGBP	0.8844	+0.10	0.8971	USDOMR	0.3850	--	TRYAED	0.6400	+0.02
USDAED	3.6730	--	3.6765	USDINR	73.3400	-0.31	INRAED	0.0552	+10.09

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.4040	2.6588	3.0025	3.4353	USD 2 yr	3.037	-4
USD LIBOR	2.2814	2.4899	2.7476	3.0344	USD 5 yr	3.091	-7
GBP LIBOR	0.7238	0.8044	0.9096	1.0591	USD 10 yr	3.174	-6
JPY LIBOR	-0.1075	-0.0943	0.0138	0.1300	EUR 2 yr	-0.121	-1
CHF LIBOR	-0.7840	-0.7404	-0.6622	-0.5286	EUR 5 yr	0.346	-4
					EUR 10 yr	0.970	-0

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1233.79	+0.28	ADGB 6.75 19	2.42	--	Abu Dhabi	68	-1
Silver	14.68	-0.35	DUGB 7.75 20	3.57	-0	Bahrain	280	-2
Oil (WTI)	66.82	+0.59	QATAR 6.55 19	2.61	+2	Dubai	128	-1
Aluminium	1977.50	-0.25	US Tsy 2 yr	2.83	-5	Qatar	76	-1
Copper	6188.00	-0.10	US Tsy 10 yr	3.10	-6	Saudi Arabia	97	-1

Source: Bloomberg, Emirates NBD Research

Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report. The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O.Box 777
Dubai

Jonathan Morris
General Manager Wholesale Banking
JonathanM@emiratesnbd.com

Aazar Ali Khwaja
Senior Executive Vice President
Global Markets & Treasury
+971 4 609 3000
aazark@emiratesnbd.com

Tim Fox
Head of Research &
Chief Economist
+9714 230 7800
timothyf@emiratesnbd.com

Research

Khatija Haque
Head of MENA Research
+9714 230 7803
khatijah@emiratesnbd.com

Anita Yadav
Head of Fixed Income Research
+9714 230 7630
anitay@emiratesnbd.com

Aditya Pugalia
Financial Markets Research
+9714 230 7802
adityap@emiratesnbd.com

Daniel Richards
MENA Economist
+9714 609 3032
danielricha@emiratesnbd.com

Edward Bell
Commodity Analyst
+9714 230 7701
edwardpb@emiratesnbd.com

Mohammed Altajir
FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

Hessa Al Khawaja
Research Associate
+9714 609 3015
hessaalkh@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
Tariq Chaudhary
+971 4 230 7777
tariqmc@emiratesnbd.com

Saudi Arabia Sales
Numair Attiyah
+966 11 282 5656
numaira@emiratesnbd.com

Singapore Sales
Supriyakumar Sakhalkar
+65 65785 627
supriyakumars@emiratesnbd.com

London Sales
+44 (0) 20 7838 2241

Egypt
Gary Boon
+20 22 726 5040
garyboon@emiratesnbd.com

Emirates NBD Capital

Hitesh Asarpota
Head of Debt Capital Markets.
+971 50 4529515
asarpotah@EmiratesNBD.com

Investor Relations

Patrick Clerkin
+9714 230 7805
patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com