



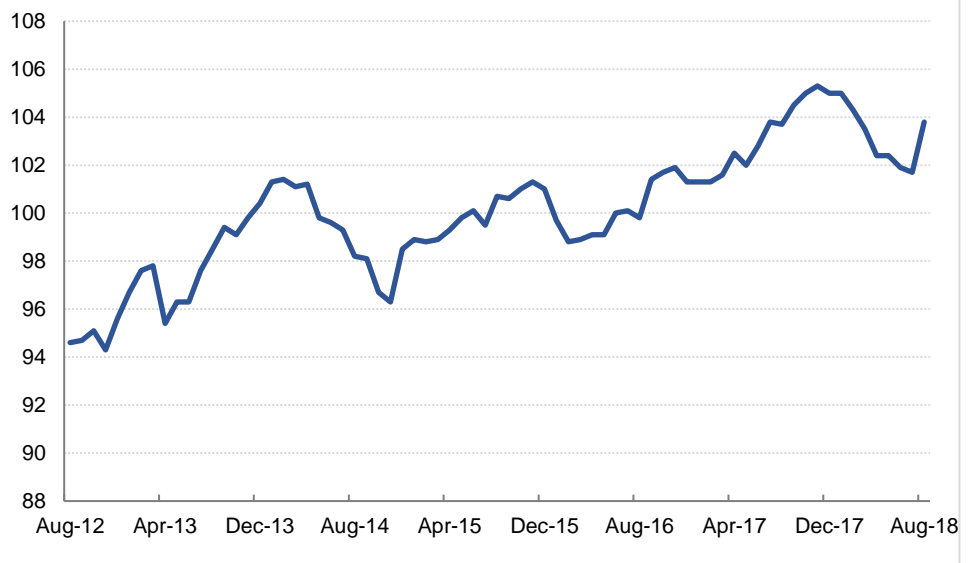
# Daily Outlook

Equity markets rallied to new highs in the US trading session yesterday as **the US and Mexico agreed a new bilateral trade agreement to replace NAFTA**. Both sides made concessions from their original positions, and the deal must now be ratified by both countries' legislative bodies. Both the outgoing and incoming Mexican presidents are likely to sign off on the new deal, but it is unclear how long it will take the US Congress to do so. Canada is expected to re-join talks this week, although it remains to be seen whether a deal can be reached between the US and its northern neighbour. If they cannot agree to new terms, President Trump has said he will scrap NAFTA and stick with the bilateral deal struck with Mexico.

In a relatively quiet European session, with the UK closed for a bank holiday, the main data release was the **German IFO business survey for August, which came in higher than expected at 103.8, up from 101.7 in July and the highest reading since February**. The expectations component of the index was the main driver, up 3 points since July. Easing trade tensions with the US was one of the factors contributing to the improvement in sentiment.

Consumer confidence data for France, Italy and the US are due today, along with the Richmond Fed Manufacturing Index in the US. The ECB will also release monetary and credit data for July.

## German IFO business sentiment rises in August



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

|                             | Time  | Cons  |                              | Time  | Cons  |
|-----------------------------|-------|-------|------------------------------|-------|-------|
| France Consumer Confid.     | 10.45 | 97    | Eurozone M3 y/y              | 12.00 | 4.3%  |
| Italy Manufacturing Confid. | 12:00 | 106.5 | Italy Consumer Confidence.   | 12.00 | 115.8 |
| US Wholesale Inventories    | 16.30 | 0.2%  | US Richmond Fed Manuf. Index | 18.00 | 17    |
| US Consumer Confidence      | 18.00 | 126.6 |                              |       |       |

Source: Bloomberg

## **Fixed Income**

Positive developments on the US-Mexico trade front and the Fed's commitment to continue raising rates caused US treasuries to reverse some of their earlier gains. Yields on 2yr and 10yr USTs closed higher at 2.65% (+2pbs) and 2.85% (+3bps) respectively.

Much in sync with the rising benchmark UST yields, yield on Barclays GCC bond index rose two bps to 4.43%. Credit spreads on the GCC index inched up by a bp to 173bps without any material catalyst.

## **FX**

The recent dollar weakness continued overnight, with most of the majors firmer against the greenback. TRY depreciated sharply in the first trading session post-Eid holidays yesterday, but recovered around 1.7% overnight to trade at 6.15/USD as of this writing. CAD has rallied slightly as well overnight, possibly reflecting hopes that Canada will reach an agreement on trade with the US sooner rather than later.

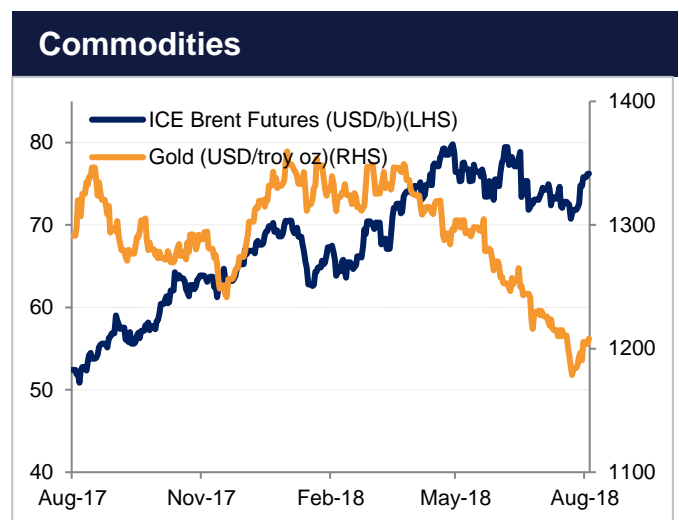
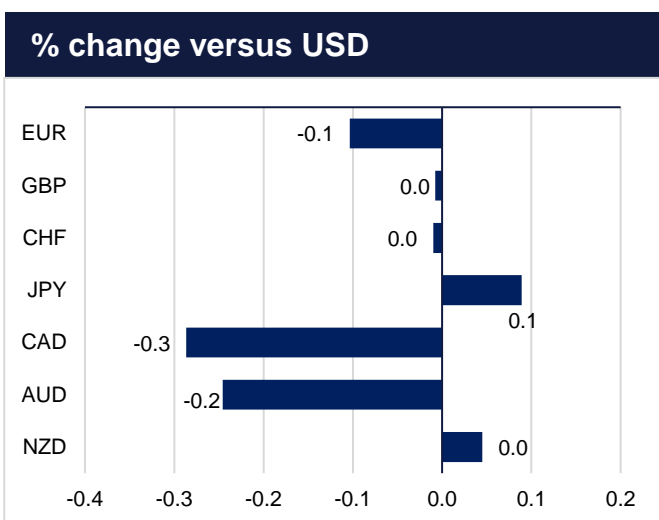
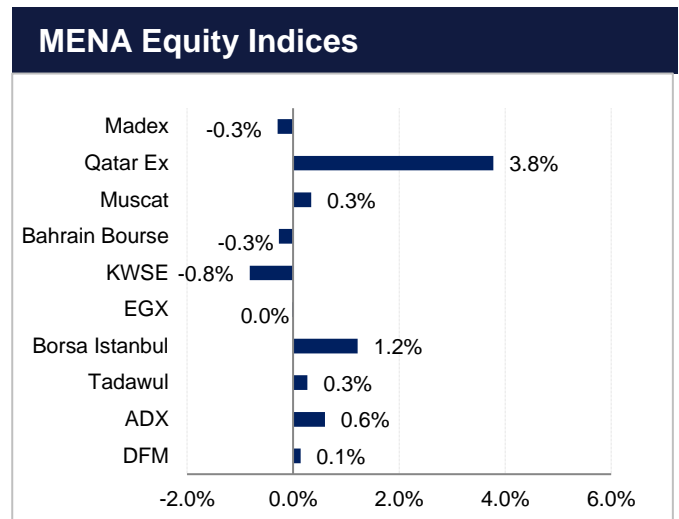
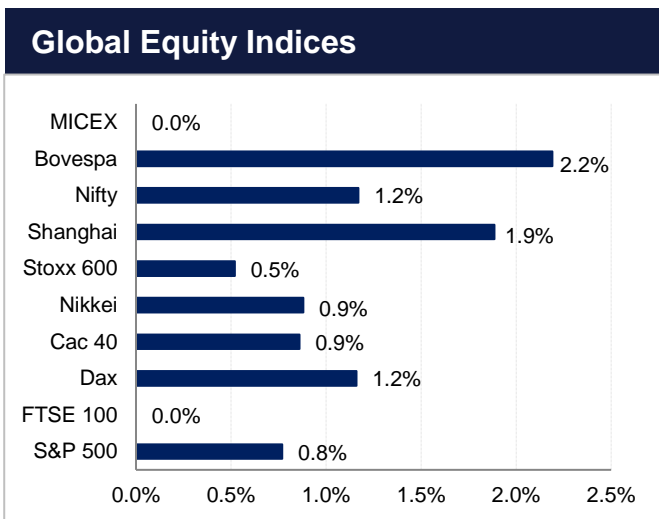
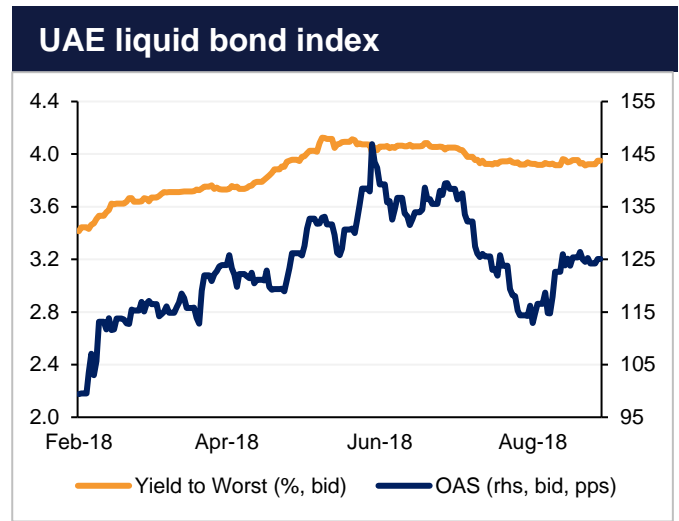
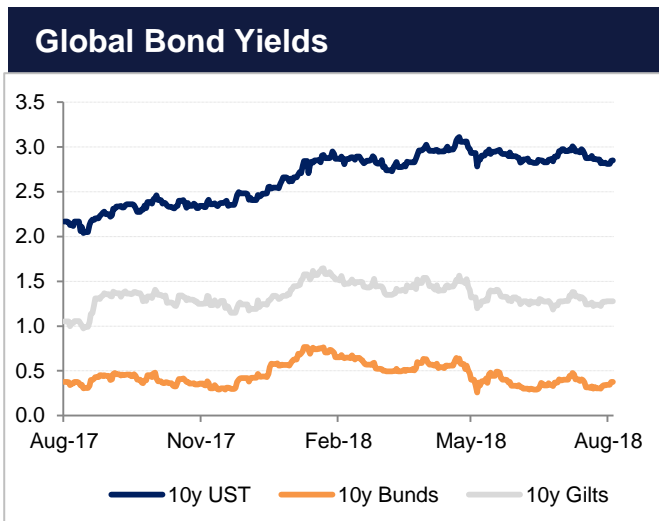
## **Equities**

The announcement of a trade deal between the US and Mexico pushed US equities to new record highs overnight. The European benchmark index also rose yesterday in thin trading. Asian stocks have opened in the green this morning as markets remain in risk-on mode.

## **Commodities**

Oil prices started the week on a positive footing with both Brent and WTI futures gaining. Brent rose more than 0.5% to close at USD 76.21/b while WTI has now moved back to a USD 69/b handle. An OPEC+ monitoring committee determined that the producers that are party to the production cut agreement had reduced their overcompliance in July and were producing just 9% less than the target level compared with overcompliance of 120% in June.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

|        | Close  | %1D chg | 1 yr fwd |        | Close   | %1D chg |        | Close  | %1D chg |
|--------|--------|---------|----------|--------|---------|---------|--------|--------|---------|
| EURUSD | 1.1610 | -0.10   | 1.1974   | USDTRY | 6.2565  | +4.17   | EURAED | 4.2644 | +0.25   |
| GBPUSD | 1.2845 | -0.01   | 1.3072   | USDEGP | 17.9258 | +0.31   | GBPAED | 4.7178 | -0.09   |
| USDJPY | 111.13 | -0.10   | 107.90   | USDSAR | 3.7506  | -0.00   | JPYAED | 0.0331 | +0.25   |
| USDCAD | 1.3065 | +0.30   | 1.2994   | USDQAR | 3.6800  | +0.64   | CADAED | 2.8111 | -0.01   |
| AUDUSD | 0.7311 | -0.25   | 0.7337   | USDKWD | 0.3029  | -0.06   | AUDAED | 2.6851 | +0.27   |
| USDCHF | 0.9835 | --      | 0.9497   | USDBHD | 0.3772  | +0.01   | CHFAED | 3.7347 | +0.02   |
| EURGBP | 0.9039 | -0.06   | 0.9161   | USDOMR | 0.3848  | -0.06   | TRYAED | 0.5900 | -3.53   |
| USDAED | 3.6730 | +0.00   | 3.6765   | USDINR | 70.0863 | +0.25   | INRAED | 0.0552 | +5.24   |

## Rates

| Interbank | 1 mo    | 3mo     | 6 mo    | 1 yr    | Swaps     | Close  | 1D chg (bps) |
|-----------|---------|---------|---------|---------|-----------|--------|--------------|
| EIBOR     | 2.2663  | 2.5338  | 2.9061  | 3.1625  | USD 2 yr  | 2.805  | -0           |
| USD LIBOR | 2.0728  | 2.3173  | 2.5230  | 2.8200  | USD 5 yr  | 2.851  | -1           |
| GBP LIBOR | 0.7229  | 0.8056  | 0.8986  | 1.0428  | USD 10 yr | 2.896  | -2           |
| JPY LIBOR | -0.0752 | -0.0303 | 0.0288  | 0.1378  | EUR 2 yr  | -0.150 | +0           |
| CHF LIBOR | -0.7766 | -0.7256 | -0.6500 | -0.5186 | EUR 5 yr  | 0.281  | +0           |
|           |         |         |         |         | EUR 10 yr | 0.881  | +0           |

## Commodities & Fixed Income

| Commodities | Close   | %1D chg | Bonds/Sukuk   | YTM  | 1D chg (bps) | CDS          | Close | 1D chg (bps) |
|-------------|---------|---------|---------------|------|--------------|--------------|-------|--------------|
| Gold        | 1211.38 | +0.50   | ADGB 6.75 19  | 2.42 | --           | Abu Dhabi    | 62    | -1           |
| Silver      | 14.76   | +0.85   | DUGB 7.75 20  | 3.46 | -0           | Bahrain      | 338   | -2           |
| Oil (WTI)   | 68.87   | +0.22   | QATAR 6.55 19 | 2.60 | -2           | Dubai        | 123   | -1           |
| Aluminium   | #N/A    |         | US Tsy 2 yr   | 2.64 | +2           | Qatar        | 82    | --           |
| Copper      | #N/A    |         | US Tsy 10 yr  | 2.85 | +4           | Saudi Arabia | 79    | -1           |

Source: Bloomberg, Emirates NBD Research

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