



بنك الإمارات دبي الوطني  
Emirates NBD

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www.emiratesnbdresearch.com

# Daily Outlook

**Japan's unemployment rate held steady in October at 3.0 percent, unchanged from the previous month and in line with markets estimates.** While availability of jobs improved, this has largely been due to its shrinking labour force and a shortage of workers in a number of key sectors. Household spending, which has been falling since March, fell at a slower pace. Japanese consumers are turning more cautious given there is little gains in real wages and worries about how the Bank of Japan's negative interest rate policy would affect the pension system.

**European Central Bank President Mario Draghi, said stalling recovery would be the biggest risk facing the euro zone's economy ahead of a key policy decision on December 8.** The ECB is due to decide on that day whether to extend its 1.74-trillion-euro (\$1.84-trillion) bond-buying programme beyond March. Hoping to bring euro zone inflation back to its target of almost 2 percent, the ECB has pushed its benchmark interest rate below zero, bought 80 billion euros of bonds a month and given free loans to banks. While inflation is slowly picking up it currently stands at 0.5%. Draghi said the ECB would look for ways to preserve "very substantial" stimulus when they meet on Dec. 8 and assess different options for their bond-buying programme.

**Kuwait's opposition candidates have won a higher number of seats following the latest election over the weekend.** Only 20 MPs from the previous parliament managed to hold onto their seats. The voting reflected anger at austerity measures to restrain the budget deficit. While the government has been using executive power to pass through reforms, the latest elections could make it harder for the government to work with the new assembly.

## Japanese jobless rate remains at 3% in October



Source: Bloomberg, Emirates NBD Research.

## Day's Economic Data and Events

	Time	Cons		Time	Cons
Q3 France GDP y/y	11:45	1.1%	Q3 US GDP Annualized q/q	17:30	3.0%
EZ Economic Confidence	14:00	106.8	Q3 US Personal Consumption	17:30	2.3%
Germany CPI m/m	17:00	0.1%	US Consumer Confidence Index	19:00	101.5

Source: Bloomberg.

## Fixed Income

Fixed income markets saw soaring of developed markets sovereign bonds amid restrained investor sentiment. Yields on 2yr and 10yr treasuries narrowed to 1.10% (-2bps) and 2.31% (-4bps) respectively. Sentiment on European sovereign bonds also turned cautious ahead of the Italian referendum next week. 10yr Gilt and Bund yields closed lower at 1.37% (-4bps) and 0.20% (-4bps) respectively.

Cash corporate bonds in the developed benefited from falling benchmark yields and closed in green, however risk-off sentiment saw CDS levels on US IG and Euro Main both increased a bp to 74bps and 83bps respectively.

GCC bonds remained stable amid falling benchmark yields being offset by rising credit spreads as oil prices remained under slight pressure from depleting hopes about any production freeze agreement at the OPEC meeting tomorrow. Average spreads on Bloomberg Barclays GCC bond index rose three bps to 147bps while those on liquid UAE bonds closed up by 4bps to 156bps. That said, high beta names such as SECO, DARALA, DAMAC etc continued to benefit from tightening credit spreads and closed up by more than half a point.

Primary market is likely to see Islamic Development Bank doing investor rounds this week after mandating banks for a benchmark 5yr USD sukuk offering.

## Equities

As the US returned to work with full bellies after Thanksgiving the markets look to be suffering from some indigestion. All the main US indices closed lower yesterday, the S&P 500 dropping 0.5% and the NASDAQ down 0.6%. Equity markets will be watching today's personal consumption and consumer confidence data closely to see if the financial markets' enthusiasm for a Trump presidency has spread into consumer purchases.

Local equity markets closed lower, the DFM down 0.8% and the ADX General giving up nearly 1%. By contrast, the Tadawul gained more than 0.8%.

## FX

USD trades firmer against the other majors this morning, with Dollar Index currently trading at 101.36. These gains take the index back above its 10 day MA (101.217) and almost negate all of Monday's decline, taking it close to where the Index started the week (101.39).

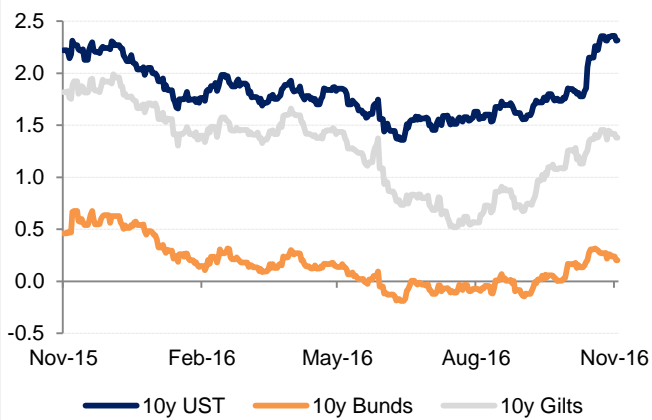
It is worth noting that while USD still looks bullish, the 14 day RSI (Relative Strength Index) is still showing the dollar as slightly overbought. Based on our technical observations and expectations for Q3 US GDP to be revised firmer this afternoon (from 2.9% to 3.0%), we anticipate further dollar strength in the days ahead and see further dips in the USD as buying opportunities.

## Commodities

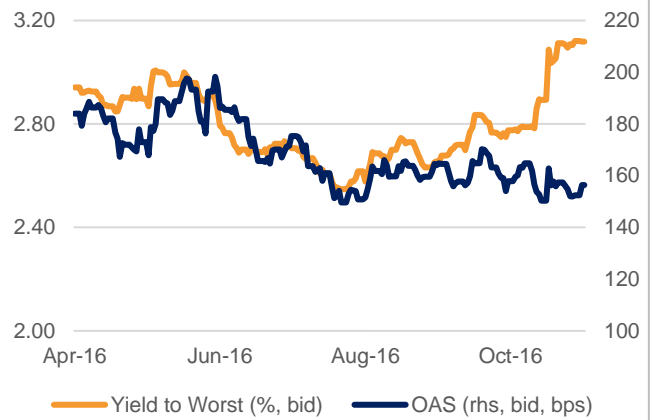
Oil markets were all over the place to start the week but still managed to end more than 2% higher. Brent closed over USD 48/b and WTI just above USD 47/b. Consensus within OPEC over production cuts still remains fleeting as a 10 hour meeting of members ended with no result. With OPEC's official meeting tomorrow, time is growing increasingly short for a deal to get full sign off from all members, let alone negotiating a deal that could be presented to governments. If the bloc does manage to get a deal we expect there would be a sharp jerk upward in prices but with a reasonably hard ceiling in the high USD 50s as the market prices back in the return of US shale oil.

## Markets in Charts

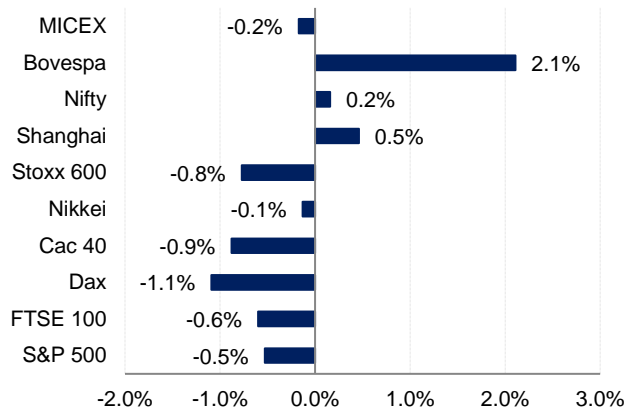
### Global Bond Yields



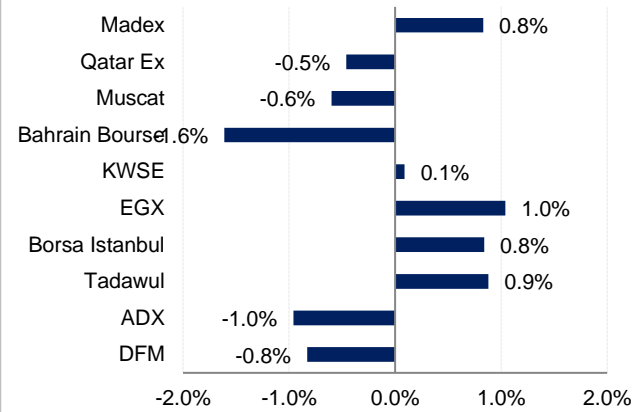
### UAE liquid bond index



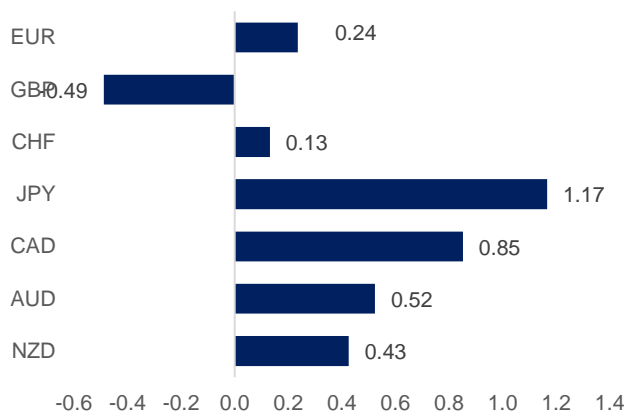
### Global Equity Indices



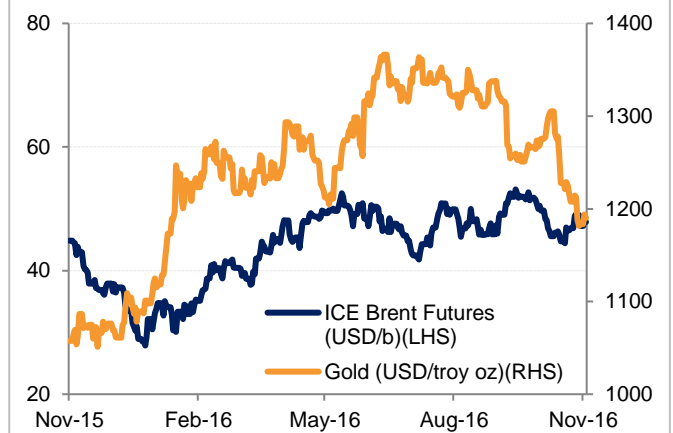
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0614	+0.24	1.0818	USDTRY	3.4154	-1.04	EURAED	3.8977	+0.16
GBPUSD	1.2416	-0.49	1.2529	USDEGP	17.8042	+1.27	GBPAED	4.5604	-0.46
USDJPY	111.94	-1.13	109.78	USDSAR	3.7507	-0.00	JPYAED	0.0328	+1.15
USDCAD	1.3412	-0.79	1.3352	USDQAR	3.6414	+0.00	CADAED	2.7389	+0.82
AUDUSD	0.7482	+0.52	0.7424	USDKWD	0.3049	-0.07	AUDAED	2.7481	+0.55
USDCHF	1.0127	-0.14	0.9882	USDBHD	0.3770	--	CHFAED	3.6256	+0.12
EURGBP	0.8547	+0.59	0.8632	USDOMR	0.3850	+0.00	TRYAED	1.0800	+1.49
USDAED	3.6730	+0.01	3.6860	USDINR	68.6963	+0.33	INRAED	0.0536	-0.06

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.7384	1.4114	1.6716	2.0431	USD 2 yr	1.303	-3
USD LIBOR	0.6059	0.9373	1.2899	1.6451	USD 5 yr	1.770	-5
GBP LIBOR	0.2609	0.3909	0.5560	0.7980	USD 10 yr	2.147	-4
JPY LIBOR	-0.0731	-0.0739	-0.0037	0.1070	EUR 2 yr	-0.164	-1
CHF LIBOR	-0.7874	-0.7464	-0.6750	-0.5054	EUR 5 yr	0.067	-2
					EUR 10 yr	0.613	-3

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1194.00	+0.88	ADGB 6.75 19	1.67	--	Abu Dhabi	69	-2
Silver	16.61	+0.51	DUGB 7.75 20	2.84	-1	Dubai	158	--
Oil (WTI)	47.08	+2.21	QATAR 6.55 19	1.90	+1	Qatar	89	-2
Aluminium	1745.00	-0.70	US Tsy 2 yr	1.10	-2	Saudi Arabia	127	+2
Copper	5865.75	+0.02	US Tsy 10 yr	2.31	-4	Bahrain	332	+1

Source: Bloomberg, Emirates NBD Research

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