



بنك الإمارات دبي الوطني
Emirates NBD

Daily
29 October 2018

www.emiratesnbdresearch.com

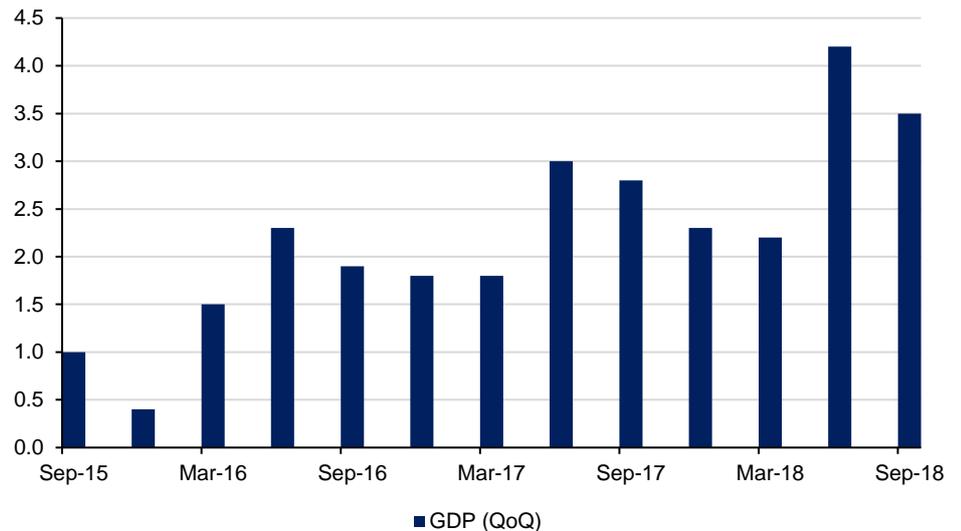
Daily Outlook

Although US GDP grew by 3.5% in Q3 (after 4.2% growth in Q2) the breakdown shows a shifting dynamic that will likely result in growth slowing in 2019. Although consumption rose 4.0% annualized, business investment only increased by 0.8%, while equipment investment rose by just 0.4%. Even more telling residential investment actually contracted by -4.0%, the third consecutive quarterly decline and consistent with recent monthly declines in home sales. From these it can be seen that consumers are still carrying growth, propped up by the tax cuts of earlier in the year, but looking ahead businesses are becoming more concerned about whether this can be maintained, especially in sectors that are sensitive to interest rates. Net trade also subtracted from growth in Q3 after contributing positively in Q2, a trend that may get worse should trade disputes intensify. **Markets reacted negatively to the release, as the data was seen increasing the likelihood that the Fed will press ahead with rate hikes despite current financial market turmoil.**

Today the focus will be on the UK's autumn budget statement, which with the help of the Office for Budget Responsibility lowering its forecast for the deficit this year, will mean that the Chancellor will meet his fiscal targets this year. This is likely to leave the Chancellor space to deliver more funding to public services, and be supportive of economic growth. **However, Chancellor Hammond has alarmed some opponents by signalling that a no-deal Brexit could bring back austerity and fiscal belt tightening next year.**

Brazil has elected controversial right wing candidate Jair Bolsonaro to be its new President, winning almost 56% of the final votes. The pro-market populist candidate has promised to get tough on crime and root out corruption and promote privatization and ties with the US, but has controversially also stirred concerns about the future of democracy, given his praising of past military regimes and other Latin American dictators. **The BRL has strengthened throughout October in anticipation of Bolsonaro's victory, gains which could be extended if he gets to grips with some of Brazil's big structural issues such as pension reform.**

U.S. economy expands 3.5% in Q3 2018



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
US Personal Income	16:30	0.4%	Dallas Fed Manf. Activity	18:30	28.1
US Personal Spending	16:30	0.4%			

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed higher as US equities closed sharply lower. The change in yields closely tracked the moves in equity indices. The curve steepened with yields on the 2y UST, 5y UST and 10y UST closing at 2.80% (-10 bps w-o-w), 2.90% (-14 bps w-o-w) and 3.07% (-12 bps w-o-w).

Following the drop in equity markets, inflation expectations seem to be dropping in the US bond market. The five-year breakeven rate, which represents bond investors' view on inflation through 2023, dropped to the lowest level since January 2018 to 1.92%.

Regional bonds closed higher. However the gain was smaller compared to the move in benchmark USTs as oil prices dropped as well. The YTW on the Bloomberg Barclays GCC Credit and High Yield index dropped 4 bps w-o-w to 4.61% while credit spreads widened 8 bps w-o-w to 172 bps.

Fitch affirmed Investcorp Bank ratings at BB and revised the outlook to stable from positive.

FX

EURUSD fell 0.96% last week, closing at 1.1403 in a move which has many technically significant observations. Analysis of the daily candle chart shows that the former supporting baseline which had been in effect since December 2017 has been breached. In addition the price has now closed below the 100-week moving average (1.1528) for a second week and looks likely to test the 200-week moving average (1.1318), a level which was last broken in November 2017. A weekly close below this key level, could catalyze further declines towards 1.10.

USDJPY fell by 0.58% last week, to close at 111.89. The cross had seen more significant declines towards 111.38 before finding support close to the 100-week moving average (111.34) and closing back above the 100-day moving average (111.57). Over the week ahead, we look for a break above the 76.4% one-year Fibonacci retracement to signal further gains, while a daily close below the 100-day moving average hints towards further weakness.

Equities

Regional equities closed mixed amid a weak global backdrop. The DFM index lost -0.4% while the ADX index added +0.3%.

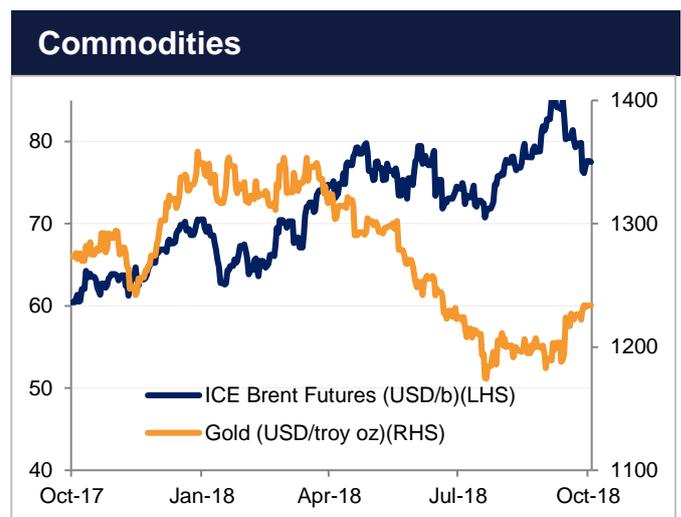
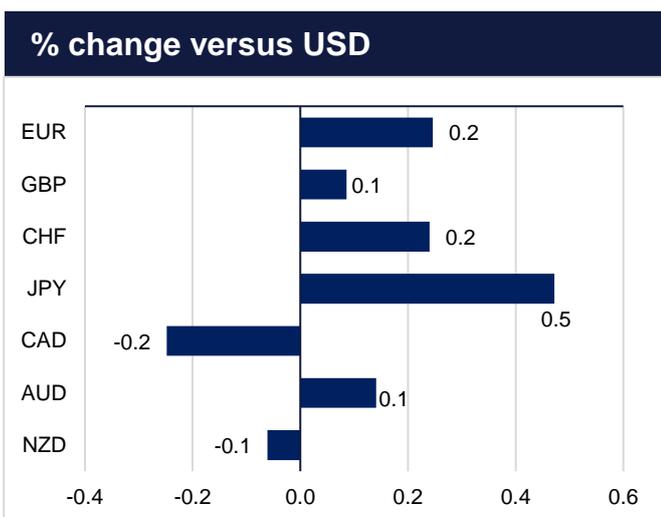
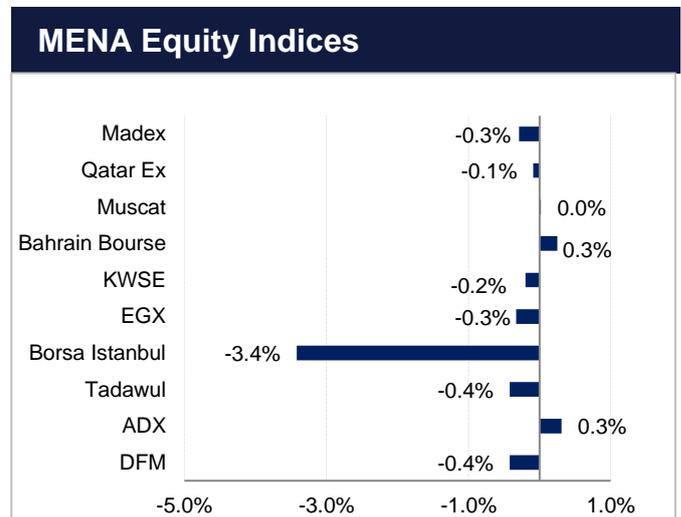
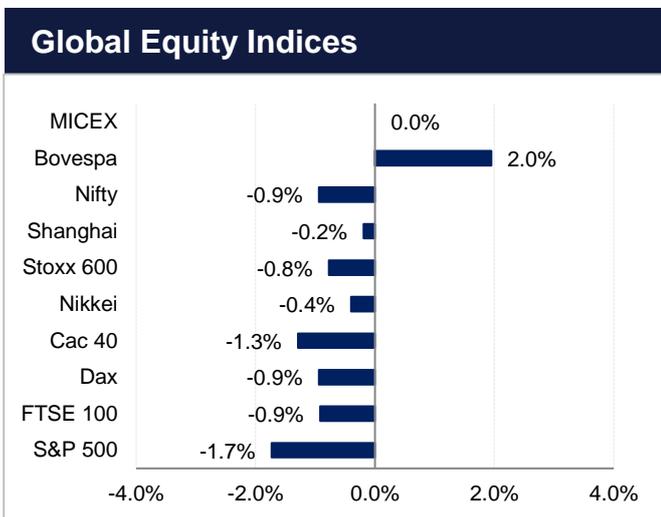
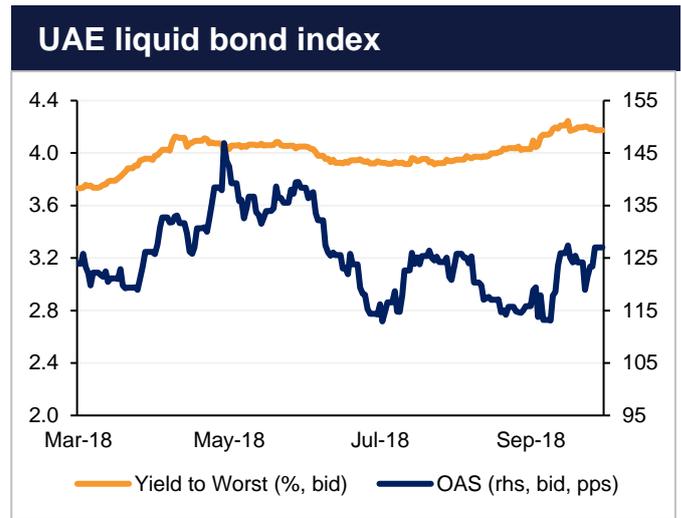
Sabiq reported Q3 2018 net profit of SAR 6.1bn (+5.4% y/y), in line with market estimates of SAR 6.08bn. Revenues for the company came in at SAR 43.71bn.

Commodities

Oil markets extended their losses last week, the third consecutive weekly drop. Brent futures are holding onto a USD 77/b handle and are roughly flat on where they ended last week while WTI is at USD 67.63/b. Forward curves remain split with a shallow contango still at play in WTI and backwardation, although flattening, in Brent markets.

Speculative length in oil markets continues to flood out with both WTI and Brent losing longs last week and shorts showing more signs of confidence. The drilling rig count in the US still managed to show growth, up two rigs last week.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1403	+0.25	1.1791	USDTRY	5.5936	-0.73	EURAED	4.1885	+0.26
GBPUSD	1.2828	+0.09	1.3077	USDEGP	#N/A N/A	#VALUE!	GBPAED	4.7121	+0.09
USDJPY	111.91	-0.45	108.36	USDSAR	3.7521	+0.03	JPYAED	0.0328	+0.47
USDCAD	1.3106	+0.24	1.3031	USDQAR	3.6800	+1.07	CADAED	2.8029	-0.26
AUDUSD	0.7090	+0.14	0.7136	USDKWD	#N/A N/A	#VALUE!	AUDAED	2.6040	+0.14
USDCHF	0.9970	-0.16	0.9602	USDBHD	0.3770	+0.01	CHFAED	3.6842	+0.27
EURGBP	0.8886	+0.14	0.9014	USDOMR	0.3850	--	TRYAED	0.6600	+1.25
USDAED	3.6730	--	3.6766	USDINR	73.3975	+0.17	INRAED	0.0552	+10.10

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.4090	2.6688	2.9838	3.4390	USD 2 yr	3.017	-4
USD LIBOR	2.2967	2.5204	2.7768	3.0568	USD 5 yr	3.057	-5
GBP LIBOR	0.7248	0.8102	0.9114	1.0534	USD 10 yr	3.137	-4
JPY LIBOR	-0.1062	-0.0955	0.0162	0.1313	EUR 2 yr	-0.125	-1
CHF LIBOR	-0.7816	-0.7412	-0.6638	-0.5322	EUR 5 yr	0.344	-2
					EUR 10 yr	0.942	-3

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1233.53	+0.11	ADGB 6.75 19	2.42	--	Abu Dhabi	69	-1
Silver	14.69	+0.29	DUGB 7.75 20	3.60	-0	Bahrain	289	+9
Oil (WTI)	67.59	+0.39	QATAR 6.55 19	2.52	-2	Dubai	123	-5
Aluminium	1981.75	+0.44	US Tsy 2 yr	2.81	-4	Qatar	74	-2
Copper	6207.00	-0.74	US Tsy 10 yr	3.08	-4	Saudi Arabia	95	-2

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