



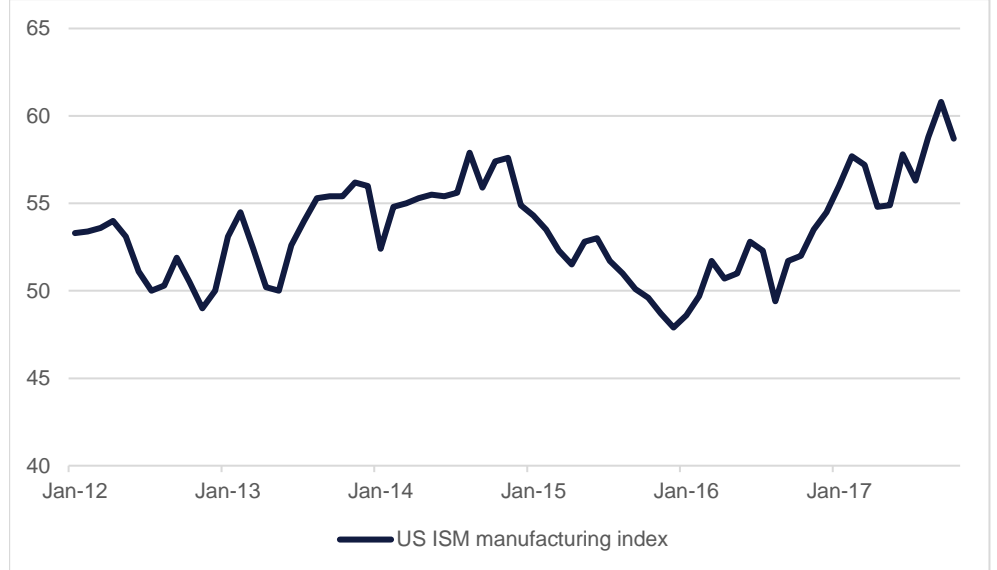
# Daily Outlook

**The U.S. Fed left interest rates unchanged within a 1.00% to 1.25% rate band as widely expected.** The vote was a unanimous 9-0 and the economic outlook was upgraded slightly highlighting that 'economic activity has been rising at a solid rate despite hurricane-related disruptions'. The labor market has continued to strengthen and household spending has been expanding at a moderate rate according to the statement, but apart from a pickup in gas prices due to the hurricanes, core inflation was still characterized as soft. Near term risks to the outlook were balanced, but the statement is still consistent with a December tightening which we expect.

Meanwhile there are a lot of reports circulating that **Fed Governor Jerome Powell will be nominated as the next Fed Chairman** later today. The dollar has softened a little bit on these reports, probably reflecting the likelihood that the more hawkish John Taylor did not get the position. Powell is seen as the continuity candidate on the FOMC, and is expected to maintain Yellen's gradualist approach to monetary policy tightening at least for now, having never dissented from the Fed's decisions during Yellen's tenure. He is also seen as a moderate when it comes to regulation and will probably have a relatively easy confirmation process as he is already a sitting Governor. With four vacancies on the seven member Fed Board after Yellen leaves office President Trump will have lots of opportunities to put his mark on the institution going forward.

**The Bank of England is widely expected to raise interest rates later today from their current 0.25%**, which would mark the first rate hike in over a decade. Although a rate increase would not be a surprise, the vote is expected to be a narrow one, and there is still some uncertainty about what the Bank will say about the prospect of further hikes in 2018 and beyond. Most likely it will not rule out further moves, but it will be keen to signal that they will take place only gradually.

## US manufacturing retained healthy pace in October



Source: Bloomberg, Emirates NBD Research

## Day's Economic Data and Events

	Time	Cons		Time	Cons
UK BOE Bank Rate	16.00	0.50%	US Fed Chair nomination		
UK BOE Inflation Report	16.00				

Source: Bloomberg

## Fixed Income

US Treasuries gave up some of their early session gains after the Federal Reserve meeting kept the prospect of an interest rate hike firmly open. Following the FOMC statement, the focus shifted onto the announcement of the new Federal Reserve Chair which is expected to be made today. It was reported that Donald Trump has picked Jerome Powell to head the Federal Reserve.

The curve flattened with yields on the 2y USTs rising 2 bps to 1.61%, on 5y USTs remained flat and dropped 1 bps on 10y USTs to 2.37%.

Regional markets saw a bit of profit booking with the YTW on the Bloomberg Barclays GCC Credit and High Yield index rising 1 bps to 3.59% and credit spreads remaining flat at 153 bps. The Bahrain 5y CDS rose 2 bps to 242 following reports that Bahrain has asked its allies in the Gulf for financial aid. The BAHRAIN 28s dropped half point to close at 102.5.

## FX

The dollar softened overnight as reports circulated that Governor Jerome Powell will be nominated to be the next Fed Chair. Powell is the continuity candidate who is least likely to rock the boat when it comes to monetary policy, at least in the near term. Markets are to some extent relieved that the more hawkish John Taylor looks unlikely to get the nod. The other currency under scrutiny today will be the pound as markets await the first interest rate increase from the Bank of England in over 10 years. The pound has firmed in recent days on the back of anticipation of this, but its reaction today will depend on how the Bank characterizes the likelihood of further increases next year.

## Equities

Developed market equities closed higher as the Federal Reserve meeting remained a non-event for the market with no surprises. The S&P 500 index and the Euro Stoxx 600 index added +0.2% and +0.4% respectively.

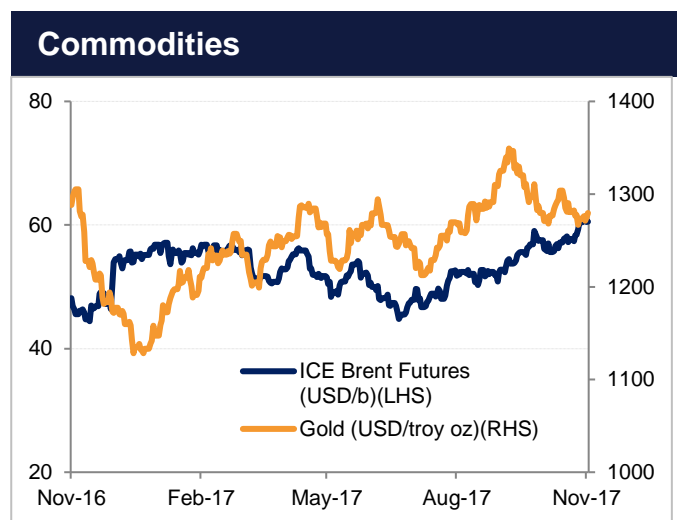
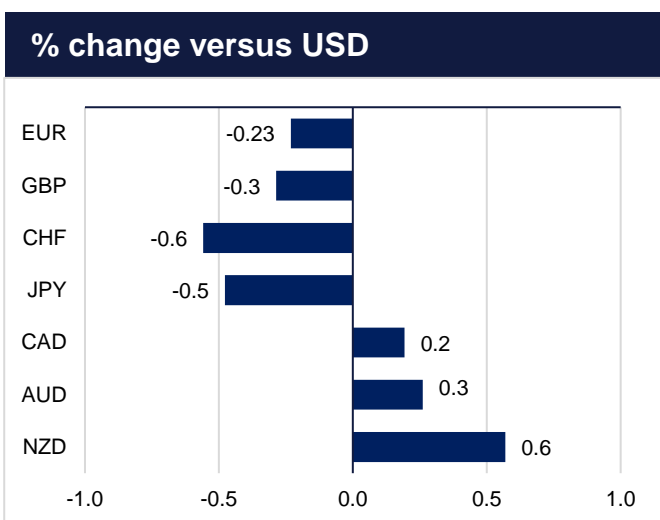
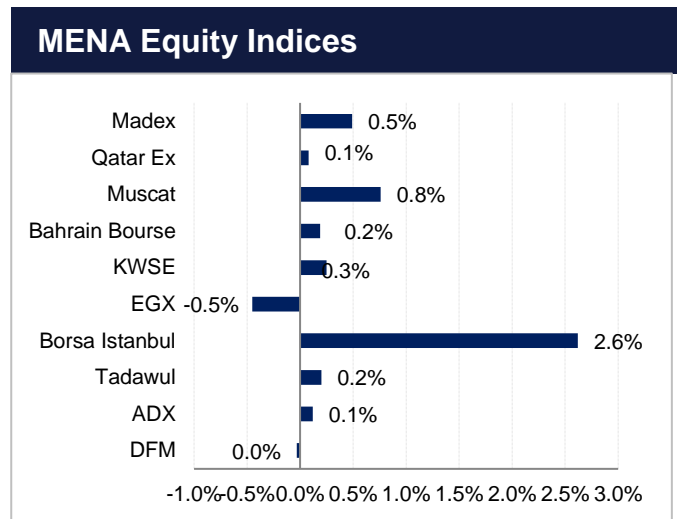
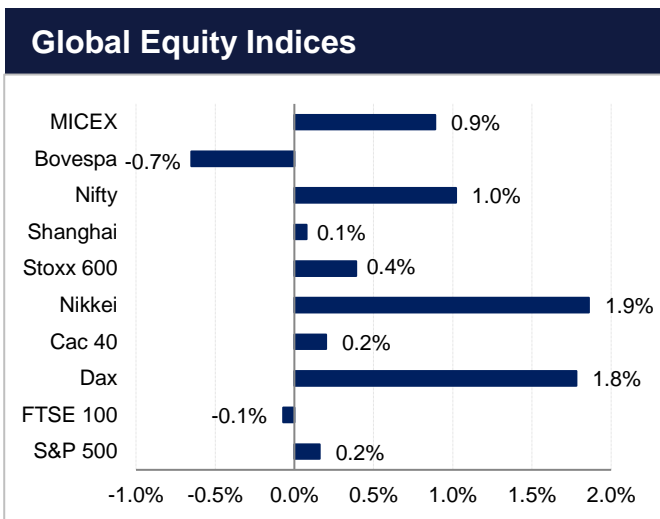
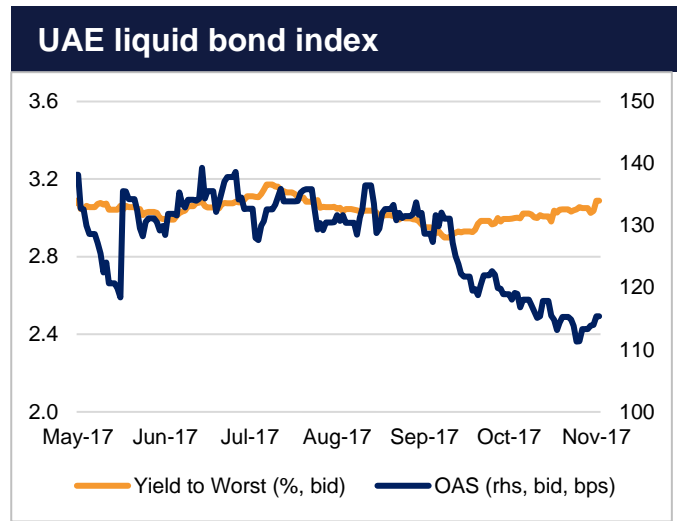
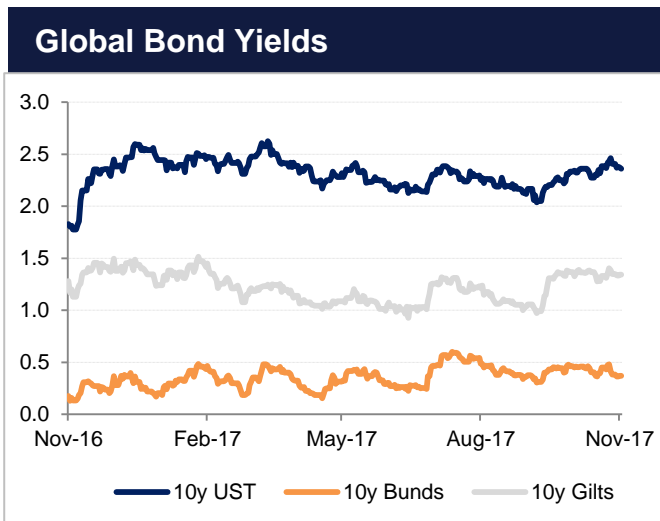
The DFM index was a notable exception in what was a positive day of trading for regional equities. Having said that, volumes remained on the lower side. There was little in terms of specific corporate news. Dar Al Arkan added +3.1% to take its rally since mid-October to 33%.

## Commodities

After six days of consecutive gains, Brent futures dipped overnight falling 1.4% to settle at USD 60.49/b while WTI gave up 0.15% to close at USD 54.30/b. Data out from the EIA showed a decline in overall stocks of 2.3m bbl last week while Cushing stockpiles held relatively steady. Production edged upward by 46k b/d to over 9.55m b/d while most critically for international markets, US exports jumped up to over 2.1m b/d.

Market structures remain more or less unchanged. The Brent 2018 calendar strip is close to USD 60/b while the WTI strip is nearing onto USD 52/b, both offering attractive opportunities to hedge future output.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1619	-0.23	1.1894	USDTRY	3.8130	+0.57	EURAED	4.2676	-0.23
GBPUSD	1.3245	-0.29	1.3396	USDEGP	17.6432	-0.01	GBPAED	4.8648	-0.30
USDJPY	114.18	+0.48	111.74	USDSAR	3.7501	--	JPYAED	0.0322	-0.47
USDCAD	1.2865	-0.18	1.2825	USDQAR	3.6800	-3.16	CADAED	2.8550	+0.19
AUDUSD	0.7676	+0.26	0.7660	USDKWD	0.3026	-0.01	AUDAED	2.8194	+0.27
USDCHF	1.0033	+0.57	0.9762	USDBHD	0.3772	--	CHFAED	3.6609	-0.56
EURGBP	0.8772	+0.06	0.8878	USDOMR	0.3850	--	TRYAED	0.9600	-0.91
USDAED	3.6729	-0.01	3.6784	USDINR	64.5262	-0.34	INRAED	0.0569	+0.24

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3163	1.5710	1.8152	2.2117	USD 2 yr	1.830	+1
USD LIBOR	1.2433	1.3848	1.5798	1.8559	USD 5 yr	2.091	+0
GBP LIBOR	0.4222	0.4508	0.5696	0.7810	USD 10 yr	2.354	+0
JPY LIBOR	-0.0180	-0.0444	-0.0044	0.1139	EUR 2 yr	-0.196	+0
CHF LIBOR	-0.7846	-0.7348	-0.6486	-0.5230	EUR 5 yr	0.209	+1
					EUR 10 yr	0.848	+1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1274.66	+0.25	ADGB 6.75 19	1.78	-1	Abu Dhabi	58	-1
Silver	17.14	+2.52	DUGB 7.75 20	2.55	-0	Dubai	131	+6
Oil (WTI)	54.30	-0.15	QATAR 6.55 19	2.03	+0	Qatar	101	-
Aluminium	2168.00	+1.23	US Tsy 2 yr	1.61	+1	Saudi Arabia	82	-
Copper	6898.75	+1.20	US Tsy 10 yr	2.37	-1	Bahrain	242	+2

Source: Bloomberg, Emirates NBD Research

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