



بنك الإمارات دبي الوطني  
Emirates NBD

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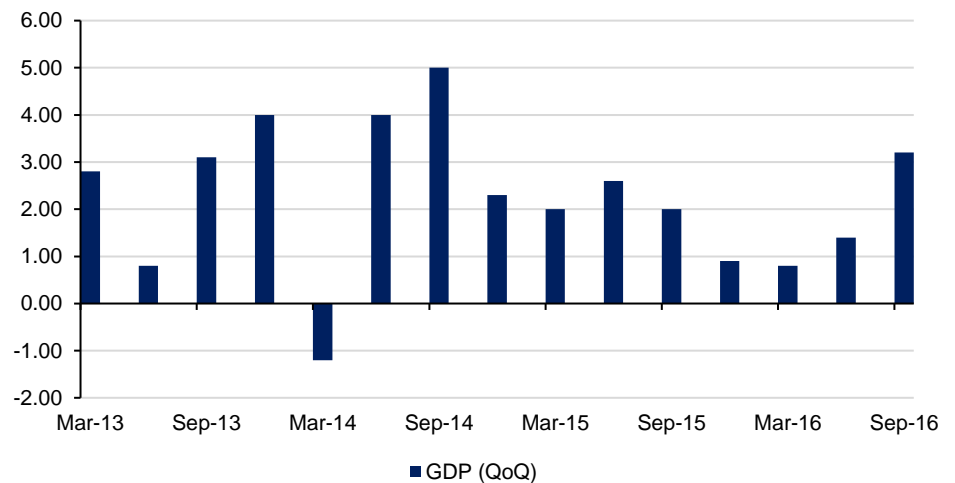
# Daily Outlook

**US Revised Q3 Annualized GDP increased at a 3.2 percent q/q instead of the previously reported 2.9 percent pace**, according to data from the US Commerce Department in its second estimate for the quarter. This was this strongest growth level registered since Q3 2014, and significant pick up from the 1.4% growth rate in Q2 this year. **Consumer spending, which accounts for more than two-thirds of U.S. economic activity, was also revised upwards, increased at a 2.8% rate in Q3** compared to the earlier estimate of 2.1%. Furthermore in a separate report, consumer confidence in the US climbed to a nine year high, according to a report from the Conference Board, with consumers optimistic about the labour market and current business conditions.

**UK credit data, showed lending expanded at the fastest pace in 11 years confounding expectations that Brexit would impact creditor appetite to lend.** Consumer credit increased by GBP 1.62bn in October from GBP 1.48BN in the previous month. Furthermore mortgage approvals also picked up 67,518 in October from 63,594 in September reflecting still resilient consumer demand. While rising inflation in the long run, is likely to dent consumer sentiment, most consumer related indicators currently show household spending barely deterred by developments around Brexit.

**SAMA's Net Foreign Assets declined by -USD 10.8bn in October, despite the USD 17.5bn sovereign debt issue.** However, total bank deposits at commercial banks' deposits rose by USD 7.2bn last month suggesting that at least some of this cash has been repatriated and used to pay down outstanding debts with private sector firms. The rise in bank deposits last month has no doubt been a key driver behind easier liquidity conditions in the Kingdom, with the 3m SAIBOR rate declining by around 30bp since 27 October. However, the decline in NFAs in October also suggests that the outflow on the current and financial accounts of the balance of payments remain significant

## Q3 US GDP revised upwards to 3.2% q/q



Source: Bloomberg, Emirates NBD Research.

## Day's Economic Data and Events

	Time	Cons		Time	Cons
CPI Estimate y/y	14:00	0.6%	US Personal Income	17:30	0.4%
CPI Core y/y	14:00	0.8%	US Personal Spending	17:30	0.5%
US ADP Employment Change	17:15	170k	September Canadian GDP m/n	17:30	0.1%

Source: Bloomberg.

## Fixed Income

Month end buying saw continued rally in developed market sovereign bonds despite hardening prospects of faster rate hike trajectory in the US. Yields on 2yr and 10yr treasuries closed marginally lower at 1.09% (-2bps) and 2.30% (-3bp) respectively even though 3Q GDP growth was revised upwards to 3.2%. Gilts and Bund yields also narrowed ahead of the Italian referendum on 4th Dec and benefiting from expectation of ECB support in buying Italian sovereign bonds.

Credit spreads remained well anchored, leading most cash corporate bonds in green. CDS level on US IG also were range bound at 74bps.

Oil prices fell further amid the Saudi-Iran split which saw GCC bonds in a sell bias mode albeit amid extremely thin liquidity. Average spread on Bloomberg Barclays GCC index remained unchanged at 151bps.

Market activity has trickled to minimal ahead of the national day holiday in the UAE and there were no corporate developments of note.

## Equities

Global markets had mostly positive performances yesterday. In the US, S&P 500 closed 0.13% higher while the NASDAQ rose 0.21%. On the other side of the Atlantic, European equities did equally well for the most part with Euro Stoxx gaining 0.72% while the DAX appreciated 0.36%. However in the UK, FTSE 100 closed 0.40% lower.

Regional markets had mixed results and while the Saudi Tadawul declined by 0.1%, the ADX gained 0.1% and the DFM added 0.7%.

This morning Asian indices are having a soft performance and as we go to print, the Shanghai Composite is 0.96% lower at 3251.40, while the Nikkei trades 0.03% lower.

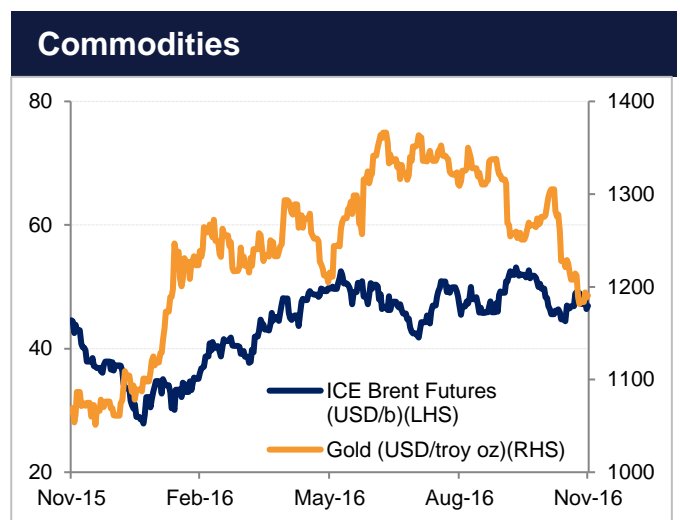
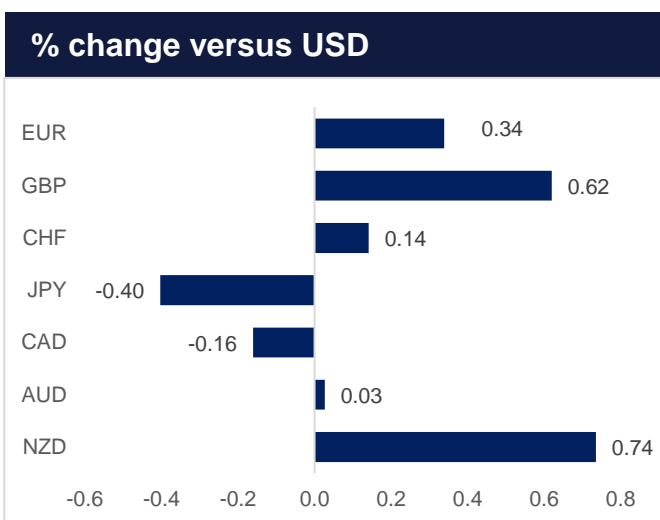
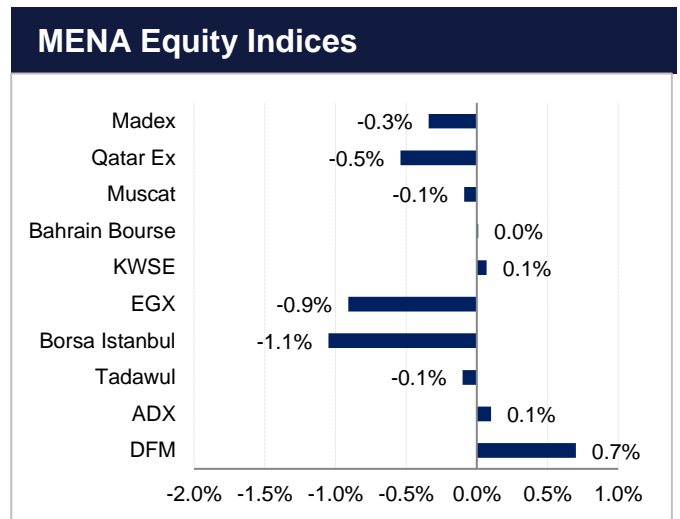
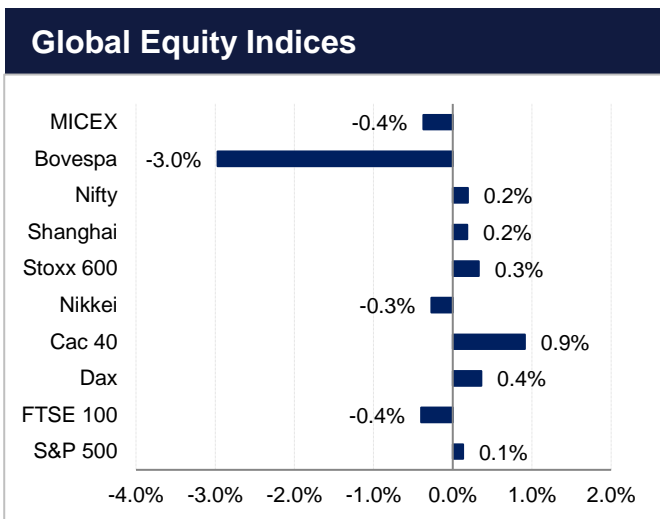
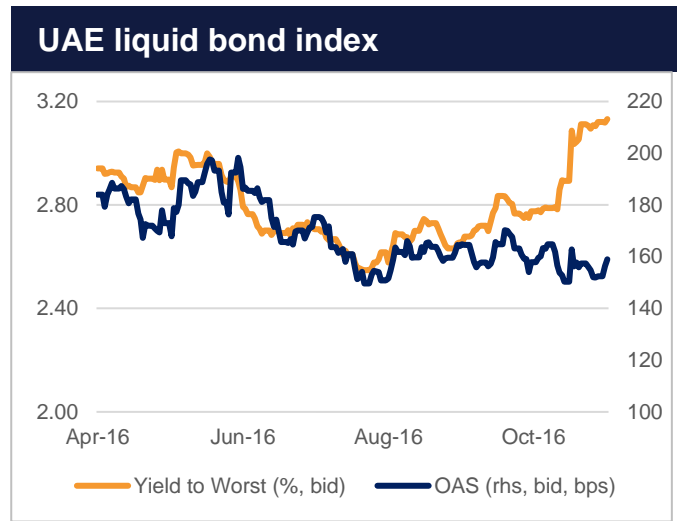
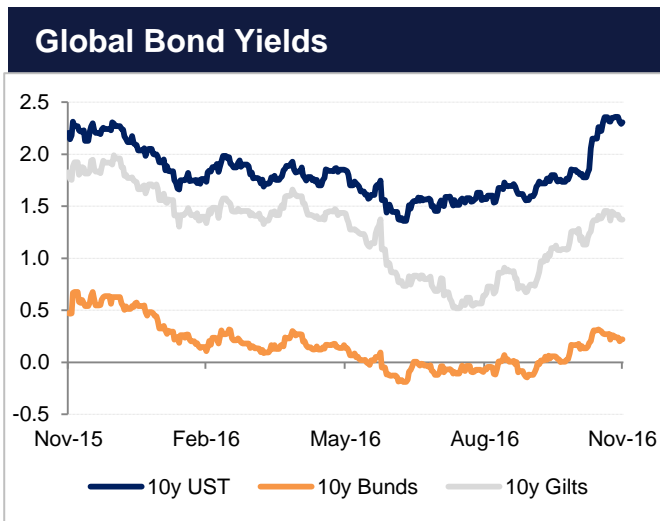
## FX

Better than expected GDP data was overlooked by markets as the USD surrendered Tuesday's initial gains to finish the day slightly softer. Despite advancing to 101.64 earlier in the day, the Dollar Index finished the day lower at 100.93, a 0.23% decline from its opening of 101.15. However, this morning the index has pared some of these losses and as we go to print, Dollar Index stands 0.17% higher at 100.10 and looks primed to make an attempt to get back above its 10 day MA of 101.24. However it is worth noting that further gains may be hindered to an extent as the RSI (Relative strength index) re-approaches overbought territory.

## Commodities

It's crunch time for OPEC as negotiations go down to the final wire. Discussions begin in Vienna later today but the prospect of a production cut deal still hangs in the balance. The biggest hurdles to get over remain production levels from Saudi Arabia, Iran and Iraq with little in the way of compromise so far making into headlines. In our view the likeliest outcomes would be either a cosmetic cut that would do little to affect market balances or a failure to get any agreement. That said, OPEC managed to surprise markets positively in September so a shock decision can't be ruled out.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0650	+0.34	1.0853	USDTRY	3.4090	-0.19	EURAED	3.9115	+0.35
GBPUSD	1.2493	+0.62	1.2606	USDEGP	17.8939	+0.50	GBPAED	4.5878	+0.60
USDJPY	112.38	+0.39	110.19	USDSAR	3.7508	+0.00	JPYAED	0.0327	-0.41
USDCAD	1.3432	+0.15	1.3374	USDQAR	3.6413	-0.00	CADAED	2.7346	-0.16
AUDUSD	0.7484	+0.03	0.7425	USDKWD	0.3050	+0.03	AUDAED	2.7487	+0.02
USDCHF	1.0117	-0.10	0.9871	USDBHD	0.3770	-0.01	CHFAED	3.6305	+0.14
EURGBP	0.8525	-0.26	0.8610	USDOMR	0.3850	+0.00	TRYAED	1.0800	+0.43
USDAED	3.6730	--	3.6860	USDINR	68.6138	-0.23	INRAED	0.0535	-0.05

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.7647	1.4084	1.6739	2.0797	USD 2 yr	1.288	-1
USD LIBOR	0.6056	0.9351	1.2899	1.6412	USD 5 yr	1.749	-2
GBP LIBOR	0.2608	0.3878	0.5533	0.7924	USD 10 yr	2.125	-2
JPY LIBOR	-0.0826	-0.0760	0.0034	0.1013	EUR 2 yr	-0.170	-1
CHF LIBOR	-0.7896	-0.7464	-0.6750	-0.5054	EUR 5 yr	0.049	-2
					EUR 10 yr	0.601	-1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1188.31	-0.48	ADGB 6.75 19	1.65	-2	Abu Dhabi	69	---
Silver	16.63	+0.09	DUGB 7.75 20	2.82	-2	Dubai	158	--
Oil (WTI)	45.23	-3.93	QATAR 6.55 19	1.90	--	Qatar	89	--
Aluminium	1718.75	-1.50	US Tsy 2 yr	1.09	-1	Saudi Arabia	129	+2
Copper	5690.00	-3.00	US Tsy 10 yr	2.29	-2	Bahrain	331	-2

Source: Bloomberg, Emirates NBD Research

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