



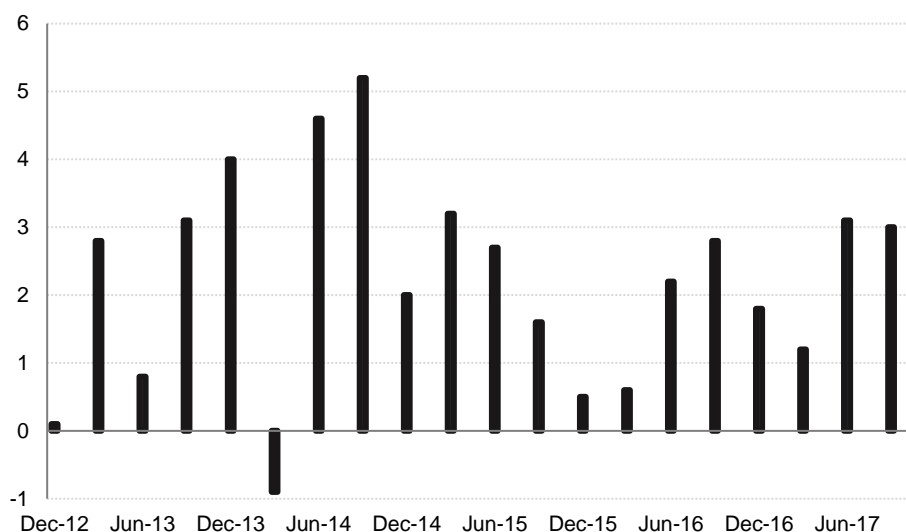
Daily Outlook

Economic data beat expectations in the US with the first estimate of 3Q GDP coming in at 3.0% (annualized), materially ahead of 2.6% consensus and adding to the already robust 3.1% in Q2. Personal consumption also rose to 2.4% ahead of the 2.1% consensus. In addition the University of Michigan sentiment index came in line with expectations at 100.7. Solid economic data augurs well for a rebound in core inflation which in turn may prompt Fed to raise rates faster than what the market is currently pricing regardless of who is nominated to be the next Fed Chair.

The ECB's decision to reduce its monthly asset purchases from EUR 60 billion to EUR 30 billion per month from January onwards largely reflected growing optimism that eurozone inflation will rise towards the target of below, but close to, 2%. Indeed, the latest surveys suggest that underlying price pressures are building and wage growth is rising. However the tenure of purchases has been increased by nine months to September along with the assurances that adjustments would be made if warranted by the upcoming economic progress. With core inflation set to rise only gradually over the next couple of years, ECB is likely to proceed very cautiously with policy normalisation.

Looking ahead the week is packed with torrent of market-moving information. President Trump is expected to name a new Fed Chair before he leaves for Asia on Friday. His preference is speculated to have shifted from John Taylor to Jerome Powell. Three major central banks meetings are scheduled this week. **Bank of Japan is likely to leave policy unchanged** although Governor Kuroda may have to cut inflation forecast as current consumer price increases remain lackluster. **Bank of England is expected to raise rates by 25bps on its meeting on 2nd November** as inflation continues to run above the target rate. FOMC on 1st November is likely to be uneventful. Also due for release are the latest readings on non-farm payrolls, unemployment and Fed's preferred inflation gauge in the US, PMI data in the UK and consumer price data out of the Eurozone.

US annualized QoQ GDP growth



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
US Core PCE YoY	16:30	1.3%	Eurozone Cons confidence	14:00	-1.0
US personal income	16:30	0.4%			

Source: Bloomberg

Fixed Income

UST yield curve continued to shift upwards throughout last week even though futures implied probability of rate hikes in 2018 still remain at less than two on the back of increasing speculation about the next Fed Chair being more hawkish than the current one. Yields on 2yr, 5yr, 10yr and 30yr treasuries closed at 1.59% (+3bps), 2.03% (+3bps), 2.41% (+4bps) and 2.92% (+4bps) respectively. In contrast, slightly more dovish than expected ECB saw a 3bps decline in 10yr Bund yields to 0.38%. Also despite the prospect of a rate hike in the UK reaching around 90%, 10yr Gilt yields were lower by 4bps to 1.35% during the week owing to uncertainties surrounding the long term impact of Brexit on future inflation in the UK.

Credit protection costs were lower in the developed world with CDS levels on US IG and Euro Main narrowing 2bps each to 53bps and 52bps respectively as corporate result announcements were largely positive and oil prices rose circa 5% during the week to \$60.44/b.

There was no singular trend in the GCC bond market. CDS levels on GCC sovereigns were mixed with those on Abu Dhabi, Kuwait and Saudi Arabia tightening few bps while Bahrain widened by 6bps to 245bps and Qatar and Dubai both widened 2bps each to 148bps and 102bps respectively.

Cash corporate bond investors took the opportunity to take profits amid improved sentiment on the back of rising oil prices, causing most bond prices to fall. Average yield on Barclays GCC index closed the week at 3.47% (+6bps) and option adjusted credit spreads closed at 130bps (+2bps).

FX

Movements in currency market were small over the weekend as dollar remained largely unchanged with increasing possibility of Jerome Powell being nominated as the next Fed Chair. EURUSD continued its weakening trend to reach 1.1608 in response to ECB's meeting outcome being perceived to be more dovish than expectation. Also there was some softness in CNY against the dollar at 6.6505.

On the other hand, JPY, GBP and AUD remained firm with each closing marginally higher against the dollar. JPY touched 113.67, GBP reached 1.3128 and AUD is trailing at 0.7671 this morning.

Equities

Global equities closed mostly in Green on Friday. US equities gained strength from more than two thirds of the companies announcing better than expected results and increasing hopes of cut in corporate tax rates. S&P 500 closed up by +0.81% and FTSE 100 was +0.25%.

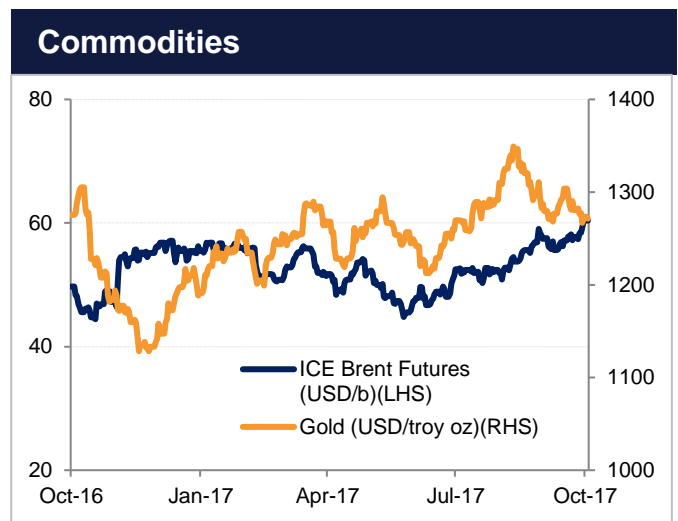
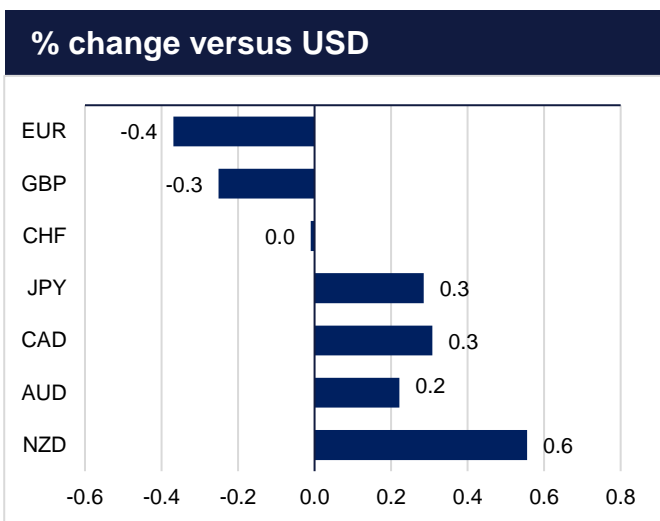
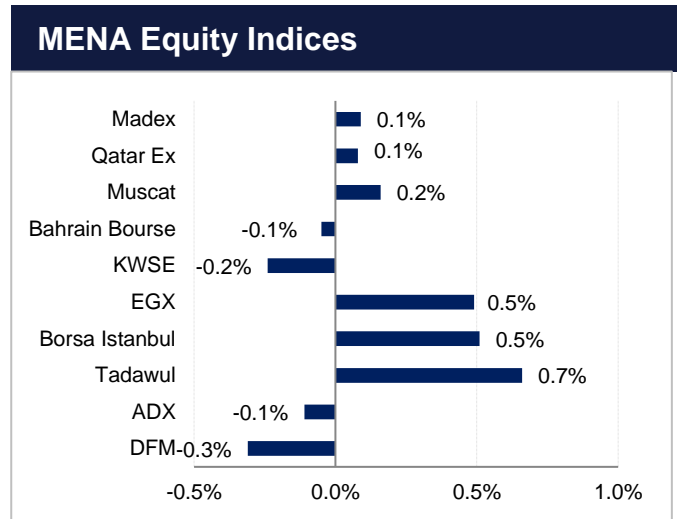
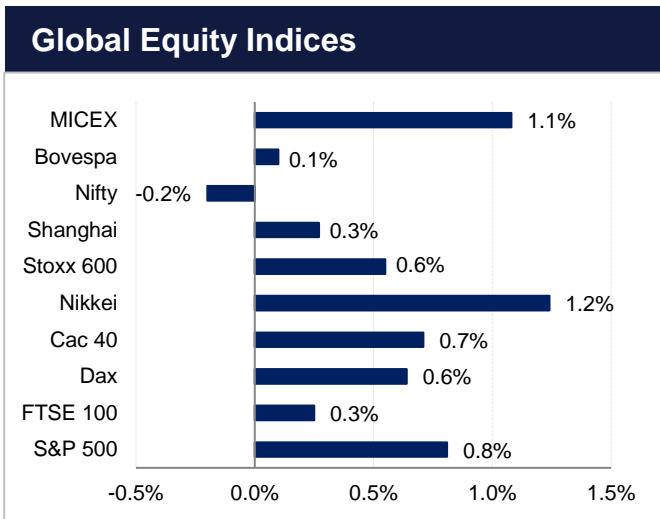
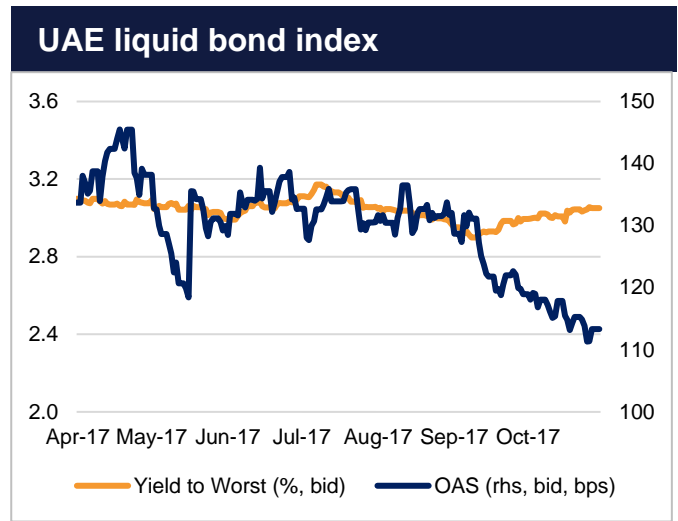
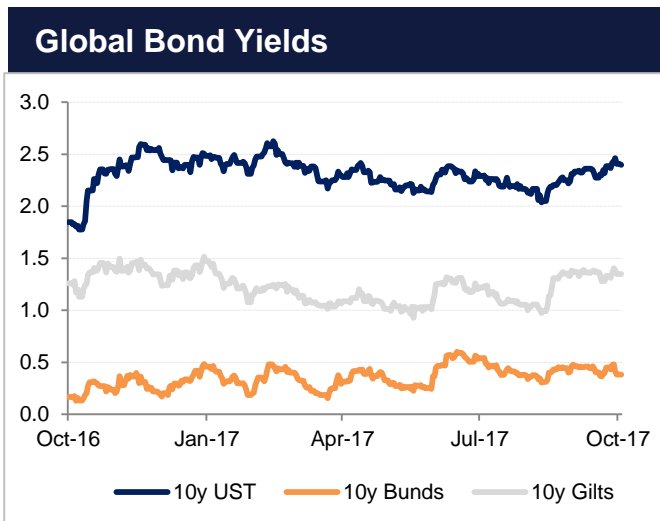
Regionally, UAE bourses slipped amid thin trading volume. Lead by decline mainly in property shares, DFM index closed down by one third of a percentage point and Abu Dhabi index was down by -0.11%. In contrast, Saudi's Tadawul firmed up by +0.44%.

Commodities

Oil futures rallied over the week and Brent futures closed above USD 60/b for the first time since H1 2015. Saudi Arabia's crown prince, Mohammad bin Salman, gave a clear statement in support of extending OPEC's current production cut deal with partners for another nine months which to us makes it a near certainty the extension will be approved at OPEC's next meeting. Both WTI and Brent rallied 4.7% on the week.

Market structures got a boost from last week's rally. Brent's 1-2 month backwardation moved back to USD 0.3/b and the contango at the front of the WTI curve narrowed to its smallest since August. Last week's jump also helped push calendar strips for 2018 to strong levels; WTI at over USD 52/b, its highest since March while Brent closed the week near USD 59/b.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1608	-0.37	1.1879	USDTRY	3.7883	-0.85	EURAED	4.2639	-0.36
GBPUSD	1.3128	-0.25	1.3281	USDEGP	17.6537	+0.08	GBPAED	4.8227	-0.23
USDJPY	113.67	-0.27	111.27	USDSAR	3.7501	--	JPYAED	0.0323	+0.27
USDCAD	1.2808	-0.30	1.2771	USDQAR	3.6800	-2.65	CADAED	2.8675	+0.29
AUDUSD	0.7677	+0.22	0.7659	USDKWD	0.3027	+0.17	AUDAED	2.8200	+0.22
USDCHF	0.9981	+0.06	0.9715	USDBHD	0.3772	-0.00	CHFAED	3.6793	-0.05
EURGBP	0.8842	-0.13	0.8944	USDOMR	0.3850	--	TRYAED	0.9700	+0.90
USDAED	3.6729	--	3.6784	USDINR	64.8950	+0.11	INRAED	0.0566	+0.31

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3167	1.5717	1.8108	2.2110	USD 2 yr	1.822	-2
USD LIBOR	1.2423	1.3801	1.5727	1.8479	USD 5 yr	2.117	-3
GBP LIBOR	0.3705	0.4279	0.5557	0.7699	USD 10 yr	2.380	-6
JPY LIBOR	-0.0248	-0.0326	-0.0030	0.1144	EUR 2 yr	-0.197	-1
CHF LIBOR	-0.7826	-0.7264	-0.6486	-0.5220	EUR 5 yr	0.214	-2
					EUR 10 yr	0.861	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1273.35	+0.50	ADGB 6.75 19	1.80	+1	Abu Dhabi	63	-2
Silver	16.87	+0.48	DUGB 7.75 20	2.56	+6	Dubai	148	+2
Oil (WTI)	53.90	+2.39	QATAR 6.55 19	2.05	+1	Qatar	102	+2
Aluminium	2150.25	-1.16	US Tsy 2 yr	1.59	-3	Saudi Arabia	83	--
Copper	6800.50	-2.31	US Tsy 10 yr	2.41	-5	Bahrain	245	+6

Source: Bloomberg, Emirates NBD Research

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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
Group Treasurer & EVP 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

Shady Shafer Elborno
Head of Macro Strategy
+9714 2012300
shadyb@emiratesnbd.com

Athanasios Tsetsonis
Sector Economist
+9714 230 7629
athanasiost@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

Aditya Pugalia
Financial Markets Research
+9714 230 7802
adityap@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
vallancel@emiratesnbd.com

Egypt
Gary Boon
+20 22 726 5040
garyboon@emiratesnbd.com

Emirates NBD Capital

Ahmed Al Qassim
CEO- Emirates NBD Capital
AhmedAQ@emiratesnbd.com

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