



# Daily Outlook

In a speech last night, Fed Chairman Jerome Powell maintained that the Fed's policy of gradual tightening remained appropriate despite the recent pick up in wage growth and continued low unemployment. He stressed that inflation expectations remained well anchored, and that if this changed then the Fed would be able to respond.

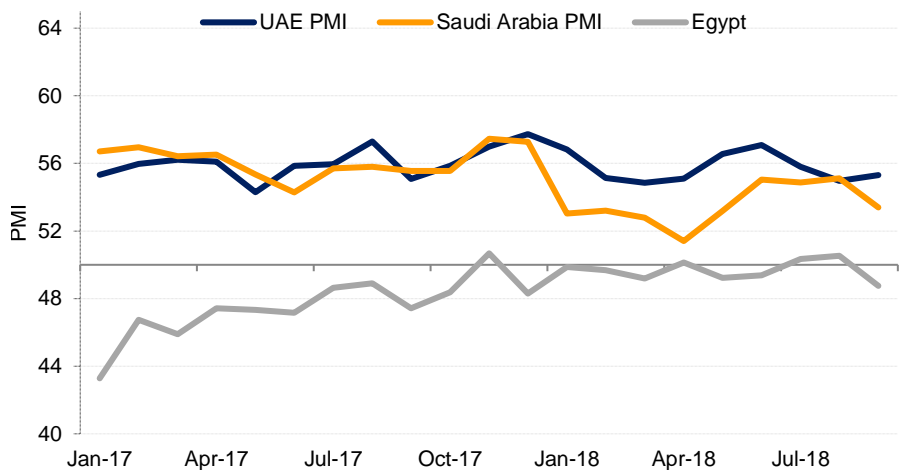
**Italy continues to weigh on European markets**, with Italian equities declining a further -1.1% yesterday and the broader Stoxx600 down -0.5%. Italian 10Y bond yields rose to 3.45%, the highest level in more than four years. Reports this morning suggest that the Italian government may be willing to reduce the budget deficit to -2.0% of GDP in 2021, rather than keep it at -2.4% over the next three years as originally proposed. However, the deficit for next year remains -2.4% of GDP for now, which may be too high for the EU.

**The Reserve Bank of Australia kept rates on hold at 1.5% as expected yesterday**, and there was little change to the post-meeting statement. Most analysts are expecting rates to remain on hold in Australia until H2 2019 at the earliest.

**Services PMI data released in Japan this morning showed slower expansion in the services sector in September.** The services PMI fell to a two-year low of 50.2 from 51.5 in August although this was likely due to natural disasters experienced last month. Early indications are that activity has recovered in the areas affected by the earthquake and subsequent power outages, so the dip in the PMI may prove temporary.

**Regional PMIs in September were mixed.** The UAE PMI was marginally higher at 55.3, although employment declined on average for the second month in a row. New order growth was boosted by firmer external demand. The PMIs for Saudi Arabia and Egypt declined in September, with Egypt's PMI slipping back into contraction territory for the first time in three months on declining output and new orders.

## Regional PMIs broadly softer in September



Source: Haver Analytics, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
Eurozone Services PMI	12:00	54.7	UK Services PMI	12:30	54.0
US ADP Employment	16:15	184k	US Markit Services PMI	17:45	53.0
US ISM Non-manuf. Index	18:00	58.0			

Source: Bloomberg, Emirates NBD Research.

## Fixed Income

Slight softness in the PMI data released earlier in the week kept a lid on US yields. UST curve recorded slight bear flattening yesterday with yields on 2yr, 5yr and 10yr reducing to 2.81% (-1bp), 2.95% (-1bp) and 3.06% (-2bps) respectively. Italy weighed on the sentiment in Europe, causing yields on 10yr Bunds to fall 5bps to 0.42%. Risk aversion caused credit spreads to widen with CDS levels on US IG and Euro Main closing wider at 59bps (+1bp) and 69 bps (+2bps) respectively

Regional bonds had little idiosyncratic news to trade. Yield on Barclays Bloomberg GCC bond index was largely unchanged at around 4.44% even though credit spreads were 3bps wider to 156bps. CDS levels on GCC sovereigns also had a widening bias. Bahrain 5yr CDS closed 3bps wider to 300bps, pending confirmation of details on the aid package from its neighbours.

In the primary market, Saudi Basic Industries priced \$2 billion deal across two tranches at MS+115 (\$1bn, 5yr tranche) and MS+155bps (\$1bn, 10yr tranche) respectively.

## FX

JPY outperformed on Tuesday gaining on all the other major currencies as many developed equity markets closed in the red. Over the course of the day USDJPY fell by 0.25% to reach 113.65. As we go to print, the cross currently trades at 113.69. While the price remains above the 200-week moving average (113.20), further gains towards the one year high of 114.73 remain a possibility.

Elsewhere the Euro has rallied this morning on reports that Italy plans to lower its deficit. EURUSD is currently trading 0.24% higher at 1.1576 during the Asia session in a move that may result in further gains and a retest of the 50-day moving average (1.1604).

## Equities

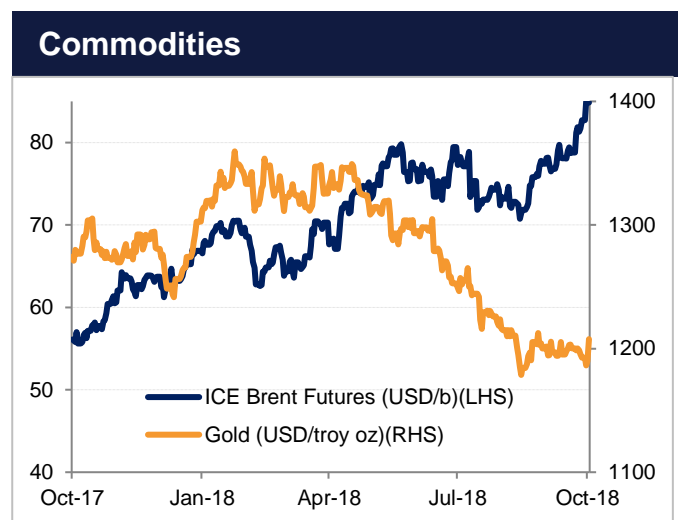
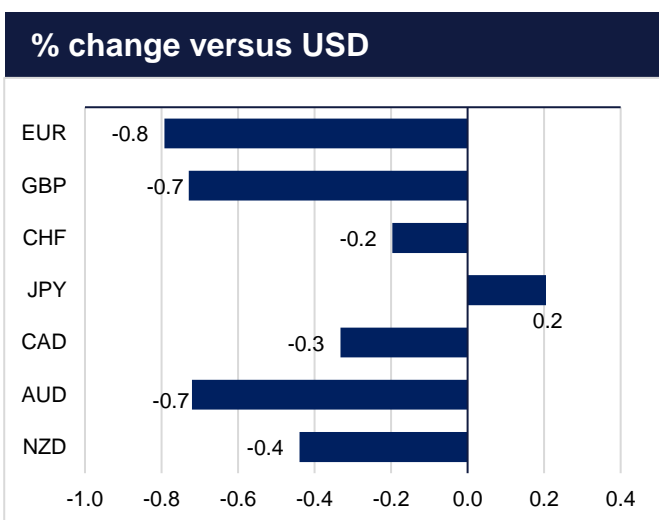
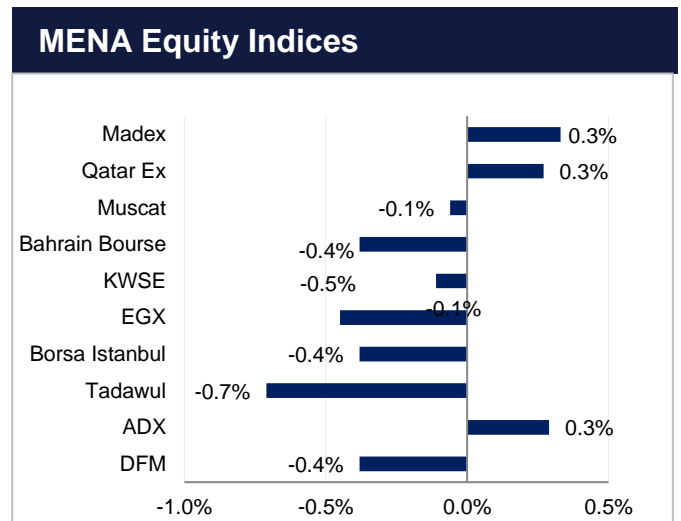
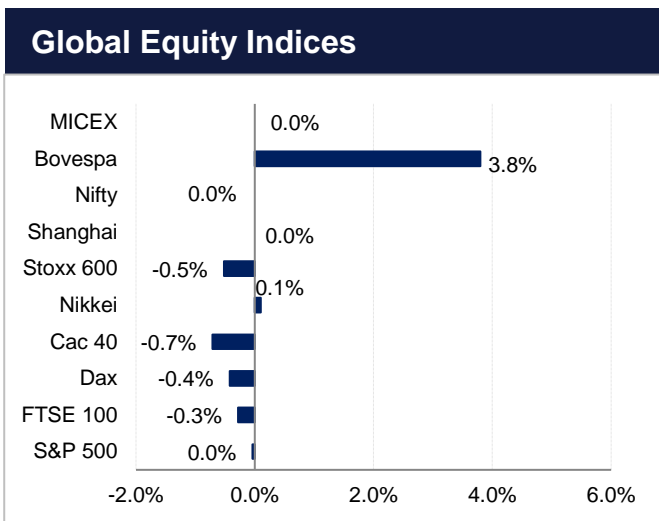
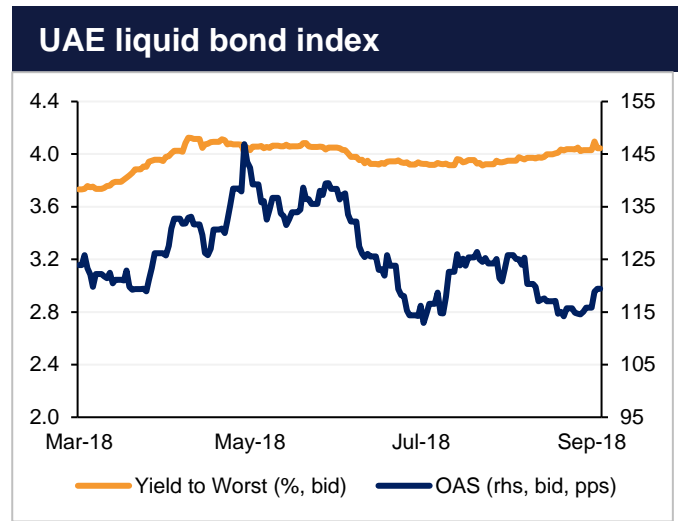
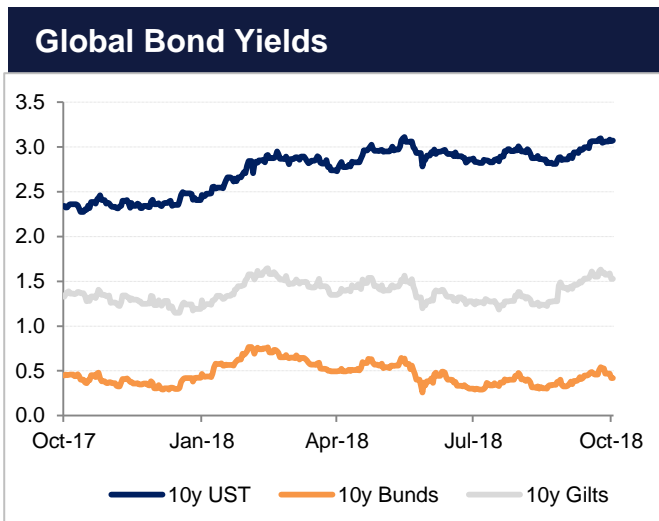
Global equities traded mixed following a volatile U.S. session as investors weighed continuing concerns in Indonesia and Italy and strength in commodity prices. The Dow Jones climbed 0.46% while FTSE and DAX were down -0.74% and -0.42% respectively. Japan and Hong Kong are trailing in the red in early morning trades today.

Regional equity bourses also had a mixed performance. Abu Dhabi index was boosted +0.29% higher by trading in bank shares while Dubai index fell – 0.38% Kuwait closed down by -0.11% though Qatar was up +0.27%.

## Commodities

Oil futures managed to hold close to recent elevated levels with both Brent and WTI hovering near USD 85/b and USD 75/b respectively. Markets have been relatively short on new fundamental catalysts to support a substantial push higher and any further move in the short-term may be related more to general market sentiment rather than commodity-specific news. Private sector data showed a modest increase in US crude inventories last week while also highlighting a further dip in refinery runs, likely down to seasonal factors.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1517	-0.79	1.1901	USDTRY	6.0314	+1.85	EURAED	4.2304	-0.78
GBPUSD	1.2944	-0.73	1.3186	USDEGP	17.9050	-0.03	GBPAED	4.7547	-0.72
USDJPY	113.76	-0.20	110.27	USDSAR	3.7501	-0.00	JPYAED	0.0323	+0.21
USDCAD	1.2835	+0.35	1.2756	USDQAR	3.6800	+0.63	CADAED	2.8616	-0.35
AUDUSD	0.7168	-0.72	0.7210	USDKWD	0.3037	+0.10	AUDAED	2.6329	-0.71
USDCHF	0.9845	+0.21	0.9489	USDBHD	0.3770	+0.00	CHFAED	3.7308	-0.20
EURGBP	0.8898	-0.06	0.9025	USDOMR	0.3850	-0.01	TRYAED	0.6100	-1.65
USDAED	3.6730	--	3.6760	USDINR	73.2775	+0.50	INRAED	0.0552	+9.57

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.4113	2.7163	2.9447	3.3802	USD 2 yr	2.985	-1
USD LIBOR	2.2739	2.4075	2.6070	2.9248	USD 5 yr	3.061	-3
GBP LIBOR	0.7213	0.8014	0.9042	1.0681	USD 10 yr	3.113	-3
JPY LIBOR	-0.0805	-0.0582	0.0187	0.1385	EUR 2 yr	-0.113	-1
CHF LIBOR	-0.7766	-0.7370	-0.6546	-0.5204	EUR 5 yr	0.376	-3
					EUR 10 yr	0.976	-3

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1203.32	+1.21	ADGB 6.75 19	2.42	--	Abu Dhabi	61	--
Silver	14.47	-0.66	DUGB 7.75 20	3.47	+0	Bahrain	230	+3
Oil (WTI)	75.23	-0.09	QATAR 6.55 19	2.70	+0	Dubai	122	-1
Aluminium	2101.75	+1.47	US Tsy 2 yr	2.81	-1	Qatar	69	+2
Copper	6288.00	+0.47	US Tsy 10 yr	3.06	-2	Saudi Arabia	69	+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**  
Director - 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