



بنك الإمارات دبي الوطني  
Emirates NBD

Daily

6 December 2018

# Daily Outlook

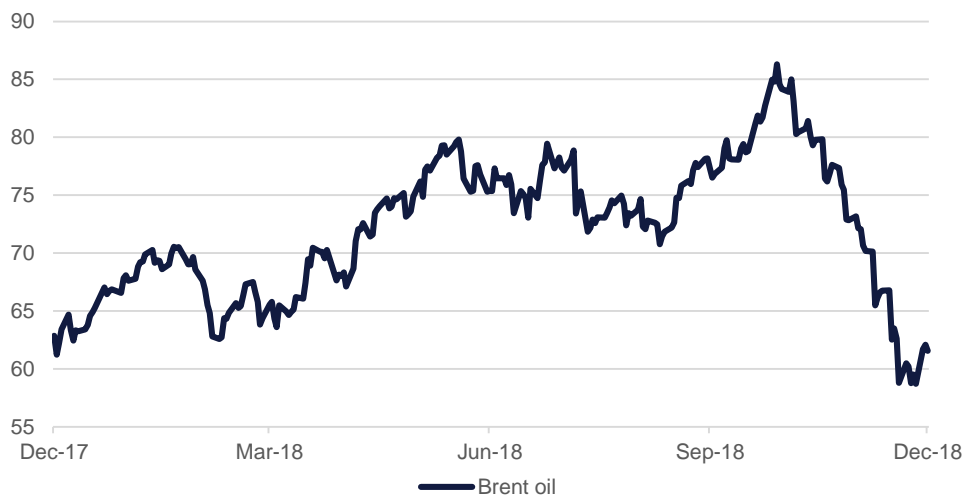
**OPEC holds its biannual meeting today** and market focus will be on whether the producers' bloc **can agree to cut production** and also encourage producers such as Russia to participate in the cuts. OPEC's current production levels will leave the market heavily oversupplied, particularly in Q1 next year, if there were to be maintained yet achieving consensus among members to share out a cut still appears a considerable challenge. Even if a cut were agreed the size that has been mooted by some OPEC members, **around 1m b/d, may not be enough to assuage markets** that it will take a bit out of next year's pending surplus and may prompt a further sell off in crude.

The **Reserve Bank of India (RBI) kept interest rates on hold at 6.50% and made no change to its 'calibrated tightening' stance.** The decision was in line with expectations. The accompanying commentary suggest that the central bank is prepared to change its stance should the upside risks to inflation not materialize. The RBI did lower its H2 FY 2019 **inflation forecast sharply to 2.7%-3.2% from 3.9%-4.5%.** The central bank remains wary of pullback in oil prices and appears inclined to wait for firmer indications. On the liquidity front, the central bank reaffirmed its intention to conduct more open market operations and also **lowered the statutory liquidity ratio by 25 bps.**

The **Bank of Canada left rates unchanged at 1.75%.** The central bank did reiterate its expectation of removing all monetary stimulus from the economy but was more guarded relative to last meeting as it cited possibility of **'additional room for non-inflationary growth'**.

The next couple of days are laden with key economic data releases notably in the US. These included the **ISM non-manufacturing index, durable goods order and non-farm payrolls data.** At a time when there are growing concerns over slowing growth, these data releases would serve as a key barometer ahead of the Federal Reserve meeting later in the month.

## Oil price steady ahead of OPEC meeting



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
Germany Factory orders	11.00	-0.4%	US Trade Balance	17.30	-55b
US ADP employment chg	17.15	195k	US Initial Jobless Claims	17.30	225k
US ISM non-manufacturing	19.00	59.0	US Durable Goods Order	19.00	-2.4%

Source: Bloomberg, Emirates NBD Research.

## Fixed Income

It was a relatively quiet day as US markets were closed. Gilts closed lower for the first time in seven trading sessions even as uncertainty remained around Brexit. Yields on 10y Gilts rose 3 bps to 1.31%.

Regional bonds were largely unchanged with YTW on the Bloomberg Barclays GCC Credit and High Yield index closing at 4.64% and credit spreads remaining flat at 185 bps.

## FX

Risk aversion has helped the JPY to strengthen overnight, with the arrest of a Chinese company executive in Canada seen as adding to US-China tensions. Meanwhile the AUD weakened after Australia's trade balance fell to AUD2.32bn against expectations of a surplus of AUD3bn. USDCAD rose to 6 month highs of 1.3404 from 1.3290 following the BOC announcement and statement, which noted a 'materially weaker' than expected energy sector, and signs that trade conflicts are weighing more heavily on global demand.

## Equities

With US markets closed, European equities led developed markets lower as investors remain hesitant to add position heading into a period dominated by key events. The Euro Stoxx 600 index dropped -1.2% to take its year to date losses to -9.0%.

Regional equities closed lower as investors' locked in gains from earlier this week. The DFM index and the Tadawul dropped -1.6% and -0.3% respectively. While there was no stock specific development, market heavyweights led the decline. FAB lost -2.3% while Emaar Properties declined -3.1%.

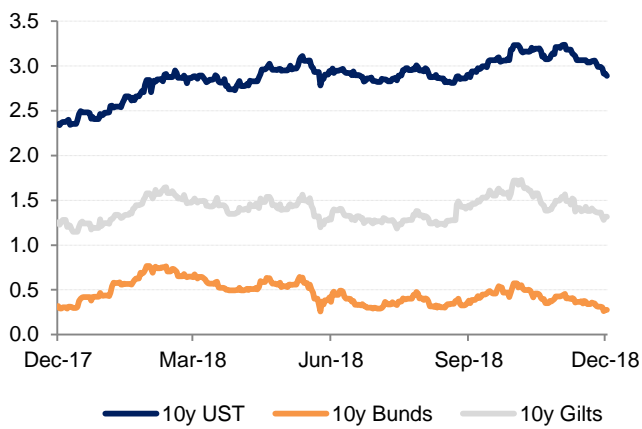
## Commodities

Oil markets remained under pressure from declines in global equity markets along with a shaken conviction on whether OPEC will indeed agree to production cuts at its meeting later today. Brent futures fell 0.8% and WTI declined nearly 7% on the day. Both contracts are softer this morning. US president Donald Trump again targeted OPEC in a direct tweet calling for oil flows to remain "as is."

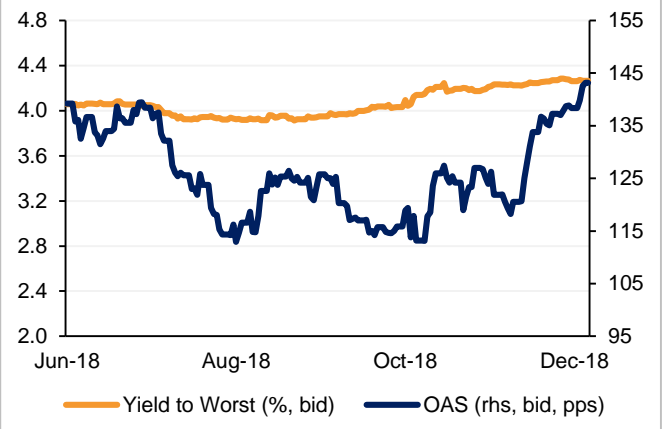
OPEC may decide to cut back output from October 2018 levels, a month when the bloc produced nearly 33m b/d. While the cut could help shore up near term confidence in oil markets it would still be from an extremely elevated baseline and would need substantial declines from other producers to make a significant impact on balances next year.

## Markets in Charts

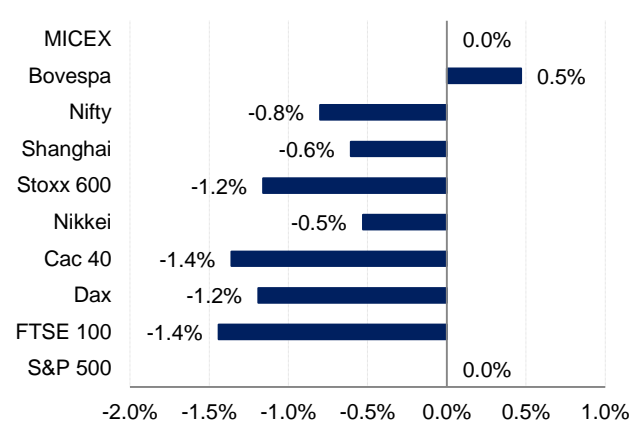
### Global Bond Yields



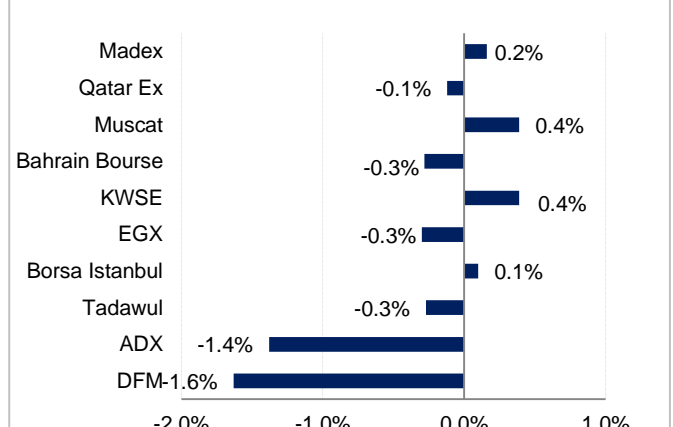
### UAE liquid bond index



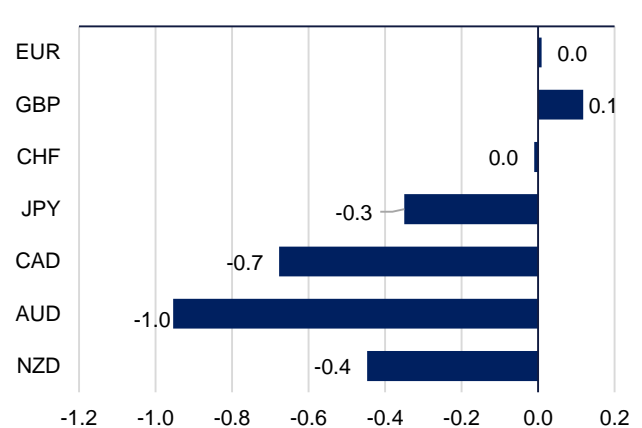
### Global Equity Indices



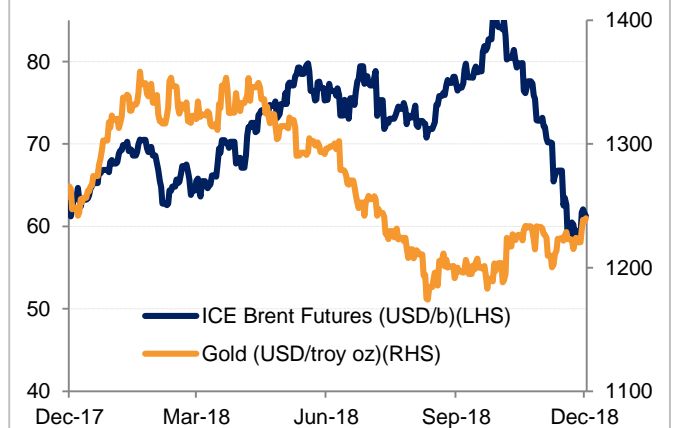
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1344	+0.01	1.1727	USDTRY	5.3254	-1.15	EURAED	4.1669	+0.02
GBPUSD	1.2734	+0.12	1.2974	USDEGP	17.9382	+0.03	GBPAED	4.6769	+0.14
USDJPY	113.19	+0.37	109.55	USDSAR	3.7516	-0.00	JPYAED	0.0324	-0.36
USDCAD	1.3355	+0.70	1.3259	USDQAR	3.6800	+0.73	CADAED	2.7504	-0.67
AUDUSD	0.7268	-0.95	0.7321	USDKWD	0.3042	+0.07	AUDAED	2.6702	-0.93
USDCHF	0.9977	+0.03	0.9612	USDBHD	0.3770	-0.00	CHFAED	3.6813	-0.01
EURGBP	0.8909	-0.10	0.9039	USDOMR	0.3848	--	TRYAED	0.6900	+1.21
USDAED	3.6730	--	3.6761	USDINR	70.4675	-0.05	INRAED	0.0552	+6.19

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.5018	2.8763	3.0463	3.4767	USD 2 yr	2.961	+0
USD LIBOR	2.3833	2.7658	2.8911	3.1258	USD 5 yr	2.923	-0
GBP LIBOR	0.7358	0.8976	1.0228	1.1599	USD 10 yr	2.975	-0
JPY LIBOR	-0.1803	-0.1182	-0.0108	0.1067	EUR 2 yr	-0.141	+2
CHF LIBOR	-0.8360	-0.7398	-0.6606	-0.5248	EUR 5 yr	0.271	+3
					EUR 10 yr	0.865	+3

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1237.29	-0.10	ADGB 6.75 19	2.42	--	Abu Dhabi	67	-
Silver	14.50	-0.22	DUGB 7.75 20	-	-	Bahrain	281	-
Oil (WTI)	52.89	-0.68	QATAR 6.55 19	-	-	Dubai	121	+1
Aluminium	1970.25	-0.11	US Tsy 2 yr	2.79	--	Qatar	74	+1
Copper	6175.00	-0.60	US Tsy 10 yr	2.91	--	Saudi Arabia	90	+1

Source: Bloomberg, Emirates NBD Research

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