



بنك الإمارات دبي الوطني
Emirates NBD

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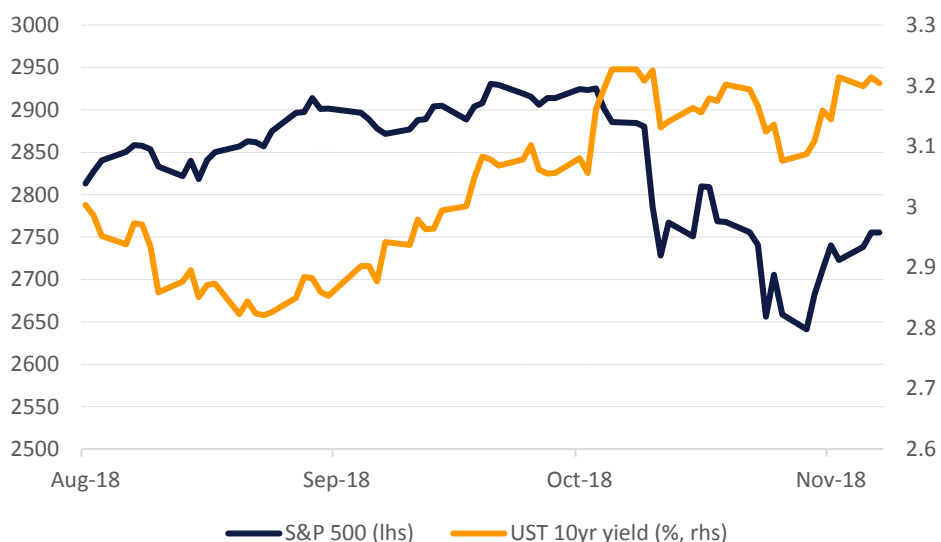
Daily Outlook

Markets are anxiously awaiting the results of the US mid-term elections where Democrats were expected to take control of the House of Representatives and the Republicans keep a narrow majority in the Senate. Results are continuing to come in and at this point Republicans have kept control of the Senate while a Democrat House appears likely but has yet to be confirmed. In any outcome the economic trajectory for the US, and consequently for Fed rates, is unlikely to be materially derailed. A Democratic House/Republican Senate will likely frustrate the administration's policymaking and could result in a temporary government shutdown at some point next year. The only policy area where there is likely to be bipartisan consensus is on infrastructure spending which a Democrat-controlled House may use as a token to extract concessions from President Trump on other issues. The immediate reaction from markets has been in equities where US equity index futures are starting to move lower on news that Democrats would take the House.

The final composite PMI for the Eurozone came in at 53.1, down from 54.1 a month earlier and the lowest level since September 2016. A political standoff between the European Commission and Italy's government along with Angela Merkel's announcement that she will step down as leader of her party are all political risk to an already difficult economic environment. Exports are showing signs of slowing and the future output index, a measure of business optimism, fell to 60.5 from 62.1. The data still points to growth in the regional economy in the final months of 2018 albeit at a softer pace.

The central bank in the UAE expects the economy to grow by 4.2% next year, faster than our projections of 3.6% growth. The governor of the central bank, Mubarak Rashed al Mansoori, said that most of the growth would come via higher oil production (in line with our own expectations) but clearly is expecting a stronger performance in the non-oil economy as the government raises spending.

Markets sit on the sidelines for outcome of US mid-terms



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
UK House prices m/m	12:30	0.3%	EZ retail sales m/m	14:00	0.1%

Source: EIKON, Emirates NBD Research.

Fixed Income

Treasury markets were effectively unchanged as the market watches the outcome of the US mid term elections. Yields on 10yr Treasuries are holding onto a 3.2% handle while the front end of the curve is seeing a relatively larger increase in yields helping to marginally compress the 2yr-10yr spread. Until a more certain outcome for the election becomes apparent we would expect markets to keep treading water.

S&P kept Ezdan Holdings' B- rating on credit watch negative following the company's breach of bank loan covenants as a consequence of rising interest costs and recent decline in EBITDA. Ezdan bonds continued to trade at distress level with yield on RESQD 21 reaching 11.3%.

FX

The USD has softened against the other major currencies as investor appetite for the dollar has declined while the outcome of the U.S. midterm elections is awaited. As a result, the Dollar Index has broken back below the 96 handle. Thus far, the index is trading 0.24% lower this morning near a two-day low at 95.80. We expect the next level of support for the index at 95.20, not far from the 50-day moving average.

The key driver for USD performance will be the outcome of these midterm elections. Should the outcome be a split Congress, we expect initial USD weakness against the JPY as risk aversion becomes the dominant market theme.

Equities

US equity markets closed positively ahead of the election and a surprise outcome where Republicans maintained control of both chambers could see a sharper move upward in response. European equities were largely negative with a near 1% decline in the FTSE weighed by a stronger pound in the past few days. Equity markets in Asia are generally positive at the start of trading.

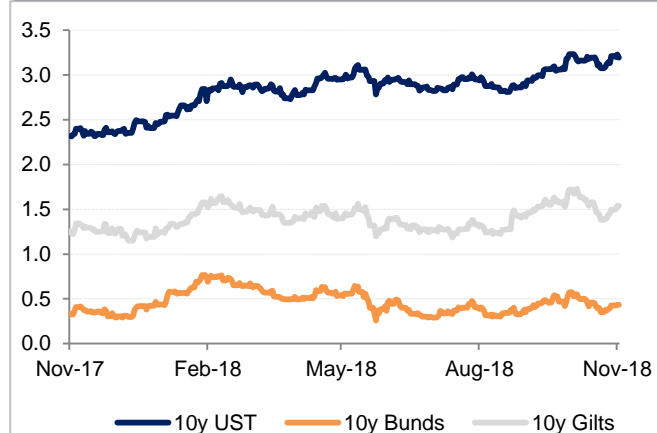
Regional markets were generally positive with gains of 0.7% in Dubai, 0.6% in Abu Dhabi and 0.1% in the Tadawul.

Commodities

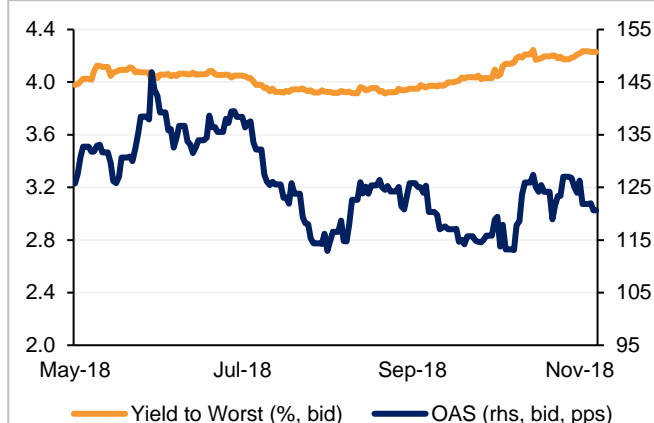
Oil markets were softer overnight with both Brent and WTI closing down by 1.4%. Iraq's new oil minister has pledged to increase output and export capacity, targeting production capacity of 5m b/d compared with current output of 4.6m b/d. Markets are pricing in more softness going forward as the narrative has shifted to a market being relatively more well supplied than had been feared only a few months ago.

Markets in Charts

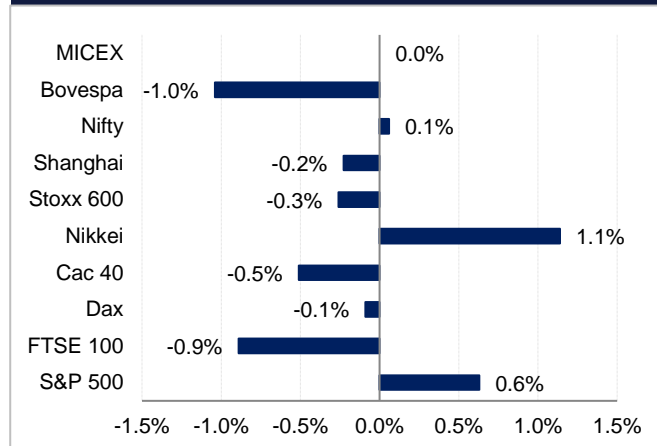
Global Bond Yields



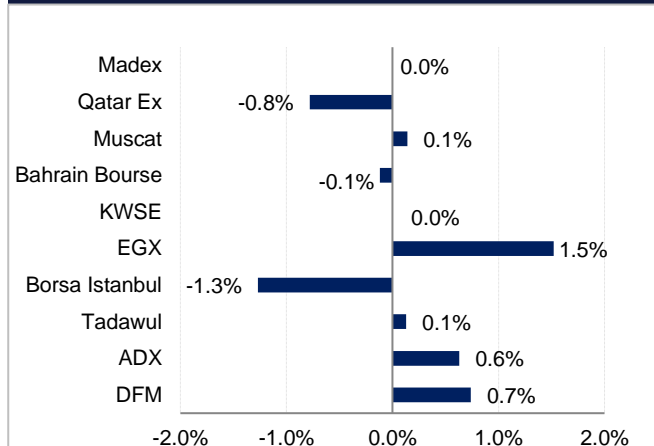
UAE liquid bond index



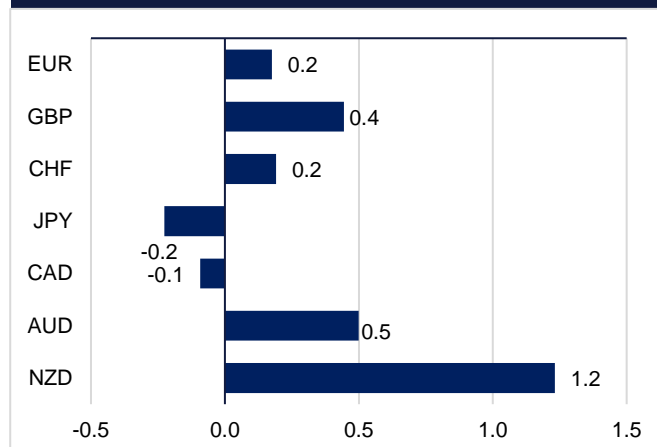
Global Equity Indices



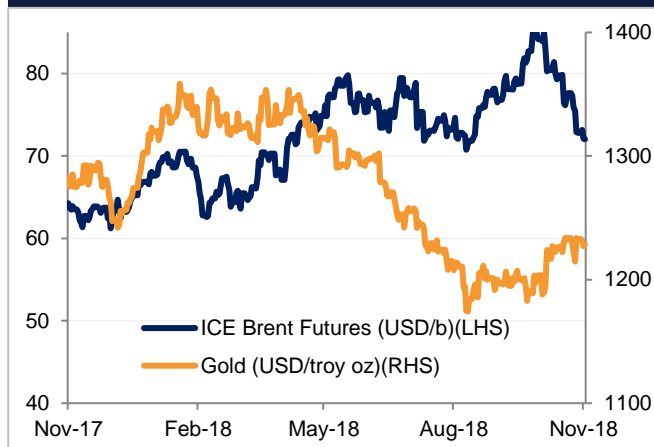
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1427	+0.18	1.1822	USDTRY	5.3571	+0.85	EURAUD	4.1974	+0.18
GBPUSD	1.3099	+0.44	1.3349	USDEGP	17.9203	-0.13	GBPAED	4.8129	+0.47
USDJPY	113.43	+0.21	109.76	USDSAR	3.7510	--	JPYAED	0.0324	-0.22
USDCAD	1.3124	+0.11	1.3047	USDQAR	3.6800	+1.06	CADAED	2.7987	-0.10
AUDUSD	0.7247	+0.50	0.7297	USDKWD	0.3038	--	AUDAED	2.6611	+0.48
USDCHF	1.0025	-0.20	0.9651	USDBHD	0.3770	--	CHFAED	3.6638	+0.20
EURGBP	0.8723	-0.27	0.8856	USDOMR	0.3850	--	TRYAED	0.6900	-0.21
USDAED	3.6730	--	3.6767	USDINR	73.0000	-0.17	INRAED	0.0552	+9.59

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.4250	2.7063	2.9438	3.4815	USD 2 yr	3.122	+2
USD LIBOR	2.3160	2.5893	2.8358	3.1169	USD 5 yr	3.191	+2
GBP LIBOR	0.7271	0.8385	0.9668	1.1221	USD 10 yr	3.286	+2
JPY LIBOR	-0.1060	-0.0940	0.0137	0.1212	EUR 2 yr	-0.123	+0
CHF LIBOR	-0.7852	-0.7466	-0.6634	-0.5306	EUR 5 yr	0.362	+0
					EUR 10 yr	0.977	+0

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1227.19	-0.35	ADGB 6.75 19	2.42	--	Abu Dhabi	66	--
Silver	14.54	-0.73	DUGB 7.75 20	3.56	-1	Bahrain	271	-18
Oil (WTI)	62.21	-1.41	QATAR 6.55 19	2.61	-2	Dubai	121	--
Aluminium	1935.00	-1.10	US Tsy 2 yr	2.93	+2	Qatar	73	-1
Copper	6184.00	-0.36	US Tsy 10 yr	3.23	+3	Saudi Arabia	92	-1

Source: Bloomberg, Emirates NBD Research

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