



بنك الإمارات دبي الوطني  
Emirates NBD

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www.emiratesnbdresearch.com

# Daily Outlook

The final results from the US mid-term elections came in roughly as polls had been expecting with the Democrats taking control of the House of Representatives and Republicans maintaining and actually expanding their control over the Senate. With a mixed Congress the outlook for policymaking looks grim although there were already messages of bipartisan support for infrastructure spending from Democratic leaders and president Trump. However, the president fired Jeff Sessions, the attorney general, immediately after the election, throwing down the gauntlet to the House to try and expand investigations into the 2016 presidential election campaign. If US politics descends further into backbiting and investigations the risks of a government shutdown will increase substantially, particularly by March next year when the current debt ceiling is set to expire.

There were further signs of soft economic performance Europe in the most recent industrial production data from Germany. Industrial production expanded 0.2% month on month in September, better than had been expected but not enough to keep Q3 performance from declining by 0.9% q/q. Data from the region's largest economy will weigh on overall sentiment across Europe and it looks to be ending the year on a much softer footing. As evidence Eurozone economies are not yet out of the woods, the EU's economics commissioner warned the Commission could impose sanctions on Italy for its rule-breaking budget.

The Reserve Bank of New Zealand kept rates on hold at 1.75% in its latest rate decision today but kept its outlook for rates neutral. Unlike other developed markets both Australia and New Zealand have maintained a neutral stance on policy as they watch material risks to trade, large components of their economies, unfold. The RBNZ did indicate that a rate cut could actually be possible even though employment data out earlier this week were very strong.

UK house price growth slowed in October according to latest data out from Halifax, a British bank. Price growth in the three months to October slowed to 1.5% from 2.5% in the prior three month period. Houses in the higher end of the market are seeing particularly sluggish performance thanks to the impact of stamp duty and uncertainty on the UK's economy following the Brexit vote.

## Investors cheer bipartisan morass



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
GE trade balance	11:00	18bn	US FOMC decision	11:00	2-2.25%

Source: EIKON, Emirates NBD Research.

## Fixed Income

Treasury markets ended the day essentially flat as no substantial changes to the US economy are expected as a result of the elections. Yields on the 10yr UST closed at 3.213% while the 2yr gained slightly to 2.948% helping to compress the spread by almost 2bps. The risk of a government shutdown, perhaps as early as Q1, will affect the US yield curve over the next several months but we maintain our view that the Fed will remain fixated on data from the economy as the measure for its rate trajectory.

Continuing bid for GCC names on the back of pending index inclusion is helping credit spreads in the region to consolidate. Option adjusted spreads on GCC bond index tightened 3bps yesterday to 164bps, taking the average yield down by a bp to 4.67%.

In the primary market, NMC Healthcare has mandated banks for a possible 5yr Reg S, senior unsecured guaranteed sukuk which is expected to be rated Ba1/BB+ by Moody's and S&P.

## FX

The Bloomberg Dollar Spot Index was little changed on the back of changed political landscape in the US. The Yen ticked lower against the dollar to 113.67, the Euro traded flat at 1.1428 and the Pound was steady at 1.3123. Despite the trade issues, the offshore yuan has held ground well, yesterday closing only a tad softer at 6.9278

Trump's advisory team may look at the jump for imports and suggest he takes a softer approach to forge a trade deal -- AUD/USD has perked up a bit on the release, closing at 0.7282

## Equities

Equity markets responded strongly to the results of the US mid-terms as there are few expectations of changes to policy. The S&P 500 added more than 2% yesterday and the results also pushed European equities higher and are helping Asian stock markets this morning.

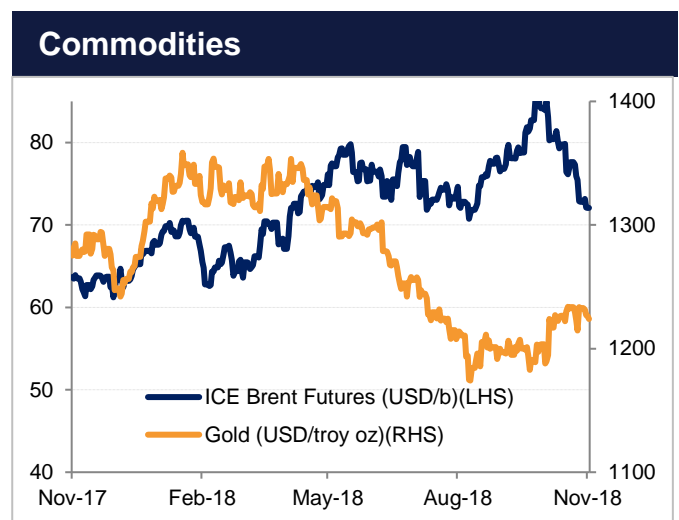
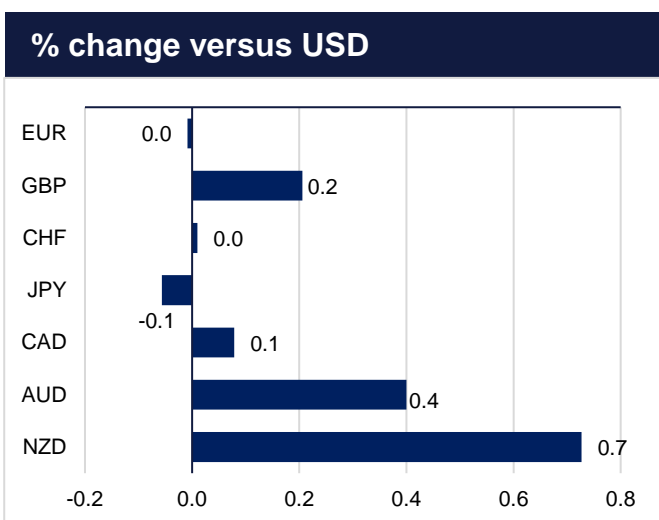
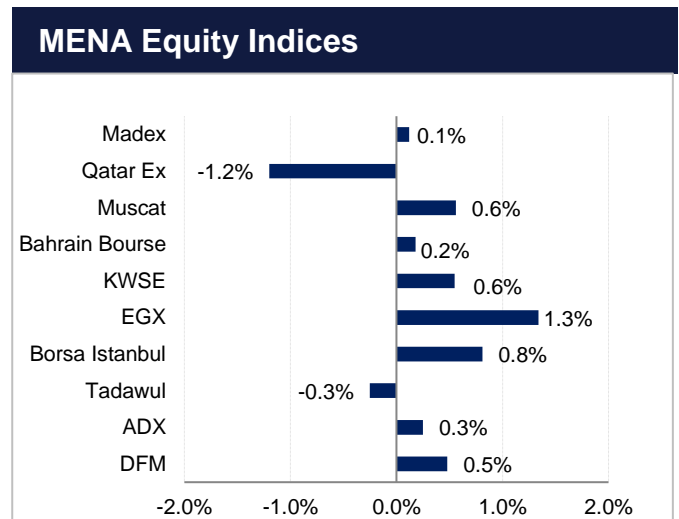
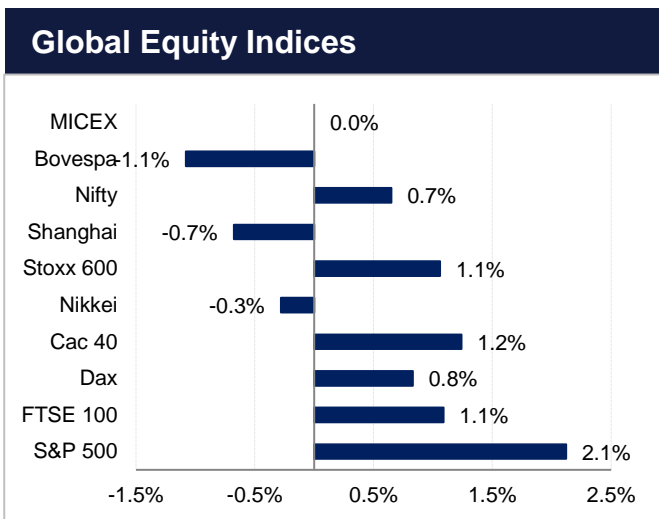
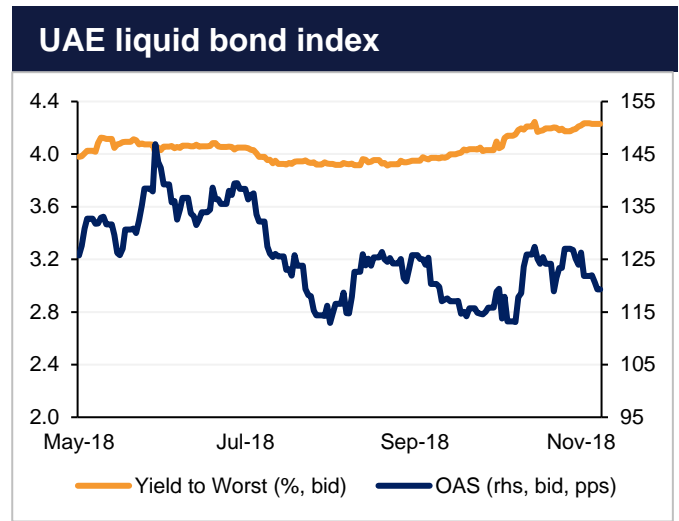
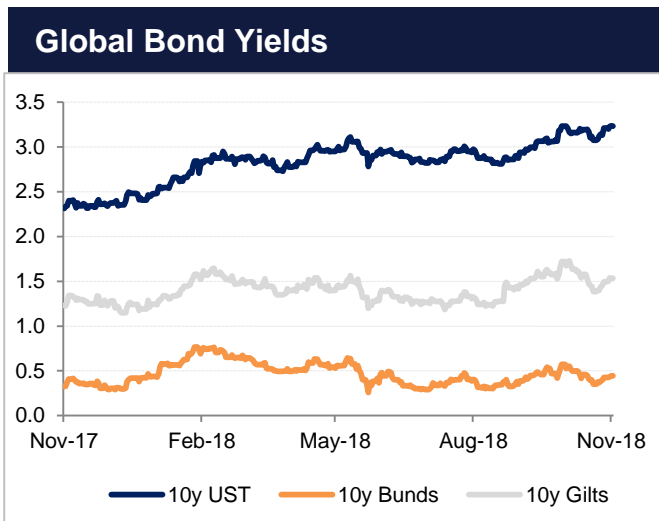
Regional markets were more muted with the ADX and DFM gaining 0.25% and 0.5% respectively while the Tadawul lost ground (-0.3%).

## Commodities

Oil markets had a split performance overnight. Brent futures settled roughly flat after having been up nearly 2% during the course of the day on news that OPEC was considering unwinding its production increases next year in light of a developing surplus in oil markets. US waivers on Iran sanctions have diluted one of the major expected sources of market tightness over the next several months and a weakening demand outlook will be affecting OPEC decision makers in December when they meet again to decide collective action. An OPEC+ monitoring committee will meet this weekend in the UAE to assess the market outlook and if it is indeed as negative as forecasting agencies have warned then a move downward in production may be the most likely outcome. Brent futures are softer this morning, holding a little below USD 72/b while WTI is trading at USD 61.69/b.

The EIA delivered a solidly bearish report overnight. Production increased by 400k b/d to 11.6m b/d, partly a result of likely recovery from hurricanes as well as still-expanding investment in the oil industry. Stocks rose by 5.7m bbl, their seventh consecutive increase while total inventories, including products, were up by 4.8m bbl. Refinery utilisation held at 90%, slightly lower than its five year average.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1426	-0.01	1.1827	USDTRY	5.3611	+0.07	EURAED	4.1980	+0.01
GBPUSD	1.3126	+0.21	1.3381	USDEGP	17.9136	-0.00	GBPAED	4.8218	+0.18
USDJPY	113.52	+0.08	109.80	USDSAR	3.7510	-0.00	JPYAED	0.0324	-0.06
USDCAD	1.3112	-0.09	1.3032	USDQAR	3.6800	+0.77	CADAED	2.8008	+0.08
AUDUSD	0.7276	+0.40	0.7327	USDKWD	0.3036	-0.07	AUDAED	2.6724	+0.42
USDCHF	1.0023	-0.02	0.9645	USDBHD	0.3770	--	CHFAED	3.6643	+0.01
EURGBP	0.8706	-0.20	0.8839	USDOMR	0.3848	-0.06	TRYAED	0.6800	-0.82
USDAED	3.6730	--	3.6763	USDINR	73.0038	--	INRAED	0.0552	+9.80

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.4175	2.7213	2.9638	3.4453	USD 2 yr	3.140	+2
USD LIBOR	2.3153	2.6011	2.8435	3.1251	USD 5 yr	3.207	+2
GBP LIBOR	0.7269	0.8546	0.9809	1.1373	USD 10 yr	3.292	+1
JPY LIBOR	-0.1065	-0.0995	0.0088	0.1235	EUR 2 yr	-0.116	+1
CHF LIBOR	-0.7862	-0.7478	-0.6660	-0.5318	EUR 5 yr	0.386	+2
					EUR 10 yr	0.986	+1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1226.49	-0.06	ADGB 6.75 19	2.42	--	Abu Dhabi	66	--
Silver	14.58	+0.29	DUGB 7.75 20	3.56	-1	Bahrain	272	--
Oil (WTI)	61.67	-0.87	QATAR 6.55 19	2.49	-13	Dubai	122	+1
Aluminium	1971.25	+1.87	US Tsy 2 yr	2.96	+3	Qatar	72	--
Copper	6171.00	-0.21	US Tsy 10 yr	3.24	+1	Saudi Arabia	91	--

Source: Bloomberg, Emirates NBD Research

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