



بنك الإمارات دبي الوطني  
Emirates NBD

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[www.emiratesnbdresearch.com](http://www.emiratesnbdresearch.com)

# Daily Outlook

The IMF has lowered its forecast for global growth for this year and 2019. It now expects global economy to grow at **3.7% this year and in 2019, down from 3.9% projected three months ago**. It was the first downgrade since July 2016. The fund attributed the downgrade to rising trade confrontation and a sharper-than-expected rise in interest rates. The IMF's cut to its outlook was broad-based. It downgraded the forecast for US and China's growth in 2019 to 2.5% and 6.2% respectively while the Eurozone's projection was lowered by 0.2% to 2% for 2018.

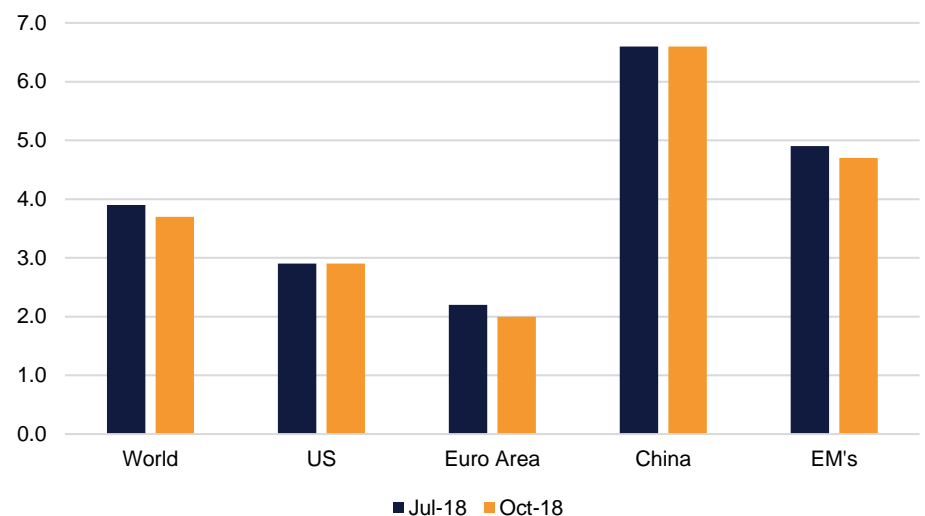
More importantly, the IMF said that if the trade war persists then it could take a significant bite out of global growth with **output possibly falling by as much as 0.8% in 2020 and remain 0.4% below its trend line growth** over the long-term.

Brazilian assets did well after results from the first round of polling showed Jair Bolsonaro in the lead with a fair margin. He received 46.2% of the vote, just short of an outright majority, to set up a final round clash with Fernando Haddad who received 29.1% of the vote. The **Bovespa index and the Brazilian Real outperformed their emerging market peers with gains of +4.6% and +1.6% respectively**.

The **Dubai Economy Tracker** signalled slower growth in the emirate's non-oil private sector in **September**, with the headline index slipping to 54.4, the lowest reading since April. Employment also declined slightly last month, particularly in the travel & tourism sector. Indeed the travel & tourism sector index declined to 51.3 in September, the lowest reading year to date, as a stronger US dollar and increased hotel room supply weighed on margins.

**Bahrain's parliament approved the draft VAT law in a special session on Sunday**, with the new tax due to come into effect on 1 January 2019, a full year after it was implemented in the UAE and Saudi Arabia. The move was likely required as part of the financial assistance package negotiated with other GCC states and signed last Thursday. Reports suggest that parliament could pass pension reform legislation before the November parliamentary elections as well.

## IMF lowers global growth forecasts



Source: IMF, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
GE Trade Balance	10:00	16.2bn	CA Housing Starts	16.15	210k

Source: Bloomberg, Emirates NBD Research.

## **Fixed Income**

Yields on 10y Italian government bonds rose 14 bps to 3.56% after the Italian Deputy Prime Minister Matteo Salvini questioned Brussels bureaucracy that he believed pushed budget restriction and open borders.

Regional bonds traded in a tight range with the YTW on the Bloomberg Barclays and GCC credit and high yield index and spreads closing flat 4.54% and 152 bps respectively.

## **FX**

JPY continues to advance on safe haven bids with USDJPY currently on target to fall for a fourth day. The main catalyst is tensions between the U.S. and China with the U.S. Secretary of State, Michael Pompeo, citing a “fundamental disagreement” to China’s Foreign Minister Wang Yi. On Monday, Yi accused the U.S. of escalating trade disputes, interfering with Taiwan and China’s domestic affairs, stating that these actions “damaged mutual trust”. In addition, amid the yuan’s depreciation, the Treasury Department is also said to be weighing whether to name China a currency manipulator in a report next week.

As we go to print, USDJPY is currently trading 0.11% lower at 113.11 and has broken back below the 200-week moving average (113.17) that it closed above last week. We expect the next level of support at the 76.4% one-year Fibonacci retracement of 112.33.

## **Equities**

Developed market equities closed lower as political slugfest in Europe and continued trade confrontation between the US and China weighed on investor sentiment. The S&P 500 index and the Euro Stoxx 600 index dropped -0.1% and -1.1% respectively.

Regional equities closed mixed with the DFM index losing -0.6% and the Tadawul adding +0.6%. Banking sector stocks led the gain on the Tadawul with Al Rajhi Bank and Samba adding +1.6% each. Almarai dropped -2.9% after the company reported weaker than expected Q3 2018 earnings.

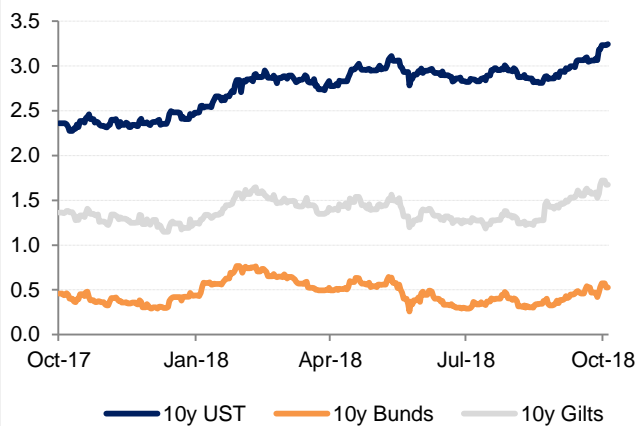
## **Commodities**

After hitting an intraday low of as much as 1.8% Brent futures recovered slightly and ended the day down just 0.3% as markets grew anxious again over the impact of US sanctions on Iranian exports. Brent closed the day slightly below USD 84/b while WTI was essentially flat on the day at USD 74.29/b. Market surveys estimate Iran’s oil exports at the start of October hovering at around 1m b/d compared with as much as 2.5m b/d earlier this year.

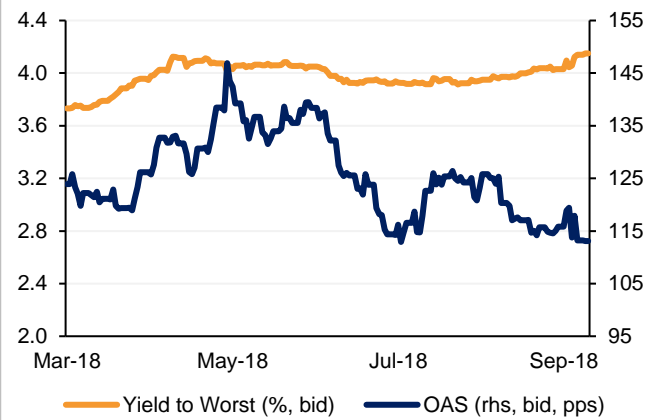
Forward curves in both markets were relatively unchanged at the start of the week with the backwardation in WTI at USD 0.13/b and Brent at USD 0.36/b.

## Markets in Charts

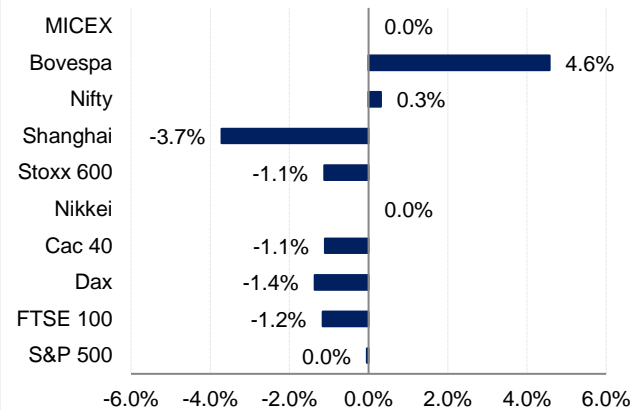
### Global Bond Yields



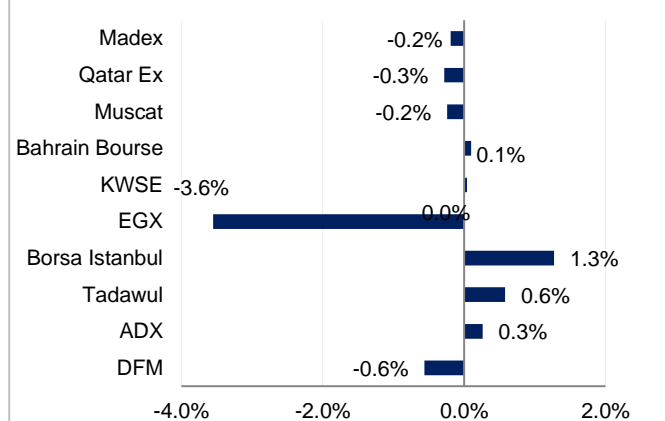
### UAE liquid bond index



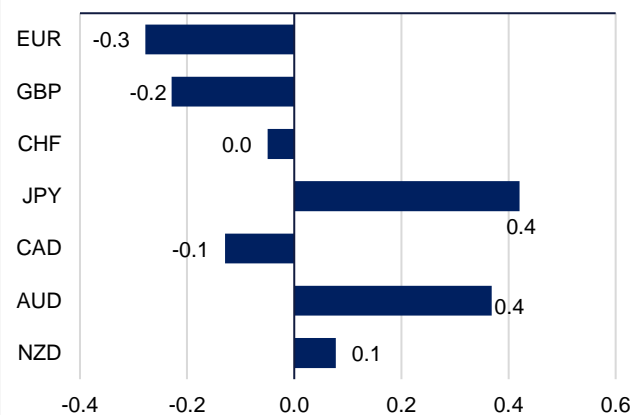
### Global Equity Indices



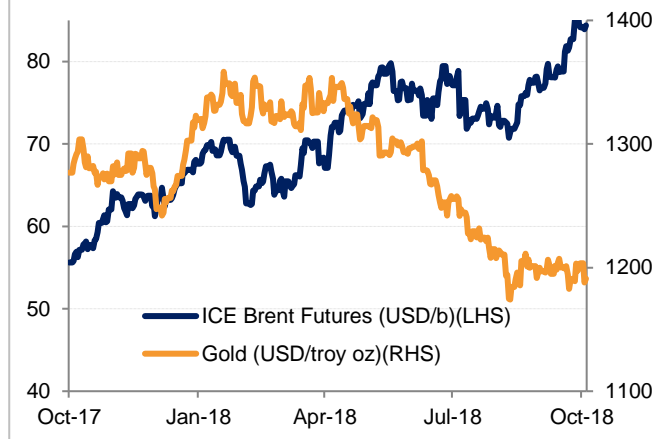
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1492	-0.28	1.1878	USDTRY	6.1113	-0.35	EURAUD	4.2206	-0.27
GBPUSD	1.3090	-0.23	1.3336	USDEGP	17.9089	+0.10	GBPAED	4.8078	-0.22
USDJPY	113.23	-0.43	109.73	USDSAR	3.7507	+0.01	JPYAED	0.0324	+0.43
USDCAD	1.2965	+0.20	1.2887	USDQAR	3.6800	+0.58	CADAED	2.8343	-0.13
AUDUSD	0.7078	+0.37	0.7124	USDKWD	0.3038	+0.01	AUDAED	2.5997	+0.36
USDCHF	0.9926	+0.06	0.9564	USDBHD	0.3770	--	CHFAED	3.7009	-0.07
EURGBP	0.8778	-0.01	0.8905	USDOMR	0.3850	-0.00	TRYAED	0.6000	+0.19
USDAED	3.6730	--	3.6762	USDINR	73.9688	+0.27	INRAED	0.0552	+11.44

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.4163	2.6663	2.9910	3.3677	USD 2 yr	3.067	+0
USD LIBOR	2.2841	2.4143	2.6260	2.9579	USD 5 yr	3.173	-1
GBP LIBOR	0.7203	0.8022	0.9103	1.0892	USD 10 yr	3.264	-1
JPY LIBOR	-0.0998	-0.0730	0.0130	0.1368	EUR 2 yr	-0.090	-0
CHF LIBOR	-0.7834	-0.7428	-0.6594	-0.5296	EUR 5 yr	0.446	-1
					EUR 10 yr	1.058	-2

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1188.08	-1.29	ADGB 6.75 19	2.42	--	Abu Dhabi	66	+4
Silver	14.37	-1.88	DUGB 7.75 20	3.61	+9	Bahrain	280	-4
Oil (WTI)	74.29	-0.07	QATAR 6.55 19	2.81	+2	Dubai	122	-
Aluminium	2063.00	-3.03	US Tsy 2 yr	2.89	--	Qatar	75	+3
Copper	6174.25	+0.12	US Tsy 10 yr	3.23	--	Saudi Arabia	77	+5

Source: Bloomberg, Emirates NBD Research

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