



بنك الإمارات دبي الوطني
Emirates NBD

Weekly
3 November 2019

Tim Fox
Chief Economist
+971 4 230 7800
timothyf@emiratesnbd.com

Mohammed Altajir
Manager, FX Analytics and
Product Development
+971 4 609 3005
MohammedTAJ@emiratesnbd.com

www.emiratesnbdresearch.com

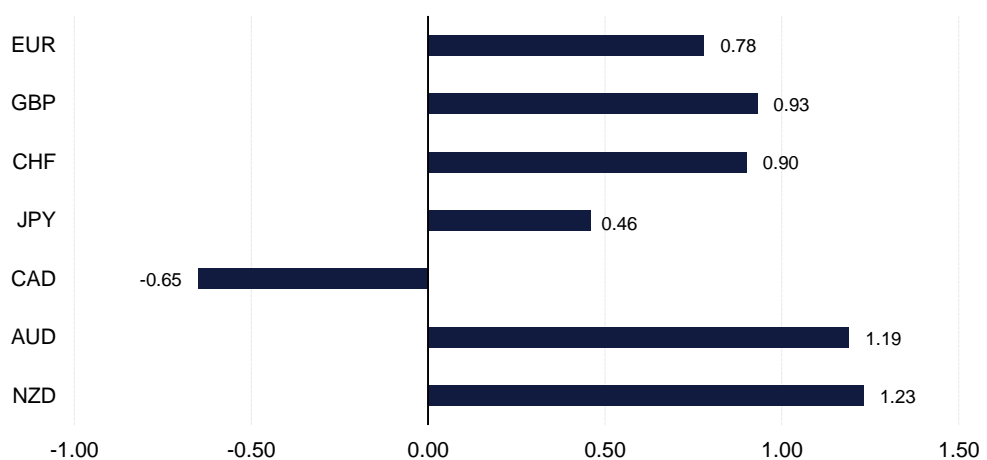
FX Week

Risk on sentiment was boosted by strong US jobs data at the end of last week, which reinforced the better than expected Q3 GDP growth data (1.9%) seen earlier in the week. U.S. October nonfarm payrolls increased 128k after an upward revised 180k gain in September and 219k in August, leaving a much stronger profile of jobs growth over the last three months. The unemployment rate rose slightly to 3.6% from 3.5% previously and average hourly earnings were up 0.2% versus the prior unchanged reading and were steady at 3.0% y/y. With equities and bond yields improving currencies also benefited at the dollar's expense, with most major currencies recording gains on the week. Expectations about further cuts in US interest rate have not surprisingly diminished, although we still retain a further 25bps cut in our forecasts for next year reflecting the uncertain landscape both politically as well as economically in 2020 in the US.

The improvement in US data also complemented sentiment as regards to the trade talks and Brexit which have both entered a period of limbo. US trade talks with China will continue, as the two sides work towards a "phase one" deal, but with the APAC summit in Chile having been cancelled, there is no longer a mid-month deadline to which the negotiators are working, and White House Economic adviser Larry Kudlow has said that tariffs could still be introduced in December if a deal is not agreed. The UK Brexit process has also been effectively suspended for the period of the general election campaign in the UK, which will get underway properly in the coming week. The Bank of England meets as well but no change in the 0.75% policy rate is expected.

Likewise in Australia the RBA is expected to leave policy rates unchanged at 0.75% for now. Otherwise the week is a relatively quiet one with a few activity indices likely to be the main focus. In the US the non-manufacturing ISM index will be watched, following the disappointing manufacturing index which only recovered fractionally in October to 48.3 from 47.8 in September, still signaling contractionary forces. China's service sector PMI is also released while in our region the PMIs for October are also published. Germany will see industrial production data which is likely to be soft, while the UK services PMI is also expected to remain in contractionary territory, with the composite PMI also below 50.

Weekly currency movement vs USD (%)



Source: Bloomberg, Emirates NBD Research

Technical Observations

EURUSD climbs above 100-day MA

Last week's increase of 0.77% resulted in EURUSD closing the week at 1.1166. As a result of the movement, the price was able to break back above the 100-day moving average (1.1124) as well as the 38.2% one-year Fibonacci retracement of 1.1143. The weekly close above these levels opens up a possibility of a test of the 1.12 level, not far from the 200-day moving average (1.1197). Should this hurdle be overcome, then we can expect a retest of the 50% one-year Fibonacci retracement (1.1224) and the 50-week moving average (1.1233) to follow in quick succession.

GBPUSD reclaims last week's lost ground

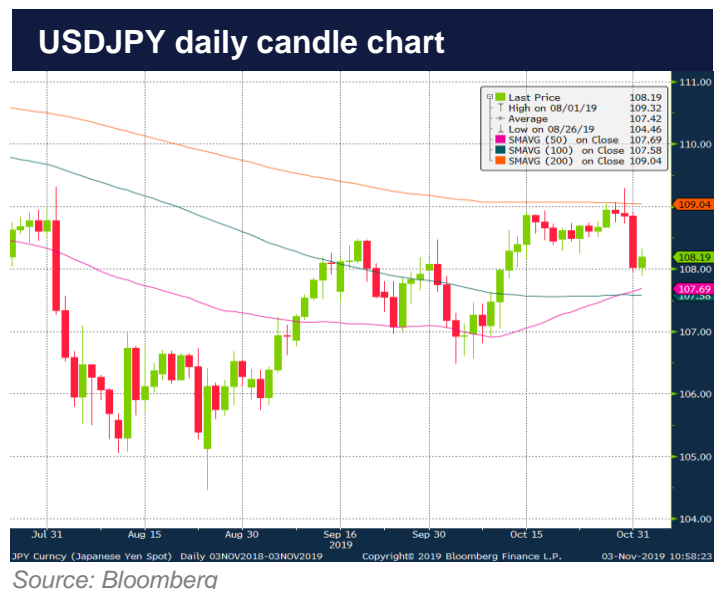
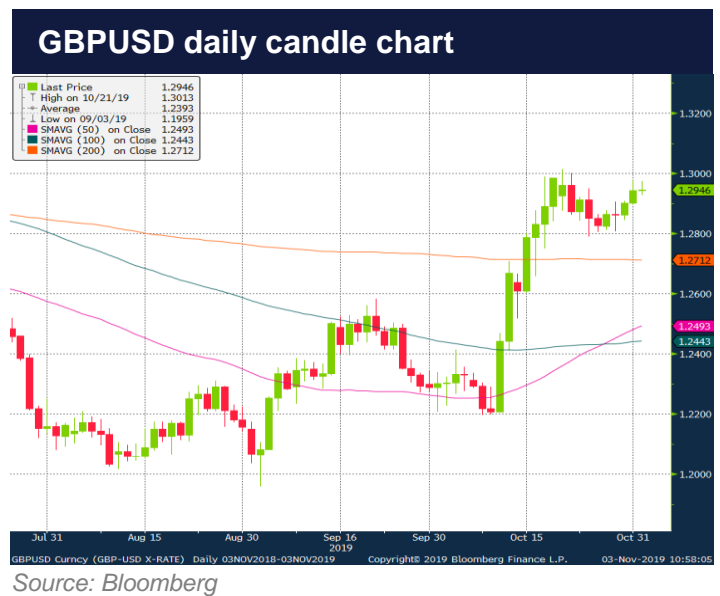
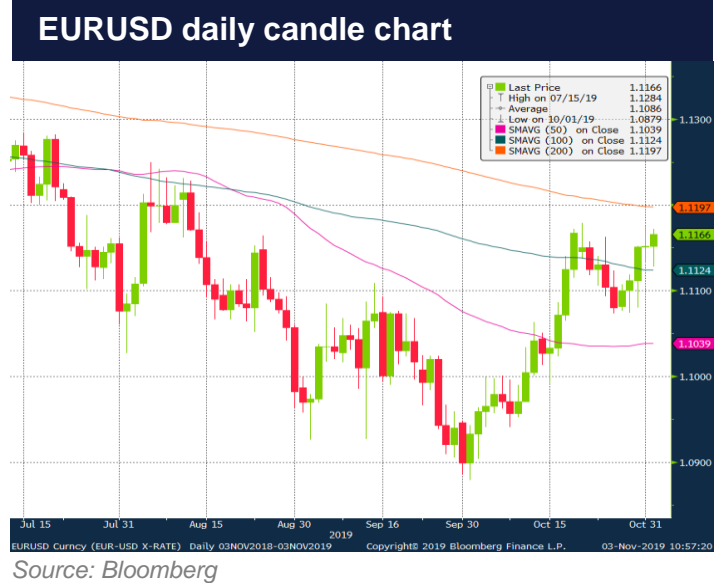
A 0.87% increase in GBPUSD over the last five days means that GBPUSD was able to reverse the decline from two weeks ago and advance further. Currently trading at 1.2946, the price is still well above the 61.8% one-year Fibonacci retracement (1.2838) and the formerly resistive 50-week moving average (1.2733) which was breached two weeks ago. Analysis of the daily candle chart shows that the 50-day moving average has performed a golden cut on the 100-day moving average, indicating that further gains are likely in the week ahead. Should the 76.4% one-year Fibonacci retracement (1.3045) be broken and closed above, we could see the price testing the 50-month moving average (currently 1.3254) for the first time since June 2015.

USDJPY falters at 200-day moving average

Although USDJPY had a constructive first day of trading last week, these gains were quickly reversed and the price closed 0.45% lower on Friday at 108.19. Of note is that the price tested the 200-day moving average (109.04) on three days last week, the first time it has tested this key level since May 2019. Although these tests failed, the price closed just above the 38.2% one year Fibonacci retracement (108.18). Having now closed above this level for the previous four weeks, it is too early to rule out further upside for USDJPY. Analysis of the daily candle chart also shows the 50-day moving average has completed a golden cut on the 100-day moving average and the 14-day RSI (Relative Strength Indicator) has shifted to show a bullish bias. This leaves us to conclude that further gains may be realized in the week ahead, with the first hurdle being the previously mentioned 200-day moving average.

AUD and NZD boosted by risk appetite

An improvement in outlook gave a boost to AUD and NZD over the last week, with AUDUSD rising 1.33% to 0.6904 and NZDUSD climbing by 1.24% to 0.6428. With AUDUSD breaking its 100-day moving average (0.6850) and the 23.6% one-year Fibonacci retracement (0.6842), there is further upside risk for the price in the medium term. Of note for NZDUSD is the close above the 23.6% one year Fibonacci retracement (0.6385) for the first time in eight weeks. This breakthrough indicates that the Kiwi's decline may be over.



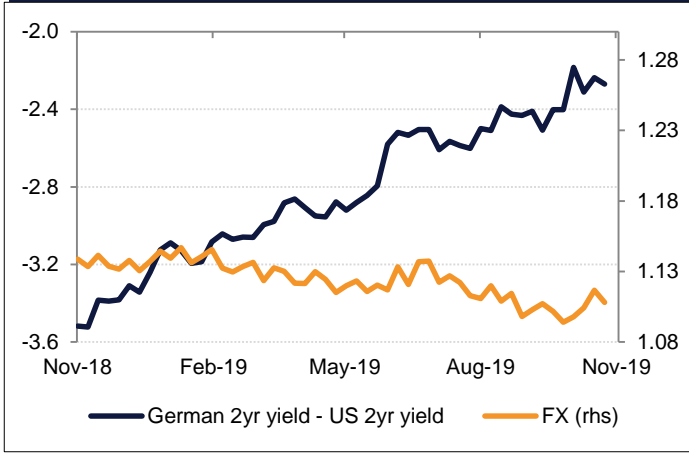
FX Forecasts

FX Forecasts – Major						Forwards		
	1-Nov	Q4 2019	Q1 2020	Q2 2020	Q3 2020	3m	6m	12m
EURUSD	1.1166	1.1000	1.1200	1.1500	1.1800	1.1237	1.1299	1.1420
USDJPY	108.19	110.00	110.00	108.00	107.00	107.53	106.96	105.87
USDCHF	0.9857	0.9700	0.9500	0.9400	0.9300	0.9787	0.9726	0.9610
GBPUSD	1.2946	1.2700	1.3300	1.3600	1.4000	1.2985	1.3012	1.3063
AUDUSD	0.6904	0.7000	0.7100	0.7200	0.7300	0.6920	0.6933	0.6952
NZDUSD	0.6427	0.6300	0.6500	0.6600	0.6700	0.6438	0.6447	0.6461
USDCAD	1.3142	1.2800	1.2600	1.2400	1.2400	1.3137	1.3137	1.3144
EURGBP	0.8630	0.8661	0.8421	0.8456	0.8429	0.8659	0.8688	0.8747
EURJPY	120.80	121.00	123.20	124.20	126.26	120.80	120.80	120.80
EURCHF	1.1006	1.0670	1.0640	1.0810	1.0974	1.0997	1.0989	1.0973
FX Forecasts - Emerging								
	1-Nov	Q4 2019	Q1 2020	Q2 2020	Q3 2020	3m	6m	12m
SAR	3.7502	3.7500	3.7500	3.7500	3.7500	3.7505	3.7511	3.7539
AED	3.6729	3.6730	3.6730	3.6730	3.6730	3.6743	3.6756	3.6782
KWD	0.3034	0.3020	0.3020	0.3020	0.3020	0.3038	0.3043	--
OMR	0.3850	0.3850	0.3850	0.3850	0.3850	0.3854	0.3860	0.3880
BHD	0.3770	0.3770	0.3770	0.3770	0.3770	0.3761	0.3761	0.3780
QAR	3.6628	3.6400	3.6400	3.6400	3.6400	3.6591	3.6560	3.6500
EGP	16.1441	16.0000	15.7500	15.7500	15.500	16.5150	16.9000	17.7500
INR	70.810	72.000	71.000	70.000	68.000	71.2200	72.0100	73.5100
CNY	7.0342	7.1000	7.2000	7.2000	7.2000	7.0567	7.0757	7.1127
SGD	1.3577	1.3000	1.2900	1.2900	1.2900	1.3556	1.3597	1.3524
FX Forecasts - MENA						3.7503		
	1-Nov	Q4 2019	Q1 2020	Q2 2020	Q3 2020			
MAD	9.6072	9.7000	9.8500	9.9000	9.9000			
TND	2.8291	2.8500	2.8500	2.9000	2.9000			
TRY	5.7127	5.8000	6.1000	6.2000	6.2000			

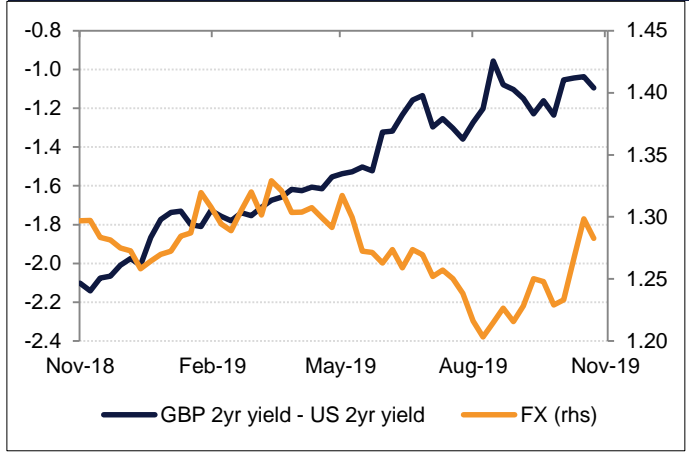
Source: Bloomberg, Emirates NBD Research
 *Denotes USD peg

Major FX and Nominal Interest Rates

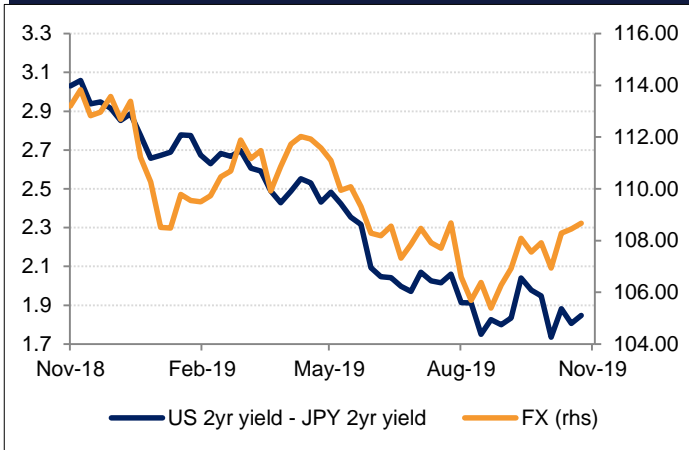
Interest Rate Differentials - EUR



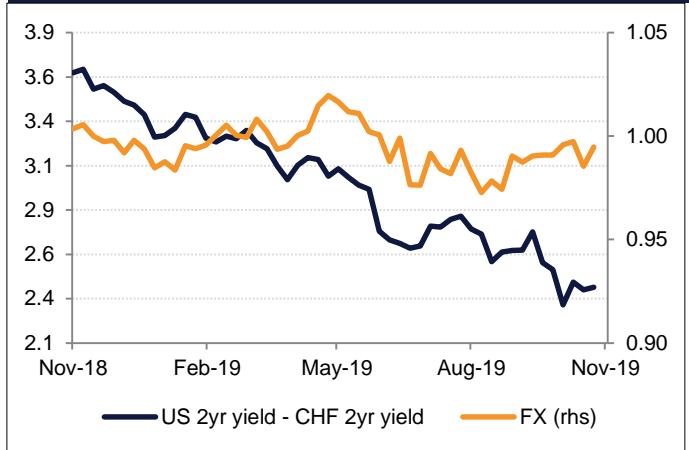
Interest Rate Differentials - GBP



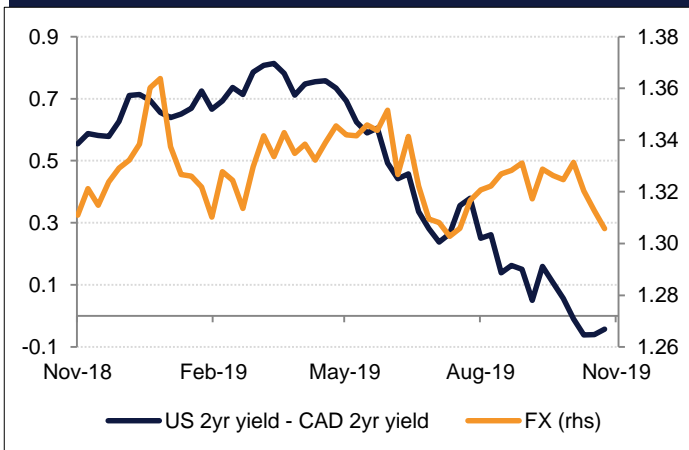
Interest Rate Differentials - JPY



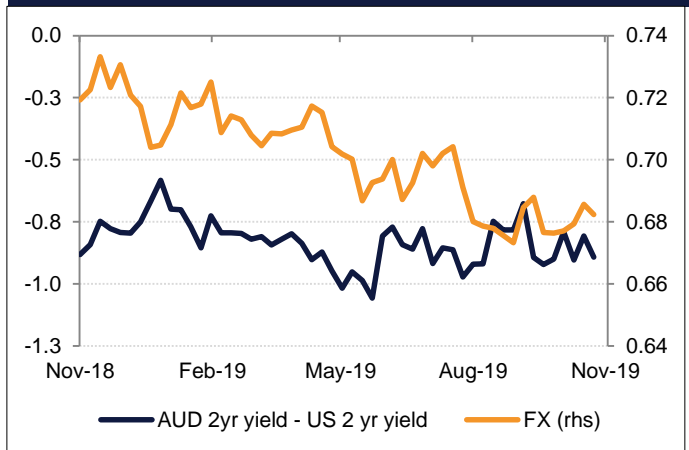
Interest Rate Differentials - CHF



Interest Rate Differentials - CAD

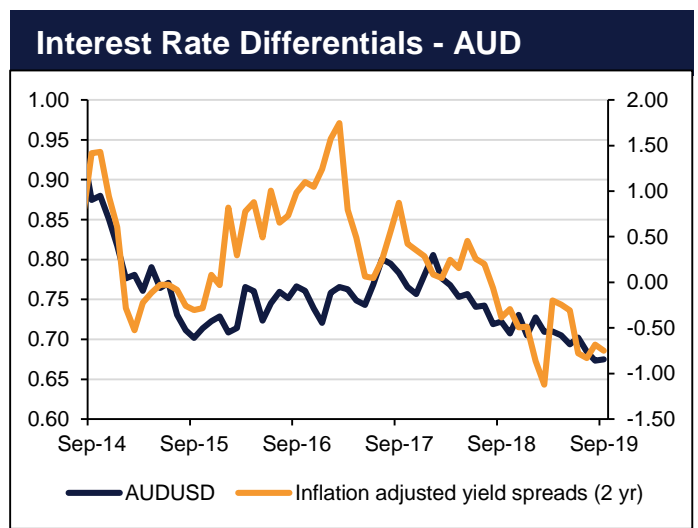
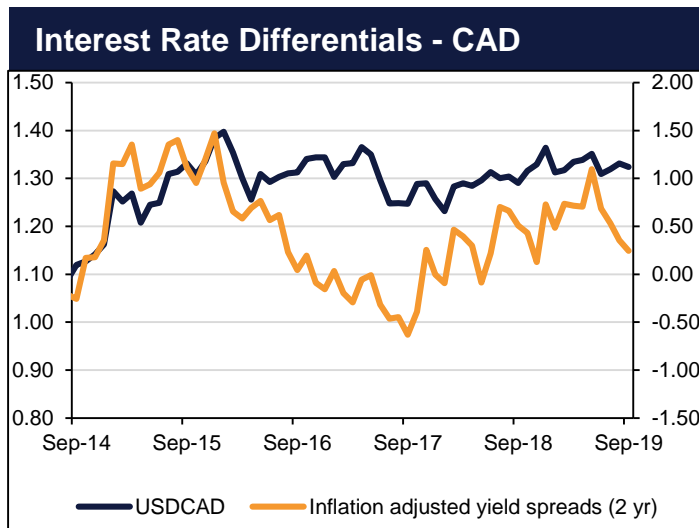
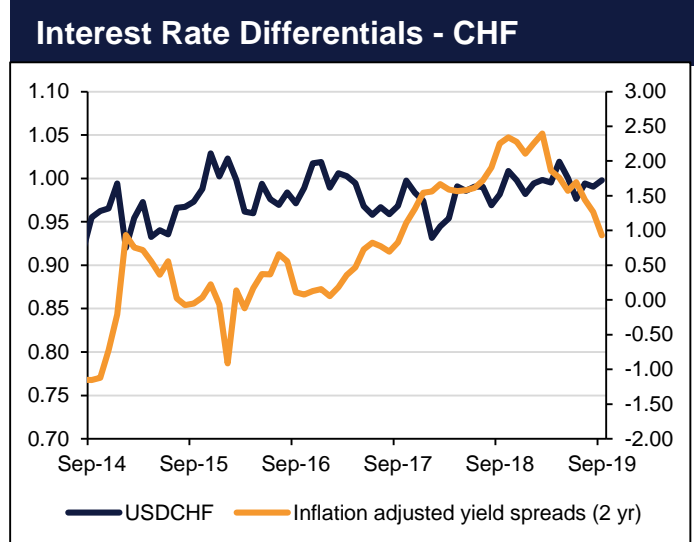
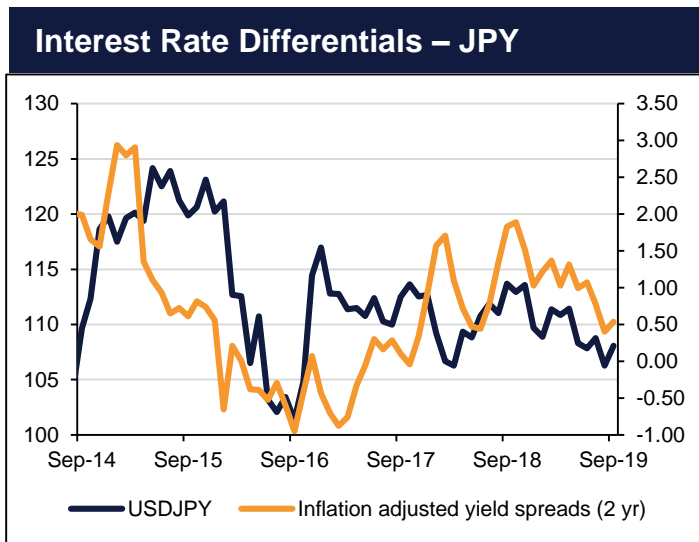
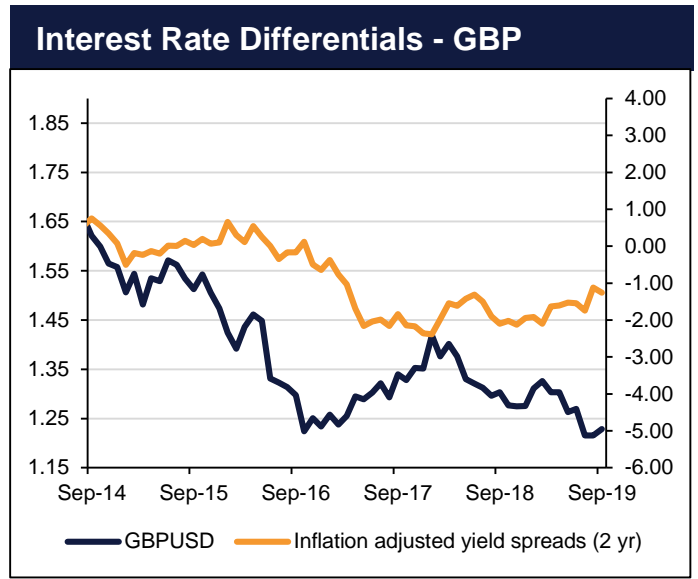
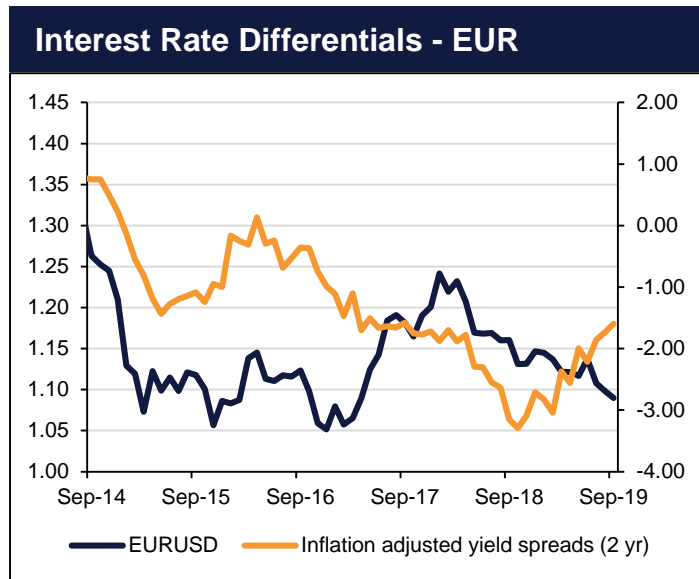


Interest Rate Differentials - AUD



Source: Bloomberg, Emirates NBD Research

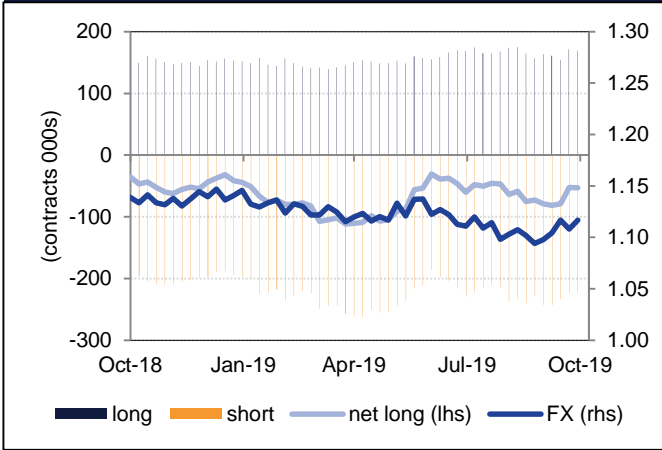
Major FX and Real Interest Rates



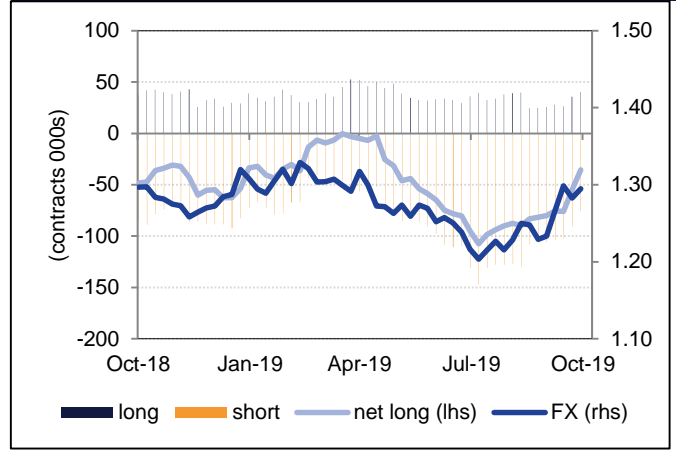
Source: Bloomberg, Emirates NBD Research

Major Currency Positions

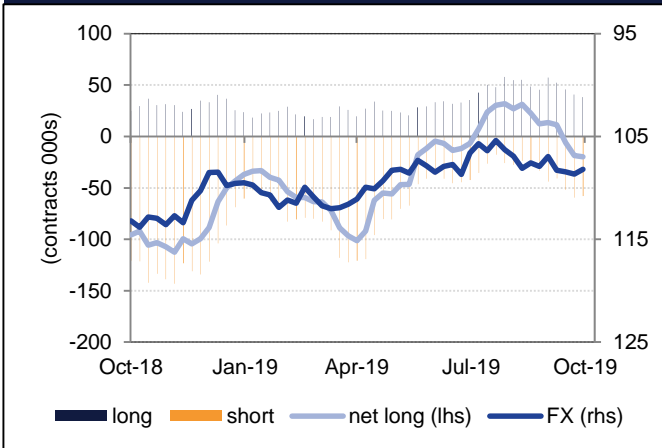
CFTC – Speculative Positions - EUR



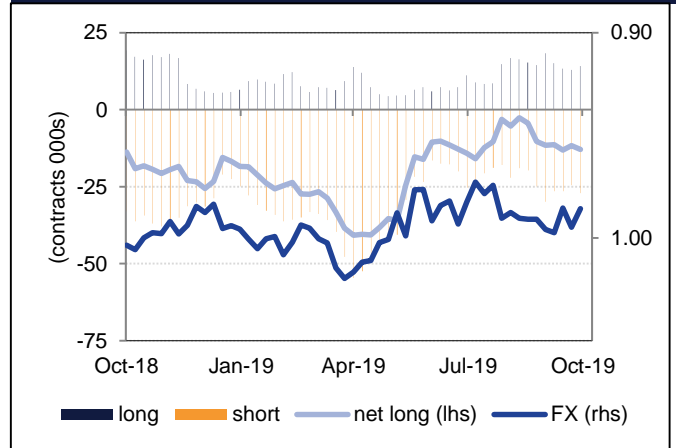
CFTC – Speculative Positions - GBP



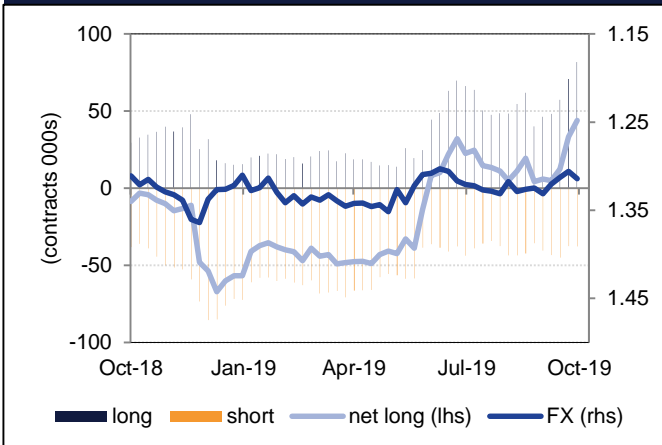
CFTC – Speculative Positions - JPY



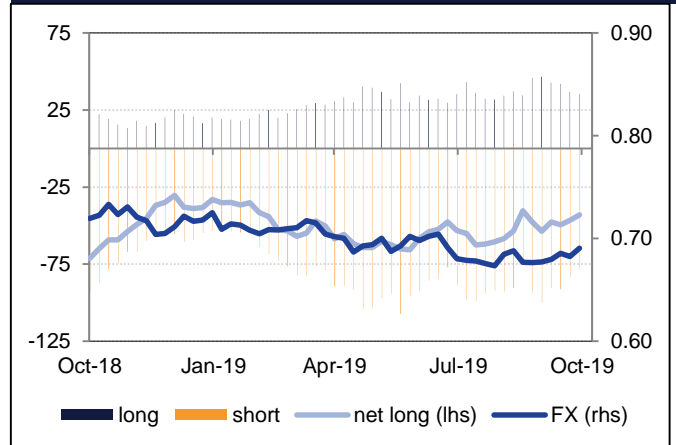
CFTC – Speculative Positions - CHF



CFTC – Speculative Positions - CAD



CFTC – Speculative Positions - AUD



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

Mohammed Altajir
FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

Aditya Pugalia
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

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
vallancel@emiratesnbd.com

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