



بنك الإمارات دبي الوطني  
Emirates NBD

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# Daily Outlook

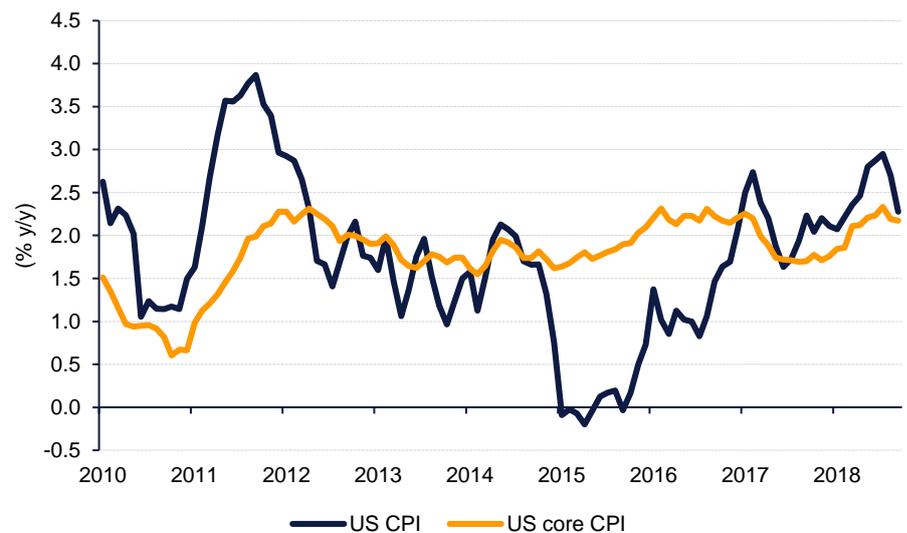
The UAE has enacted a law that would allow its federal government to issue sovereign bonds. The country will also establish a Public Debt Management office to oversee the new federal-level borrowings. Federal-level denominated in dirhams will allow for the development of a local yield curve and create a secondary market for government debt.

US core inflation rose 0.1% in September (2.2% y/y) as vehicle prices dipped. Headline inflation also stayed relatively modest at just 0.5% m/m while the annual rate dropped to 2.3% y/y from 2.7% previously. The US is likely reaping the benefits of a relatively stronger dollar compared with some of its trading partners, helping bring down the cost of imported goods. However, with the rise in oil prices from September onward the impact on gasoline prices should start to be felt in coming months, helping to push headline inflation figures higher. The softer inflation data is unlikely to derail the Fed's trajectory for one more rate hike later this year and a softening of the dollar in 2019 will support the case for more rate rises to come next year.

China's September trade numbers came in much stronger than expected as buyers of Chinese goods front-loaded their purchases to get ahead of the imposition of tariffs at the end of that month. Exports rose nearly 15% y/y and the trade surplus with the US rose to USD 34.bn, a record monthly high. Steve Mnuchin, the US Treasury Secretary, suggested last week that China's currency be up for discussion in any future trade talks between China and the US just ahead of the latest Treasury report on currency manipulation.

India's CPI for September 2018 came in at 3.77% against estimates of 4.0%. Food inflation continued to remain benign with m/m decline of 0.8%. Core-core inflation (CPI ex- Food, Fuel and Precious Metals) moderated for a fourth consecutive month to 5.49%. With the headline inflation remaining below RBI's lower band of 4.0%, the central bank's policy of keep rates on hold at its last meeting seem justified. Industrial production for August came in at 4.3% y/y relative to consensus expectations of 3.8% and previous month's reading of 6.5%. The moderation was mainly on account of higher base effect.

## US inflation dips in September



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
IN WPI y/y	10:00	4.9%	US NY Fed manuf	16.30	19.00
US Retail sales m/m	16.30	0.6%			

Source: EIKON, Emirates NBD Research.

## Fixed Income

Treasuries drifted higher amid a sell-off in risk assets. Yields on the 2y UST, 5y UST and 10y UST closed the week at 2.85% (-3 bps w-o-w), 3.01% (-5 bps w-o-w) and 3.16% (-7 bps w-o-w).

Regional bonds closed lower in line with move in wider emerging market assets. The YTW on the Bloomberg Barclays GCC Credit and High Yield index rose +6 bps w-o-w to 4.60% and credit spreads widened +13 bps to 165 bps.

According to Reuters, Qatar National Bank and Qatar Islamic Bank raised USD 1bn and USD 300mn through private placement of bonds at the end of September 2018.

## FX

The EURUSD rose 0.31% last week in a move that showed many technical developments. For a second week, the cross found weekly support at the 100-week moving average (1.1510) which limited additional losses before testing and failing to break the 50-day moving average (1.1585). In the week ahead, we will look for breaks of the 50-day moving average to be followed in quick succession by a test of the 23.6% one year Fibonacci retracement (1.1597).

USDJPY fell by 1.35% last week closing at 112.21. Analysis of the daily candle chart reveals that on Thursday and Friday, further declines were halted after support was found near the 50-day moving average (111.85). However, analysis of the weekly candle chart shows that for the first time in three weeks, the price closed below the 200-week moving average (113.17), indicating that further losses may lie ahead.

## Equities

Regional equities closed sharply lower. The DFM index and the KWSE Premier Market index dropped -1.5% and -1.9% respectively. The DFM index was dragged lower by market heavyweights with Dubai Islamic Bank and Emaar Properties losing -1.9% and -2.5% respectively. Etisalat added +0.4% after the company said its board approved voting rights for foreign shareholders.

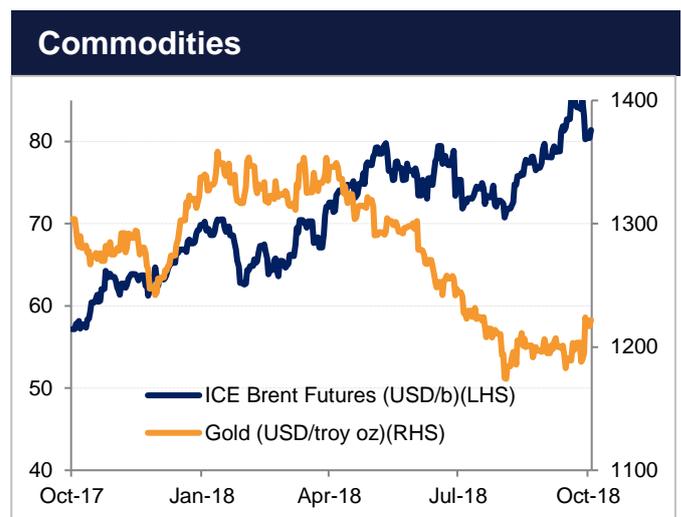
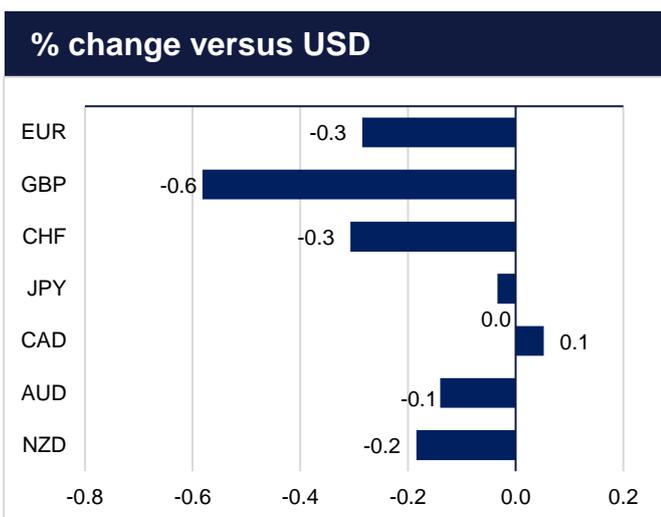
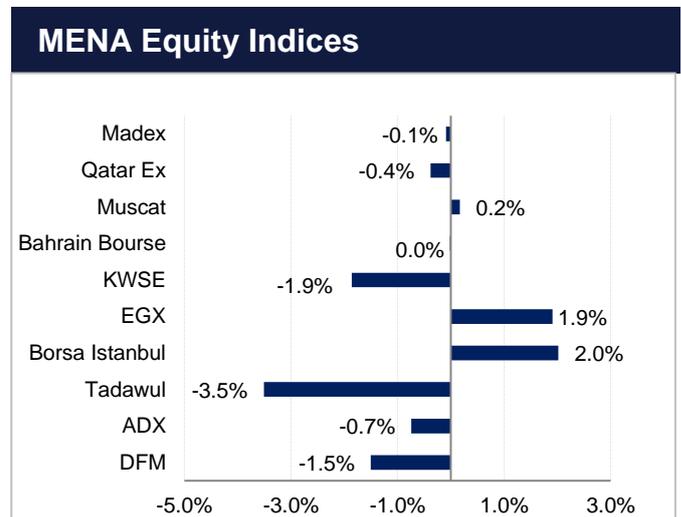
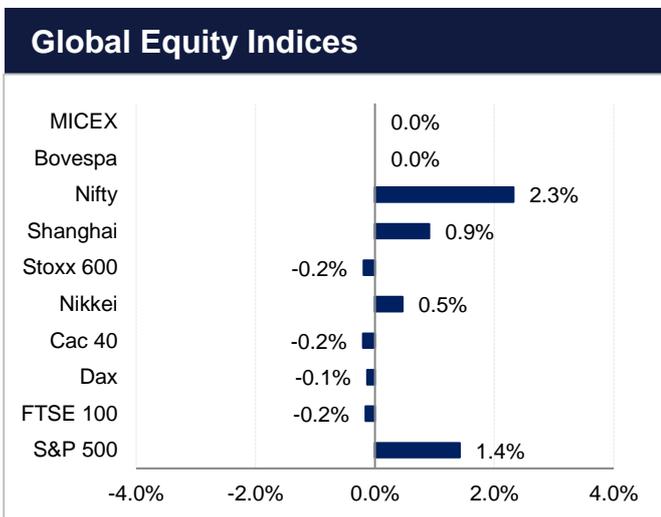
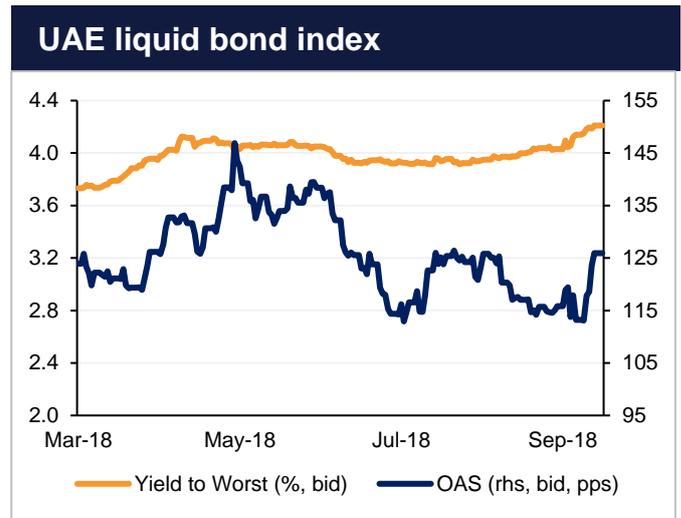
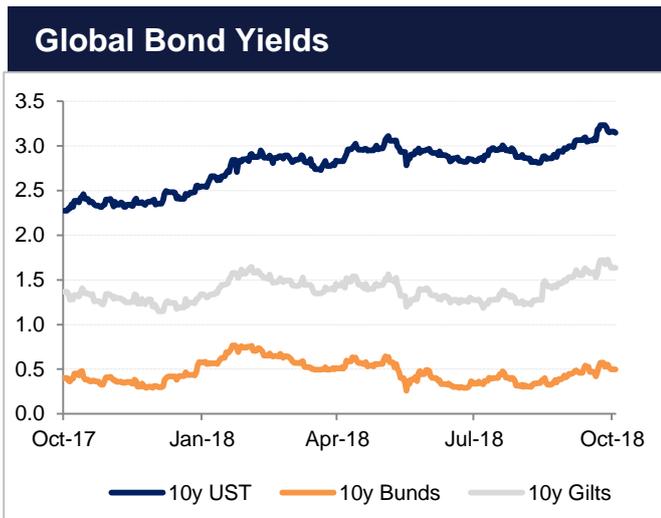
SODIC agreed to buy at least 51% of Medinet Nasr. The company will submit a tender offer to acquire at least 51% through a share swap. Under the deal, Sodici will exchange one of its shares for every two of Medinet Nasr's shares. The two companies will remain listed on EGX and continue to operate separately.

## Commodities

Oil markets weren't spared the savaging that equity markets fell under last week despite there being no single fundamental catalyst to send equity indices or oil prices sharply lower. Brent futures closed the week down more than 4.4% and have regained a USD 80/b while WTI fell more than 4% to close at USD 71.34/b. An increase in general risk asset volatility will weigh on oil markets in the near term and a deeper push downward would appear the easiest direction of travel.

Both the IEA and OPEC cut their oil demand growth forecasts for 2019 last week on a weaker economic outlook in several large oil importers. The IEA expects 2019 demand at 1.36m b/d, up from 1.28m b/d this year while OPEC sees an opposite trajectory, with growth slowing from 1.5m b/d to 1.36m b/d next year. Both agencies cautioned that oil markets were currently adequately supplied which may give OPEC oil market policymakers pause as they consider whether to raise production and possibly cause a market surplus in 2019. We still see considerable uncertainty in the 2019 demand outlook but find an acceleration in oil demand growth an outside chance, rather than our core expectation.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1560	-0.28	1.1951	USDTRY	5.8732	-0.88	EURAED	4.2454	-0.30
GBPUSD	1.3153	-0.58	1.3401	USDEGP	#N/A N/A	#VALUE!	GBPAED	4.8309	-0.62
USDJPY	112.21	+0.04	108.66	USDSAR	3.7506	-0.01	JPYAED	0.0327	-0.03
USDCAD	1.3024	-0.06	1.2939	USDQAR	3.6800	+1.08	CADAED	2.8206	+0.09
AUDUSD	0.7114	-0.14	0.7158	USDKWD	#N/A N/A	#VALUE!	AUDAED	2.6132	-0.13
USDCHF	0.9929	+0.35	0.9565	USDBHD	0.3770	--	CHFAED	3.7033	-0.22
EURGBP	0.8791	+0.32	0.8920	USDOMR	0.3850	--	TRYAED	0.6300	+1.64
USDAED	3.6730	--	3.6767	USDINR	73.8763	-0.34	INRAED	0.0552	+11.06

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.4525	2.6795	3.0097	3.4552	USD 2 yr	3.043	+0
USD LIBOR	2.2798	2.4364	2.6521	2.9634	USD 5 yr	3.139	+1
GBP LIBOR	0.7219	0.8106	0.9037	1.0871	USD 10 yr	3.206	+1
JPY LIBOR	-0.1073	-0.0908	0.0060	0.1245	EUR 2 yr	-0.098	-1
CHF LIBOR	-0.7868	-0.7424	-0.6606	-0.5262	EUR 5 yr	0.417	-2
					EUR 10 yr	1.032	-2

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1217.05	-0.58	ADGB 6.75 19	2.42	--	Abu Dhabi	69	+7
Silver	14.61	+0.17	DUGB 7.75 20	3.57	+1	Bahrain	289	-46
Oil (WTI)	71.34	+0.52	QATAR 6.55 19	2.77	-10	Dubai	125	+1
Aluminium	2033.75	+1.03	US Tsy 2 yr	2.85	+0	Qatar	80	+8
Copper	6319.00	+0.97	US Tsy 10 yr	3.16	+1	Saudi Arabia	89	+17

Source: Bloomberg, Emirates NBD Research

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