



بنك الإمارات دبي الوطني
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Daily Outlook

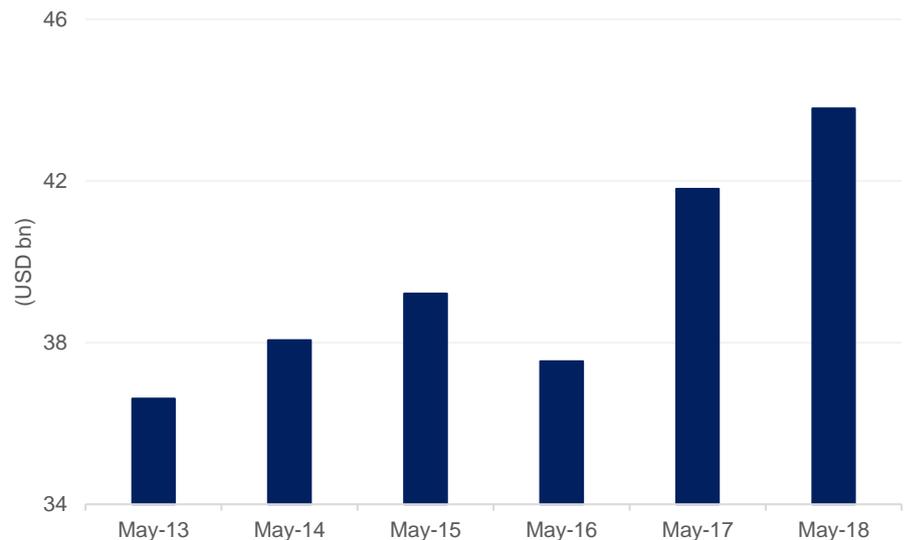
The risk of a “no deal” Brexit appears to have increased with both sides hardening their stance as EU leaders slammed UK Prime Minister Theresa May’s Chequers plan and any withdrawal agreement that does not specify the terms of a future UK-EU relationship. This is the first time that the EU has turned progress on the future relationship into one of its specific demands. On the other hand, May doubled down on her insistence that the UK would not accept any arrangement that saw Northern Ireland treated as separate customs area to the UK. She also said that it was now up to the EU to suggest an alternative way forward. Sterling fell sharply in response.

September preliminary Eurozone Composite PMI data added to the evidence that the region’s economy has lost some momentum after 2017’s strong expansion. Markit Eurozone Manufacturing PMI came in at 53.3 vs 54.6 in the previous month though the Services PMI improved a little to 54.7 from 54.4 in the earlier month.

In the US, the 10% tariff on \$200bn of imports from China will be applied from today. China will also start imposing tariffs on \$60 billion of US goods today. The July trade data in the US reflected that the U.S. imports from China were approaching record highs, amid reports that companies were accelerating shipments to beat the tariffs. In contrast US exports to China haven’t seen any material pickup. Meanwhile the September preliminary Markit US composite PMI data came in weaker than expected at 53.4 vs 54.7 in the previous month, although bulk of the weakening is in the Service sector with Manufacturing PMI strengthening to 55.6 from 54.7 in the previous month.

Looking ahead, the key event this week will be the September FOMC meeting, which concludes on Wednesday. A 25bps rate hike seems very likely, so the main interest will be in whether the rate forecast “dots” change much. Meanwhile, in the UK, the final estimate of UK GDP in Q2 is due this week and likely to confirm that the economy grew by 0.4% last quarter. Aside from the economic data, the UK Labour Party’s annual conference may provide a clearer picture of the opposition’s stance towards Brexit.

US Monthly Imports from China



Source: Bloomberg, Emirates NBD Research

Today’s Economic Data and Events

	Time	Cons		Time	Cons
US Dallas Fed Manf Activity	18:30	31	GE IFO Expectations	12:00	100.5

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Lower than expected tariff rates on reciprocal trade items between the US and the China boosted risk appetite. Receding safe haven bid and a near certain possibility of the Fed raising rates by 25bps this week caused bear steepening of the UST curve. Yields on 2yr, 5yr and 10yr USTs closed the week at 2.80% (+2bps, w/w), 2.95% (+6bps, w/w) and 3.06% (+7bps, w/w) respectively.

Regional bonds fell in sync with the rising benchmark yields. Average yield on Barclays GCC bond index rose 3bps to 4.51% even though credit spreads tightened another 2bps to 162bps.

As per the media reports, Dubai's Emirates Airline and Abu Dhabi's Etihad Airways are in merger discussions. In the primary market, Aldar Properties priced its 7yr sukuk is likely to price today.

FX

EURUSD posted a 1.07% rise last week to climb to 1.1749 after encountering resistance at the 1.18 handle on Friday. Of technical significance is that over the course of the week, the price was able to break and close above the 100-day moving average (1.1633) for the first time since April 2018. While the price remains above this level, we expect a retest of the 38.4% one-year Fibonacci retracement (1.1780). A break and daily close above this level will catalyze a move towards the 50-week moving average.

GBPUSD was almost unchanged last week, posting a modest 0.10% rise to close at 1.3072. While there was a break of the 100-day moving average (1.3157), this break was not sustained. We expect support at the 50-day moving average (1.2984) to limit short term losses, this level having provided support on two previous occasions in September. While the price remains above this level and above the 23.6% one-year Fibonacci retracement (1.3067), further tests of the 100-day moving average can be expected.

Equities

Most regional equity markets closed lower. The Kuwait Premier Market index dropped -1.4% ahead of its inclusion in the FTSE Russell's emerging-market index. The DFM index lost -0.1% on the back of weakness in Emaar Properties (-0.2%) and Arabtec (-2.6%).

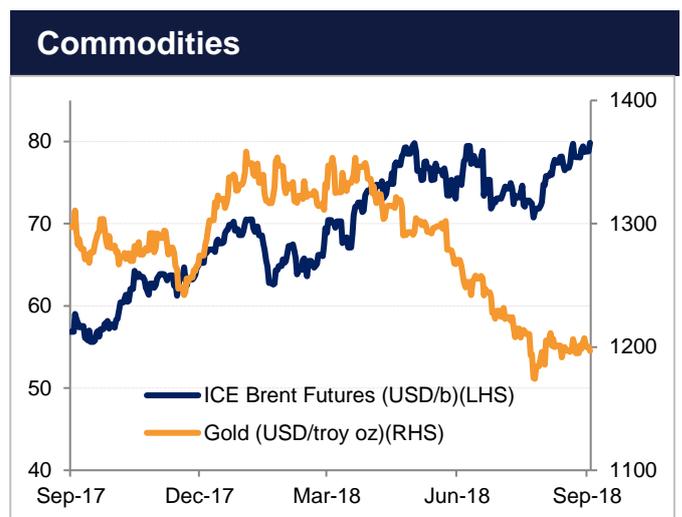
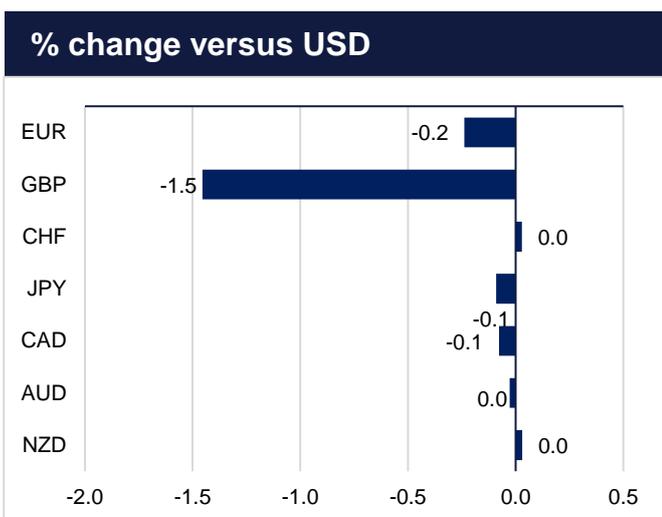
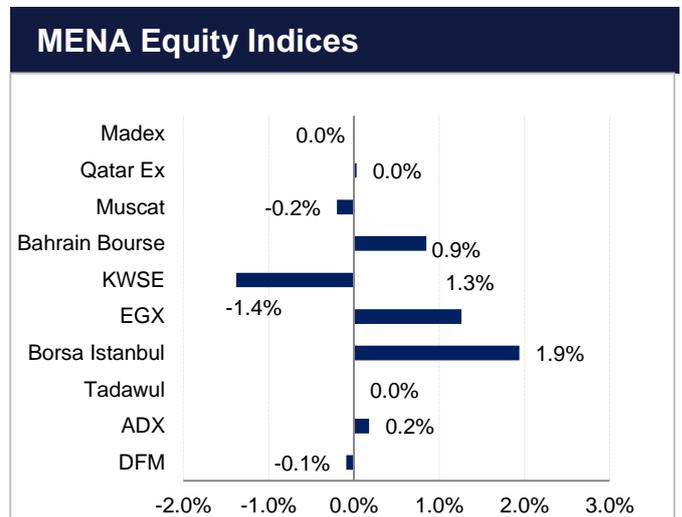
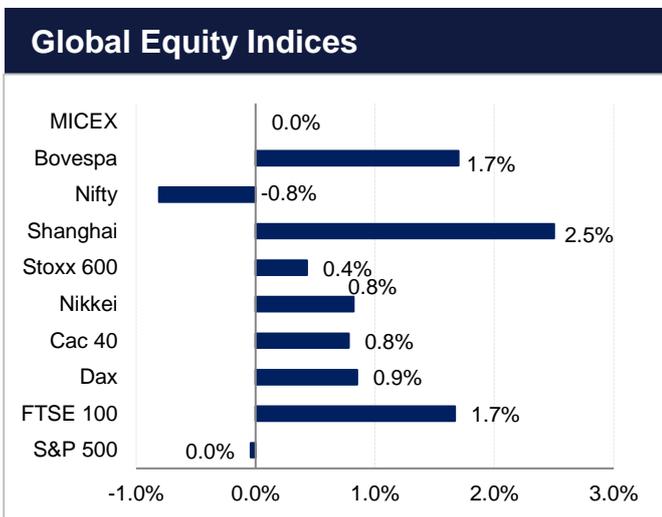
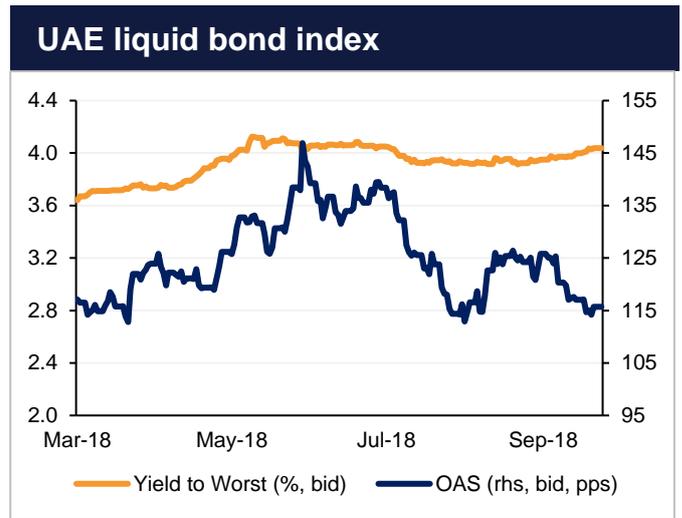
After the market closed, Emaar Development informed that Bader Saeed Hareb has been appointed as the new CEO, succeeding Chris O' Donnell with immediate effect.

Commodities

Oil benchmarks gained their second week in a row with both Brent and WTI managing to break above recent hurdles of USD 80/b and USD 70/b respectively. Brent futures gained 0.9% last week to close at USD 78.80/b while WTI closed the week at USD 70.78/b, up nearly 2.6%. Brent futures have pushed above USD 80/b four times this year but have yet to close above that level. Despite the moves up to USD 80/b volatility in Brent markets has actually been decreasing in recent weeks as tightening international market fundamentals relentlessly pull the market upward.

OPEC and its partners met in Algeria today to assess the current condition of oil markets but refrained from agreeing to raise production to compensate for the expected loss of Iranian output. We expect that those OPEC countries with available spare capacity, led by Saudi Arabia, will increase output but not completely offset the drop in Iranian barrels. Were they do so the oil market would be even more uncomfortably tight than we forecast for 2019 as spare capacity is eroded. OPEC is again in the focus of US president Donald Trump who took to Twitter to slate the producers' bloc into raising production. The pending market tightness is at least partly the responsibility of the White House's current Iran sanctions policy and the threat of heightened geopolitical risk over the next several months looks to remain high, keeping a bid under Brent prices.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1749	-0.24	1.2136	USDTRY	6.2907	+1.46	EURAED	4.3159	-0.22
GBPUSD	1.3072	-1.45	1.3316	USDEGP	17.9495	+0.23	GBPAED	4.8022	-1.46
USDJPY	112.59	+0.09	109.18	USDSAR	3.7505	-0.00	JPYAED	0.0326	-0.08
USDCAD	1.2916	+0.10	1.2833	USDQAR	3.6800	+1.08	CADAED	2.8440	-0.07
AUDUSD	0.7290	-0.03	0.7326	USDKWD	0.3027	+0.03	AUDAED	2.6768	-0.06
USDCHF	0.9587	-0.03	0.9244	USDBHD	0.3771	--	CHFAED	3.8319	+0.04
EURGBP	0.8982	+1.18	0.9108	USDOMR	0.3850	--	TRYAED	0.5800	-2.09
USDAED	3.6730	--	3.6762	USDINR	72.4000	+0.03	INRAED	0.0552	+7.83

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.3688	2.6188	2.8979	3.3032	USD 2 yr	2.980	-1
USD LIBOR	2.2158	2.3726	2.5920	2.9083	USD 5 yr	3.073	-1
GBP LIBOR	0.7256	0.8040	0.9036	1.0641	USD 10 yr	3.125	-0
JPY LIBOR	-0.0983	-0.0413	0.0188	0.1388	EUR 2 yr	-0.130	-0
CHF LIBOR	-0.7788	-0.7308	-0.6516	-0.5186	EUR 5 yr	0.347	-1
					EUR 10 yr	0.965	-0

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1200.04	-0.59	ADGB 6.75 19	2.42	--	Abu Dhabi	64	--
Silver	14.29	-0.24	DUGB 7.75 20	3.47	-1	Bahrain	340	--
Oil (WTI)	70.78	-0.03	QATAR 6.55 19	2.72	-2	Dubai	125	+11
Aluminium	2063.50	+2.56	US Tsy 2 yr	2.80	-0	Qatar	78	--
Copper	6379.50	+5.01	US Tsy 10 yr	3.06	+0	Saudi Arabia	78	--

Source: Bloomberg, Emirates NBD Research

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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

Anita Yadav
Head of Fixed Income Research
+9714 230 7630
anitay@emiratesnbd.com

Aditya Pugalia
Director - Financial Markets Research
+9714 230 7802
adityap@emiratesnbd.com

Athanasios Tsetsonis
Sector Economist
+9714 230 7629
athanasiost@emiratesnbd.com

Edward Bell
Commodity Analyst
+9714 230 7701
edwardpb@emiratesnbd.com

Daniel Richards
MENA Economist
+9714 609 3032
danielricha@emiratesnbd.com

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

Hessa Al Khawaja
Research Associate
+9714 609 3015
Hessaalkh@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

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