



# Daily Outlook

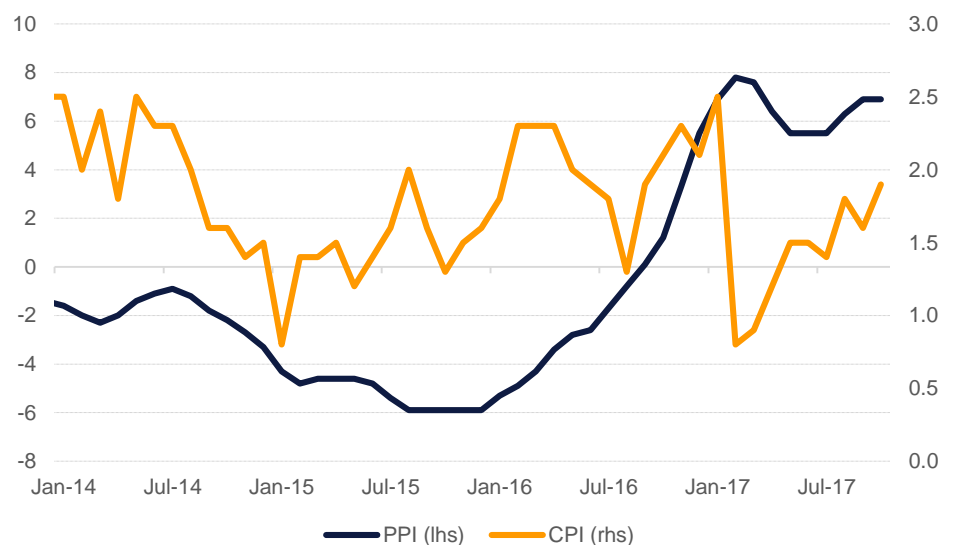
Markets will be fixated on the meeting between Xi Jinping and Donald Trump. The two leaders will try and address the trade imbalance between China and the United States and how best to contain North Korea's nuclear ambitions. US president Trump is in Beijing as part of his tour of Asia but how confrontational he will be with Xi over China's trade surplus with the US is uncertain. The US has also been trying to raise the pressure on China to help enforce sanctions against North Korea and cut off trade with the country but faces resistance from what China likely view as encirclement by the US and its allies South Korea and Japan.

Chinese trade data softened in October, in line with expectations of the economy cooling off in the final months of 2017. Exports expanded 6.9%, failing to meet expectations and dipped from September growth of more than 8%. Meanwhile imports grew by 17.2%, a slowdown from the 18.7% increase in September. China's government has been stepping up efforts to reduce pollution in the country and has targeted production of industrial products (such as steel and aluminium).

Inflation in China accelerated in October reflecting some of the strong performance seen in the nation's economy so far this year. CPI expanded by 1.9% y/y in October, up from 1.6% in September while PPI rose 6.9%, faster than market expectations of a slowdown to 6.6%. Higher Chinese prices, if passed on, should help feed through to other developed markets as higher input costs and push prices up broadly around the world. Over the coming months, a shutdown of significant industrial capacity should help push PPI prices up further.

The Reserve Bank of New Zealand kept interest rates on hold at 1.75% earlier this morning, saying that anticipated fiscal stimulus and a weaker NZD should help push inflation higher. The RBNZ is likely to face changes under New Zealand's new government as it seeks to expand the mandate of the Pacific island nation's central bank. However, changes to immigration and foreign investment rules by the new government may lead to a dip in New Zealand's performance in coming quarters.

## Chinese price pressures send a positive signal



Source: EIKON, Emirates NBD Research

## Day's Economic Data and Events

	Time	Cons		Time	Cons
US Initial Jobless Claims	17:30	231k	US Wholesale Invt	19:00	0.3%

Source: EIKON

## Fixed Income

US Treasuries closed lower with yields on the 2y USTs yielding 1.64% (+2 bps), 5y USTs 2.0% (+2 bps) and 10y USTs 2.33% (+ 2 bps). With no apparent catalyst, it well appears to be a case of investors hedging their bets following gains in the recent past.

Regional bonds continue to feel the pressure from the ongoing geopolitical pressure. The YTW on the Bloomberg Barclays GCC Credit and High Yield index rose for a third consecutive day to 3.69% (+3 bps) and credit spreads widened 2 bps to 166 bps.

## FX

NZD outperformed in the aftermath of the RBNZ monetary policy statement. While the central bank communicated some uncertainty over new government policies (see above), they brought forward their expectation for the next increase in interest rates from Q3 2019 to Q2 2019. As we go to print, NZDUSD trades at 0.69606 but remains in the daily downtrend that has been in effect since 27 July 2017. While the price remains below the 0.7027 level, there remain further downside risks and a retest of 2017 lows of 0.68018 cannot be ruled out.

## Equities

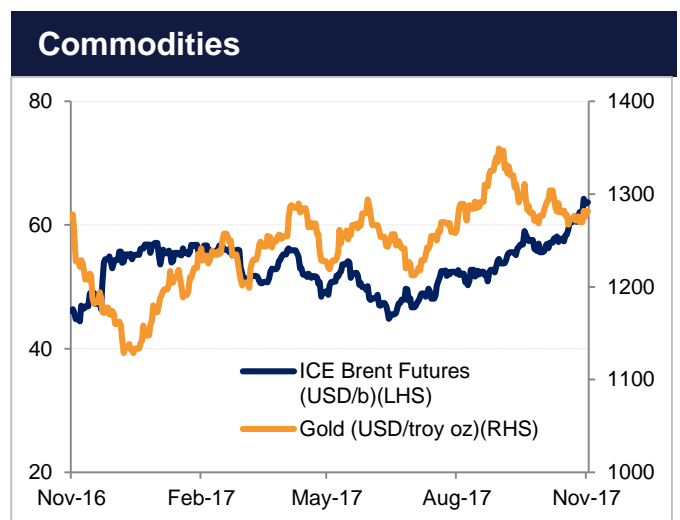
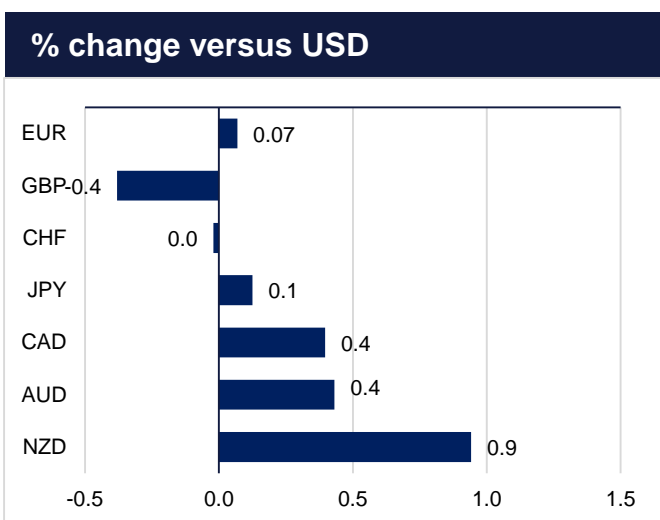
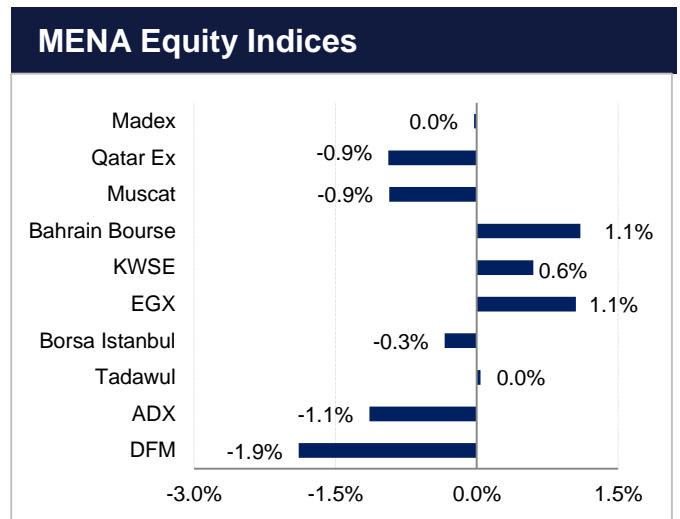
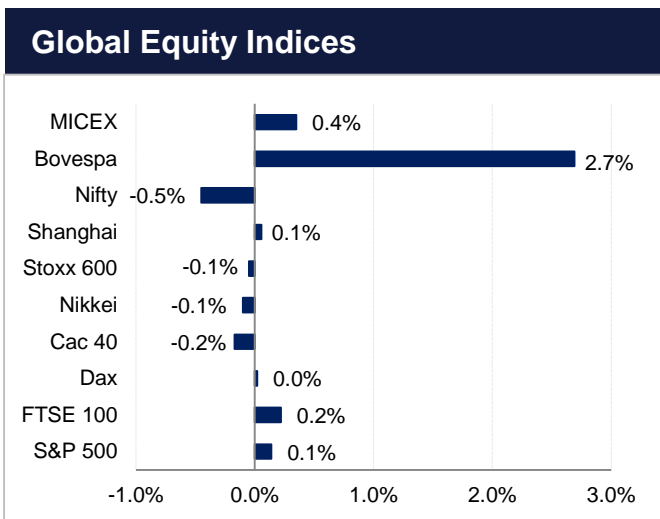
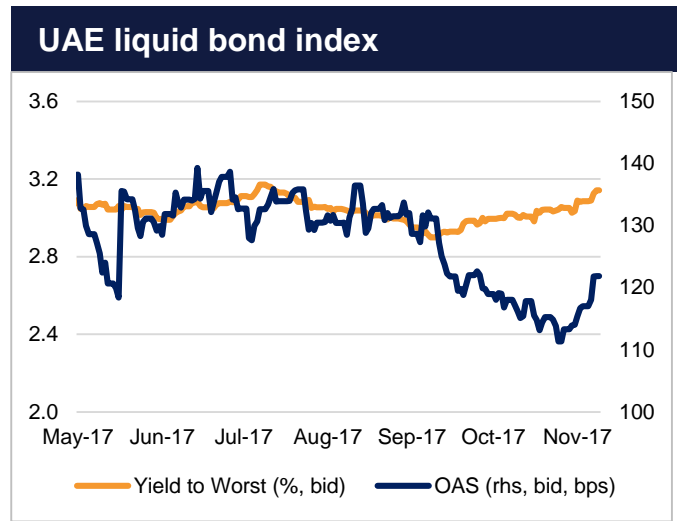
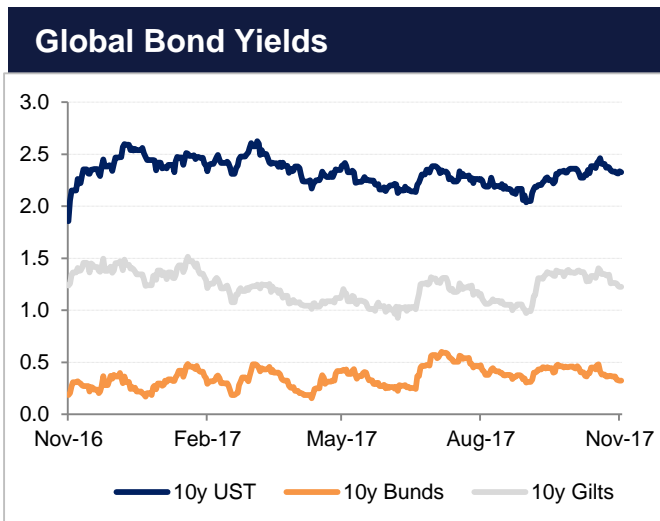
Developed market equities closed mixed with the S&P 500 index adding +0.1% and the Euro Stoxx 600 index losing -0.1%. The gain in the US was led by technology stocks even as banking sector stocks dropped following concerns over tax proposals.

For regional markets, it was more of the same. All major equity indices closed in the red and the Tadawul recovered in the final hour to close flat. The DFM index and the Qatar Exchange lost -1.9% and -0.9% respectively.

## Commodities

Oil prices weakened a second day running with Brent prices falling 0.3% and WTI giving up nearly 0.7%. Data from the EIA show an increase in US oil production to over 9.6m b/d last week and a surprise increase in inventories, up 2.2m bbl. There are some signs of fading strength in the recent small changes in market structures. The contango in WTI has steadily widened since October began while the backwardation in Brent is compressing, closing yesterday at its smallest level since October 25th. Bulls in the market may be taking profits ahead of OPEC's meeting at the end of the month, lest they are caught unawares by no announcement about extending the current production cuts.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1595	+0.07	1.1874	USDTRY	3.8662	-0.52	EURAED	4.2587	+0.07
GBPUSD	1.3116	-0.38	1.3278	USDEGP	17.6693	+0.13	GBPAED	4.8177	-0.38
USDJPY	113.87	-0.12	111.36	USDSAR	3.7510	+0.00	JPYAED	0.0323	+0.12
USDCAD	1.2729	-0.38	1.2685	USDQAR	3.6800	-4.04	CADAED	2.8859	+0.37
AUDUSD	0.7678	+0.43	0.7664	USDKWD	0.3028	-0.02	AUDAED	2.8200	+0.43
USDCHF	1.0001	+0.03	0.9724	USDBHD	0.3780	--	CHFAED	3.6726	-0.02
EURGBP	0.8840	+0.45	0.8943	USDOMR	0.3850	--	TRYAED	0.9500	+0.52
USDAED	3.6728	-0.00	3.6788	USDINR	64.8750	-0.24	INRAED	0.0565	+0.19

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.3145	1.5962	1.8360	2.2293	USD 2 yr	1.844	+1
USD LIBOR	1.2439	1.4026	1.5981	1.8684	USD 5 yr	2.069	--
GBP LIBOR	0.4938	0.5232	0.5859	0.7703	USD 10 yr	2.309	+2
JPY LIBOR	-0.0140	-0.0475	-0.0057	0.1119	EUR 2 yr	-0.205	--
CHF LIBOR	-0.7863	-0.7370	-0.6496	-0.5266	EUR 5 yr	0.183	+1
					EUR 10 yr	0.811	--

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1281.36	+0.48	ADGB 6.75 19	1.91	+4	Abu Dhabi	68	--
Silver	17.04	+0.55	DUGB 7.75 20	2.56	+2	Dubai	136	--
Oil (WTI)	56.81	-0.68	QATAR 6.55 19	2.15	+2	Qatar	110	-2
Aluminium	2090.25	-1.05	US Tsy 2 yr	1.65	+2	Saudi Arabia	99	-1
Copper	6825.50	+0.48	US Tsy 10 yr	2.33	+2	Bahrain	279	+12

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

**Shady Shafer Elborno**  
Head of Macro Strategy  
+9714 2012300  
shadyb@emiratesnbd.com

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

**Edward Bell**  
Commodity Analyst  
+9714 230 7701  
edwardpb@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

### 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

**Ahmed Al Qassim**  
CEO- Emirates NBD Capital  
AhmedAQ@emiratesnbd.com

**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