

US mid-term election results provide some relief

بنك الإمارات
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EMIRATES INVESTMENT BANK

LOOKING BACK

- US mid-term election results provide some relief.** In last week's mid-term elections, the Democrats gained control of the House while Republicans held on to their majority in the Senate. While the now divided Congress may lead to increased legislative deadlock, the S&P500 rallied on the news and ended last week 2.1% higher as the election outcome came in as expected, easing some of the uncertainty weighing on the market. The US 10-year Treasury yield slid 3bps to 3.18% on the week while the VIX came off 2 points to end at 17.4.
- Fed keeps monetary stance intact.** At its meeting last week, the Fed decided to leave its benchmark interest rate at 2-2.25%, consistent with the Bank's stance at its last meeting. While maintaining that the labor market and economic activity continue to strengthen, the Fed reaffirmed its monetary tightening trajectory, setting the stage for a December rate hike and unfazed by the equity market correction in October. The Dollar Index rose on the news before ending last week higher by 0.4%.
- EU warns Italy on its budget plan.** Calling into question Italy's growth and budgetary expectations, the European Commission (EC) said it expects Italy to breach the EU's 3% budget deficit mark in 2020 and that the Italian economy would expand only by 1.2% in 2019, below the 1.5% estimate that the government's budget plan projects. Italian yields came under pressure on the warning with the 10-year government bond yield rising 9bps to 3.4%. On the week, the EuroStoxx50 rose 0.5% while Italy's FTSE MIB was down 0.7%.
- Turkey's inflation rises to a 15-year high.** Despite less tension in US-Turkey relations and the recent 6-month Iranian oil import waiver granted by the US, the TRY remains pressured by data showing annual inflation soared to 25.2% in October, its highest level in 15 years. With real rates negative in Turkey and the US Fed poised to hike in December, there is pressure on the Turkish Central Bank to hike its benchmark rate further from the current 24%. On the week, the TRY lost 0.5% against the USD and is down 43.6% YTD.
- OPEC may cut supply in 2019.** Amid falling oil prices on slowing global demand and increased supply, OPEC and its allies meet today amid signs they are considering a range of output cutbacks, including a reduction of as much as 1 million bbl/day. Brent continued its downward spiral, losing 3.6% last week and is now down 18.7% YTD.

LOOKING FORWARD

- Japan reports its GDP figure while the UK publishes its unemployment data on **Tuesday**. UK CPI, Eurozone GDP and US CPI will be announced on **Wednesday** while Eurozone CPI and US Industrial Production data will be released on **Friday**.



MAIN CROSS RATES

€ 1 ————— \$ 1.1336

£ 1 ————— \$ 1.2972

\$ 1 ————— ¥ 113.83

	Yield % (11/11)	Yield % (04/11)
Abu Dhabi 2021	3.42	3.38
KSA 2021	3.90	3.90
Dubai 2023	3.99	3.96
Qatar 2023	3.61	3.63
US 10Y	3.18	3.21
German 10Y	0.41	0.35

Equities	Last Price	Weekly Chg	YTD Chg
MSCI World	2,063	1.3%	-1.9%
MSCI BRIC	285	-3.1%	-15.0%
MSCI EM	976	-2.1%	-15.7%
USA - S&P 500	2,781	2.1%	4.0%
UK- FTSE 100	7,105	0.2%	-7.6%
France - CAC40	5,107	0.1%	-3.9%
Germany - DAX	11,529	0.1%	-10.7%
Japan - Nikkei 225	22,250	0.0%	-2.3%
Dubai	2,826	0.7%	-16.1%
Abu Dhabi	5,029	2.2%	14.3%
Saudi	7,743	-1.7%	7.1%
Oman	4,491	1.6%	-11.0%
Kuwait	4,749	0.7%	-1.6%
Egypt	13,733	4.0%	-8.6%
Qatar	10,368	0.8%	21.6%
Commodities			
Gold (\$/oz)	1,210	-1.9%	-7.1%
Silver (\$/oz)	14	-3.8%	-16.4%
Platinum (\$/oz)	853	-1.7%	-8.1%
Oil - Brent (\$/bbl)	70	-3.6%	4.9%

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