Emirates NBD
WEALTH MANAGEMENT

The last **busy week** in 2023?

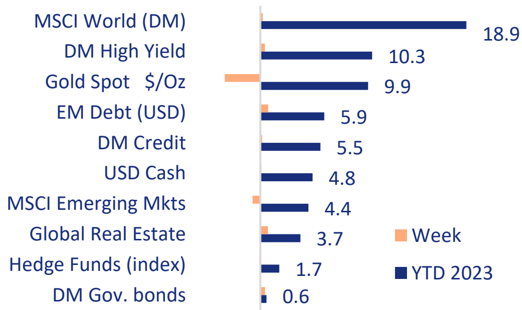
- **Central banks take centre stage this week with the Fed ECB and BoE meetings amongst others**
- **They are all expected to stay on hold cementing the "goldilocks" tone of the recent buoyant weeks…**
- **… But markets may have been a bit too quick at pricing-in rate cuts for 2024**

A parade of Western central bank meetings this week stands between now and the final curtain of the year. Anticipations are clear: the Fed, the ECB and the BoE are all expected to leave their policy rates unchanged, while communicating on their inflexible commitment to bring inflation back to 2%. Market participants will probably not hold their breath, and are impatient to start 2024 with a blank page. 2023 so far is great for financial markets, but terrible for anyone who dared making predictions. As we expected unpredictability, our focus for 2023 was on running agnostic portfolios, aiming at doing ok under all possible scenarios, rather than taking large tactical bets. As surprising as it may sound, agnosticism worked much better than boldness: at +6%, +9% and +11%, the returns of our three profiles are on average 2% better than our global competitors.

We see no reason for a shock in the remainder of the year and turn our focus to 2024, which should provide answers to the questions of 2023. The hottest one is of course about the Fed cutting rates: whether they will, when, by how much, and importantly, why. It is once again about the relative trajectories of growth and inflation. After almost two years of tightening, and as the tide of excess savings from the covid era recedes, we will get a clearer picture. Our current central scenario leans towards an economic slow-down while inflation would continue to fall, but still exceed targets. This wouldn't support the massive rate cuts currently priced-in by the futures markets.

Our December TAA committee didn't change our positioning last week. We are working on 2024 – our Global Outlook will as always be released at the beginning of the year (the reason being that we always report on our results for the previous year).

ASSET CLASSES USD % TOT.RETURN, YTD 2023 & LAST WEEK



MAURICE GRAVIER
Chief Investment Officer
MauriceG@EmiratesNBD.com

ANITA GUPTA
Head of Equity Strategy
AnitaG@EmiratesNBD.com

GIORGIO BORELLI
Head of Asset Allocation
GiorgioB@EmitatesNBD.com

SATYAJIT SINGH, CFA
Head of Fixed Income Strategy
SatyajitSI@EmiratesNBD.com

Cross-asset Update

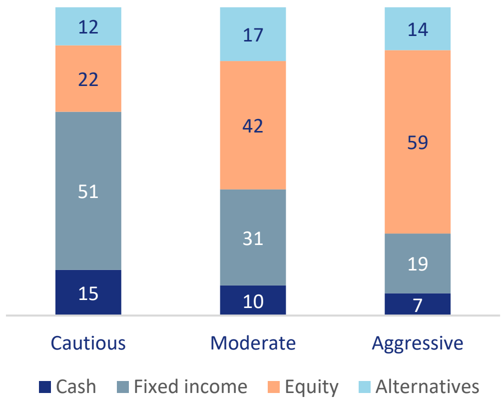
The latest jobs report seems to confirm that US exceptionalism is still the theme of the day, despite the ongoing slowdown phase in the American economy, as the other major areas continue to be underwhelming in terms of growth profile. This has implications like dollar-centric assets still outperforming, and market upside limited by a growth impulse that remains somewhat vivid in the US only. Longer dated Treasury yields promptly reacted to a better-than expected jobs report by retracing all of the weekly losses, while the US dollar gained snapping six back-to-back weeks of lower lows.

In China nothing much is happening, at least from the point of view of investors that have perennial expectations of a large-scale stimulus that have gone disappointed this time as well. At the Politburo meeting on Friday there was lack of commitment for broad support for the economy, as monetary policy was no longer mentioned as being ‘forceful;’, while fiscal measures would be taking the driver seat, though the government would “act within its capabilities” to improve people’s livelihood, one more hint to a measured approach. And in Europe business sentiment was just less worse than expected last month, though always in contraction territory. China’s considerate approach to stimulus and the delayed effects of the ECB tightening will not be helping much either. So, Europe remains the weak link amongst the big three.

The strong US jobs report comes across as less strong if one strips off the rise in payrolls due to the less cyclical government and healthcare sectors, the major contributors to the positive surprise. So, the impression of a softening labor market remains. At some point in 2024, either labor market weakness triggers a recession, or the economy recovers in response to easing financial conditions as more rate cuts get prices in. It could be that high real rates impact growth, but the Fed cuts and a recession is avoided.

In summary, as the disinflation process continues and investors get mesmerized by the magic the Goldilocks US economy supporting the rest of the world, markets should continue to rise. Gold has been rising and falling with equities, offering few diversification benefits driven by the ebb and flow of liquidity like all other asset classes. The yellow metal could retrace some of the recent gains as US exceptionalism resurfaces and yields again drift higher. In our view a pull-back would be offering one more buy opportunity.

TACTICAL ASSET ALLOCATION: SIMPLIFIED POSITIONING

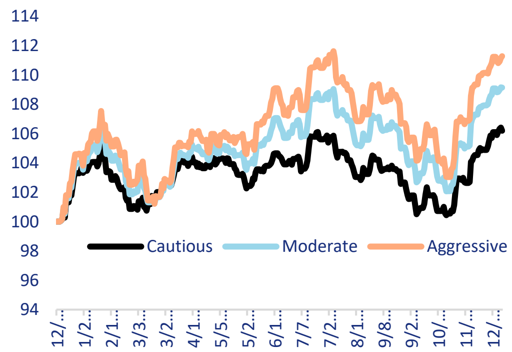


TAA – RELATIVE POSITIONING – MODERATE PROFILE

UW/N/OW: Underweight/Neutral/Overweight

	UW	N	OW
Cash			>>>>>
DM Gov.			>>>
DM Credit			>
DM H. Yield	<<		
EM Debt	<<<		
DM Equity	<		
EM Equity		=	
Gold		=	
Hedge Funds	<<		
Real Estate	<		

TAA – 2023 INDICATIVE PERFORMANCE



Source: Bloomberg. CIO Office calculation based on TAA applied to market indices, net total return in USD.

Fixed Income Update

US labor market data was mixed last week. At the beginning of the week, job openings fell 6.6% to 8.7mn in October, the lowest level since March 2021, while layoffs edged up slightly by 2.0%. The week ended with NFP data, the US labor market created 199,000 jobs in November, ahead of market expectations of 180,000 and an improvement on the 150,000 from last month. The unemployment rate fell to 3.7% vs 3.9%. During the week 2-year US treasury rose by 18bps to 4.73%, the 10-year remained flat at 4.23%, and the 30-year decreased by 8bps. FOMC meets with a policy decision due Wednesday. Though there is no expectation of any surprise hikes from the meeting, the press conference and Q&A should be interesting. New US inflation data is at play with the November CPI due early Tuesday, followed by the November PPI early Wednesday.

Global sovereign yields mostly declined last week as futures markets continued to price an elevated probability of rate cuts from major central banks in early 2024. Outside of the US, the 10-year German Bund yield and 10-year UK Gilt yield both ended the week lower at 2.28% and 4.04%, respectively. We are starting a central-bank-rich week, with the Fed first on Wednesday, followed by the BoE and ECB on Thursday amid wide expectations of a continuing pause. BoJ meets on Dec 18 and 19 for a policy decision. The rate hike probabilities of the BoJ have increased to 37% from 2.5% a couple of days back, while swaps price in a full rate hike by April 2024.

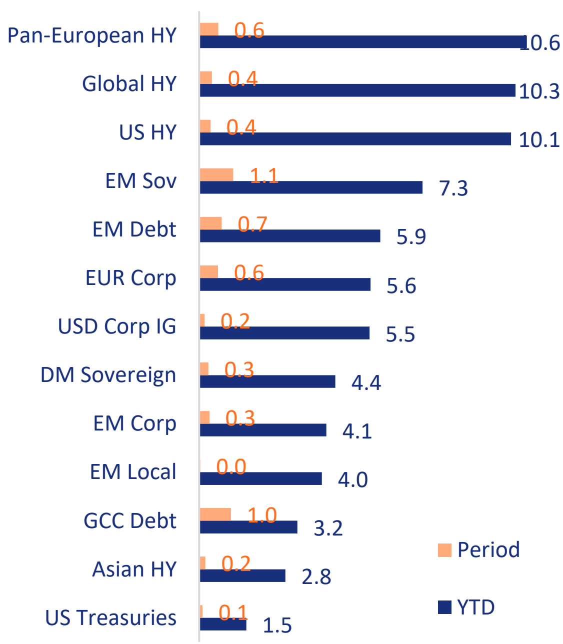
Last Friday, The Reserve Bank of India kept policy rates unchanged in line with market expectations since it hiked 25bps in February. The RBI upgraded its growth forecast to 7% YoY from 6.5% earlier for FY24. The steady growth points to a continued hold. The RBI noted "uncertainties in food prices" as a potential risk to a reacceleration in inflation over the coming months after headline CPI dropped to 4.9% for October. The RBI gave a little dovish signal on banking sector liquidity by stating that the liquidity deficit has been larger than expected since its October meeting, so it hasn't had to sell government bonds. This walked back previous hawkish signals.

GCC credit settled lower on Friday across both IG and high-grade papers. However, the region performed better than the overall emerging market space. Separately, Egyptian inflation slowed to 34.6% YoY in November, down from 35.8% the previous month. Its core inflation rate recorded 35.9% in November, down from 38.1% in October. IMF and Egyptian authorities hint at a new deal focused on de-emphasizing the floating of the Pound and prioritizing the focus on curbing inflation.

FIXED INCOME KEY CONVICTIONS

DEVELOPED MARKETS
OW Quality corporates
OW Government Bonds
UW High Yield
EMERGING MARKETS
Overall UW EM Debt
Favor quality and selectivity
OW Selectively Asia,

FIXED INCOME SUB ASSET CLASS RETURNS (YTD, LAST WEEK)



Source: Bloomberg

Equity Update

November's positivity continues into December but not on the same scale. Global equities were close to flat, very small gains last week, with US and Europe up, while in Asia only India ended in positive territory. Impactful week ahead, with a barrage of central bank meetings and inflation data, though we expect no rate increases from the Fed, BOE or ECB, but markets could be a bit volatile, with several Treasury auctions also scheduled. The outlier is the Bank of Japan as hawkish remarks from some officials led to expectations for a hike in December/ January and possibly the end of the ultra easy yield-control policy. We are currently neutral Japan but looking to add to Japan equities next year as market reforms and a stronger Yen should aid returns. We remain underweight Eurozone equities since they have a high beta to China. Last week the STOXX 600 ended 1.32% higher continuing a five-week streak of gains. The rally has continued despite weak confidence in Europe's economic strength on expectations of rate cuts.

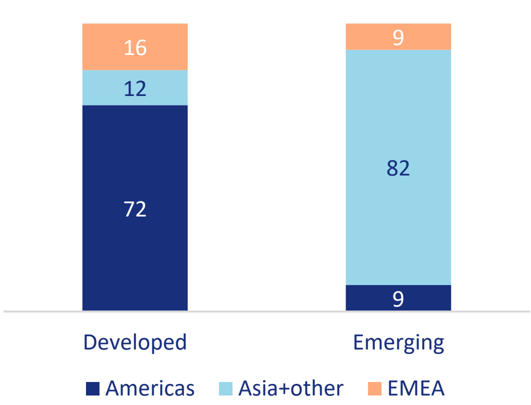
The Dubai bourse (+24% YTD) had Dubai Taxi debut to strong gains. UAE equities remain attractive on high dividend yields and capital appreciation. Banks have not rallied in proportion to the outsize profits they have made in 9M 23, on the back of higher interest rates and a vibrant economy and offer potential going into Q1 dividend season. COP 28 has brought more visitors to the UAE, but also important climate and sustainability alliances across countries, corporates, and institutions.

We are neutral China and overweight India tactically. China stocks under pressure on inflation data, and a disappointing Politburo meeting. Growth is the focus but no outsize stimulus on the way. (MSCI China -15% YTD). On the other hand, India equities had a good run recently and in USD total returns the India MSCI Index is +15% YTD. Though Indian equities are expensive at 24X price/ Earnings, we think the +20% earnings growth should provide further upside. Oil trading lower also good for India, which is an oil importer.

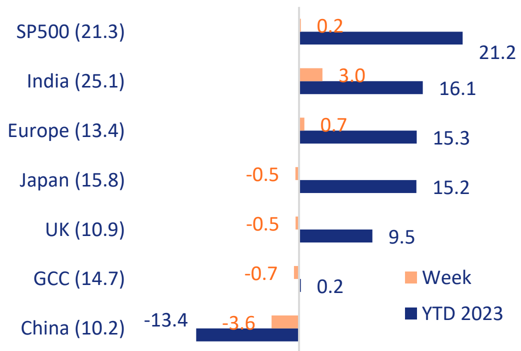
We are overweight the US. The S&P 500 ended Friday at 4,604 (4,600 is a key technical level) to close at almost a 2-year high, 6 weeks of straight gains, despite stronger-than-expected monthly jobs data raising new concerns about the interest rate outlook and a slight pop in Treasury yields. The VIX is at 12.3 back to 2019 levels. The SPX is now up 22% total returns, year-to-date. US equities are supported by still strong consumer spending and an expected soft landing for the economy. The Fed is delivering a 'goldilocks' scenario of lower inflation without recession, the best outcome for risk assets. The Nasdaq also closed above a key technical resistance at 14,404.

Positive for equity performance: the 10-year US Treasury yield remains well below its October 16-year highs of near 5%. However, we expect the Fed to keep policy restrictive until mid-2024 at least.

EQUITY RECOMMENDED REGIONAL POSITIONING

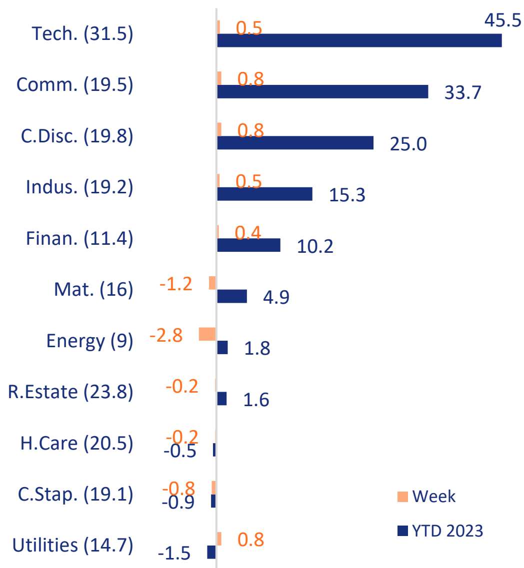


MAJOR INDICES PERFORMANCE (TR, US$) AND 2023PE



Source: Bloomberg consensus. MSCI Indices unless specified.

GLOBAL SECTOR PERFORMANCE (TR, US$) AND 2023PE



Source: Bloomberg consensus. MSCI All Country World sectors US$.

DISCLAIMER

IMPORTANT INFORMATION

This document is prepared by Emirates NBD Bank (P.J.S.C) ("**the Bank**" or "**Emirates NBD**"), licensed and regulated by the Central Bank of the UAE ("**Central Bank**") and the Securities and Commodities Authority of the UAE ("**SCA**") and subject to regulation, supervision and control of the Central Bank and SCA, having its head office at Baniyas Road, Deira, PO Box 777, Dubai, United Arab Emirates. This document may be distributed and/or made available by the Bank and its affiliates and subsidiaries, including Emirates NBD Capital KSA CJSC ("**ENBD Capital**") (through its website, its branches or through any other modes, whether electronically or otherwise).

Emirates NBD and its affiliates, subsidiaries and group entities, including its shareholders, directors, officers, employees and agents are collectively referred to Emirates NBD Group.

Any person (hereinafter referred to as "**you**", "**your**") who has received this document or have access to this document shall acknowledge and agree to the following terms.

Reliance

Data/information provided in this document are intended solely for information or illustrative purposes and are not designed to initiate or conclude any transaction.

This publication may include data/information taken from stock exchanges or other third-party sources from around the world, which Emirates NBD reasonably believes to be reliable, fair and not misleading, but which have not been independently verified. The provision of certain data/information in this publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party. Opinions, estimates and expressions of judgment are those of the writer and are subject to change without notice. Emirates NBD or any member of Emirates NBD Group makes no representation or warranty and accepts no responsibility or liability for the sequence, accuracy, completeness or timeliness of the information or opinions contained in this publication. Nothing contained in this publication shall be construed as an assurance by Emirates NBD that you may rely upon or act on any information or data provided herein, without further independent verification of the same by you.

The contents of this document are prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors, including those relevant to the determination of whether a particular investment activity is advisable. Emirates NBD does not undertake any obligation to issue any further publications or update the contents of this document. Emirates NBD may also, at its sole discretion, update or change the contents herein without notice. Emirates NBD or any member of Emirates NBD Group does not accepts no responsibility whatsoever for any loss or damage caused by any act or omission by you as a result of the information contained in this publication (including by negligence).

References to any financial instrument or investment product in this document are not intended to imply that an actual trading market exists for such instrument or product. Certain investment products mentioned in this document may not be eligible for sale in some jurisdictions, and they may not be suitable for all types of investors. The information and opinions contained in this publication is provided for informational purposes only and have not been prepared with any regard to the objectives, financial situation and particular needs of any specific person, wherever situated. If you wish to rely on or use the information contained in this publication, you should carefully consider whether any investment views and investment products mentioned herein are appropriate in view of your investment experience, objectives, financial resources and relevant circumstances. You should also independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professional advisers or experts.

Confidentiality

This publication may be provided to you upon request (and not for distribution to the general public), on a confidential basis for informational purposes only, and is not intended for trading purposes or to be passed on or disclosed to any other person and/or to any jurisdiction that would render the distribution illegal.

Solicitation

None of the content in this publication constitutes a solicitation, offer, recommendation or opinion by Emirates NBD to buy, sell or trade in any security or to avail of any service in any jurisdiction. This document is not intended to serve as authoritative legal, tax, accounting, or investment advice regarding any security or investment, including the profitability or suitability thereof and further does not provide any fiduciary or financial advice. This document should also not be used in substitution for the exercise of the prospective investor's judgment.

Third Party

This 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. It is the responsibility of any person in possession of this publication to investigate and observe all applicable laws and regulations of the relevant jurisdiction. This publication may not be conveyed to or used by a third party without the express consent of Emirates NBD or its affiliates, subsidiaries or group entities distributing this document. You should not use the data in this publication in any way to improve the quality of any data sold or contributed by you to any third party.

Liability

Notwithstanding anything to the contrary set forth herein, 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 this publication including, but not limited to, quotes and financial data; or (b) loss or damage arising from the use of this publication, including, but not limited to any investment decision occasioned thereby. 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 this publication, including but not limited to, loss of revenue, opportunity, or anticipated profits or lost business.

DISCLAIMER

This publication does not provide individually tailored investment advice and is prepared without regard to the individual financial circumstances and objectives of person who receive it. The appropriateness of an investment activity or strategy will depend on the person's individual circumstances and objectives and these activities may not be suitable for all persons. In addition, before entering into any transaction, prospective investors should: (i) ensure that they fully understand the potential risks and rewards of that transaction; (ii) determine independently whether that transaction is appropriate given an investor's investment objectives, experience, financial and operational resources, and other relevant circumstances; (iii) understand that any rates of tax and zakat or any relief in relation thereto, as may be referred to in this publication may be subject to change over time; (iv) consult their advisers on the legal, regulatory, tax, business, investment, financial and accounting implications of the investment; (v) understand the nature of the investment and the related contract (and contractual relationship) including, without limitation, the nature and extent of their exposure to risk; and (vi) understand any regulatory requirements and restrictions applicable to the prospective investor

Forward Looking

Past performance is not necessarily a guide to future performance and should not be seen as an indication of future performance of any investment activity. The information contained in this 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. Certain matters in this publication about the future performance of Emirates NBD or members of its group (the Group), including without limitation, future revenues, earnings, strategies, prospects and all other statements that are not purely historical, constitute "forward-looking statements". Such forward-looking statements are based on current expectations or beliefs, as well as assumptions about future events, made from information currently available. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "seek", "believe", "will", "may", "should", "would", "could" or other words of similar meaning. Reliance should not be placed on any such statements in making an investment decision, as forward-looking statements, by their nature, are subject to known and unknown risks and uncertainties that could cause actual results, as well as the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Estimates of future performance are based on assumptions that may not be realized.

Risk

Data included in this 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. The use of this publication is at the sole risk of the investor and this publication, and anything contained herein, is provided "as is" and "as available." Emirates NBD makes no warranty of any kind, express or implied, as to this publication, including, but not limited to, merchantability, non-infringement, title, or fitness for a particular purpose or use.

Investment in financial instruments involves risks and returns may vary. The value of investment products mentioned in this document may neither be capital protected nor guaranteed and the value of the investment product and the income derived therefrom can fall as well as rise and an investor may lose the principal amount invested. Investment products are subject to several risks factors, including without limitation, market risk, high volatility, credit and default risk, illiquidity, currency risk and interest rate risk. It should be noted that the value, price or income of securities denominated in a foreign currency may be adversely affected by changes in the currency rates. It may be difficult for the investor to sell or realise the security and to obtain reliable information about its value or the extent of the risks to which it is exposed. Furthermore, the investor will not have the right to cancel a subscription for securities once such subscription has been made. Prospective investors are hereby informed that the applicable regulations in certain jurisdictions may place certain restrictions on secondary market activities with respect to securities.

Before making an investment, investors should consult their advisers on the legal, regulatory, tax, business, investment, financial and accounting implications of the investment. In receiving this publication, the investor acknowledges it is fully aware that there are risks associated with investment activities. Moreover, the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in this publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with the investor.

Intellectual property

This 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 the investor 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 should not copy or make any use of the content of this publication or any portion thereof or publish, circulate, reproduce, distribute or offer this publication for sale in whole or in part to any other person over any medium including but not limited to over-the-air television or radio broadcast, a computer network or hyperlink framing on the internet or construct a database of any kind. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with this publication, or the names of any individual participant in, or contributor to, the content of this publication, or any variations or derivatives thereof, for any purpose. This publication is intended solely for non-commercial 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. By accepting this publication, you agree not to use, transfer, distribute, copy, reproduce, publish, display, modify, create, or dispose of any information contained in this publication in any manner that could compete with the business interests of Emirates NBD. Furthermore, you should 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, except as otherwise provided with Emirates NBD's prior written consent. You shall have no ownership rights in and to any of such items.

DISCLAIMER

IMPORTANT INFORMATION ABOUT UNITED KINGDOM

This publication was prepared by Emirates NBD Bank (P.J.S.C) in the United Arab Emirates. It has been issued and approved for distribution to clients by the London branch of Emirates NBD Bank (P.J.S.C) which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority in the UK. Some investments and services are not available to clients of the London Branch. Any services provided by Emirates NBD Bank (P.J.S.C) outside the UK will not be regulated by the FCA and you will not receive all the protections afforded to retail customers under the FCA regime, such as the Financial Ombudsman Service and the Financial Services Compensation Scheme. Changes in foreign exchange rates may affect any of the returns or income set out within this publication.

IMPORTANT INFORMATION ABOUT SINGAPORE

This publication was prepared by Emirates NBD Bank (P.J.S.C) in the United Arab Emirates. It has been issued and approved for distribution to clients by the Singapore branch of Emirates NBD Bank (P.J.S.C) which is licensed by the Monetary Authority of Singapore (MAS) and subject to applicable laws (including the Financial Advisers Act (FAA) and the Securities and Futures Act (SFA). Any services provided by Emirates NBD Bank (P.J.S.C) outside Singapore will not be regulated by the MAS or subject to the provisions of the FAA and/or SFA, and you will not receive all the protections afforded to retail customers under the FAA and/or SFA. Changes in foreign exchange rates may affect any of the returns or income set out within this publication. Please contact your Relationship Manager for further details or for clarification of the contents, where appropriate. For contact information, please visit www.emiratesnbd.com.

IMPORTANT INFORMATION ABOUT EMIRATES NBD CAPITAL KSA CJSC

Emirates NBD Capital KSA CJSC (“ENBD Capital”), whose registered office is at P.O. Box 341777, Riyadh 11333, Kingdom of Saudi Arabia, is a Saudi closed joint stock company licensed by the Saudi Arabian Capital Market Authority (“CMA”) under License number 37-07086 dated 29/08/2007G (corresponding to 16/08/1428H) to deliver a full range of quality investment products and related support services to individuals and institutions in the Kingdom of Saudi Arabia. ENBD Capital is subject to Capital Market Law, and Implementing Regulations in the Kingdom of Saudi Arabia

ENBD Capital’s contact details are T +966 (11) 299 3900 and F +966 (11) 299 3955.

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Investment Funds Regulations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective subscribers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities offered. If you do not understand the contents of this document, you should consult an authorised financial adviser.