بنك الإمارات دبي الوطني
Emirates NBD

The **Week of Answers**

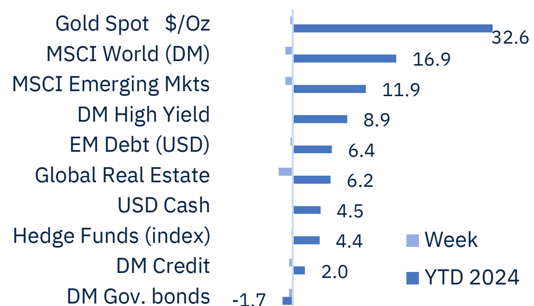
- **US elections take centre stage, with the first projections expected Wednesday**
- **The race is too close to call and we may not immediately get a clear and accepted results**
- **We expect volatility, with also major updates from the Fed, China, earnings and economic data**

Last week was negative across all asset classes except cash, which we believe was primarily linked to rising uncertainty around the US elections. The week was intense and data rich. Most economic releases confirmed an already known global picture, with an overall resilience driven by US exceptionalism. Still, there was a surprise: the US monthly job data was extremely disappointing, with only 12,000 jobs being created in October, a fraction of the median forecast for 100,000 and a sharp drop compared to September. Storms and strikes obviously had a strong impact, but such a miss cemented expectations for another rate cut on this Thursday's FOMC, even if other data also questioned the progress of disinflation.

US elections are simply to close to call, and too hazardous to speculate on. First, there is no leader in polls anymore. Second, the composition of the Senate and House of Representatives will also matter. Third, the market implications are not obvious. More tariffs and less taxes and immigration could theoretically be better for stocks than for bonds, but stocks are at an all-time high and bond yields have materially risen recently. On the other hand, while Mrs Harris represents some continuity, details are unknown and congressional support is not a given. The key risk is actually not to have a clear and accepted result following the election night, which could hit risk appetite. We are more confident in the likelihood of the Fed to decide a 25 basis points cut on Thursday and prepared for good news from China's congress. Still, we keep a defensive stance for the time being and will wait for more clarify to act.

Have a great week.

ASSET CLASSES USD % TOT.RETURN, 2024 & LAST WEEK



MAURICE GRAVIER
Chief Investment Officer
MauriceG@EmiratesNBD.com

GIORGIO BORELLI
Head of Asset Allocation
GiorgioB@EmitatesNBD.com

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

ANITA GUPTA
Head of Equity Strategy
AnitaG@EmiratesNBD.com

NAWAF ALNAQBI
Equity Strategist
NawafALNA@EmiratesNBD.com

Cross-asset Update

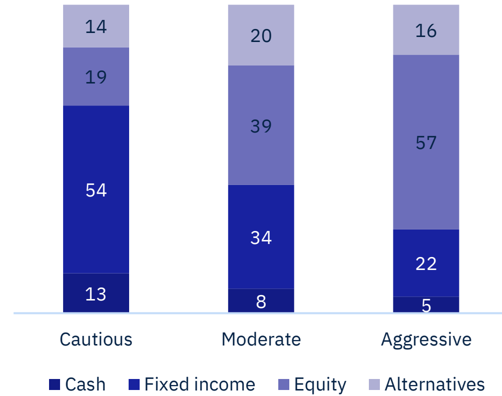
Stimulus efforts seem to be coming together globally. In the United States ongoing positive economic surprises had cast doubts on the degree of monetary easing lying ahead, until the release of the underwhelming jobs report on Friday. China continues to be hard to read for investors. Markets have never been impressed with the announced, nor the so-far-delivered measures, though we are starting to see unexpected improvements in key Chinese macro data. Europe is worst off in terms of growth and productivity outlook, hence further cuts are all the more due and expected. Hence, the upshot of all of this is that monetary easing is set to continue in the key macroeconomic areas, eventually supporting the business cycle and global equities.

If data is anything to go by, there has been a tight relationship between the share of central banks easing and the global manufacturing cycle. With more countries joining the monetary bandwagon, the goods sector, that so far has been languishing, should eventually inflect higher. And this stands to reason, being manufacturing, where fixed costs are elevated, highly sensitive to the cost of funding. Yet, the underwhelming release of the bellwether US ISM Manufacturing PMI, that on Friday sank to a new low of 46.5 for the year, does not seem to corroborate this analysis. But this is most likely due to election uncertainty lying right ahead, that should give then way to renewed investments in inventories and capital expenditure once it is clear who will be in office.

To be sure, we cannot fail to consider election scenarios in our analysis, as they will affect the economy and markets. And there are two unconventional scenarios according BoAML strategist Michael Hartnett that are favourable for both and not yet part of the public narrative. The unconventional Trump scenario could play out well for global growth despite the enforcement of tariffs. That would happen if central banks, to counter the effect of tariffs, cut rates aggressively, that alongside the currently depressed oil prices would constitute a significant easing of financial conditions and stimulate global growth. This would fall along the lines of what was just mentioned about policy easing going hand in hand with stronger manufacturing activity. Best played via non-US equities. The other unconventional scenario would be one of continuity. Kamal Harris is elected, tech leadership is unchallenged and global trade would not be suffering as much. Best played via US or Chinese technology.

While the election outcome remains highly uncertain, we know that the rising tide of liquidity will be positive for risk assets. But we also know that the currently relentless gold bull market could signal some trouble ahead. The rising tide of liquidity could ultimately be inflationary, never mind who is sitting in the White House.

TACTICAL ASSET ALLOCATION: SIMPLIFIED POSITIONING

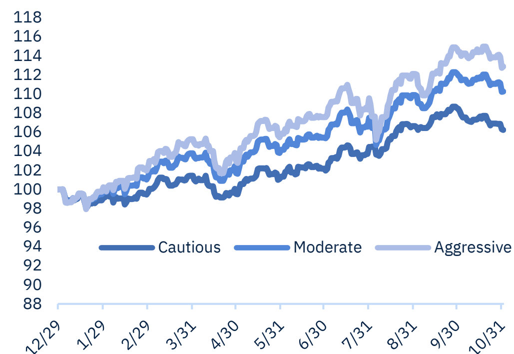


TAA – RELATIVE POSITIONING – MODERATE PROFILE

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 – 2024 INDICATIVE PERFORMANCE



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

Fixed Income Update

Intermediate Treasury yields extended higher for the sixth consecutive week, reaching their highest levels since late-July, and rising above their 200-day moving average in the process. The belly-led Treasury sell-off took place alongside similar moves across the DM, with US yields following last Monday's European sell-off closely. At first glance, the backdrop for adding duration appears increasingly attractive for a couple of reasons. First, while we continue to expect two additional 25bp cuts, OIS forwards are pricing in only 43bp of cumulative Fed easing through year-end.

YTD, US IG bond yields have fluctuated within a 100bp range (4.9%-5.9%) and are currently near the midpoint. The increase in yields MTD, along with light supply and supportive equity markets, has driven spreads to their current tight level, and these drivers have not abated. MTD, HG has lost 2.2% in total return, leaving the YTD return at +3.3%. Over the past couple of weeks, there has been no evidence that the negative return trend is impacting fund demand, but this may change if yields continue to rise.

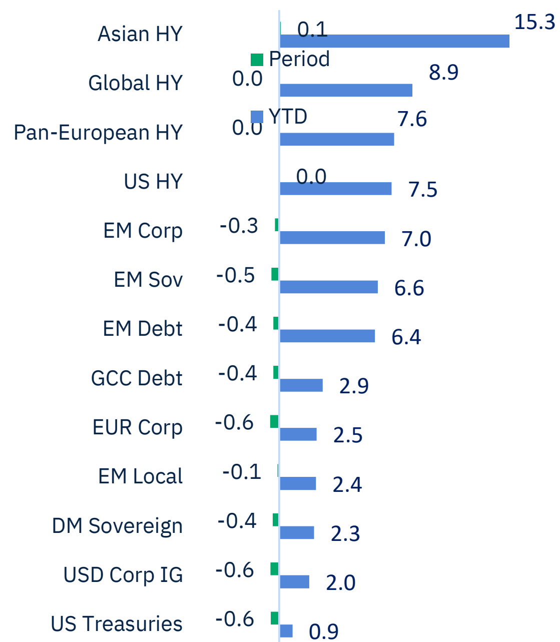
US High-yield bond yields rose 13bp to and spreads were stable at 332bp over the past week and are only 4bp above a post-GFC low as investors absorbed an in-line start to earnings season, strong economic data (claims, PMIs), and a further rise in Treasury yields. The HY index is providing a loss of -0.5% in October with CCCs (+0.5%) outperforming Bs (-0.4%) and BBs (-0.9%).

The trend has been mixed for EM fixed income, with some inflows in September after the Fed rate cut turning to outflows in recent weeks to leave the YTD figure at -$14bn. This continues to provide a stunning contrast to US HG, which is now running at +$327bn inflows YTD notwithstanding some slowdown in the most recent week. Our sense is that investors are in general delaying any meaningful allocation shifts until after the US elections, so we will need to wait another few weeks to see a turnaround.

FIXED INCOME KEY CONVICTIONS (2024)

DEVELOPED MARKETS
Overall overweight DM FI
OW Government Bonds
Neutral corporate (IG & HY)
EMERGING MARKETS
Neutral EM Debt
Favor quality and selectivity
Including in GCC

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



Source: Bloomberg

Emirates NBD
بنك الإمارات دبي الوطني

Equity Update

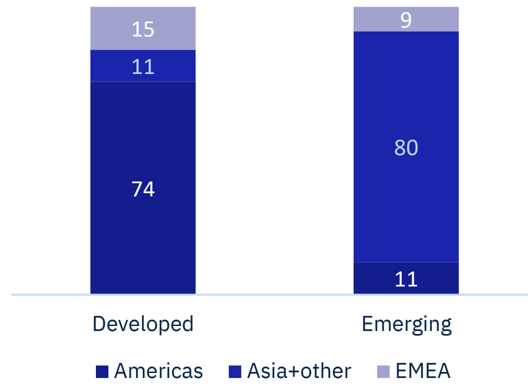
We entered Q4 with a slightly underweight positioning in both DM and EM equities to lock in the strong performance already exhibited by most regions. Currently Overweight US/ UK within DM allocation, neutral Japan and underweight the Eurozone. We had moved our overweight stance from India to China within EM allocation and stayed Overweight the UAE as its capital market issuance remains robust and dividend yields are attractive.

Global equities were down in October and have fallen the last two weeks with the US influenced by mixed tech earnings, uncertainty on the US election outcome and the rate trajectory. However, year to date a strong performance with the MSCI ACWI +16% with China, the US and the Dubai Index with gains of over 20%. Tech leadership e evident in the MAG7 up 45%. Concentration risk continues as MAG7 is 37% of the S&P 500 and 50% of the performance with earnings at just 25%. For Q3 70% of companies have reported, S&P 500 earnings growth tracking at 5.2% y/y as is revenue at 5.2%. Spend in 2024 on AI capex at $250 bn by the MAG7 is worrying, with a large part of that on data centers. Not surprising with the huge amount of data storage required for cloud services and AI compute.

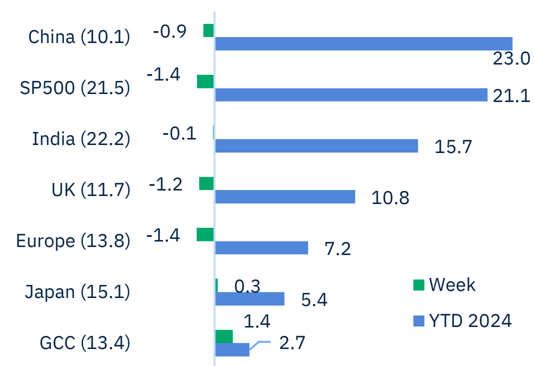
48 hours to US elections- potential changes in taxes, tariffs, immigration, labour policies could affect corporate earnings. The Vix is trading at 20, more volatility around uncertainty of a very equal outcome. However, the economy is fine, corporate earnings are robust with an outlook for low single digits growth next three quarters. Fiscal policy needs clearance from the House and Senate so not a unilateral decision. Both candidates seem to be focused on "Make in America" On taxes President Trump looks to lower the rate from 21 to 20% with 15% for companies that produce in the US. Candidate Harris could give tax breaks to start ups. On tariffs Pres. Trump 60% on China and 20% on rest of the world could add to inflation as cost of goods goes up. Any increase on taxes whether corporate or personal by Candidate Harris will lead to an impact on growth. We wouldn't make any bets around elections as the Fed and markets will react to macro and corporate earnings quality. Stay invested in growth markets and sectors and quality stocks.

On earnings: Big Tech earnings offered a mixed picture. Microsoft and Meta fell largely due to high spending guidance on AI initiatives, which offset otherwise solid revenue results. Microsoft's cloud business, in particular, projected slower growth, while Meta's cautious spending plans unsettled markets. Amazon, rose 6% following a strong earnings report, supported by e-commerce strength and an optimistic forecast. Apple's results were tempered by softer-than-expected demand for its new AI-enhanced iPhone in China, revealing challenges in a critical market for the company.

EQUITY RECOMMENDED REGIONAL POSITIONING

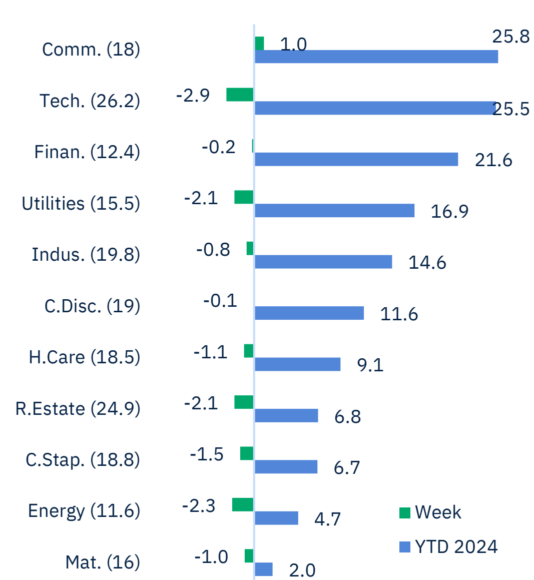


MAJOR INDICES PERFORMANCE (TR, US$), P/E in brackets



Source: Bloomberg consensus. MSCI Indices unless specified.

GLOBAL SECTOR PERFORMANCE (TR, US$), P/E in brackets



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

بنك الإمارات دبي الوطني
Emirates NBD

DISCLAIMER

IMPORTANT INFORMATION

This document is prepared by Emirates NBD Bank (P.J.S.C) ("the Bank" or "Emirates NBD"), a public joint stock company incorporated in Dubai, UAE and licensed, regulated supervised and controlled by the Central Bank of the UAE ("Central Bank") and the Securities and Commodities Authority of the UAE ("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. This publication is prepared without regard to the individual financial circumstances and objectives of persons who receive it. Data/information provided in this publication are intended solely for illustrative purposes for the general information or its recipients, irrespective of their customer classification as an Ordinary Investor or Professional Investor under the SCA Regulations. 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

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.

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. Where this publication provides any information about Shariah compliant products, the Bank will not have engaged a Shariah board (or similar body) to determine independently whether or not such products are compliant with Shariah principles. The Bank accepts no liability with respect to the fairness, correctness, accuracy, reasonableness or completeness of any such determination or guidance by any Shariah board that has certified or otherwise approved such products as Shariah compliant. Nothing contained in this publication shall be construed as a recommendation by the Bank to invest in such product. In deciding whether to invest in Shariah compliant products, you should satisfy yourself that investing in such products will not contravene Shariah principles. You should consult your own Shariah advisors as to whether investing in such products is compliant or not with Shariah principles.

Emirates NBD

DISCLAIMER

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.

بنك الإمارات دبي الوطني
Emirates NBD

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.