



بنك الإمارات دبي الوطني  
Emirates NBD

Daily

15 January 2020

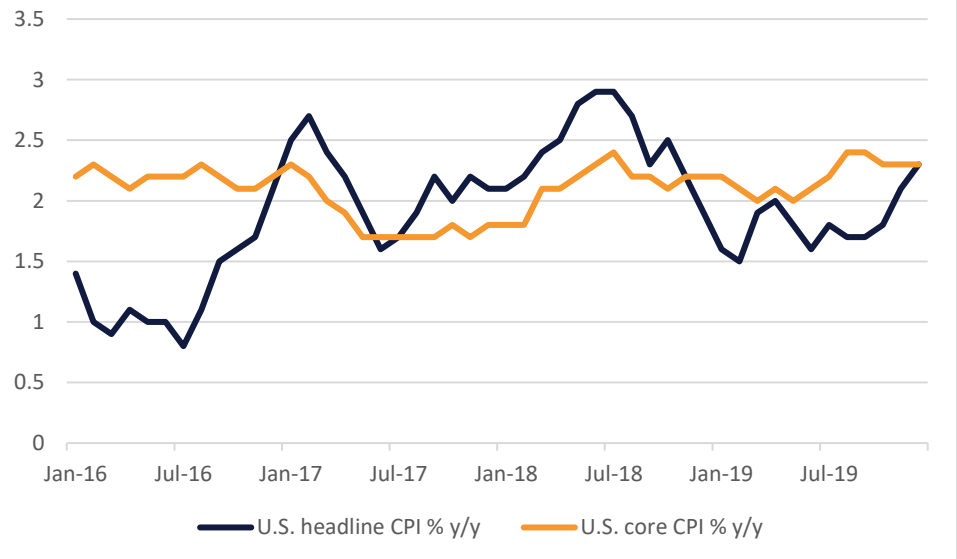
www.emiratesnbdresearch.com

# Daily Outlook

The U.S. and China are due to sign a 'phase-one' trade deal later today in the White House, although there are still few details about what exactly to expect from it, and whether there is a roll-back of tariffs enough to satisfy markets. The text of the agreement will apparently be made public once the deal has been signed. Yesterday there was some optimism about the deal as the White House dropped its "currency manipulator" label on China, seen as a sign of goodwill ahead of today's deal. However, overnight there were some reports that existing tariffs on Chinese goods coming into the U.S. are likely to be kept in place, with only the imposition of new tariffs looking less likely. Only after 10 months of today's deal will the U.S. review its progress and potentially consider additional cuts on tariffs that already exist, contingent on China having kept to its side of the bargain in terms of buying more U.S. agricultural products, more manufactured goods, energy supplies, and services. This means that the average US tariff on Chinese imports will stay at around 19% for the best part of this year, compared to just 3% at the start of 2018. Further, while the dispute with China and NAFTA looks set to be more quiescent, Europe remains in the Trump administration's crosshairs, which could see trade tensions remain a central theme of 2020, only affecting different geographies.

Meanwhile in the U.S. yesterday December headline CPI rose 0.2% m/m, with the core rate rising 0.1% m/m, both slightly below expectations, following respective gains of 0.3% and 0.2% in November. On a y/y basis, the headline consumer price index accelerated to 2.3% y/y versus 2.1% y/y, while the core was steady at 2.3% y/y. The report shows that underlying price pressures remain subdued and gives the Fed ample room to stand pat on rates in 2020, even if economic growth begins to recover.

## U.S. core inflation steady in December



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
Germany 2019 GDP	13:00	0.6%	UK CPI y/y	13.30	1.5%
EU Industrial production	14.00	0.3%	US Producer prices	17.30	0.2%

Source: Bloomberg, Emirates NBD Research.

## **Fixed Income**

Treasuries closed higher as investors turned cautious ahead of details from the Phase 1 trade agreement. Yields on the 2y UST and 5y UST closed at 1.57% (-1 bp) and 1.81% (-3 bps) respectively.

Regional bonds closed marginally higher. The YTW on Bloomberg Barclays GCC Credit and High Yield index closed at 3.17% (-1 bp) and credit spreads remained flat at 143 bps.

First Abu Dhabi Bank raised USD 500mn in a 5y sukuk which was priced at mid swaps plus 90 bps.

## **FX**

The dollar was unmoved by the U.S. CPI report, that came in a little below expectations. EURUSD remained soft while USDJPY was also little changed as the markets awaited the signing of the US-China trade deal. Meanwhile GBP posted fresh lows against the euro while remaining heavy against the dollar in the wake of recent UK data misses and dovish BoE commentary.

## **Equities**

Developed market equities closed mixed as investor's exercised caution ahead of the formal signing of Phase 1 trade deal between the US and China. The S&P 500 index dropped -0.2% while the Euro Stoxx 600 index added +0.3%.

Regional equities continued their positive run as investor's add position ahead of the Q4 2019 earnings season. The DFM index and the Tadawul added +1.0% and +0.4% respectively. Gains continued to be led by market heavyweights.

## **Commodities**

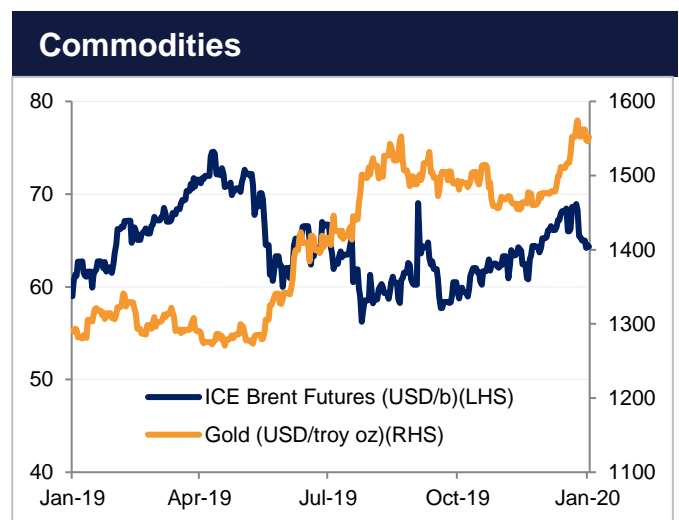
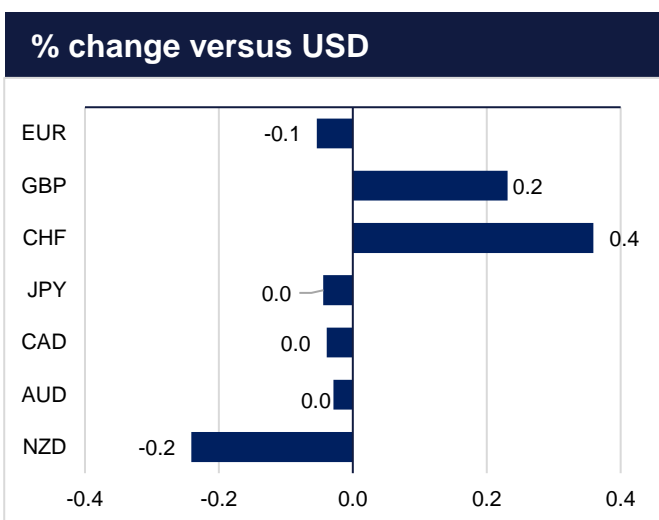
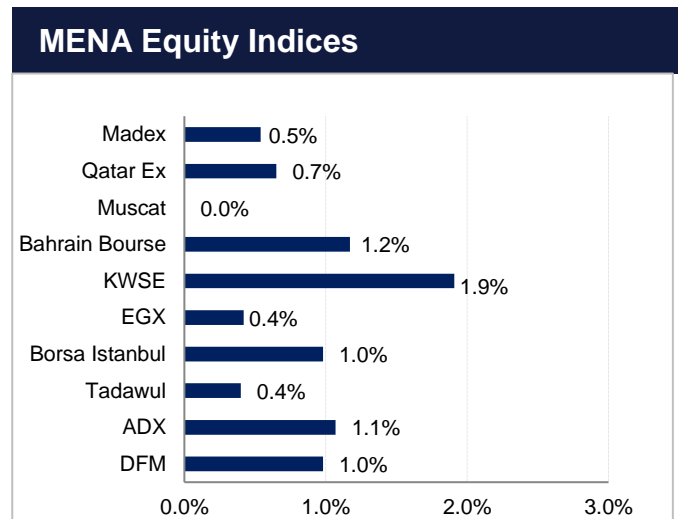
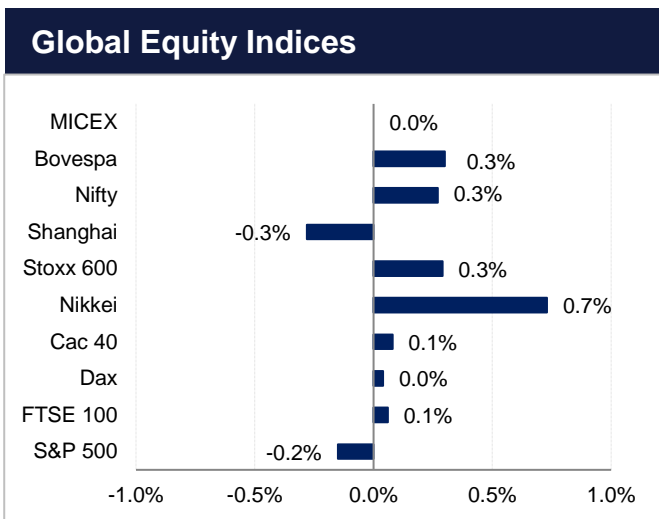
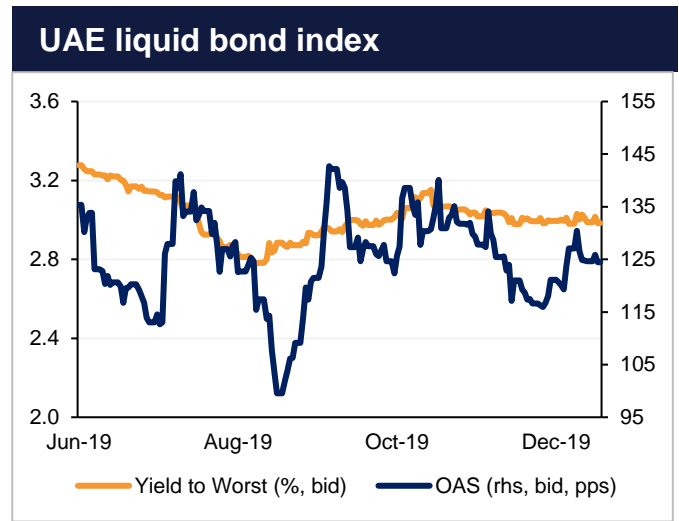
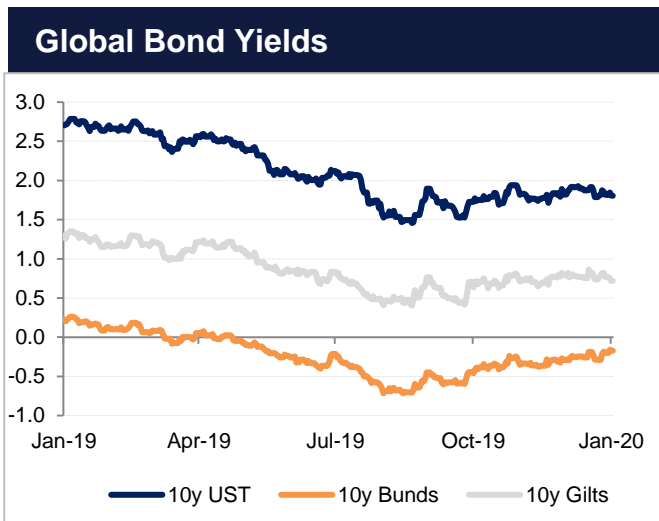
Oil markets snapped a recent losing streak with gains in both Brent and WTI futures. Brent added 0.45% to settle at USD 64.49/b while WTI rose 0.26% to close at USD 58.23/b. Both contracts have given much of their gains back, however, following API data which showed a rise in US crude stocks.

The EIA revised up its forecast for US oil production this year to 13.3m b/d, implying growth of over 1m b/d. its initial projections for 2021 assume oil output of 13.7m b/d, or growth of 410k b/d.

Projections from the US-China phase one trade deal would assume a significant increase in Chinese purchases of energy products. However, at a time of slowing industrial growth in China's economy there are doubts how much could actually be absorbed.

The modest contango that developed at the front of the WTI curve has persisted, even if at minimal levels.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1128	-0.05	1.1381	USDTRY	5.8815	+0.24	EURAED	4.0866	-0.07
GBPUSD	1.3019	+0.23	1.3162	USDEGP	15.8974	-0.15	GBPAED	4.7816	+0.23
USDJPY	109.99	+0.04	107.78	USDSAR	3.7529	+0.02	JPYAED	0.0334	-0.05
USDCAD	1.3062	+0.04	1.3066	USDQAR	3.6800		CADAED	2.8119	-0.03
AUDUSD	0.6902	-0.03	0.6959	USDKWD	0.3034		AUDAED	2.5349	-0.03
USDCHF	0.9674	-0.34	0.9429	USDBHD	0.3770	-0.01	CHFAED	3.7966	+0.35
EURGBP	0.8548	-0.29	0.8647	USDOMR	0.3850	--	TRYAED	0.6200	-0.95
USDAED	3.6729	--	3.6771	USDINR	70.7225	-0.64	INRAED	0.0552	+6.35

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.8488	2.0165	2.1175	2.1596	USD 2 yr	1.637	-1
USD LIBOR	1.6763	1.8313	1.8725	1.9620	USD 5 yr	1.626	-2
GBP LIBOR	0.6713	0.7524	0.7963	0.8681	USD 10 yr	1.772	-2
JPY LIBOR	-0.0850	-0.0503	0.0078	0.1085	EUR 2 yr	-0.297	-0
CHF LIBOR	-0.7728	-0.6786	-0.6168	-0.4768	EUR 5 yr	-0.129	-0
					EUR 10 yr	0.185	-1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1546.39	-0.10	ADGB 6.75 19	2.42	--	Abu Dhabi	38	+1
Silver	17.80	-0.87	DUGB 7.75 20	2.01	-23	Bahrain	172	-6
Oil (WTI)	58.23	+0.26	QATAR 5.25 20	2.70		Dubai	95	--
Aluminium	1782.25	+0.41	US Tsy 2 yr	1.57	-1	Oman	234	--
Copper	6270.00	+0.08	US Tsy 10 yr	1.81	-3	Qatar	41	+2
						Saudi Arabia	63	+2

Source: Bloomberg, Emirates NBD Research

## Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The 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. Accordingly, anything to the contrary herein set forth notwithstanding, 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 the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) 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 THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the 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. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report. The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the 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. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the 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 you 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 acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL 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. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY 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 OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

---

## Emirates NBD Research & Treasury Contact List

**Emirates NBD Head Office**  
12th Floor  
Baniyas Road, Deira  
P.O.Box 777  
Dubai

**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

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

**Aditya Pugalia**  
Financial Markets Research  
+9714 230 7802  
adityap@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

---

### 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**  
+20 22 726 5040

---

### 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