



بنك الإمارات دبي الوطني
Emirates NBD

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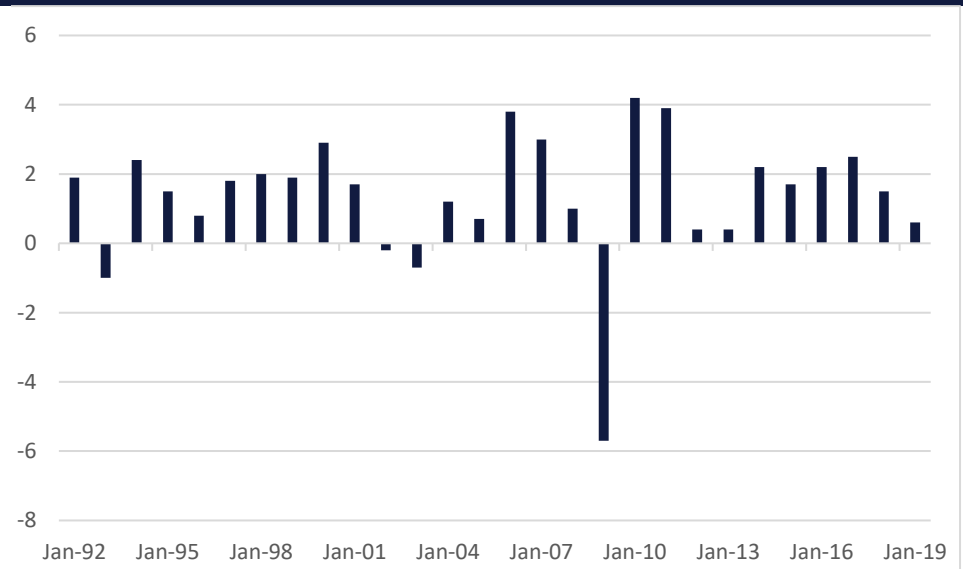
Daily Outlook

The 'phase one' trade deal between the US and China has been signed providing a sense of relief to markets that some of the differences between the two countries have been addressed and that there will be no escalation in the trade war in coming months. In particular China has pledged to buy approximately USD200bn more of US goods, including manufacturing goods, energy products, services and agricultural. Some tariffs on Chinese goods have been reduced, and the plan to impose new tariffs on more consumer products has been scrapped. However, for the most part existing tariffs on two thirds of China's exports are still in place and will remain so for at least 10 months when these will be reviewed. Of the other highlights China has promised to crack down on intellectual property theft and to avoid currency manipulation, but missing was any commitment to reform state subsidies or address charges of corporate and government hacking. These issues will presumably get addressed in the 'phase two' negotiations which are expected to begin immediately. However, there is considerable doubt if a 'phase two' agreement will ever be made, certainly this side of the US presidential election in November.

The world economy can little afford a deepening trade rift between the two most powerful economies in the world so the fact that they stepped back from this possibility is welcome. Data released yesterday showed that German GDP growth slowed to 0.6% last year from 1.5% in 2018, while Eurozone industrial production was also sluggish rising by just 0.2% in November.

Meanwhile inflation data painted a similarly weak picture. UK December CPI undershoot expectations at 1.3% y/y in the headline reading, and the core rate also fell, to 1.4% y/y from 1.7%. The data has raised expectations that the BOE might decide to cut interest rates later this month maintaining downward pressure on sterling. US producer prices were also tepid rising by just 0.1% m/m in both the headline rate and the core rate, although activity data in the US was a little more encouraging with the Empire State survey improving to the highest level for a year, and the Fed's Beige Book indicating that the economy expanded moderately in the last weeks of 2019.

Germany GDP growth disappoints in 2019



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
EGY Rate announcement		11.50	Tur Rate announcement	15.00	11.25%
SA Rate announcement		6.5%	US Retail sales	17.30	0.3%

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed higher following gains in Gilts as investors were rather muted to the actual signing of the Phase 1 trade deal. Yields on the 2y UST and 10y UST closed at 1.55% (-2 bps) and 1.78% (-3 bps) respectively.

Regional bonds closed higher following moves in benchmark yields. The YTW on Bloomberg Barclays GCC Credit and High Yield index closed at 3.13% (-4 bps) and credit spreads remained flat at 143 bps.

FX

The dollar held broadly steady in the wake of the trade deal signed between the US and China. EM currencies were mixed, with relief that a deal was signed tempered by the fact that some significant issues remain unresolved. In particular the binding commitments to prevent China from engaging in FX manipulation were not seen as particularly forceful. Meanwhile GBP managed to recoup losses seen in the wake of the soft UK CPI data out of the UK, with Cable recovering back above 1.30..

Equities

Developed market equities closed higher after investors exuded some confidence in the Phase 1 trade deal signed by the US and China. The S&P 500 index added +0.2%.

Regional equities closed mixed as investors locked in some profits from the recent rally. The Tadawul slipped -0.5% while the DFM index added +0.5%. Emaar Properties added +0.7% to continue its positive run.

Commodities

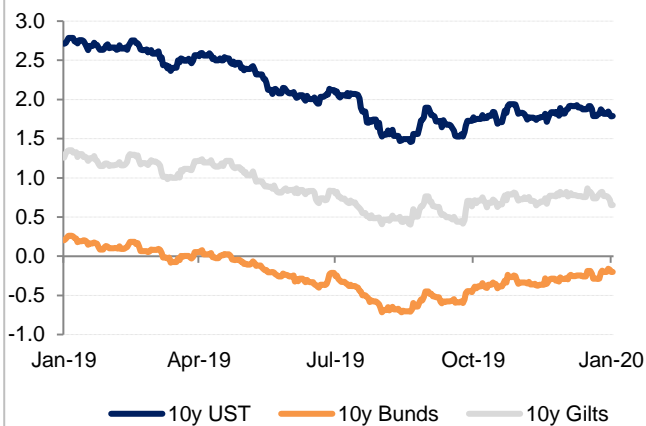
Oil prices sagged as optimism around the signing of the US-China phase one trade agreement gave way to focusing on the details of the accord and the limited impact it's likely to have on commodity markets overall. Brent futures fell nearly 0.8% to USD 64/b while WTI settled below USD 58/b. Both contracts are testing higher in early trading today.

OPEC released its monthly oil market report overnight and expects non-OPEC production to reach 2.35m b/d in 2020, cutting the demand for OPEC crude to just 29.44m b/d. That leaves OPEC little room to move from its December production figure of 29.44m b/d, itself a 161k b/d month/month decline.

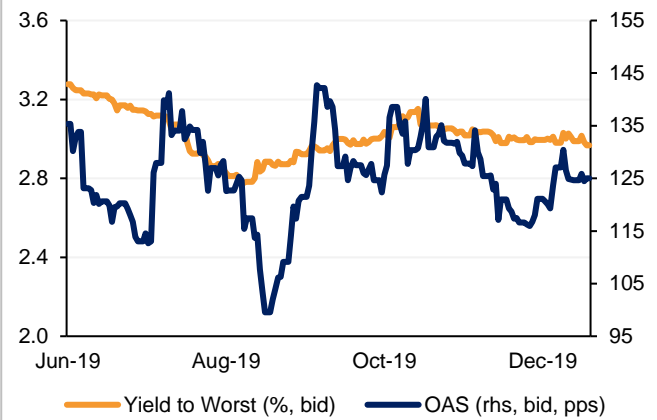
Total oil and product stocks in the US rose by 14.5m bbl last week, the second week running with stocks adding almost 15m bbl. The gains were down to enormous jumps in gasoline and distillates, in line with seasonal trends. Crude production moved back to 13m b/d after a 100k b/d gain while crude oil exports rose by 420k b/d to 3.5m b/d—roughly in line with the total production capacity of the UAE.

Markets in Charts

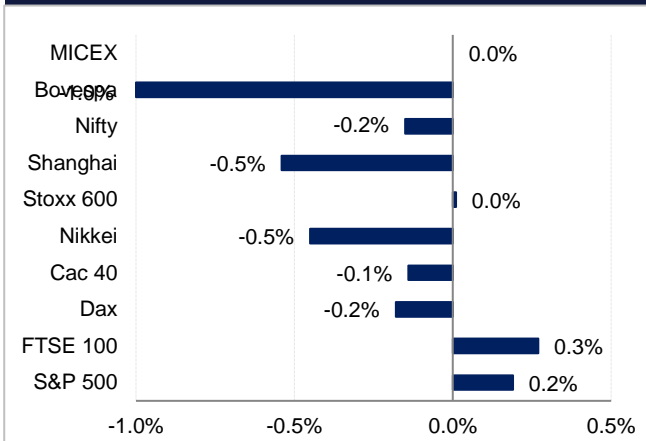
Global Bond Yields



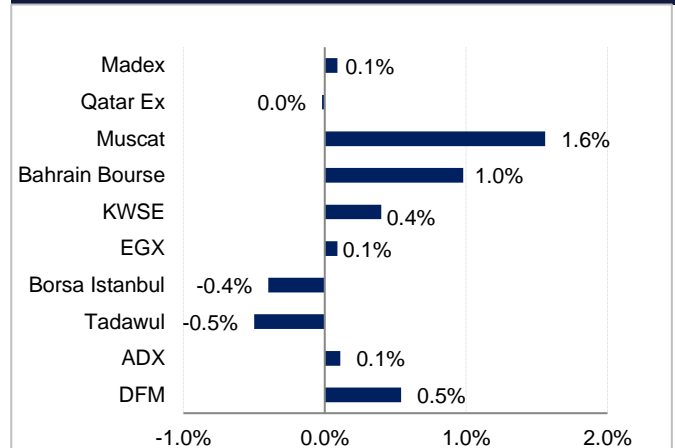
UAE liquid bond index



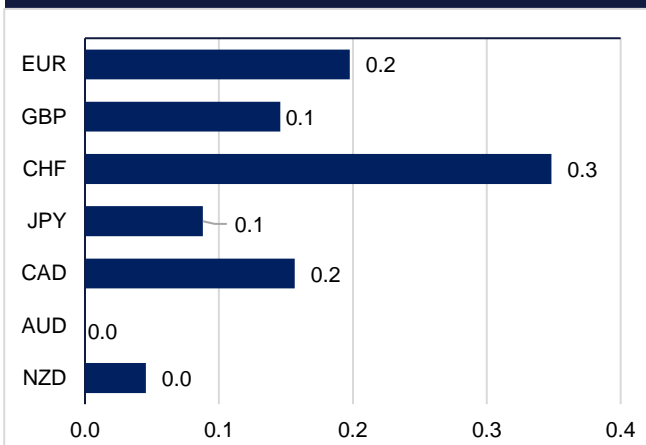
Global Equity Indices



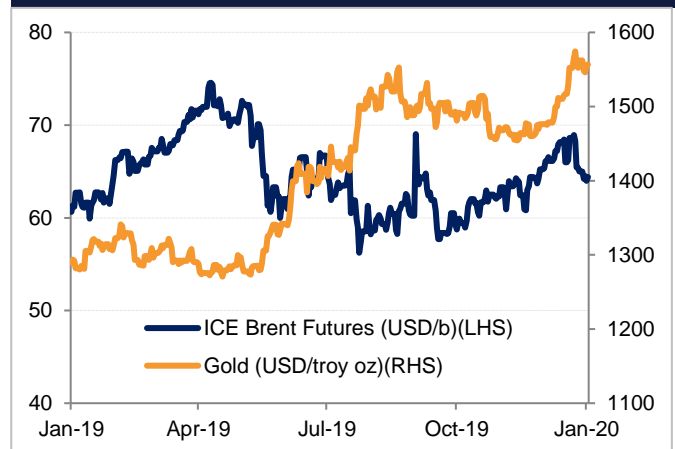
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1150	+0.20	1.1403	USDTRY	5.8751	-0.11	EURAED	4.0954	+0.22
GBPUSD	1.3038	+0.15	1.3188	USDEGP	15.8680	-0.18	GBPAED	4.7888	+0.15
USDJPY	109.90	-0.08	107.69	USDSAR	3.7516	-0.03	JPYAED	0.0334	+0.10
USDCAD	1.3042	-0.15	1.3045	USDQAR	3.6800	+1.05	CADAED	2.8162	+0.15
AUDUSD	0.6902	--	0.6960	USDKWD	0.3034	--	AUDAED	2.5356	+0.03
USDCHF	0.9641	-0.34	0.9397	USDBHD	0.3770	--	CHFAED	3.8100	+0.35
EURGBP	0.8552	+0.05	0.8646	USDOMR	0.3850	--	TRYAED	0.6200	-0.72
USDAED	3.6730	+0.00	3.6776	USDINR	70.7225	-0.64	INRAED	0.0552	+6.61

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.8750	2.0213	2.1088	2.2598	USD 2 yr	1.629	-1
USD LIBOR	1.6696	1.8426	1.8645	1.9631	USD 5 yr	1.612	-1
GBP LIBOR	0.6806	0.7578	0.8050	0.8646	USD 10 yr	1.746	-3
JPY LIBOR	-0.0882	-0.0477	0.0117	0.1127	EUR 2 yr	-0.302	-0
CHF LIBOR	-0.7742	-0.6732	-0.6176	-0.4834	EUR 5 yr	-0.143	-1
					EUR 10 yr	0.163	-2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1556.25	+0.64	ADGB 6.75 19	2.42	--	Abu Dhabi	38	+1
Silver	18.00	+1.13	DUGB 7.75 20	2.12	+11	Bahrain	172	-6
Oil (WTI)	57.81	-0.72	QATAR 5.25 20	2.70		Dubai	95	--
Aluminium	1774.75	-0.42	US Tsy 2 yr	1.55	-2	Oman	234	--
Copper	6252.50	-0.28	US Tsy 10 yr	1.78	-3	Qatar	41	+2
						Saudi Arabia	63	+2

Source: Bloomberg, Emirates NBD Research

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