



بنك الإمارات دبي الوطني  
Emirates NBD

Daily  
8 January 2019

[www.emiratesnbdresearch.com](http://www.emiratesnbdresearch.com)

# Daily Outlook

**Delegates from the US and China began the crucial face-to-face negotiations in Beijing yesterday to ease the ongoing trade tensions.** Both sides have much to lose if no reasonable agreement can be signed within the 90days truce period that ends on March 1. China has sent some very senior officials for these talks and is working towards presenting a plan to meet Trump's demands to cut down the USD 375 billion trade deficit. Ahead of the talks, China had also softened its stand by offering a mix of concessions by resuming purchases of US soybeans, suspend punitive tariffs on imports of US cars and toning down its "Made in China 2025" hi-tech policy. It has also proposed clear bans on forced technology transfer in new draft foreign investment legislation. While the outlook of the trade talks still hangs in balance, the negative impact of the trade tensions have begun to show its effect. The ISM Non-Manufacturing Index in the US in December fell to 57.6 from 60.7 in the prior month.

**In the UK, though the Prime Minister, Ms Theresa May's Brexit deal looks set to be defeated in a vote in the House of Commons, she confirmed that the vote on it will go ahead around January 15.** If Parliament rejects May's deal in the vote, she says the country could be forced out of the EU with no agreement in place. On Sunday, May restated her position that no deal is better than a bad deal and has stepped up contingency planning in case negotiators fail to reach an accord in time for exit day on March 29.

**Within the EU, new factory orders in Germany fell by 4.3% y/y in November vs estimate of fall of only 2.7%.** The fall was mainly due to fall in the airplane and consumer goods orders. That said, German retail sales increased 1.4% MoM in November vs the estimate of 0.4%, validating the fact that the largest economy in the EU block remains on solid footing. For the wider Eurozone Aggregate retail sales in November registered YoY growth of 1.1% - higher than the estimate of 0.4% gain but worse than the 1.7% recorded in the previous month.

## US ISM Non-Manufacturing Index



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
GE Nov Indus production YoY	11:00	-0.8%	UK Dec House Price	12:30	0.5%
US New Home Sales	18:00	568k	US Trade Balance	17:30	-\$54bn
US Durable Goods orders	18:00	NA	US Factory Orders	18:00	0.3%

Source: Bloomberg, Emirates NBD Research.

## Fixed Income

The full impact of the robust US employment report released on last Friday and the positivity ensuing from the current ongoing trade talks in Beijing was felt by the UST treasury curve yesterday which shifted noticeably upwards. Yields on 2yr, 5yr and 10yr closed at 2.54% (+5bps), 2.54% (+4bps) and 2.70% (+3bps) respectively. The rising hopes of a credible plan to address trade tensions between the US and China helped reducing credit spreads. CDS levels on US IG and Euro Main closed 2bps lower each at 82bps and 86bps respectively.

Average yield on local GCC bonds reduced 3bps to 4.59% mainly as a result of six bps decline in average credit spreads from 210bps to 204bps on the Bloomberg Barclays GCC bond index.

## FX

EURUSD rose 0.69% on Monday to close at 1.1474 in a move that was mainly driven by stronger than expected Eurozone retail sales supporting the common currency, while a softer than expected ISM Composite PMI weighed on the dollar. Analysis of the daily candle chart shows that further gains were halted by resistance at the 100-day moving average (1.1477) which continues to provide resistance in the current Asia session.

This morning, AUD is trading mildly softer against the other major currencies following softer than expected economic data. Following a decline in consumer confidence during the first week of January (from 117.8 to 115.2), a decline in iron ore and coal exports in November accompanied with a narrowing trade balance during the same period (AUD 1925Mn vs AUD 2013Mn), AUDUSD has fallen 0.32% to 0.71256. Despite this decline, AUDUSD still looks likely to test the 0.7180 region (100-day moving average) and 0.7186 level (50-day moving average). A break and daily close above this level is likely to catalyse a larger move towards 0.73.

## Equities

Developed market equities closed mixed with the S&P 500 index adding +0.7% and the Euro Stoxx 600 index losing -0.2%. Strength in technology stocks helped broad US indices.

Regional markets continued their positive run. The DFM index and the Tadawul added +0.1% and +1.5% respectively. Banking sector stocks continued their gains with Al Rajhi adding +2.2% and Samba gaining +4.3%. Elsewhere, QNB and FAB gained +1.0% each.

## Commodities

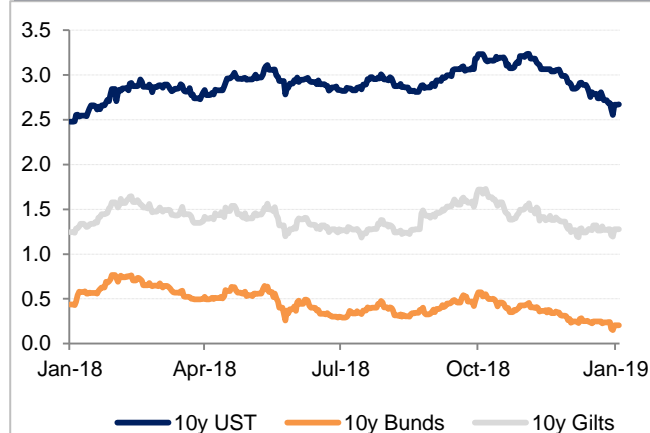
Commodity markets generally began the first full trading week of 2019 on a positive footing. The start of a new round of trade talks between the US and China has helped improve sentiment even if the risk of no deal materializing from this round still remains high. Oil futures ended the day up 1.2% for WTI at USD 48.52/b while Brent gained just short of 0.5% to close at USD 57.33. Both contracts had edged up more than 3% at one point during trading before tempering off later in the day.

Industrial metals ended the day higher as well, largely on the back of the resumption of China-US trade talks. Copper closed the day essentially flat with a positive bias at USD 5,923/tonne on the LME while iron ore added more than 1.4%.

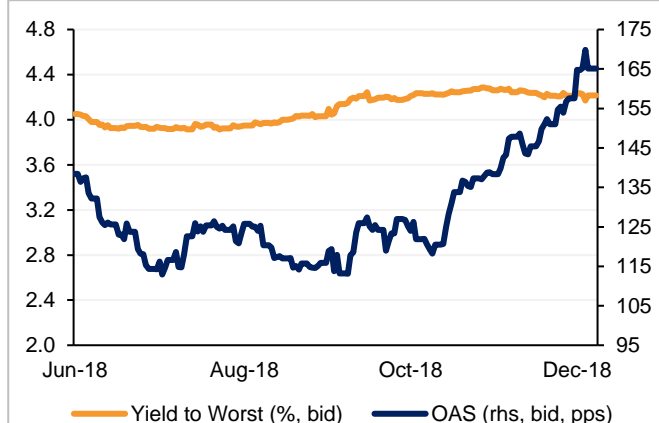
As to be expected on a risk on day precious metals gave up some ground with silver, platinum and palladium all falling. Gold managed to gain about 0.3% to close at USD 1,288.63/troy oz. Precious metals markets will still be reeling from Fed Chair Jerome Powell's commentary last week that rate hikes in the US would be more attuned to market conditions.

## Markets in Charts

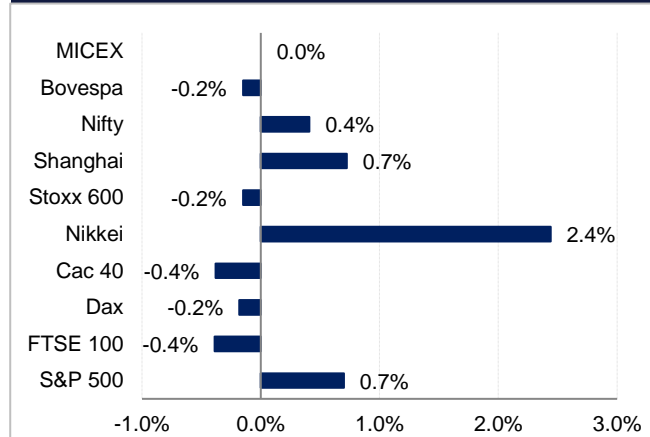
### Global Bond Yields



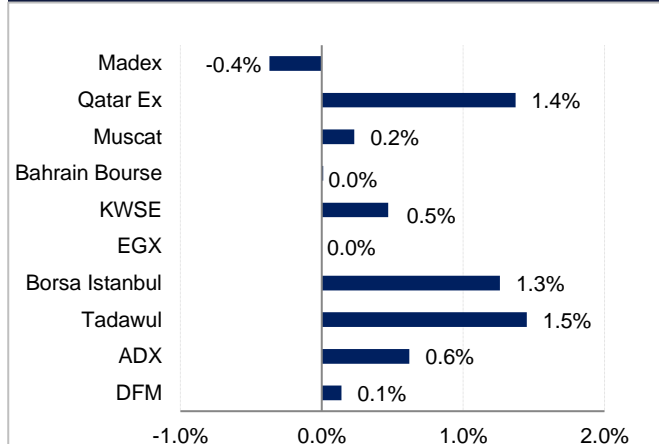
### UAE liquid bond index



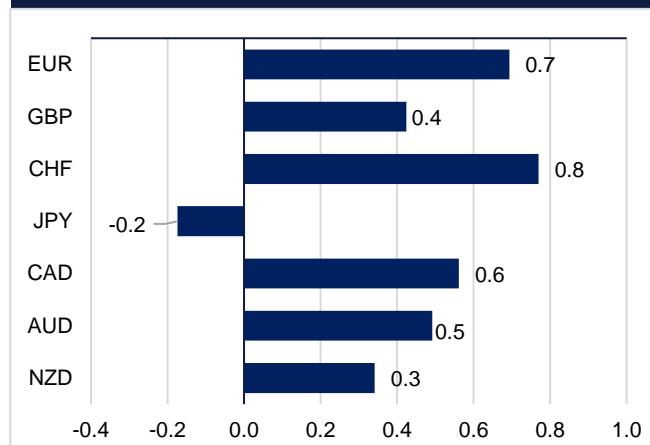
### Global Equity Indices



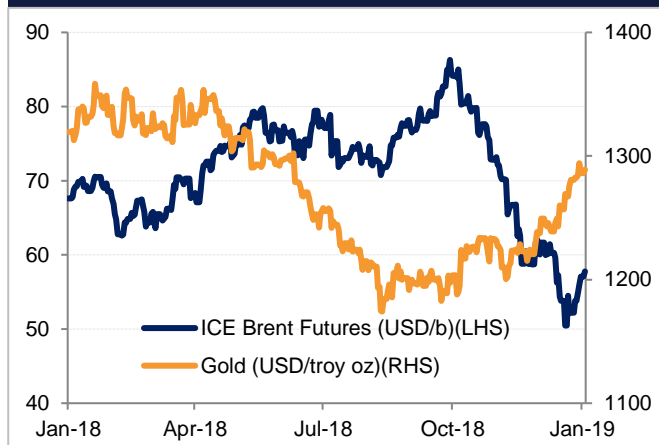
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1474	+0.69	1.1840	USDTRY	5.3858	+1.00	EURAUD	4.2146	+0.69
GBPUSD	1.2777	+0.42	1.3000	USDEGP	17.9189	+0.03	GBPAED	4.6936	+0.44
USDJPY	108.72	+0.19	105.41	USDSAR	3.7511	+0.00	JPYAED	0.0338	-0.15
USDCAD	1.3299	-0.56	1.3207	USDQAR	3.6800	+0.69	CADAED	2.7620	+0.58
AUDUSD	0.7148	+0.49	0.7189	USDKWD	0.3031	-0.06	AUDAED	2.6251	+0.41
USDCHF	0.9797	-0.80	0.9454	USDBHD	0.3770	+0.00	CHFAED	3.7493	+0.69
EURGBP	0.8979	+0.28	0.9106	USDOMR	0.3850	-0.00	TRYAED	0.6800	-1.28
USDAED	3.6730	-0.00	3.6761	USDINR	70.0675	+0.48	INRAED	0.0552	+4.56

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.6083	2.8785	3.1833	3.4774	USD 2 yr	2.688	+4
USD LIBOR	2.5206	2.8039	2.8558	2.9649	USD 5 yr	2.609	+4
GBP LIBOR	0.7301	0.9054	1.0307	1.1718	USD 10 yr	2.724	+2
JPY LIBOR	-0.0940	-0.0745	0.0073	0.1027	EUR 2 yr	-0.160	+1
CHF LIBOR	-0.7826	-0.7116	-0.6374	-0.4992	EUR 5 yr	0.199	+1
					EUR 10 yr	0.798	+1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1289.21	+0.25	ADGB 6.75 19	2.42	--	Abu Dhabi	68	-2
Silver	15.66	-0.29	DUGB 7.75 20	3.26	-6	Bahrain	315	1
Oil (WTI)	48.52	+1.17	QATAR 6.55 19	2.30	-26	Dubai	134	-2
Aluminium	1866.25	-0.19	US Tsy 2 yr	2.54	+5	Qatar	82	--
Copper	5904.25	+0.12	US Tsy 10 yr	2.70	+3	Saudi Arabia	103	--

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

**Jonathan Morris**  
General Manager Wholesale Banking  
JonathanM@emiratesnbd.com

**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

**Anita Yadav**  
Head of Fixed Income Research  
+9714 230 7630  
anitay@emiratesnbd.com

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

**Daniel Richards**  
MENA Economist  
+9714 609 3032  
danielricha@emiratesnbd.com

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

**Mohammed Altajir**  
FX Analytics and Product Development  
+9714 609 3005  
mohammedtaj@emiratesnbd.com

**Hessa Al Khawaja**  
Research Associate  
+9714 609 3015  
hessaalkh@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 Sakhalakar  
+65 65785 627  
supriyakumars@emiratesnbd.com

**London Sales**  
+44 (0) 20 7838 2241

**Egypt**  
Gary Boon  
+20 22 726 5040  
garyboon@emiratesnbd.com

## 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