



بنك الإمارات دبي الوطني
Emirates NBD

Daily

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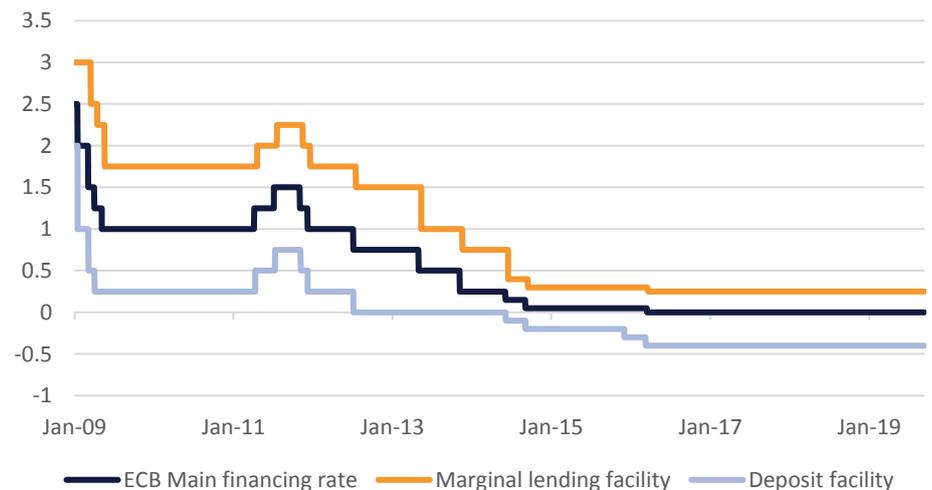
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Daily Outlook

The main focus today will be the ECB policy meeting. While a rate cut from the ECB is widely expected, probably taking the deposit facility rate from -0.4% to -0.5%, the markets are split on whether the ECB will go further by extending asset purchases (QE) or taking some other measures. President Draghi had promised a comprehensive package, but there have been several ECB officials that have urged caution over the past month. Some suggestions are that there could be QE of around EUR20-30bn per month for 6 months. **Other possibilities include the introduction of a tiering system for retail deposits in the banking system, to help soften the impact on banks from negative rates.** Raising the issue limit from 33% to 50% is another option, but the ECB could also just announce the intention to do this without actually implementing it. Likewise, more specific forward guidance tying QE to quantifiable progress on inflation might also be seen. With Chancellor Merkel yesterday seemingly pouring cold water on the prospect of more fiscal stimulus from Germany, it is to be hoped that the ECB does move ahead with at least some of these measures. Most likely the ECB will only do one or two of them, leaving others for its next President Christine Lagarde to implement, and leaving markets in the process a little underwhelmed.

Perhaps mindful of what the ECB might do and the positive impact it may have on the dollar, **President Trump tweeted yesterday that the Fed should get interest rates down 'to zero, or less'.** The main apparent purpose of this idea, however, was a strange one, to reduce the financing costs of U.S. government debt. This suggestion generated scorn from a number of prominent economists given the likelihood that it would create more volatility, bubbles and may even cause long term interest rates to go up not down if it is not warranted by the economic fundamentals. On another issue however, there was more encouraging news from the U.S. President with an announcement that the U.S. will postpone the imposition of some tariffs on China as a goodwill gesture to recognize the 70th anniversary of the People's Republic of China. As its own goodwill gesture, the Chinese are also considering the purchase of US agricultural products.

All eyes on the ECB policy rates today



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
Germany CPI y/y	10.00	1.4%	ECB Deposit facility	15.45	-0.50%
US CPI m/m	16.30	0.1%			

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed marginally lower as risk sentiment gathered ground. However, investors continue to remain cautious ahead of the ECB meeting later today. The expectation from the meeting continues to remain mixed in terms of the extent of policy easing. Yields on the 2y UST, 5y UST and 10y UST closed at 1.67% (flat), 1.59% (flat) and 1.73% (flat).

Regional bonds caught up with the moves in benchmark yields. The YTW on Bloomberg Barclays GCC Credit and High Yield index rose +4 bps to 3.14% and credit spreads widened +2 bps to 144 bps.

Bank of Sharjah raised USD 600mn in a 5-year issue which was priced at MS+250 bps.

FX

The euro was Wednesday's softest performing major currency, EURUSD finishing the day 0.30% lower at 1.1010. As we go to print, the price is almost unchanged with the cross trading at 1.1014 as the markets wait for the European Central Bank to set policy this afternoon. Should the central bank adopt a looser than expected policy, the euro is likely to find itself under pressure. However, should policy makers deliver the expected consensus, the single currency may rally.

Equities

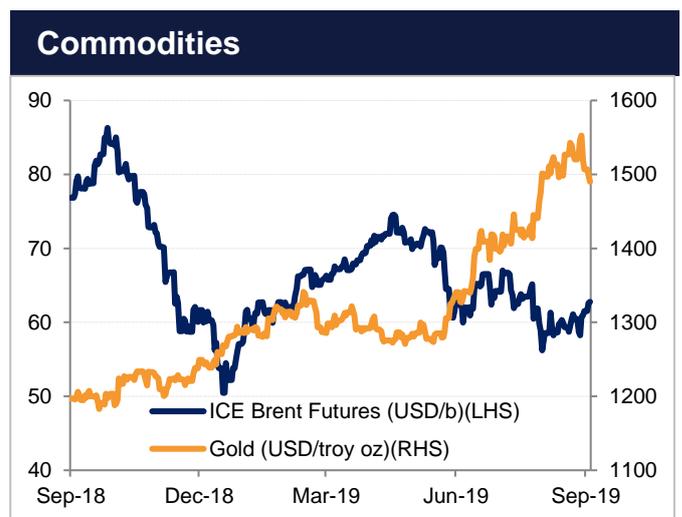
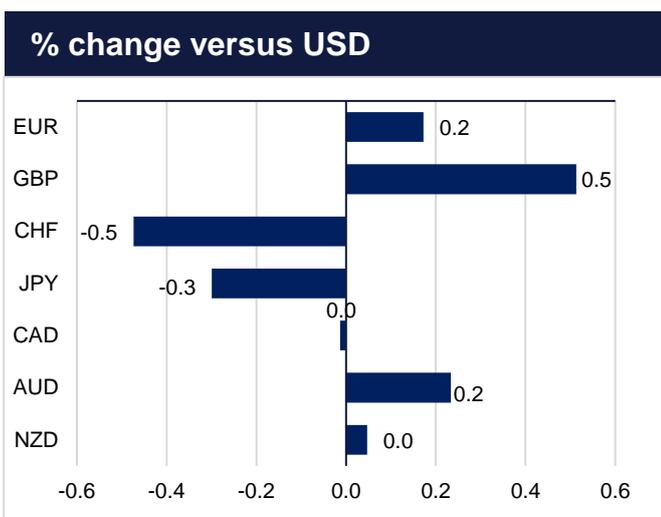
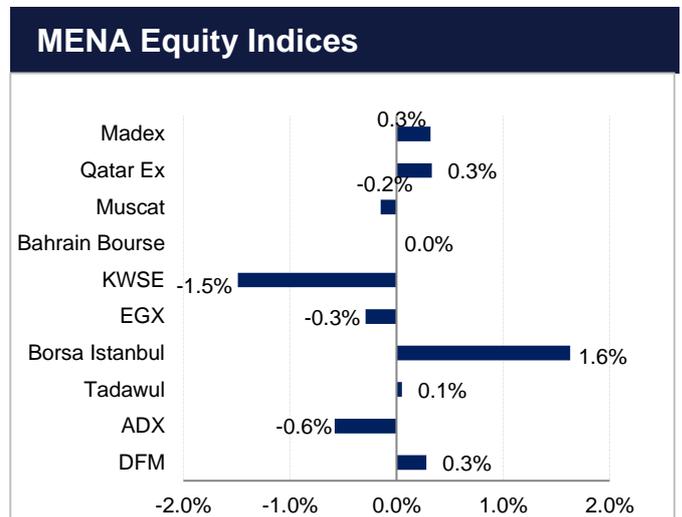
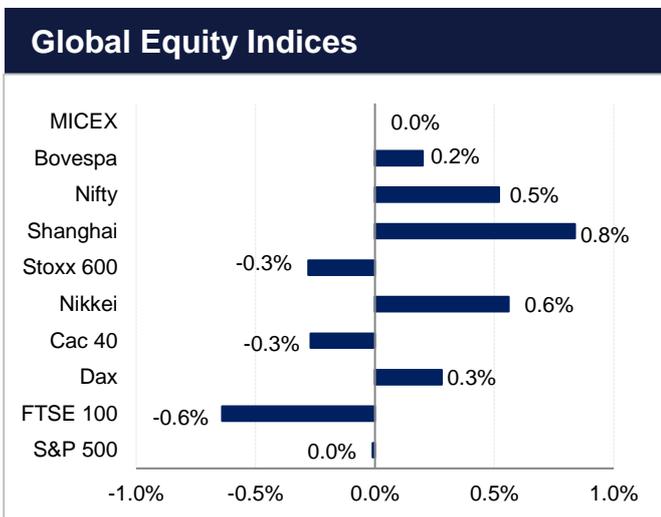
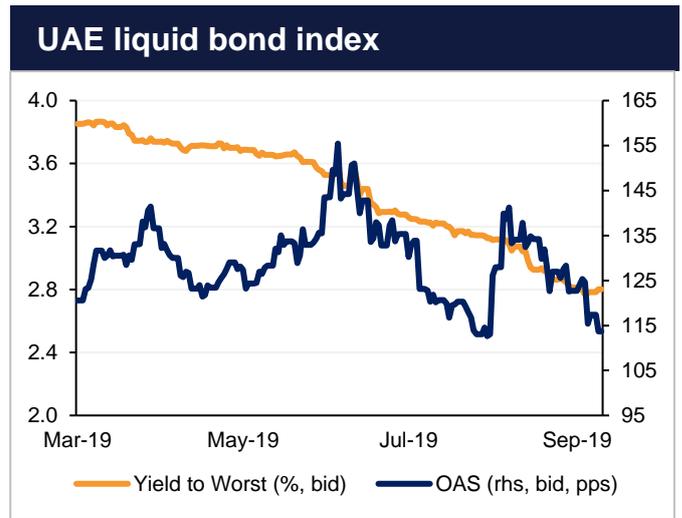
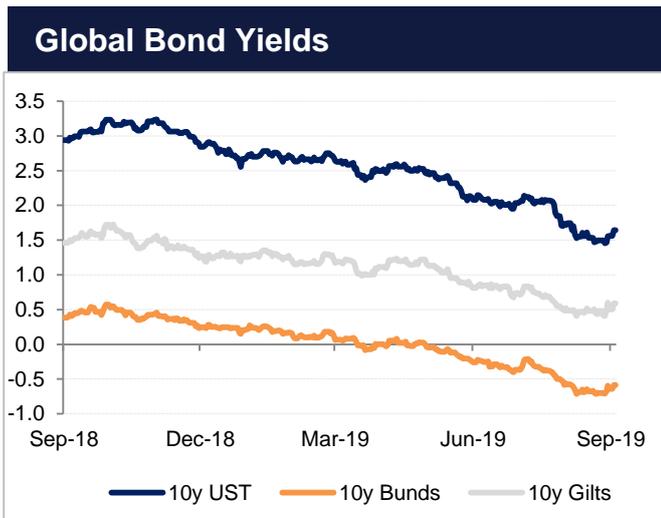
Global markets closed higher on the back of strength in technology and banking stocks. The S&P 500 index and the Euro Stoxx 600 index added +0.7% and +0.9% respectively.

Regional markets closed mixed. It is worth noting that indices impacted by inclusion in the broader EM index still feeling the aftereffect of adjustment in fund flows. The Tadawul and the KWSE PM index lost -1.4% and -2.5% respectively.

Commodities

Oil prices have been highly volatile on the back of mixed messages emanating from the Trump White House. The departure of Iran hawk John Bolton as National Security Advisor, alongside reports that President Trump is looking to meet with his Iranian counterpart Hassan Rouhani at the UN Assembly later this month, has raised fears over a glut of Iranian supply returning to market. This prompted Brent futures to close down 3.0% at USD 60.81/b yesterday, while WTI declined by a similar 2.9% to USD 55.75/b. However, news that President Trump is postponing the imposition of planned greater tariffs on China has been perceived as demand-positive, prompting both benchmarks to see gains this morning – Brent was up 0.7% at the time of writing.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1048	+0.17	1.1335	USDTRY	5.7492	+0.65	EURAED	4.0580	+0.18
GBPUSD	1.2346	+0.51	1.2490	USDEGP	16.4881	+0.01	GBPAED	4.5343	+0.44
USDJPY	107.24	+0.30	104.74	USDSAR	3.7515	+0.01	JPYAED	0.0342	-0.30
USDCAD	1.3168	-0.04	1.3152	USDQAR	3.6800	+1.05	CADAED	2.7894	-0.01
AUDUSD	0.6862	+0.23	0.6912	USDKWD	0.3041	+0.12	AUDAED	2.5207	+0.21
USDCHF	0.9921	+0.47	0.9624	USDBHD	0.3771	--	CHFAED	3.7023	-0.46
EURGBP	0.8949	-0.33	0.9075	USDOMR	0.3850	--	TRYAED	0.6400	-0.48
USDAED	3.6730	--	3.6785	USDINR	70.7225	-0.64	INRAED	0.0552	+7.78

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.2429	2.3518	2.3936	2.6230	USD 2 yr	1.591	+6
USD LIBOR	2.0490	2.1341	2.0341	1.9490	USD 5 yr	1.439	+7
GBP LIBOR	0.7098	0.7676	0.8114	0.8771	USD 10 yr	1.534	+9
JPY LIBOR	-0.1425	-0.0937	-0.0483	0.0328	EUR 2 yr	-0.518	+1
CHF LIBOR	-0.9044	-0.8614	-0.8276	-0.7468	EUR 5 yr	-0.468	+2
					EUR 10 yr	-0.162	+5

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1499.13	-0.51	ADGB 6.75 19	2.42	--	Abu Dhabi	44	+1
Silver	18.01	-0.91	DUGB 7.75 20	1.82	-2	Bahrain	244	-1
Oil (WTI)	57.85	+2.35	QATAR 5.25 20	2.70		Dubai	125	--
Aluminium	1773.75	+0.52	US Tsy 2 yr	1.59	+5	Oman	324	-1
Copper	5790.00	-0.33	US Tsy 10 yr	1.64	+8	Qatar	43	--
						Saudi Arabia	62	--

Source: Bloomberg, Emirates NBD Research

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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 Sakhalkar
+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