



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

Trade discussions between the US and China continued in Beijing yesterday. While both sides have made positive comments, no deal has been concluded as yet. Chinese authorities planned to give a statement on completion of the discussions. No timing has been given. It isn't clear if the U.S. would also release a statement; however, media reports are suggesting that a cabinet-level follow up meeting is to ensue later this month. One of the key points to note would be the enforcement mechanisms i.e. what are the punishments if any one side does not implement what they are required to do under a new trade agreement.

The World Bank cut its forecast for global economic growth as slowing growth in trade and investment and rising interest rates sapped momentum. It now expects global expansion of 2.9% this year, down from 3% in 2018, a reduction of 0.1 percentage points from its June forecast. Growth in China was revised downwards by 0.1% to 6.2% while that in the US was left unchanged at 2.5% and Japan was revised up by 0.1% to 0.9%.

The European Commission's economic sentiment index -- which covers the mood among both households and companies -- dropped to 107.3, worse than the expectations of 108.2 and down from 109.5 in the previous month. The decline was broad-based across industry groups and countries with consumer confidence level dropping -6.2%. The slide in the index is worst in the last two years and is reflective of trade headwinds and the risk of a German recession casting a cloud over the region's outlook. Similarly, the Small Business Optimism Index in the US also declined in December to 104.4, lowest since October 2017, as the government shutdown and ongoing trade uncertainty impaired sentiment.

In the UK, the housing market rebounded in December. Prices rose 1.3% in Q4 compared with the same period a year earlier, up from 0.3% percent in November. British home prices are getting hit from uncertainty over Brexit and years of tepid wage growth. Nevertheless, the shortage of homes and low interest rates are supporting the market and preventing a sharper downturn.

Looking ahead the Bank of Canada is likely to leave interest rates unchanged at 1.75% at its meeting today.

EC Consumer Confidence Index



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
GE Nov CA Balance	11:00	18.6bn	EC Unemployment Rate	14:00	8.1%
CA BoC Rate Decision	19:00	1.75%	US New Home sales	18:00	566k

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Positivity from ongoing trade talks with China and a \$38 billion auction of 3yr treasuries pushed UST yields higher yesterday. Yields on 2yr, 5yr and 10yr closed at 2.59% (+5bps), 2.58% (+4bps) and 2.73% (+3bps) respectively.

Rising oil prices helped sentiment on the GCC bonds. Average yield on local GCC bonds remained unchanged at 4.59% mainly as benchmark UST yield widening was counterbalanced by a 5bps decline in average credit spreads from 204bps to 199bps on the Bloomberg Barclays GCC bond index.

FX

Dollar index softened 0.2% yesterday to 95.804 despite growth expectations remaining unchanged for the US at 2.5% in 2019. The EUR, GBP and CNY all gained against the dollar closing at 1.1457, 1.2740 and 6.8388 per dollar respectively.

Yen slipped slightly to 108.87 as volatility reduced amidst rising hopes off a positive trade talks outcome.

Equities

Developed market equities closed higher amid optimism over trade talks between the US and China. The S&P 500 index and the Euro Stoxx 50 index added +1.0% and +0.7% respectively.

Regional equities closed mixed with the DFM index losing -0.2% and the Tadawul adding +0.1%. Real estate stocks dragged the DFM index lower while banking sector stocks supported the Tadawul. Nama Chemicals added +3.7% after the company said it will increase its capital through a rights issue.

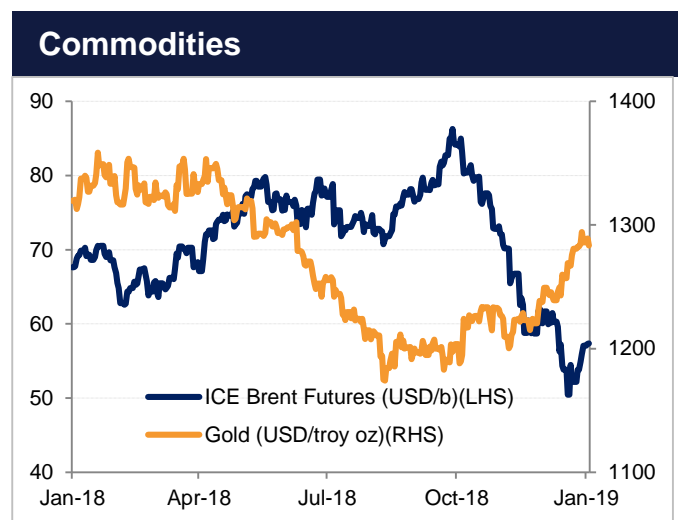
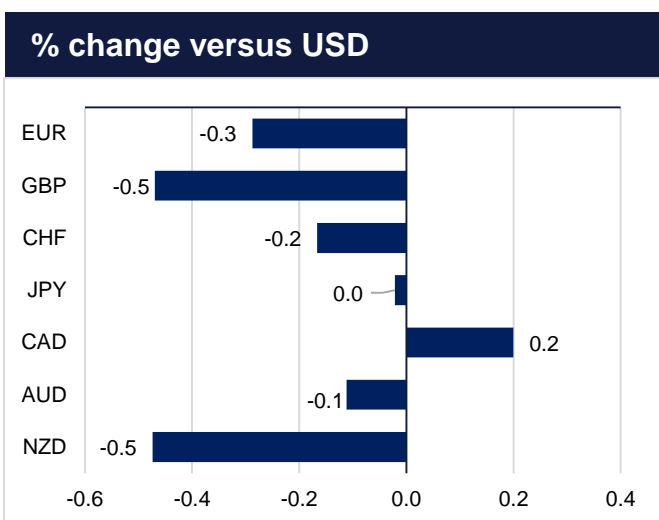
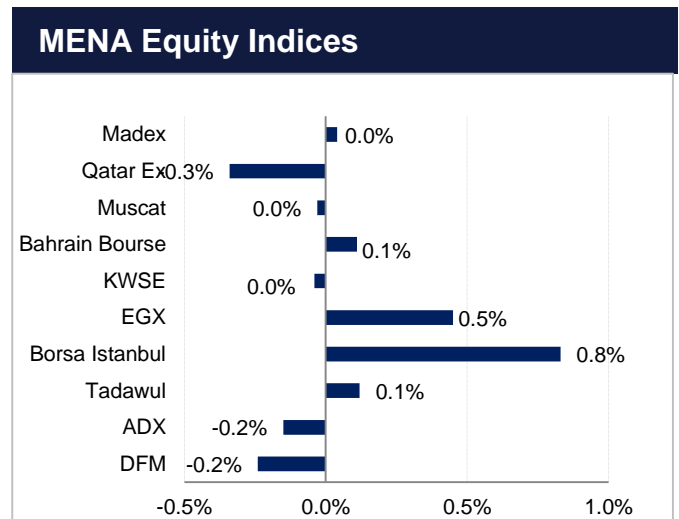
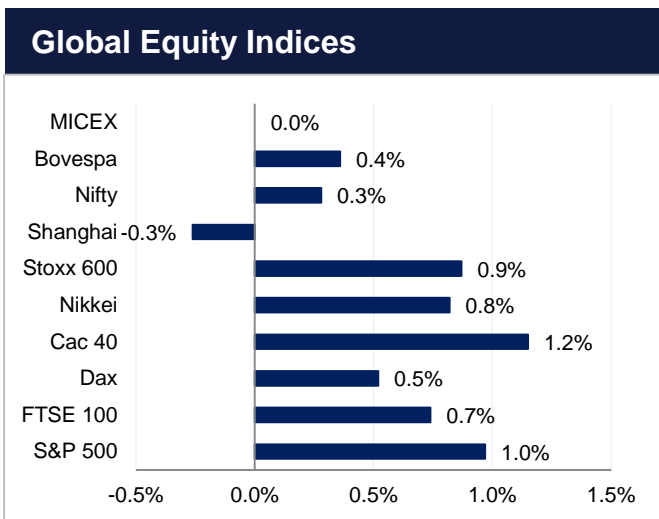
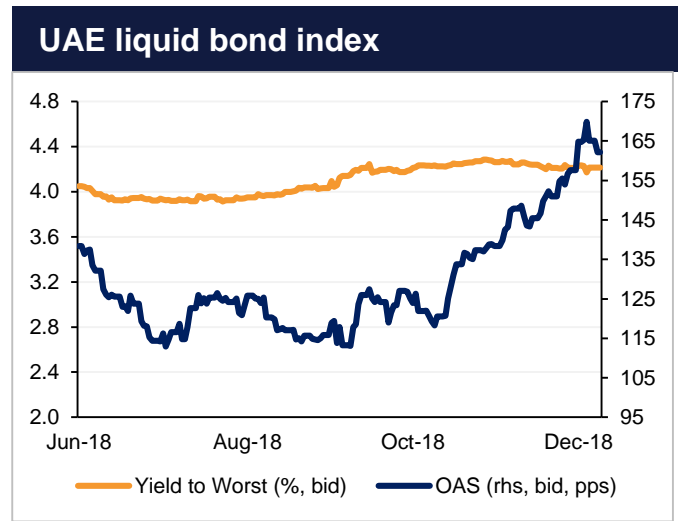
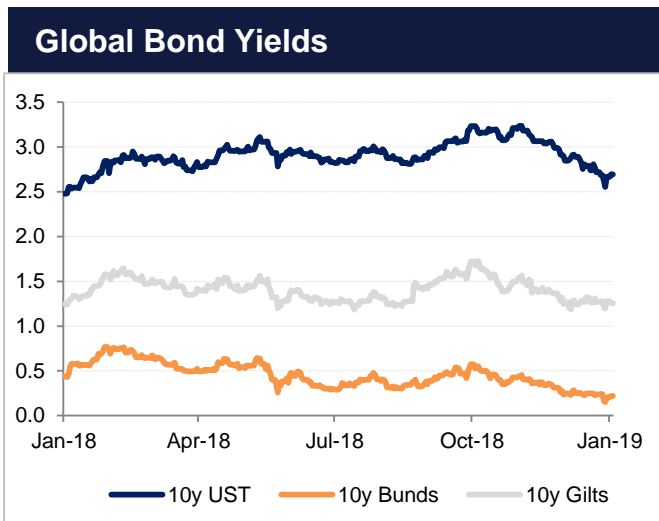
Commodities

Oil remained strongly bid and recorded a seventh consecutive gain yesterday as markets gained confidence on the progress of US-China trade talks. Brent added 2.4% and is within touching distance of USD 60/b while WTI has broken back above USD 50/b this morning. Few other direct oil market fundamentals are affecting the market at the moment so as long as talks continue oil should continue to be supported. On the contrary, if no deal is achieved or talks break off abruptly the downside remains quite open.

The physical Dubai market has yet to show considerable tightening as OPEC cuts take effect. Spot prices have been dragged up with the gains in benchmark crudes while the 1-3 month spread remains essentially flat.

Metals markets took a pause from a few days of gains overnight despite additional efforts by Chinese authorities to support the economy. Adjustments to banks' reserve requirements are more likely to help stimulate consumption rather than investment in heavy industry that would be more metal intensive.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1441	-0.29	1.1807	USDTRY	5.4857	+1.85	EURAED	4.2024	-0.29
GBPUSD	1.2717	-0.47	1.2940	USDEGP	17.9143	-0.03	GBPAED	4.6703	-0.50
USDJPY	108.75	+0.03	105.43	USDSAR	3.7514	+0.01	JPYAED	0.0338	-0.03
USDCAD	1.3274	-0.19	1.3181	USDQAR	3.6800	+0.71	CADAED	2.7672	+0.19
AUDUSD	0.7140	-0.11	0.7181	USDKWD	0.3031	+0.01	AUDAED	2.6226	-0.10
USDCHF	0.9813	+0.16	0.9470	USDBHD	0.3770	+0.00	CHFAED	3.7429	-0.17
EURGBP	0.8997	+0.20	0.9125	USDOMR	0.3847	-0.06	TRYAED	0.6700	-1.76
USDAED	3.6730	--	3.6755	USDINR	70.3838	+1.01	INRAED	0.0552	+4.99

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.6083	2.9395	3.1708	3.4767	USD 2 yr	2.722	+3
USD LIBOR	2.5155	2.7825	2.8526	3.0161	USD 5 yr	2.651	+4
GBP LIBOR	0.7300	0.9066	1.0316	1.1754	USD 10 yr	2.757	+3
JPY LIBOR	-0.1010	-0.0717	0.0062	0.1057	EUR 2 yr	-0.148	+1
CHF LIBOR	-0.7804	-0.7036	-0.6370	-0.4994	EUR 5 yr	0.214	+2
					EUR 10 yr	0.814	+2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1285.39	-0.30	ADGB 6.75 19	2.42	--	Abu Dhabi	69	+1
Silver	15.66	--	DUGB 7.75 20	3.25	-5	Bahrain	315	--
Oil (WTI)	49.78	+2.60	QATAR 6.55 19	2.30	-23	Dubai	133	-1
Aluminium	1846.25	-1.07	US Tsy 2 yr	2.59	+4	Qatar	82	--
Copper	5886.50	-0.30	US Tsy 10 yr	2.73	+3	Saudi Arabia	103	--

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