



بنك الإمارات دبي الوطني  
Emirates NBD

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# Daily Outlook

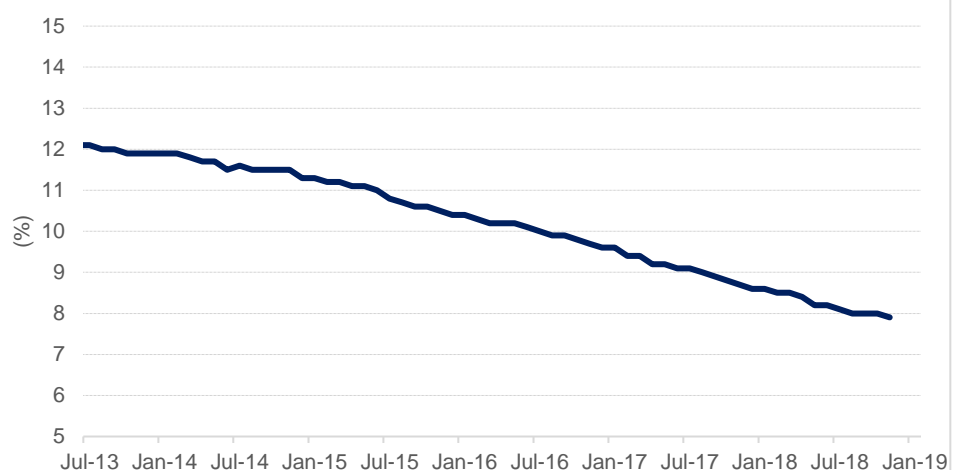
The minutes of the FOMC's last meeting clearly showed a dovish tone, though this has already been seen in Fed Chair Jerome Powell's recent commentary. As per the meeting minutes, future rate hikes are not on a preset trajectory but going to be very much data dependent. The minutes note that the FOMC could afford to be patient about further policy firming and alluded that a relatively limited amount of additional tightening would be appropriate. FOMC members also took note of the contrast between the strength of the incoming data on economic activity and concerns about downside risks evident in financial markets. All said, looking at the strength of the US economy at present, we continue to expect two more rate hikes in 2019.

The US and China wrapped up their trade talks after three days of discussions. Apparently substantial agreements have been reached though neither side has released any official statement as yet. China said that the meetings were 'extensive, in-depth and detailed'. The US said that they will decide on next steps after official report has been discussed back in Washington and that they want any deal to include 'ongoing verification and effective enforcement' mechanisms.

**Economic data out of the US is not forthcoming because of the partial US government shutdown. Elsewhere, unemployment rate in the Euro area fell to the lowest in a decade to 7.9% in November from 8.1% in the previous month**, indicating that the recent slowing of economic growth has not yet derailed the labour market. However, French consumer confidence slumped to the lowest in four years – falling to 87 in December vs 92 in November, partly reflecting the impact of Yellow Vests protest. In Asia, wage growth in Japan came in at 1.1% y/y – more than double of the expected 0.4% gain.

**Locally, Saudi Arabia has opened the primary market with the launch of 10yr and 31yr USD denominated Reg S bonds.** The \$4bn 10yr tranche priced at T+175bps and the \$3.5bn 31 yr tranche priced at T+230bps respectively. As per the 2019 budget announced recently, KSA is expecting budget deficit of circa SAR 131 billion, most of which is expected to be funded by debt.

## EC unemployment rate



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
FR industrial production Nov	11:45	-0.2%	US continuing claims	17:30	1740k
IT retail sales YoY	13:00	1.5%			

Source: Bloomberg, Emirates NBD Research.

## Fixed Income

Dovish tone ensuing from the minutes of the FOMC's last meeting saw UST yield curve shift slightly downwards. Yields on 2yr, 5yr and 10yr closed at 2.55% (-4bps), 2.55% (-3bps) and 2.71% (-2bps) respectively.

Falling benchmark yields provided constructive backdrop for the GCC bonds. Average yield on Barclays Bloomberg GCC bond index fell 1bp to 4.58% while credit spreads were largely unchanged at 199bps. Rising oil prices helped bring down the CDS levels on GCC sovereigns by a bp or two each with Bahrain, Dubai, Qatar and KSA closing at 315bps (-1bp), 133bps (unchanged), 81bps (-1bp) and 98bps (-5bps) respectively.

Primary market has two regular issuers on the road today – Saudi Arabia with jumbo 10yr and 31yr Reg S offerings and DIB with a Tier 1 offering.

## FX

The USD softened against all of the other major currencies on Wednesday following the release of the FOMC minutes from December's policy meeting, at which the central bank raised interest rates for a fourth time in 2018. The minutes revealed that a few policy makers were in favour of not raising rates in December and affirmed that the Federal Reserve will be patient with adjusting interest rates. Over the course of the day, the Dollar Index fell by 0.71%, closing at 95.219 in a move that brings the index closer to the 200-day moving average (94.85) and the lowest level since October 2018. As we go to print, the index has lost an additional 0.19% and currently trades at 95.037.

Of note is the EURUSD cross, which has broken above the resistive 100-day moving average for the first time since September 2018. This level (1.1477) had previously provided resistance for the second fortnight in December as well as the first week of January. The break and daily close above this level may result in further gains towards 1.1630, not far from the current 200-day moving average (1.1629).

## Equities

Developed market equities closed higher on Wednesday. In the U.S., the S&P500 recorded a 0.41% gain, while the NASDAQ climbed 0.87%. On the other side of the Atlantic, the news was equally positive with Euro Stoxx closing 0.50% higher while the DAX rose by 0.83%. Regionally, equity markets had a positive day with the DFM and ADX rising 0.40% and 0.50% respectively and the Saudi Tadawul rising 1.12%.

This morning Asian equity markets have opened with mixed results and at present, the NIKKEI is 1.11% lower while the Shanghai Composite is 0.23% firmer.

## Commodities

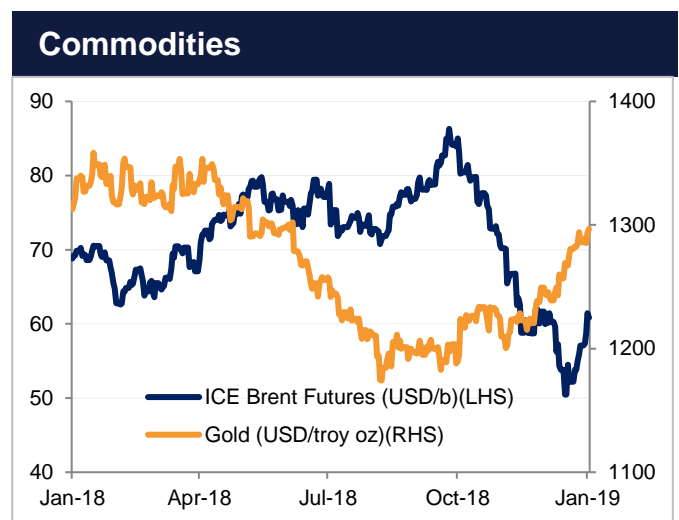
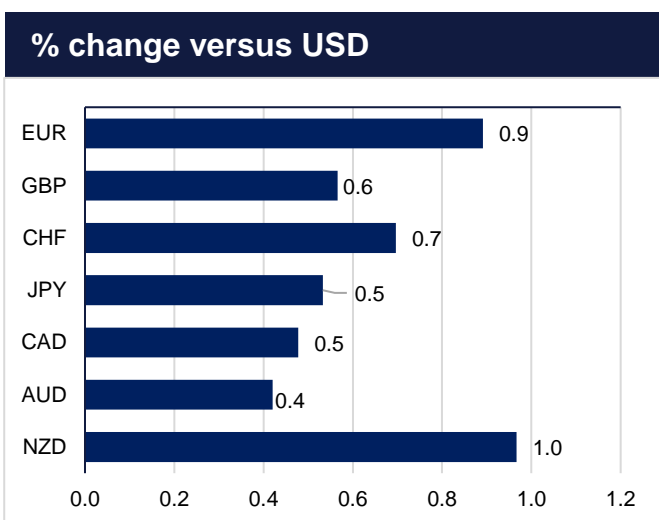
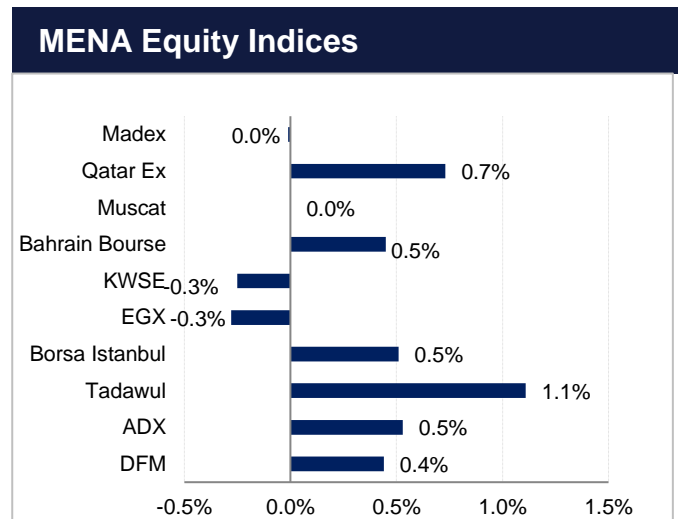
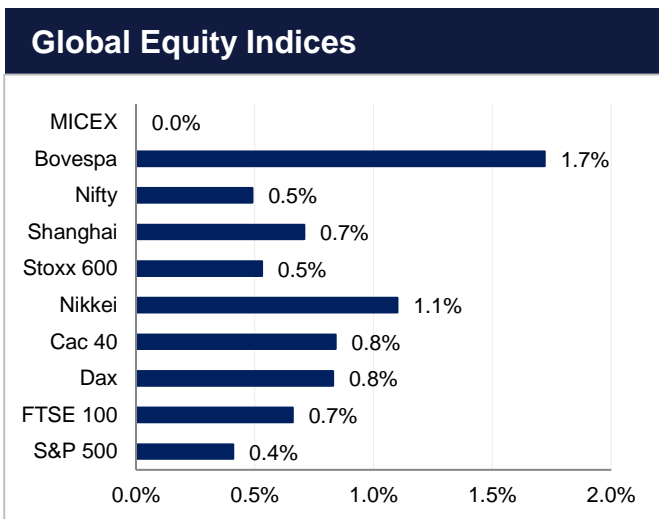
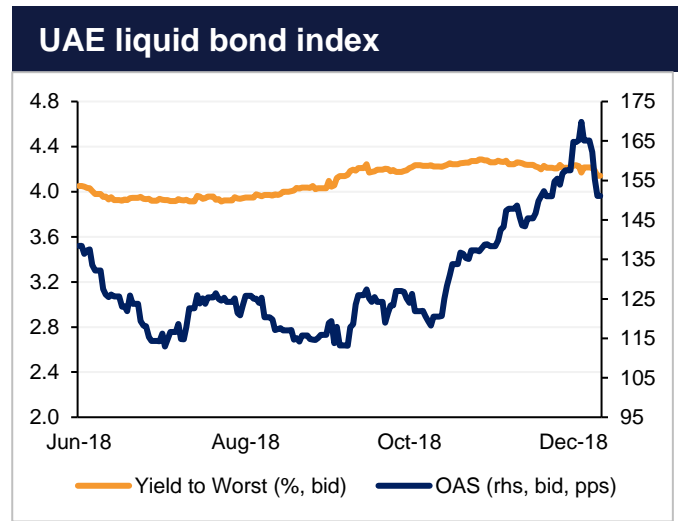
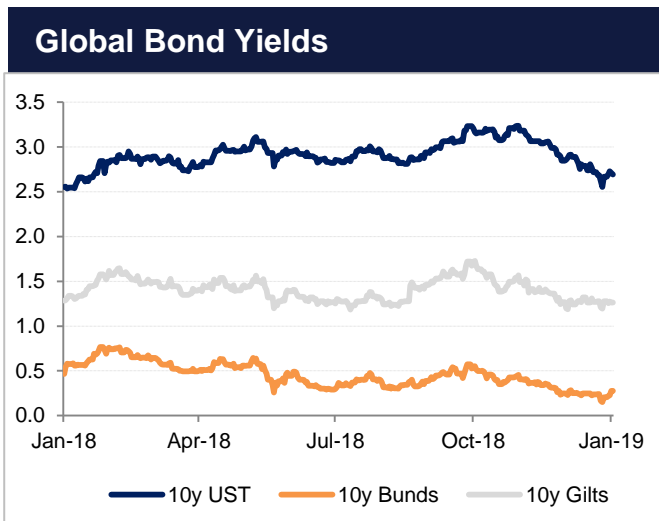
Oil prices gained an eighth day running with both Brent and WTI breaking above the USD 60/b and USD 50/b handles respectively. Brent added 4.6% to close at USD 61.44/b, its highest since mid-December while WTI gained more than 5% to finish the day at USD 52.36/b. An extension of trade talks between China and the US helped support oil and commodities generally although no deal has yet been agreed.

The EIA reported its first weekly data for 2019. US oil production remains at 11.7m b/d, up more than 2.2m b/d than the same time a year ago. Crude stocks fell slightly but that was more than offset by large gains across the rest of the barrel. Both gasoline and distillate inventories rose sharply, helping total petroleum inventories rise more than 13.2m bbl (following a mega build of more than 14.6m bbl last week).

Despite the run of gains in spot prices forward curves for both oil benchmarks remains stuck in contango. Spreads on 1-3 month Brent are holding around USD 0.4/b while in WTI the same spread is around USD 0.6/b. Roll yields remain deep in negative territory suggesting that even with the gains in spot prices few investors will be coming into oil futures.

Gold prices edged higher (0.6%) on the back of dovish statements from the latest FOMC minutes. The positive tone on trade helped the rest of the precious metals complex with platinum the outperformer, rising more than 1.2%.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1543	+0.89	1.1912	USDTRY	5.4772	-0.15	EURAED	4.2398	+0.89
GBPUSD	1.2789	+0.57	1.3013	USDEGP	17.9189	+0.03	GBPAED	4.6976	+0.58
USDJPY	108.17	-0.53	104.88	USDSAR	3.7516	+0.01	JPYAED	0.0340	+0.54
USDCAD	1.3209	-0.49	1.3116	USDQAR	3.6800	+0.70	CADAED	2.7804	+0.48
AUDUSD	0.7170	+0.42	0.7212	USDKWD	0.3031	+0.00	AUDAED	2.6337	+0.42
USDCHF	0.9744	-0.70	0.9404	USDBHD	0.3770	--	CHFAED	3.7694	+0.71
EURGBP	0.9026	+0.32	0.9155	USDOMR	0.3847	-0.00	TRYAED	0.6700	+0.07
USDAED	3.6730	--	3.6763	USDINR	70.3862	+0.27	INRAED	0.0552	+5.45

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.5338	2.9275	3.2250	3.4767	USD 2 yr	2.705	-2
USD LIBOR	2.5188	2.7989	2.8698	3.0390	USD 5 yr	2.628	-2
GBP LIBOR	0.7319	0.9042	1.0319	1.1824	USD 10 yr	2.739	-2
JPY LIBOR	-0.1073	-0.0735	0.0053	0.1063	EUR 2 yr	-0.146	+0
CHF LIBOR	-0.7798	-0.7026	-0.6320	-0.4906	EUR 5 yr	0.222	+1
					EUR 10 yr	0.824	+1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1293.56	+0.64	ADGB 6.75 19	2.42	--	Abu Dhabi	68	-1
Silver	15.75	+0.62	DUGB 7.75 20	3.25	-1	Bahrain	314	-1
Oil (WTI)	52.36	+5.18	QATAR 6.55 19	2.14	-16	Dubai	133	-1
Aluminium	1831.75	-0.79	US Tsy 2 yr	2.55	-3	Qatar	81	-1
Copper	5936.75	+0.85	US Tsy 10 yr	2.71	-2	Saudi Arabia	98	-5

Source: Bloomberg, Emirates NBD Research

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