



بنك الإمارات دبي الوطني  
Emirates NBD

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# Daily Outlook

Market sentiment was elevated on Tuesday, following news that Republicans and Democrats reached an agreement in principle regarding border security. With the risk of a second government shutdown on Friday abating, risk-on assets performed well. **President Trump noted he's not 'happy' or 'thrilled' with the compromise border security deal, but, he did not say he would veto it, and said that he does not expect another shutdown.**

**The president was also relatively reassuring over US-China trade talks indicating that he could let his March 1st deadline 'slide a little' if the two sides are near a deal, although he is not 'inclined' to do so.**

Oil prices benefited from the risk on mood rebounding from a two week low as Saudi Arabia also pledged to deepen production cuts. **Saudi Energy Minister Khalid Al-Falih told the Financial Times that the kingdom will continue to curb output more than required by the December OPEC deal**, saying that Saudi Arabia would pump about 9.8m b/d next month (compared with a target of 10.3m b/d). OPEC's Secretary-General Mohammad Barkindo also urged oil producers to adhere to their pledges to cut output and keep global markets balanced. Prices got another boost as API data reported that U.S. crude stockpiles declined 998,000 barrels last week, for the first drop in a month. The IEA's monthly report and the EIA's weekly inventory data are due later today.

India's CPI for January came in at 2.05%. This was lower than previous month's reading of 2.11% and consensus expectations of 2.50%. Core inflation, too, eased to 5.36%. As in the previous months, food prices continued to decline. Overall, the data in hindsight justifies the RBI's decision earlier in the month to cut repo rates by 25 bps. In fact, it also indicates that additional room has opened up for the central bank to ease monetary policy further should they choose in their bid to drive economic growth.

## India inflation eases in January (CPI % y/y)



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
UK CPI y/y	13:30	1.9%	US Mortgage Applications	16:00	N/A
US CPI y/y	17:30	1.5%			

## Fixed Income

Optimism over global trade and possible tentative deal to avoid government shutdown in the US boosted the case for receding safe haven bid. Consequently yields on 2yr, 5yr and 10yr USTs closed higher at 2.51% (+2bps), 2.50% (+3bps) and 2.69% (+4bps) respectively while credit spreads tightened. CDS spreads on US IG and Euro Main closed lower at 65bps (-3bps) and 72bps (-2bps) respectively.

Locally GCC bonds were stable with yield on Barclays GCC Bond index closing unchanged at 4.37% as 2bps tightening in credit spreads to 182bps counter-balanced the benchmark yield widening.

Oman CDS fell 26bps to 299bps yesterday as international finance organisations such as the IMF commented about the strength of its finances although the need exists for speeding up the reforms.

Saudi's Aramco which is close to finalizing its purchase of 70% stake in SABIC from PIF for \$70 billion is considering staggering the payments which in turn will allow it to fund bulk of the purchase price with self-generated cash and could potentially delay the expected \$10 billion bond offering from the company.

## FX

The dollar index closed marginally lower yesterday at 96.709 even as JPY slipped 0.1% to 110.51 and EUR closed weaker at 1.1328. The kiwi strengthened to 67.38 U.S. cents as the New Zealand's central bank pushed out its forecast for an interest-rate increase to early 2021 and investors pared back earlier bets that a cut could come later this year.

EURUSD was able to cancel earlier losses and climb back above the 200-week moving average (1.1324). Closes above this level expose the cross to further gains towards 1.15 in the medium run, with the next level of resistance being the 50-day moving average (1.1383). Elsewhere GBPUSD has temporarily climbed back above the 1.29 handle despite further uncertainty over Brexit. With less than 45 days left until the U.K. could potentially leave the European Union without a deal, politicians, lawmakers and economic policy continue to stress the dangers of the such an outcome, leaving sterling vulnerable to declines.

## Equities

Developed market equities closed higher amid optimism over trade talks and a tentative deal among US politicians to avert another government shutdown. The S&P 500 index and the Euro Stoxx 50 index added +1.3% and +0.8% respectively.

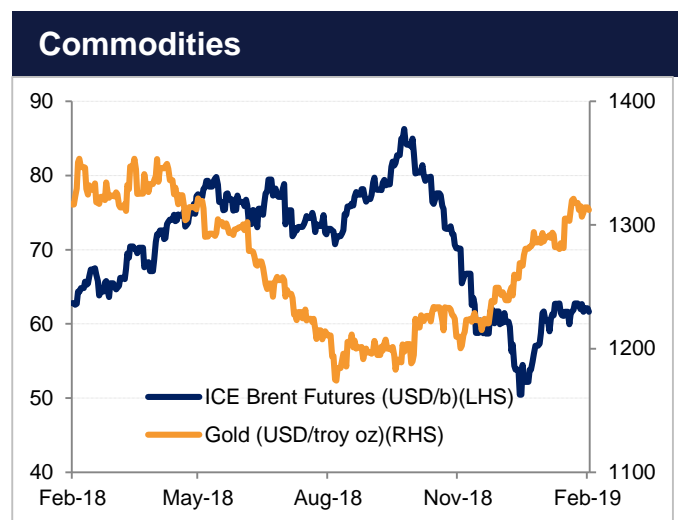
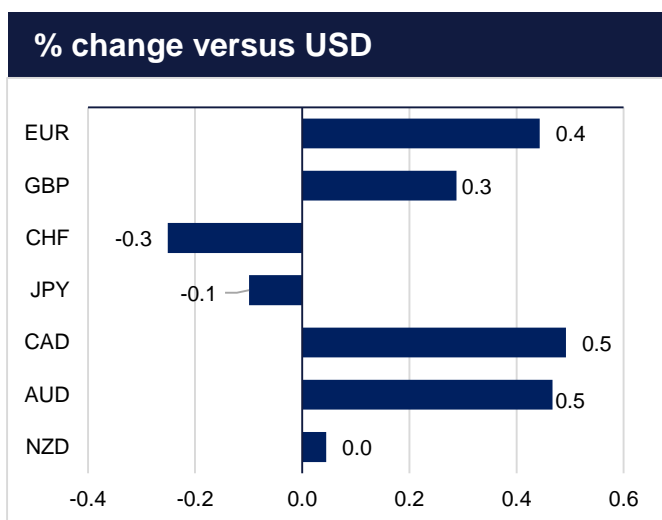
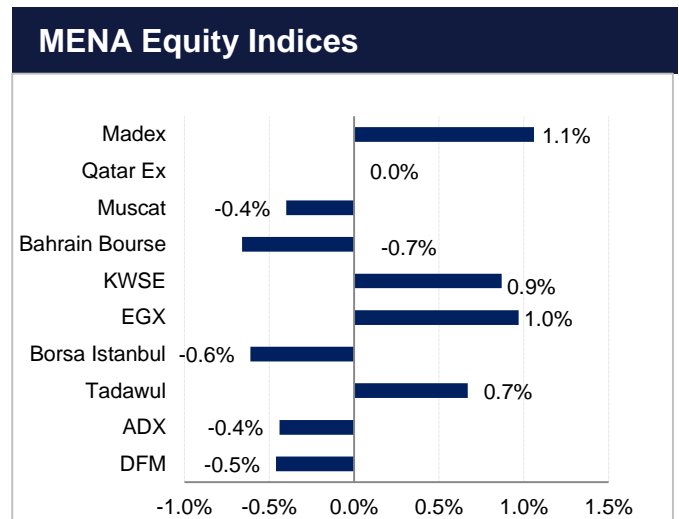
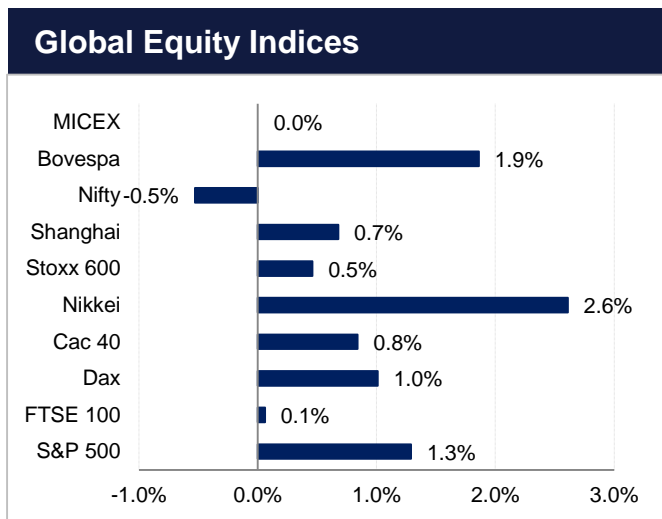
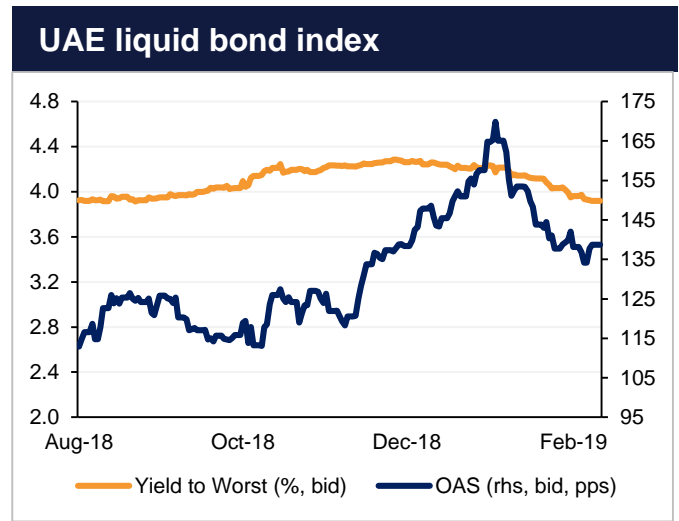
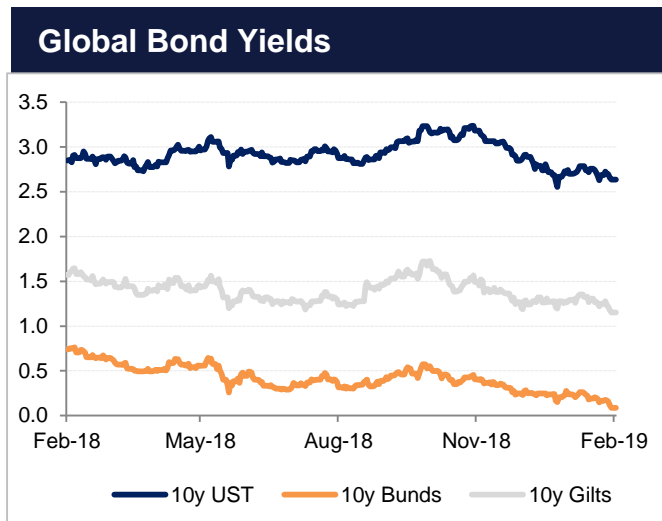
Regional equities continued to remain under pressure following disappointing corporate earnings. The Tadawul and the EGX 30 index were notable exceptions with gains of +0.7% and +1.0% respectively. In terms of stocks, Emaar Properties dropped -1.0% and Arabtec declined -3.8% ahead of earnings announcements.

## Commodities

Oil futures were up more than 1% each as the market reflected positive risk sentiment on the US government funding deal, the start of more US-China trade talks and supportive commentary from Saudi Arabia's energy minister (see macro). OPEC cut its forecast for demand growth in 2019 to 1.24m b/d, down 50k b/d from its previous forecast and lowered the 2019 call on its own crude to 30.59m b/d. According to the OPEC monthly report, the bloc produced 30.81m b/d in January with heavy cuts coming from Saudi Arabia and the UAE.

The EIA also published its short term outlook overnight and expects US crude oil supply to rise by more than 1.4m b/d this year compared with 1.14m b/d last month. The US will hit 13m b/d of production by March next year, according to the EIA, latest estimates, several months earlier than previously expected.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1326	+0.04	1.1687	USDTRY	5.2526	-0.23	EURAED	4.1599	+0.04
GBPUSD	1.2892	-0.29	1.3128	USDEGP	17.5867	-0.13	GBPAED	4.7353	-0.29
USDJPY	110.48	+0.48	107.15	USDSAR	3.7503	-0.01	JPYAED	0.0332	-0.49
USDCAD	1.3238	-0.36	1.3137	USDQAR	3.6800	+1.05	CADAED	2.7750	+0.38
AUDUSD	0.7095	-0.01	0.7135	USDKWD	0.3040	+0.21	AUDAED	2.6063	-0.00
USDCHF	1.0067	+0.65	0.9718	USDBHD	0.3770	--	CHFAED	3.6495	-0.62
EURGBP	0.8786	+0.34	0.8903	USDOMR	0.3848	-0.06	TRYAED	0.7000	+0.33
USDAED	3.6730	--	3.6764	USDINR	70.7225	-0.64	INRAED	0.0552	+7.11

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.5925	2.8413	3.1807	3.4615	USD 2 yr	2.642	+3
USD LIBOR	2.4938	2.6929	2.7405	2.9152	USD 5 yr	2.582	+4
GBP LIBOR	0.7310	0.8682	0.9966	1.1323	USD 10 yr	2.711	
JPY LIBOR	-0.0935	-0.0821	-0.0046	0.09933	EUR 2 yr	-0.162	-0
CHF LIBOR	-0.7782	-0.7132	-0.6514	-0.5094	EUR 5 yr	0.126	+2
					EUR 10 yr	0.665	+4

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1310.80	-0.10	ADGB 6.75 19	2.42	--	Abu Dhabi	62	--
Silver	15.71	-0.41	DUGB 7.75 20	3.19	-1	Bahrain	258	--
Oil (WTI)	53.10	+1.90	QATAR 6.55 19	1.78	-83	Dubai	128	--
Aluminium	1832.50	-1.35	US Tsy 2 yr	2.51	+4	Qatar	75	--
Copper	6091.75	-1.60	US Tsy 10 yr	2.69	+5	Saudi Arabia	90	--

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