



بنك الإمارات دبي الوطني
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Daily Outlook.

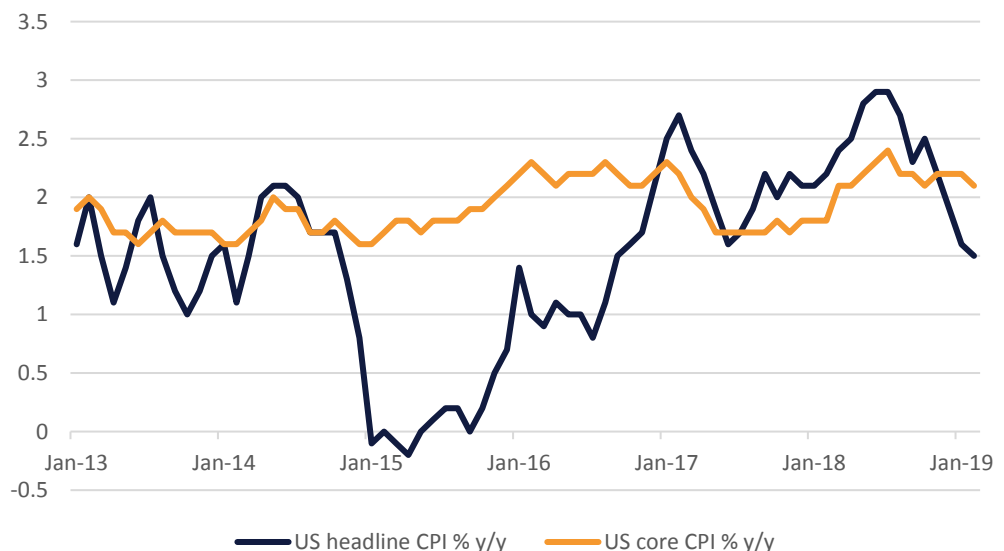
UK PM Theresa May's Brexit deal was defeated in parliament last night by 149 votes leaving time running out for the UK to decide how to exit the EU on the 29th of March as laid out under Article 50 of the EU Constitution. The UK parliament will today vote on whether the UK should leave the EU without an agreement on March 29. If they block no-deal they will be asked tomorrow whether they should seek an article 50 extension from the EU, and for how long.

However, the implications of last night's vote could be much more complex. Some feel that another referendum now looks more likely, which might lead to an even softer Brexit in the end, which is why the pound rallied briefly after the vote. There are other suggestions, however, that Theresa May's ability to carry on as Prime Minister has been severely damaged, which could lead to another general election as it is debatable if the current parliament is capable of supporting any deal. In fact as things stand if parliament cannot even agree on requesting an extension of Article 50 the UK could still end up leaving the EU on March 29 without a deal by default.

In the U.S. US February headline CPI inflation rose by 0.2% m/m while the core index rose 0.1%. The y/y growth rate stood at 1.5% in February (a two-and-a-half year low), after a 1.6% January gain, while the core y/y growth rate was 2.1% (four month low) versus 2.2% in November, December and January. Overall the inflation reading supports the Fed's wait and see approach to tightening monetary policy and suggests that rates will remain on hold at least until the second half of the year.

India's CPI for February 2019 came in at 2.57%, higher than previous month's revised reading of 2.0% and consensus estimates of 2.4%. In terms of segment, food prices continued to remain in deflationary territory dropping -0.66% y/y. However, on a m/m basis food prices rose +0.15%, the first such increase in 6 months. In addition, India's industrial production expanded by +1.7% y/y, slower than previous month's reading of 2.6%. Overall, both sets of data do little to dissuade us from our view that the RBI will cut interest rates by at least 25 bps at its next meeting in April 2019.

U.S. inflation falls to two-and-a-half year low



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
EU Industrial production % m/m	14:00	1.0%	US Durable Goods Ord.	16:30	-0.5%
US PPI Final Demand % m/m	16:30	0.2%			

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed higher across the curve on the back of strong demand in the 10y auction. Yields on the 2y UST, 5y UST and 10y UST closed at 2.45% (-2 bps), 2.40% (-4 bps) and 2.60% (-3bps) respectively.

Regional bonds closed sharply higher amid move in benchmark yields and rally in oil prices. The YTW on the Bloomberg Barclays GCC Credit and High Yield index dropped -3 bps to 4.29% and credit spreads remained flat at 178 bps.

FX

Sterling was the centre of attention yesterday ahead of the Brexit parliament in the UK parliament. Ahead of the vote GBPUSD had rallied over 1.32 as it was hoped that a last minute promise from the EU over the Irish Backstop would secure enough votes to get May's deal passed in parliament. However, with the Attorney General indicating that the assurances were not legally binding the pound slumped back below 1.31 ahead of the evening vote. Following the PM's defeat in parliament by 149 votes, the pound briefly rallied as it was thought this might increase the likelihood of a second Brexit referendum. However, the outcome is likely going to be more complicated than that, with even the possibility that the government could fall, and with still the possibility that the UK could end up leaving the EU without a deal by default.

Equities

Developed market equities closed mixed amid continued strength in technology stocks. The S&P 500 index and the Euro Stoxx 600 index closed +0.3% and -0.1% respectively.

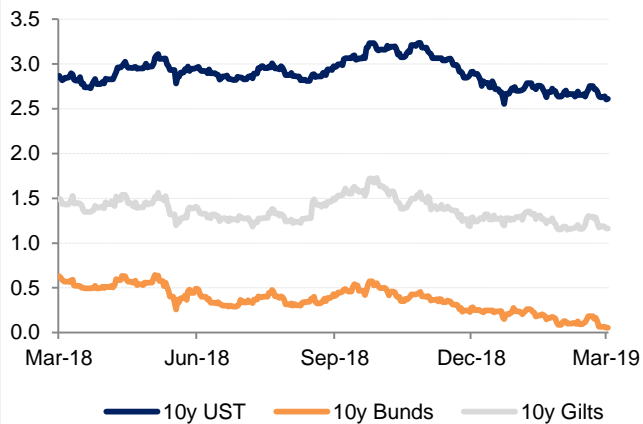
Regional equities closed mixed. The DFM index and the Tadawul added +0.3% and +0.2% respectively. Aldar Properties rallied +2.2% on above average volumes. Emaar Malls and Damac Properties also gained +2.3% and +2.2% respectively. Elsewhere, it continued to remain relatively quiet.

Commodities

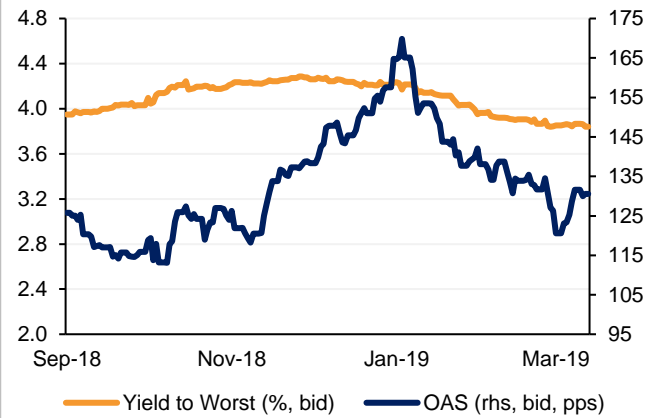
Oil futures gained modestly overnight on reports that Saudi Arabia would cut its exports to less than 7m b/d in April, helping to tighten markets further. Brent futures are now trading a little below USD 67/b while WTI has pushed up over USD 57/b. In its latest short term energy outlook, the EIA lowered its production growth forecast for the US to 1.35m b/d for this year (compared with 1.45m b/d previously) and to 730k b/d for 2020 (from almost 800k b/d previously). While the downgrades show a slower pace of growth the US will still be producing at record levels and be the largest crude producer in the world.

Markets in Charts

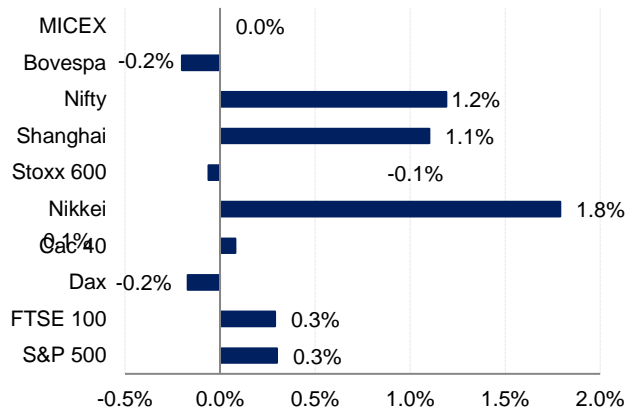
Global Bond Yields



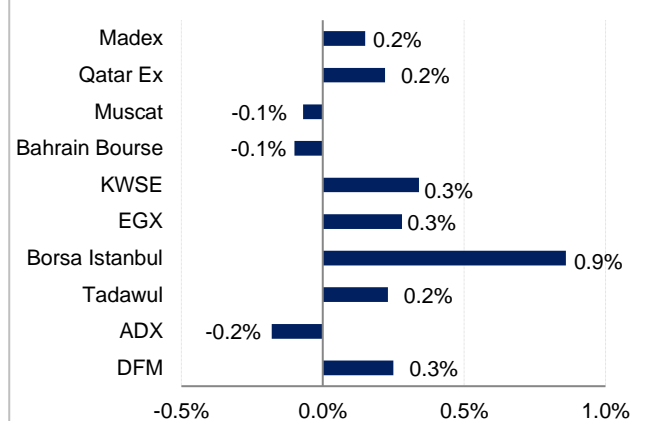
UAE liquid bond index



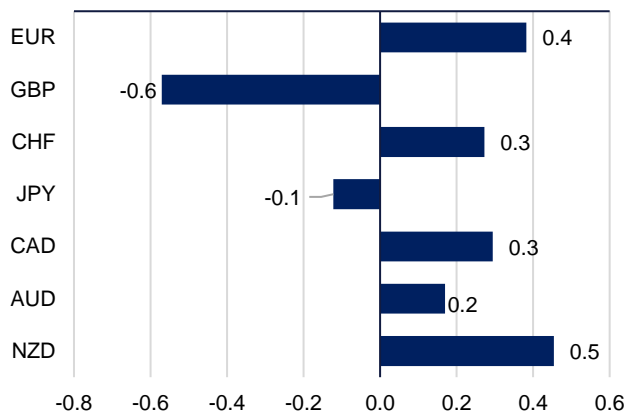
Global Equity Indices



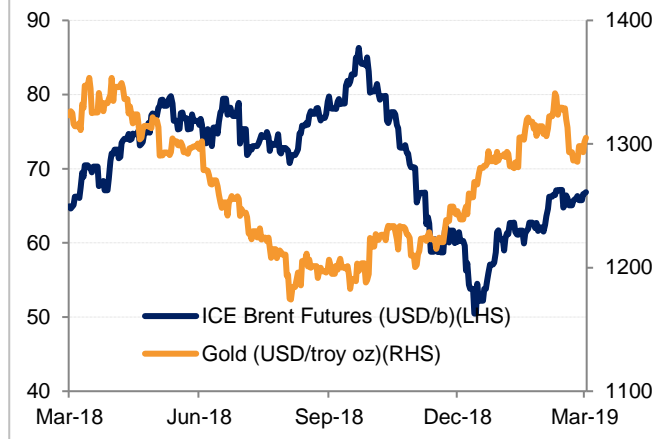
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1288	+0.38	1.1642	USDTRY	5.4548	+0.18	EURAUD	4.1453	+0.36
GBPUSD	1.3075	-0.57	1.3304	USDEGP	17.4334	-0.01	GBPAED	4.8015	-0.59
USDJPY	111.36	+0.13	108.11	USDSAR	3.7504	--	JPYAED	0.0330	-0.13
USDCAD	1.3354	-0.30	1.3244	USDQAR	3.6800	+1.07	CADAED	2.7505	+0.30
AUDUSD	0.7082	+0.17	0.7128	USDKWD	0.3039	--	AUDAED	2.6013	+0.18
USDCHF	1.0077	-0.29	0.9733	USDBHD	0.3770	--	CHFAED	3.6444	+0.27
EURGBP	0.8633	+0.97	0.8751	USDOMR	0.3845	-0.14	TRYAED	0.6700	-0.67
USDAED	3.6730	--	3.6763	USDINR	70.7225	-0.64	INRAED	0.0552	+4.88

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.5825	2.7613	3.0675	3.3510	USD 2 yr	2.571	-3
USD LIBOR	2.4989	2.6083	2.6793	2.8690	USD 5 yr	2.476	-4
GBP LIBOR	0.7263	0.8425	0.9719	1.1060	USD 10 yr	2.618	-4
JPY LIBOR	-0.1125	-0.0697	0.0060	0.1048	EUR 2 yr	-0.175	-0
CHF LIBOR	-0.7840	-0.7112	-0.6486	-0.5056	EUR 5 yr	0.083	-0
					EUR 10 yr	0.565	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1301.58	+0.64	ADGB 6.75 19	2.42	--	Abu Dhabi	59	-1
Silver	15.44	+0.86	DUGB 7.75 20	3.16	+2	Bahrain	245	-6
Oil (WTI)	56.87	+0.14	QATAR 6.55 19	-0.98	-150	Dubai	126	+1
Aluminium	1847.50	+1.69	US Tsy 2 yr	2.45	-2	Oman	308	0
Copper	6498.00	+0.98	US Tsy 10 yr	2.60	-4	Qatar	70	--
						Saudi Arabia	81	0

Source: Bloomberg, Emirates NBD Research

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