



بنك الإمارات دبي الوطني
Emirates NBD

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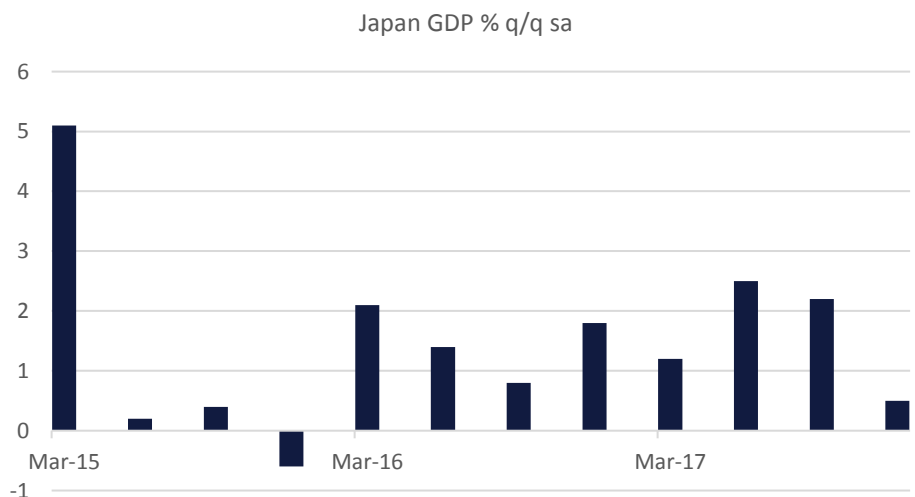
Daily Outlook

Japan's GDP grew by just 0.5% q/q in Q4 according to preliminary estimates, down from a revised 2.2% growth rate in Q3. Private consumption grew 0.5% in Q4, while business spending improved by 0.7%. **This was a relatively disappointing report, with growth slowing in Q4 by a much more than anticipated.** Although Japan's GDP has improved for eight consecutive quarters, the fall back in momentum suggests that Japan's economy is still some way from being self-sustaining, and will likely mean that monetary policy will remain on hold for a considerable period longer. **In particular the latest fall back in the USDJPY will likely be seen as a hindrance to growth going forward,** with global risk sentiment still looking fragile.

UK inflation data released yesterday showed January CPI holding steady at 3.0% y/y, the same level as in December. Core CPI rose to 2.7% y/y, however, from 2.5%, above market expectations. The outcome still fits with BoE projections, which ultimately expects CPI to decline to 2.2% y/y by 2020. Meanwhile PPI data showed input prices gaining 4.7% y/y, down from 5.4% y/y in December, while output prices rose by 2.8% y/y, down from 3.3%, suggesting that pipeline price pressures are starting to ease. **Sterling rallied on the news which follows on from the BoE's hawkish guidance last week,** which said that monetary policy may have to be tightened sooner and by more than previously expected due to rising demand and weak productivity.

The inflation theme continues today with U.S. January CPI due out, where the headline price level is expected to have risen by 0.4% m/m largely due to higher gasoline prices. **This will be an important test for the markets in the wake of recent equity price losses, given that these were sparked in large part by a higher than expected rise in wages at the start of the year.** Fed officials made comments about the outlook yesterday, including Fed Chairman Powell who provided no sign that the policy of normalizing interest rates was going to change as a result of the recent market volatility.

Japanese growth loses momentum in Q4 2018



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
Germany GDP	11.00	0.6%	US Retail sales m/m	17.30	0.2%
US CPI m/m	17.30	0.4%			

Source: Bloomberg

Fixed Income

Treasuries have pushed higher amid the poor performance of Asian equity markets this morning finding support from safe haven bids. As we go to print 2 year yields are steady 2.09%, 5 year yields are 1.7 bps lower at 2.53% and 10 year yields have fallen 1.8bps to 2.81.

FX

GBP benefitted from stronger the expected inflation data (see macro) on Tuesday. Over the course of the day GBPUSD gained 0.41% to close at 1.3894, having reached highs of 1.3924 earlier in the session. This is now the third day that the price has remained above the 76.4% one year Fibonacci retracement of 1.3818, which is technically bullish for the cross.

This morning USD is trading softer while the markets await US inflation and retail sales data. As we go to print, the Dollar Index is currently trading 0.36% lower at 89.384. With the market starting to discuss whether the Federal Reserve will move faster than expected in 2018, any upside risk in the inflation data would be bullish for the dollar. On the other hand, any miss in the data would turn the focus back to the political turmoil in Washington and likely result in further sell offs.

Equities

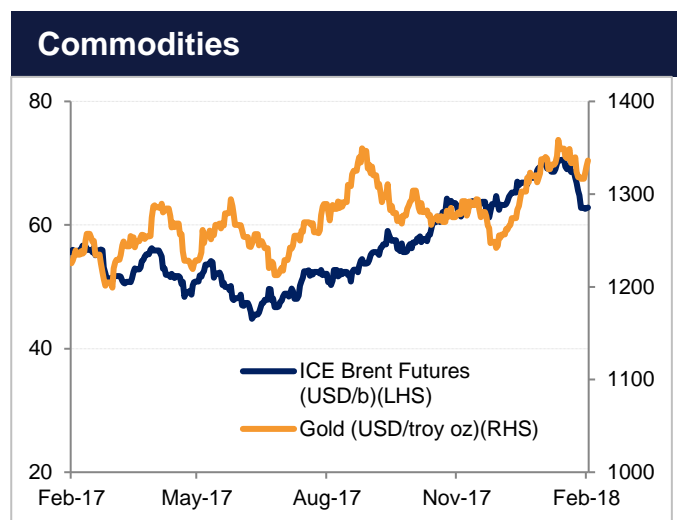
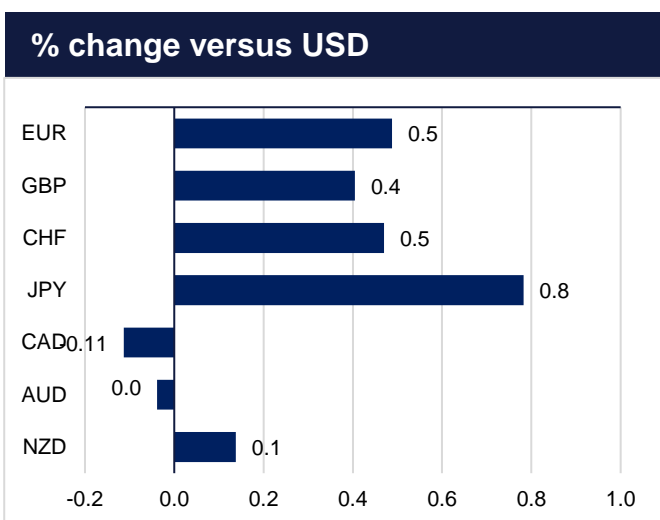
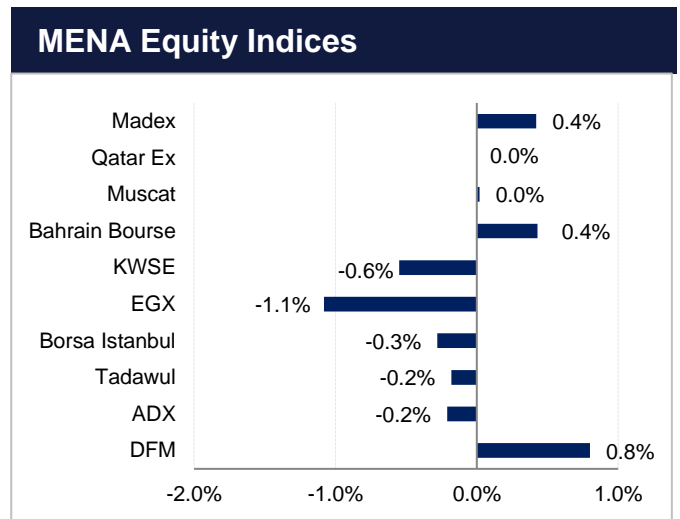
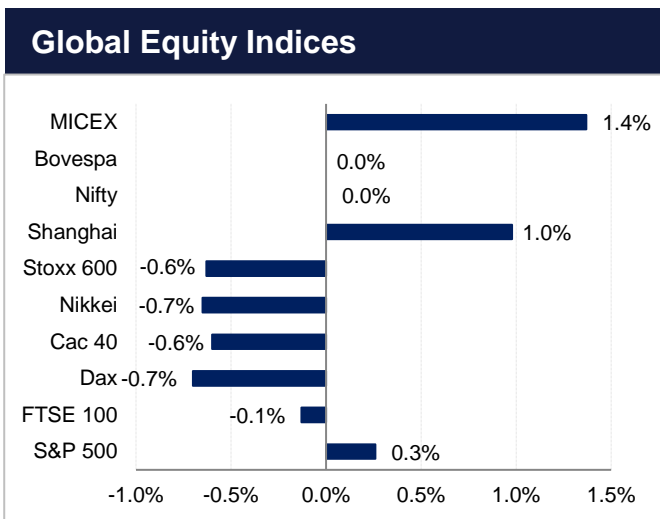
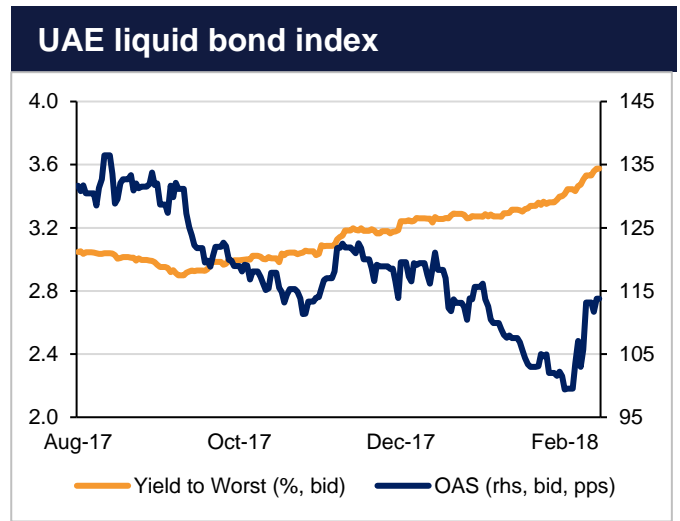
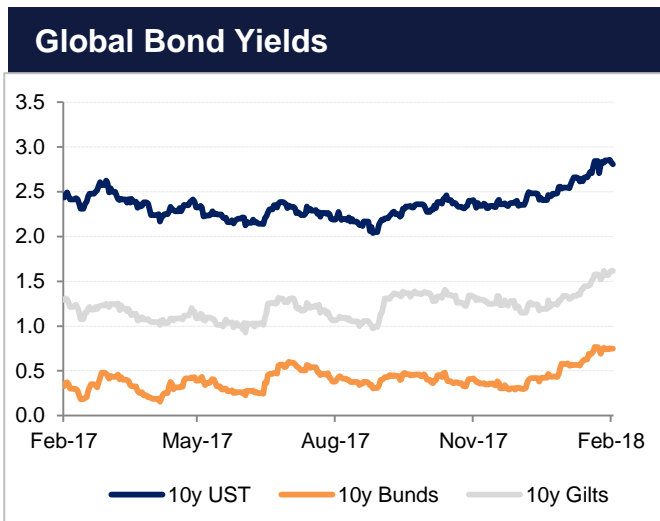
Global equity markets had mixed performances yesterday. In the US, NASDAQ closed 0.45% higher at 7012 while the S&P500 gained 0.26% to close at 2662.94. Things were more negative on the other side of the Atlantic with the Euro Stoxx recording a 0.81% decline to 3340, the DAX falling 0.70% to 12196 and the FTSE 100 losing 0.13% to close at 7168. Regional equity markets also had mixed performances with the DFM gaining 0.8% while the ADX and Tadawul both fell 0.2%.

This morning Asian equity markets have opened in the red with the Nikkei currently down 0.77% while the Shanghai Composite is trading 0.30% lower

Commodities

Oil prices inched slightly higher on Wednesday after the monthly report from the IEA highlighted that surplus supply has shrunk “dramatically” and that oil stockpiles in developed nations fell in December by the most in six years as cuts in production from OPEC and Russia took effect. The same report also included a boosted forecast for global demand in 2018 by 100,000 barrels a day to 1.4 million, which would help clear the over supply problem. However, the report also conceded that production in non OPEC countries is rising quickly as the three year high oil prices have prompted greater production outside of the organization. Over the course of the day ICE Brent Crude Futures rose 0.16% to 62.82 USD/bbl while NYMEX WTI Crude Futures remained steady at 59.18 USD/bbl.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2352	+0.49	1.2706	USDTRY	3.8096	+0.24	EURAED	4.5369	+0.49
GBPUSD	1.3894	+0.40	1.4113	USDEGP	17.7197	+0.08	GBPAED	5.1026	+0.39
USDJPY	107.82	-0.77	104.99	USDSAR	3.7504	+0.00	JPYAED	0.0341	+0.78
USDCAD	1.2592	+0.12	1.2532	USDQAR	3.6800	+0.68	CADAED	2.9169	-0.12
AUDUSD	0.7859	-0.04	0.7872	USDKWD	0.3000	-0.11	AUDAED	2.8867	-0.04
USDCHF	0.9349	-0.47	0.9050	USDBHD	0.3770	--	CHFAED	3.9286	+0.47
EURGBP	0.8891	+0.07	0.9004	USDOMR	0.3850	+0.06	TRYAED	0.9600	-0.67
USDAED	3.6730	--	3.6765	USDINR	64.0988	-0.34	INRAED	0.0572	-0.01

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.6183	1.8817	2.1752	2.6447	USD 2 yr	2.358	--
USD LIBOR	1.5875	1.8334	2.0486	2.3191	USD 5 yr	2.635	-2
GBP LIBOR	0.4923	0.5357	0.6394	0.8541	USD 10 yr	2.836	-4
JPY LIBOR	-0.0567	-0.0660	0.0007	0.1040	EUR 2 yr	-0.132	--
CHF LIBOR	-0.7976	-0.7454	-0.6628	-0.5330	EUR 5 yr	0.480	-2
					EUR 10 yr	1.145	-2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1329.55	+0.52	ADGB 6.75 19	2.35	+3	Abu Dhabi	59	+1
Silver	16.59	+0.21	DUGB 7.75 20	3.02	+1	Dubai	104	-1
Oil (WTI)	59.19	-0.17	QATAR 6.55 19	2.65	--	Qatar	92	+1
Aluminium	2131.75	+0.52	US Tsy 2 yr	2.10	+3	Saudi Arabia	84	+2
Copper	6944.75	+2.31	US Tsy 10 yr	2.83	-3	Bahrain	254	-7

Source: Bloomberg, Emirates NBD Research

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