



# Daily Outlook

**UK PM Theresa May lost the vote in Parliament last night on her Brexit deal by a thumping 230 votes**, the largest government defeat in history. She now faces a motion of no confidence brought by the opposition Labour party later today. Most likely she will win that vote but what will follow after that is uncertain. May now has to go back to the drawing board to try to salvage the situation, most likely by engaging in cross party talks and perhaps talking with the EU again. That might mean that parliament could have a bigger say in any solution, but that solution still has to be found.

The pound has recovered a little as markets are assuming that the probability of no deal has diminished, while chances of a delay to article 50, a second referendum, or even no Brexit at all have all increased. **We think it is too optimistic to think that order will be able to suddenly emerge out of chaos.** There may actually be no majority in parliament for any deal. In that case the UK could still end up with a disorderly Brexit on the 29th March by default. GBP is so far not pricing that in and is therefore still at risk of falling back again.

**The risks inherent in the Lebanese economy have been brought into stark relief at the start of 2019 as the five-year CDS rose to a record 900, exceeding** even the previous peak of 800, recorded in 2008 in the midst of the global economic crisis. Government ministers and central bankers have been forced to repeatedly assure markets there is no plan to restructure debt and that the risks are overblown. However, with still no government eight months after May 2018 elections, and diaspora deposits and foreign aid looking somewhat less assured, the policy inertia is starting to test the fragile Lebanese system.

## GBP remains underpinned despite Brexit vote loss



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
German CPI y/y	11:00	1.7%	UK CPI y/y	13:30	2.1%
Turkey One-Week Repo Rate	15:00	24.00%	US Fed Beige Book	23:00	N/A

Source: Bloomberg, Emirates NBD Research.

## Fixed Income

Treasuries closed lower amid continued rebound in risk assets. The curve steepened with yields on the 2y UST, 5y UST and 10y UST closing at 2.53% (flat), 2.53% (+1 bp) and 2.71% (+1 bp) respectively.

Regional bonds closed higher but continues to trade in a tight range. The YTW on the Bloomberg Barclays GCC Credit and High Yield index dropped -1 bp at 4.57% and credit spreads hovered around 200 bps.

First Abu Dhabi Bank raised USD 850mn from a 5y sukuk which was priced at MS+130 bps.

## FX

In the aftermath of the overwhelming defeat of Prime Minister May's Brexit deal in the UK Parliament, the GBPUSD has rallied from below 1.27 to as high as 1.2889 before paring some of these gains. With renewed expectations for a delay to the March 29 deadline, investors are now beginning to price in either a softer Brexit or a second referendum, possibly leading to the UK remaining in the European Union. Therefore, GBPUSD is likely to remain supported in the short term. As we go to print, the cross is currently trading at 1.2846 with a daily close above the 100-day moving average (1.2824) likely to result in further gains.

## Equities

Notwithstanding the rejection of the Brexit agreement in the UK Parliament, developed market equities closed higher. The continued strength in technology stocks along with planned fiscal stimulus in China helped offset mixed corporate earnings. The S&P 500 index and the Euro Stoxx 600 index added +1.1% and +0.4% respectively.

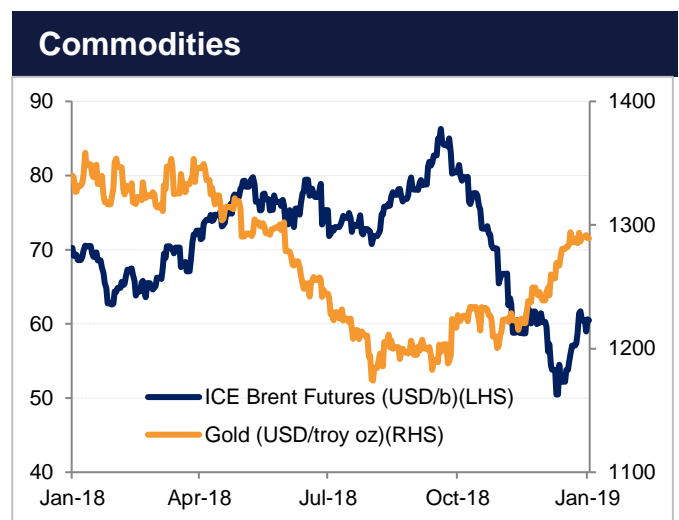
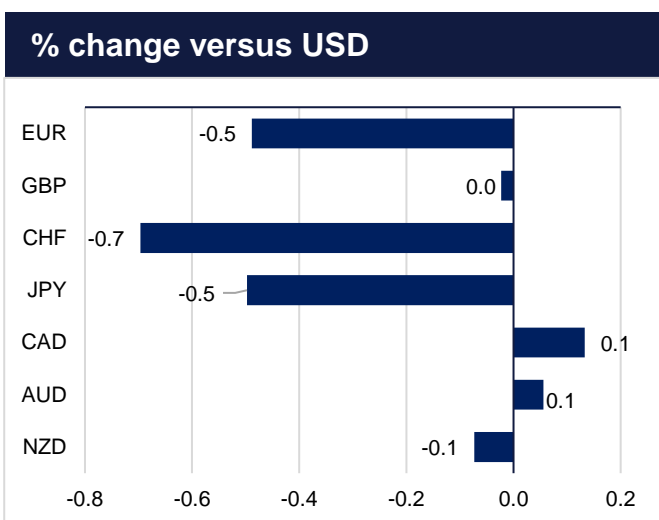
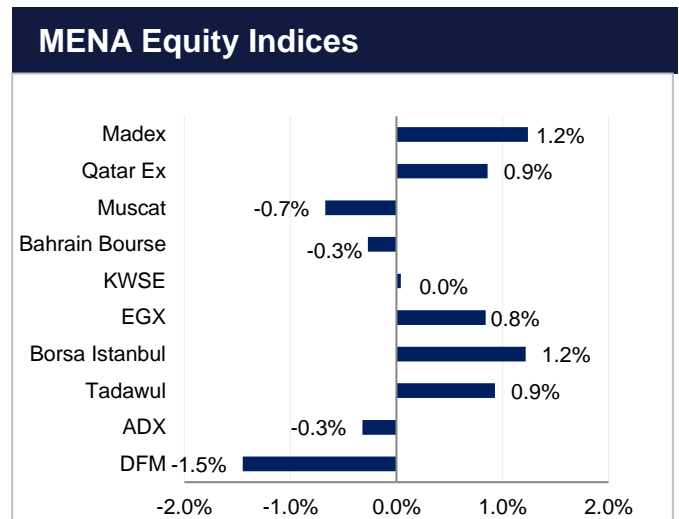
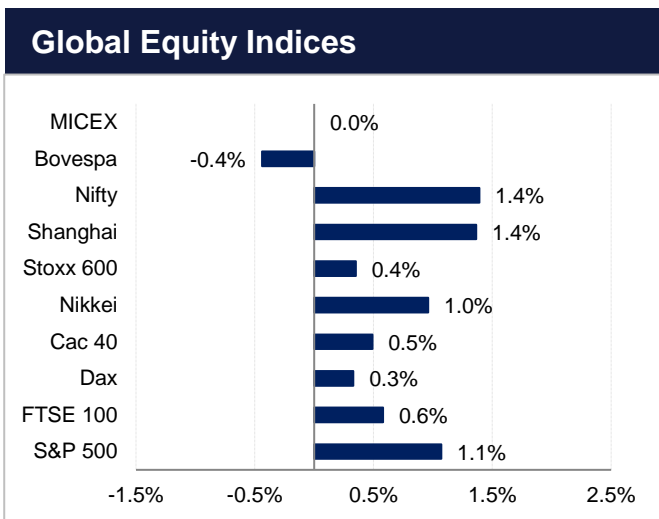
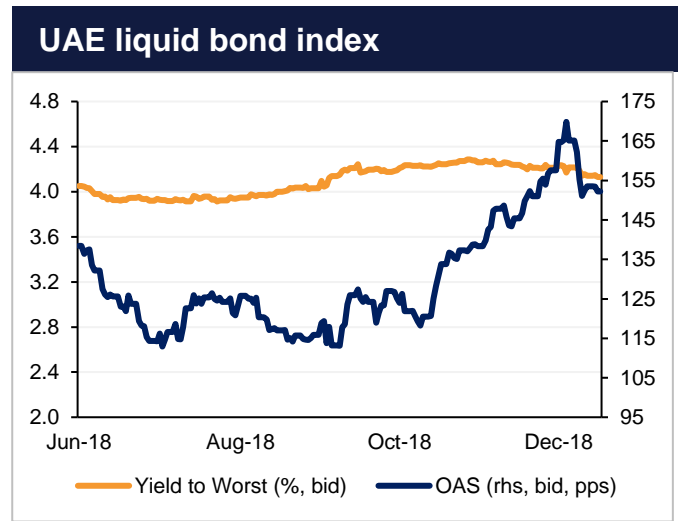
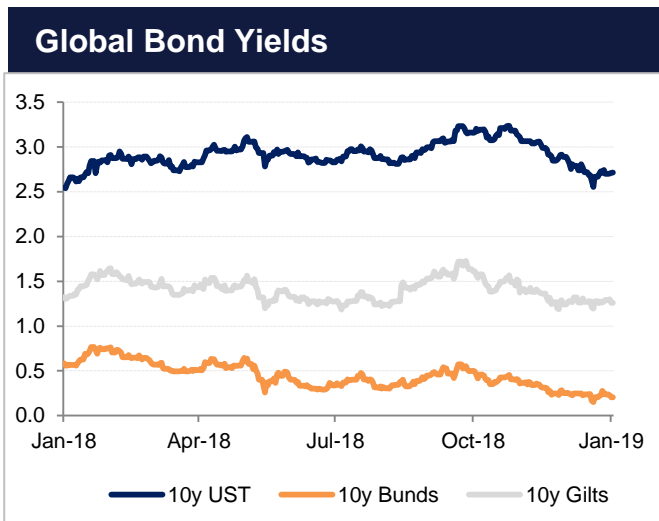
Regional equities traded mixed with the DFM index losing -1.5% and the Tadawul adding +0.9%. The recent trend of weakness in real estate stocks continued even as financials continued to exhibit some strength.

## Commodities

Oil prices recovered Monday's losses and ended the day up strongly. Brent futures closed 2.8% higher at USD 60.64/b while WTI gained nearly 3.2% at USD 52.11/b. China's government has pledged to step in to support the economy after data has showed a disappointing trend, helping commodities in general overnight.

The EIA released its short-term energy outlook and has revised its 2019 forecast for US supply growth down slightly to 1.14m b/d thanks to a faster pace of growth estimated for 2018. The agency also released its initial forecast for 2020 where it sees another year of growth (800k b/d). Also out from the US the API estimated that crude inventories fell by 560k bbl last week while there were still large gains in products inventories. While crude stocks may be flat or declining somewhat product inventories are accruing that can eventually feedback negatively into oil pricing.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1413	-0.49	1.1779	USDTRY	5.4471	+0.06	EURAED	4.1918	-0.49
GBPUSD	1.2861	-0.02	1.3085	USDEGP	17.9290	+0.05	GBPAED	4.7241	-0.05
USDJPY	108.68	+0.48	105.36	USDSAR	3.7512	-0.01	JPYAED	0.0338	-0.51
USDCAD	1.3266	-0.14	1.3169	USDQAR	3.6800	+0.71	CADAED	2.7688	+0.14
AUDUSD	0.7201	+0.06	0.7239	USDKWD	0.3030	+0.02	AUDAED	2.6451	+0.08
USDCHF	0.9878	+0.69	0.9533	USDBHD	0.3770	--	CHFAED	3.7183	-0.69
EURGBP	0.8875	-0.45	0.9003	USDOMR	0.3847	--	TRYAED	0.6700	-0.69
USDAED	3.6730	--	3.6757	USDINR	70.9788	+0.07	INRAED	0.0552	+6.42

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.6000	2.9325	3.1708	3.4635	USD 2 yr	2.700	+0
USD LIBOR	2.5075	2.7734	2.8458	3.0084	USD 5 yr	2.622	+1
GBP LIBOR	0.7349	0.9279	1.0449	1.1868	USD 10 yr	2.740	+1
JPY LIBOR	-0.1050	-0.0702	0.0073	0.1115	EUR 2 yr	-0.174	-1
CHF LIBOR	-0.7800	-0.7020	-0.6410	-0.4986	EUR 5 yr	0.171	-1
					EUR 10 yr	0.772	-2

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1289.51	-0.17	ADGB 6.75 19	2.42	--	Abu Dhabi	67	-1
Silver	15.59	-0.43	DUGB 7.75 20	3.25	+1	Bahrain	305	-9
Oil (WTI)	52.11	+3.17	QATAR 6.55 19	2.36	-1	Dubai	137	+3
Aluminium	1821.25	+1.24	US Tsy 2 yr	2.53	--	Qatar	80	-1
Copper	5886.00	+0.32	US Tsy 10 yr	2.71	+1	Saudi Arabia	99	+1

Source: Bloomberg, Emirates NBD Research

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