



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

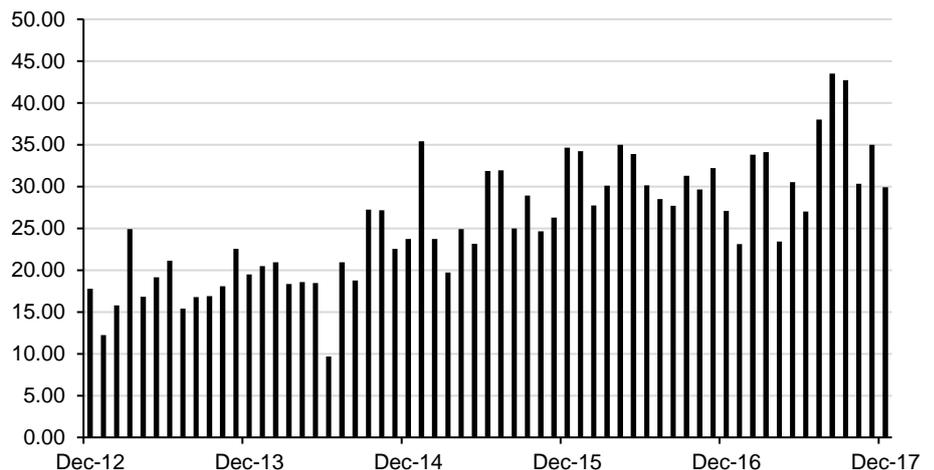
The US is the world's largest importer of steel. **Late last week, the US Department of Commerce made a series of policy recommendations which called for the imposition of significant tariffs on US imports of steel and aluminium.** Meanwhile the seventh round of Nafta negotiations are set to begin on the 25th February. Previous rounds have failed to make meaningful progress. Any protectionism measure taken on tariffs will probably trigger resistance from US's trade partners. Also enacting tougher protectionist policies might increase the chances of higher inflation in the US.

Brexit Secretary, David Davis, is set to outline UK's idea of post-Brexit collaboration to the EU members today. **Also Prime Minister, Theresa May is scheduled to present detailed draft trade accord next week, with the aim of having a deal drafted by October** to be signed soon after Brexit in March 2019. EU does not expect a full trade agreement to finish before Brexit. October's conclusions are likely to form only an outline political declaration rather than a legally binding contract. Talks are surfacing about the possibility of UK having the option to halt payment of the 40-billion-pound (\$56 billion) Brexit bill if a satisfactory outcome on trade deal is not achieved. The precise mechanism for paying the cash had yet to be agreed, leaving open the possibility of holding it back or slowing it. **Meanwhile, cemented by the strong economic data, market expectations currently indicate a 76% chance that BoE will raise interest rates by May.**

In Japan, **Prime Minister Shinzo Abe last week nominated BoJ Governor Haruhiko Kuroda for another five-year term** even though the governor has failed to meet the BOJ's 2% inflation target. The nomination is subject to confirmation by the parliament, but Abe's coalition enjoys a strong majority. Reappointment of Kuroda means the government may be more focused on the stability of financial markets and sustaining the economic recovery than actually achieving 2% inflation. BoJ is believed to be considering the possibility of switching its yield-curve target to 5-year government bonds from 10-year bonds.

Australia's central bank reiterated that inflation is expected to "only gradually" accelerate as the economy strengthens and wage pressures increase, in minutes of this month's policy meeting.

ECB current account narrows in December



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
Turkey Consumer Confidence Index	11:00	N/A	Eurozone Consumer Confidence	19:00	1.0
ZEW Surveys	14:00	N/A			

Source: Bloomberg

Fixed Income

Treasury curve bear-flattened this morning as 2-year yield rose 3bps to 2.22%, highest since Sept. 2008, ahead of the sale of \$151 billion of short-term treasury bills today. Yields on 5yr, 10yr and 30yr USTs are currently trailing at 2.66% (+4bps), 2.90% (+3bps) and 3.14% (+1bp), higher than their Friday close.

Local bonds remained range bound with average yield on Barclays GCC bond index closing largely unchanged at 4.13% and option adjusted credit spreads at 154bps.

In the primary market, Bank Muscat is in talks to do a benchmark sized dollar denominated issue in order to refinance upcoming maturity. In contrast, Investment Corp of Dubai is believed to be in the loan market to raise \$1 billion to refinance maturing debt.

FX

With the markets quieter for the US President's Day holiday, AUD gained against the other major currencies during the Asia session. This move was catalysed by improving risk appetite amid solid performance from Asian equity markets. JPY was Monday's under performer, following softer than expected economic data. Reports from the Ministry of Finance showed that Japans has a trade deficit of JPY 943Bn in January 2018 compared with a surplus of JPY 359bn in December 2017.

This afternoon, investors will be looking towards the Eurozone where the ZEW Surveys and the European Commission Consumer Confidence Indicator are both expected to show that confidence and sentiment remained high in 2018. Any disappointment in the data is likely to be bearish for the Euro.

Equities

It was a subdued day of trading as major markets in Asia and the US were closed. The Euro Stoxx 600 index dropped -0.6% amid mixed corporate earnings.

Regional markets closed mixed with the Tadawul adding +0.3% and the ADX index losing -0.1%. Volumes were below-par across the board. The EGX 30 index continued its rally with gains +0.8% following a 100 bps rate cut over the weekend.

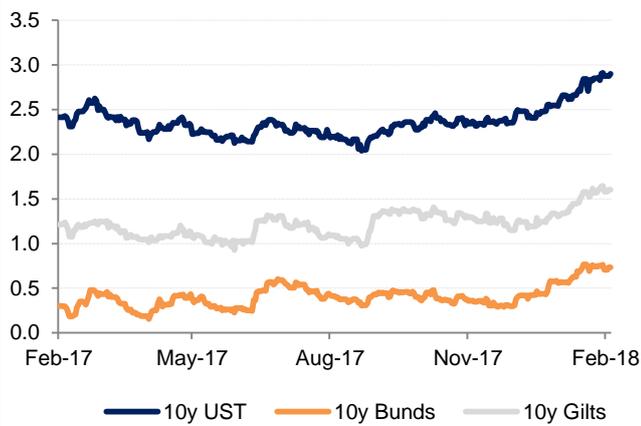
Commodities

Public holidays in the US and China kept commodity markets relatively muted to start the week. Brent futures closed up 1.3% at USD 65.67/b but there were few fundamental markers to affect the market. A leak on a major export pipeline linking Canada and the US will help WTI but will likely be only a short-term factor. The gentle flattening of forward curve is persisting; the Brent curve is in a shallower backwardation than it was one month ago when spot prices were closer to USD 70/b.

Commodity markets are responding tentatively to the US Department of Commerce's proposal for tariffs on steel and aluminium imports into the US. The tariffs are notionally meant to target imports of Chinese metal but China is not a particular large exporter of either product to the US.

Markets in Charts

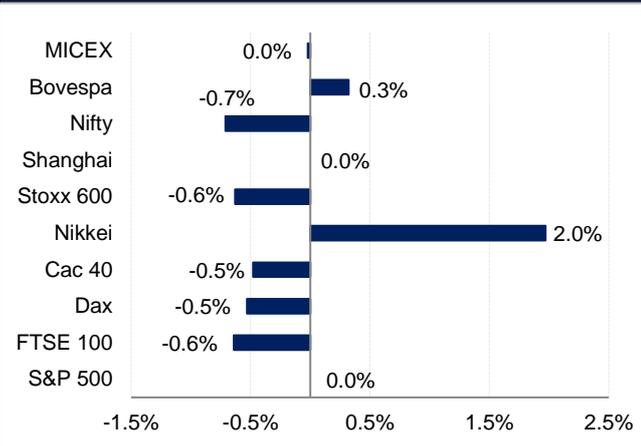
Global Bond Yields



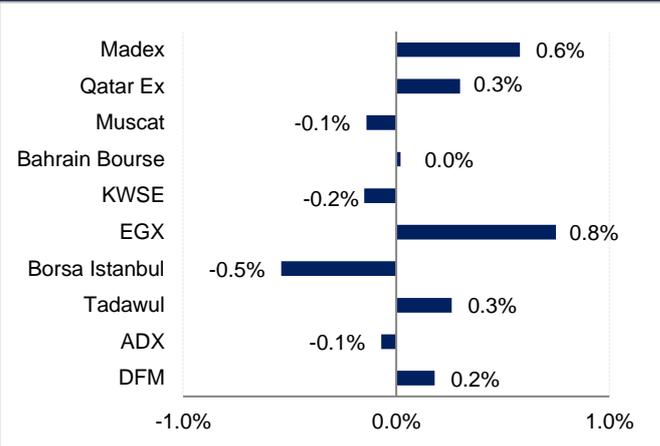
UAE liquid bond index



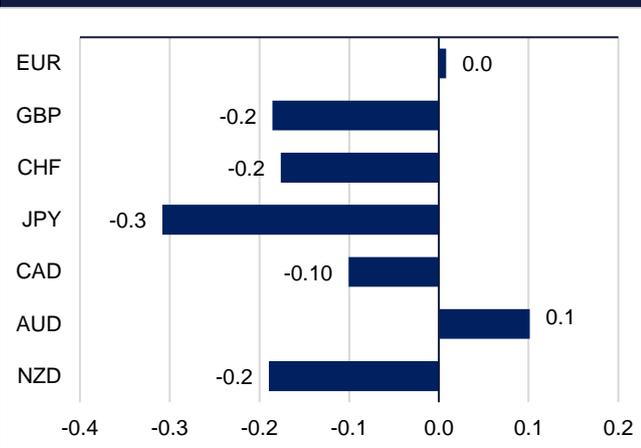
Global Equity Indices



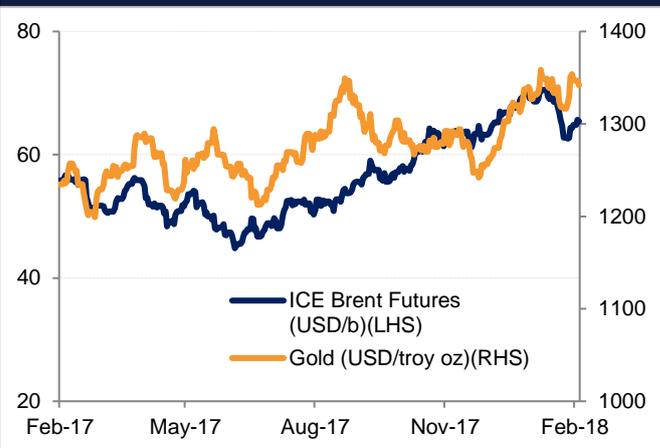
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2407	+0.01	1.2771	USDTRY	3.7588	+0.31	EURAED	4.5573	-0.01
GBPUSD	1.4000	-0.19	1.4227	USDEGP	17.7056	+0.33	GBPAED	5.1419	-0.26
USDJPY	106.59	+0.36	103.72	USDSAR	3.7504	-0.00	JPYAED	0.0345	-0.30
USDCAD	1.2561	+0.02	1.2492	USDQAR	3.6800	+0.82	CADAED	2.9245	-0.03
AUDUSD	0.7913	+0.10	0.7930	USDKWD	0.2995	+0.08	AUDAED	2.9062	+0.13
USDCHF	0.9295	+0.27	0.8993	USDBHD	0.3770	--	CHFAED	3.9534	-0.15
EURGBP	0.8863	+0.26	0.8977	USDOMR	0.3850	--	TRYAED	0.9800	-0.02
USDAED	3.6730	--	3.6773	USDINR	64.4450	+0.36	INRAED	0.0572	+0.37

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.5983	1.8633	2.1902	2.6572	USD 2 yr	2.478	+2
USD LIBOR	1.5938	1.8849	2.1061	2.3906	USD 5 yr	2.727	-0
GBP LIBOR	0.4941	0.5444	0.6534	0.8747	USD 10 yr	2.890	-1
JPY LIBOR	-0.0467	-0.0672	-0.0033	0.0965	EUR 2 yr	-0.119	+1
CHF LIBOR	-0.7982	-0.7456	-0.6634	-0.5332	EUR 5 yr	0.493	+1
					EUR 10 yr	1.147	+2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1346.46	-0.04	ADGB 6.75 19	2.36	+3	Abu Dhabi	57	-1
Silver	16.67	+0.14	DUGB 7.75 20	3.07	+9	Dubai	104	-1
Oil (WTI)	#N/A		QATAR 6.55 19	2.65	+3	Qatar	87	-3
Aluminium	2264.00	+2.07	US Tsy 2 yr	2.19	--	Saudi Arabia	82	--
Copper	7076.50	-1.59	US Tsy 10 yr	2.87	--	Bahrain	259	-1

Source: Bloomberg, Emirates NBD Research

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