



Daily Outlook

Saudi Crown Prince Mohammed bin Salman (MBS) began his twenty day visit to the U.S. yesterday with a three hour meeting in the White House with President Donald Trump, with the potential for investment and business deals appearing to be the main emphasis of the first days' meetings. MBS said that Saudi Arabia was eyeing USD400bn in business opportunities over the next four years, while the Saudi Arabian Public Investment Fund earlier in the week said that it would take a USD400bn stake in the U.S. group Endeavour. President Trump emphasized the potential for generating jobs from such deals, while there was little specific mentioned so far regarding the major political issues of the region.

UK February inflation came in below market expectations yesterday, with the headline CPI rate falling to 2.7% y/y from January's 3.0% and core CPI dropping to 2.4% y/y from 2.7% y/y previously. Lower fuel prices and the fading impact of sterling's past appreciation contributed to the decline, with the biggest downward contributions coming from falls in transport and food prices. PPI input and output prices also came in below forecasts, at 3.4% y/y and 2.6% y/y respectively. It is probably a little too early to judge whether the softer price data will deter the Bank of England from raising interest rates in May, which has been expected, with another two months of data yet to be seen.

Meanwhile the German ZEW investor confidence deteriorated in March by more than expected. The expectations index fell to 5.1 in March, from 17.8 in the previous month, and with the March reading the lowest since September 2016. The current conditions index came in higher than anticipated, but was also down from February and overall the data confirms that investors are increasingly worried about escalating tensions over trade as well as the prospect of a less accommodative ECB going forward. The political uncertainty in Germany at the start of the month may have also contributed to the weaker numbers.

UK inflation falls by more than expected in February



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
UK unemployment	13.30	4.4%	US Fed funds rate	22.00	1.50-1.765%

Source: Bloomberg

Fixed Income

Benchmark rates markets were higher yesterday as the market anticipated the Fed raising rates for the first time in 2018 later today. Yields on 10yr USTs rose 3.6bps to close above 2.88% and have kept pushing higher this morning. Yields on 2yr paper have hit their highest level since 2008 as the market fixates less on whether the Fed moves but how assured and confident it sounds off on the prognosis for the US economy. The 2-10yr spread on USTs was roughly stable at around 55bps.

Saudi Arabia issued SAR 4.85bn in a domestic sukuk yesterday by tapping a sukuk originally issued in January. The paper was spread across five, seven and 10 year maturities, with the bulk (SAR 2.6bn) in five year.

FX

NZD underperforms this morning against the other major currencies after mixed economic data. Despite reports from the Reserve Bank of New Zealand showing that credit card spending increased 7.0% y/y in February, a report from Statistics New Zealand showed that during the same period, net immigration fell to a three year low of 4970. As we go to print, NZDUSD is trading 0.10% lower at 0.71800, just below the 200 day moving average (0.7184). The price had traded as low as 0.7169 before finding support at this level (the 50% one year Fibonacci retracement). A break below this level will likely result in further declines towards the 100 day moving average of 0.7128.

The USD is trading softer before this evenings FOMC interest rate decision, the Dollar Index currently 0.12% lower at 90.26. While markets are fully pricing in a 25bps increase in the Fed Funds Target Rate, investors will be looking to see whether the nature of the hike is dovish or hawkish before deciding on their appetite for dollars. Of note is that yesterday the DXY Index finished above its 50 day moving average for the first time in 2018. This is technically significant and could give further endurance to any rally following the FOMC.

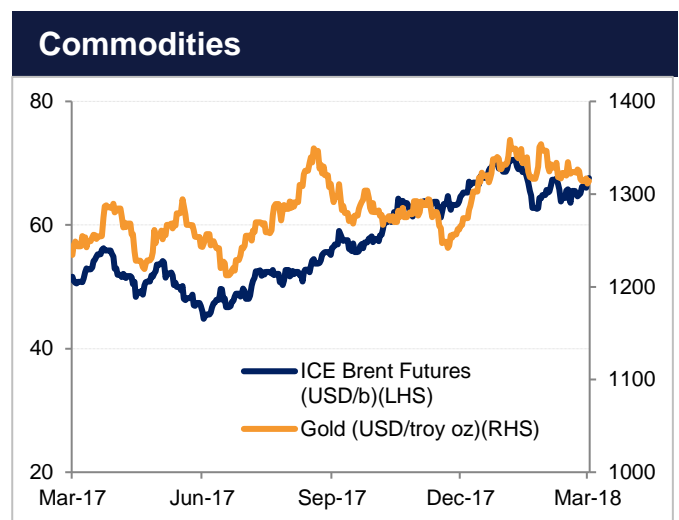
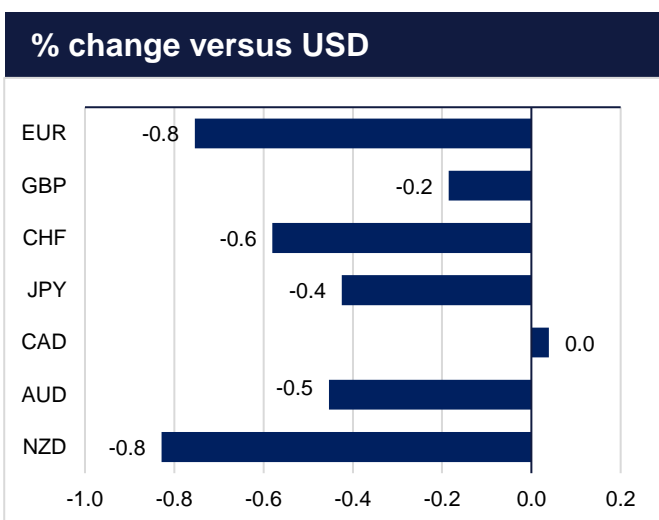
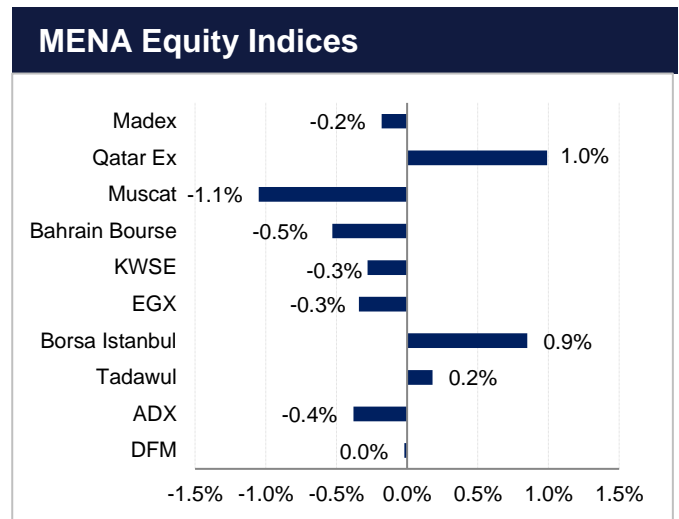
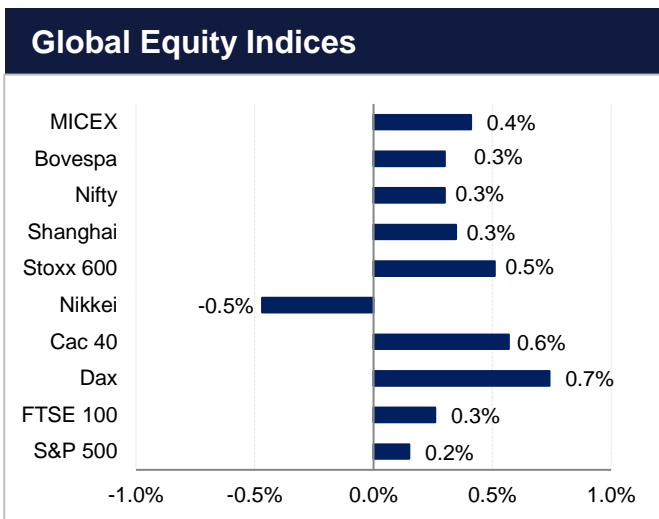
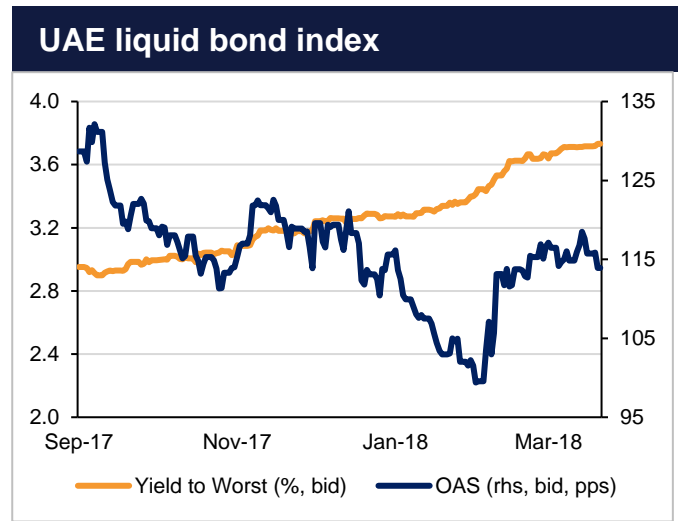
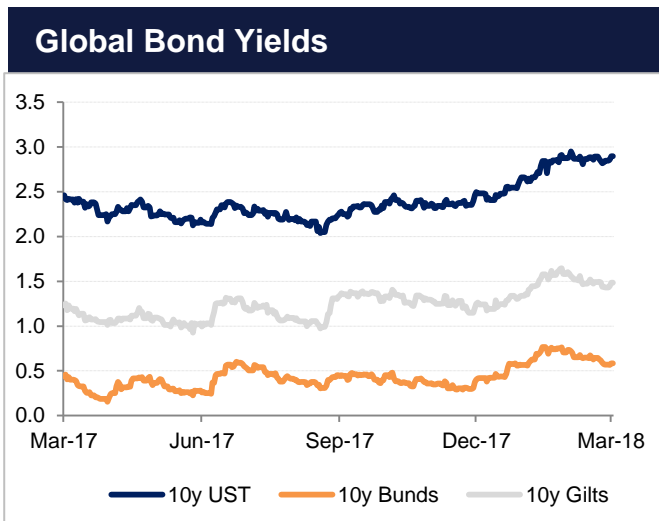
Equities

Global equity markets recouped some of their previous day's losses overnight. The S&P 500 added 0.15% while the FTSE rose 0.26%. Shares in Asia are up strongly this morning while Japan is out for a holiday. The G20 meeting of finance ministers and central bank governors currently underway has done little to assuage fears that protectionism and trade disputes could spread following the US imposing tariffs on imports of steel and aluminium.

Commodities

Oil prices were up strongly yesterday as the market prices in more political risk in the MENA region. Saudi Arabia's crown, Mohammed bin Salman, visited US president Donald Trump yesterday with a focus on increasing pressure on Iran. Market structures have responded positively to the potential for political risk and the 1-2 month spread in both WTI and Brent moved firmly back into backwardation overnight.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2242	-0.75	1.2619	USDTRY	3.9341	-0.06	EURAED	4.4961	-0.77
GBPUSD	1.3998	-0.19	1.4231	USDEGP	17.5952	-0.23	GBPAED	5.1413	-0.19
USDJPY	106.53	+0.41	103.56	USDSAR	3.7498	-0.00	JPYAED	0.0345	-0.42
USDCAD	1.3071	-0.05	1.2980	USDQAR	3.6800	+0.43	CADAED	2.8100	+0.05
AUDUSD	0.7683	-0.45	0.7709	USDKWD	0.2999	-0.02	AUDAED	2.8219	-0.46
USDCHF	0.9565	+0.57	0.9243	USDBHD	0.3770	--	CHFAED	3.8400	-0.57
EURGBP	0.8746	-0.57	0.8867	USDOMR	0.3850	--	TRYAED	0.9300	-0.33
USDAED	3.6730	--	3.6768	USDINR	65.2162	+0.06	INRAED	0.0563	+0.06

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.7780	2.2092	2.4697	2.7993	USD 2 yr	2.647	+4
USD LIBOR	1.8407	2.2225	2.3905	2.6333	USD 5 yr	2.841	+4
GBP LIBOR	0.5077	0.6143	0.7239	0.9326	USD 10 yr	2.933	+4
JPY LIBOR	-0.0768	-0.0557	0.0147	0.1072	EUR 2 yr	-0.147	-0
CHF LIBOR	-0.8043	-0.7400	-0.6584	-0.5302	EUR 5 yr	0.428	+1
					EUR 10 yr	1.028	+1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1311.31	-0.42	ADGB 6.75 19	2.42	--	Abu Dhabi	56	-1
Silver	16.20	-0.75	DUGB 7.75 20	3.22	+8	Dubai	103	+6
Oil (WTI)	63.40	+2.16	QATAR 6.55 19	2.67	+0	Qatar	78	-1
Aluminium	2053.25	-0.59	US Tsy 2 yr	2.34	+4	Saudi Arabia	81	+4
Copper	6724.50	-1.39	US Tsy 10 yr	2.90	+4	Bahrain	255	+15

Source: Bloomberg, Emirates NBD Research

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