



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

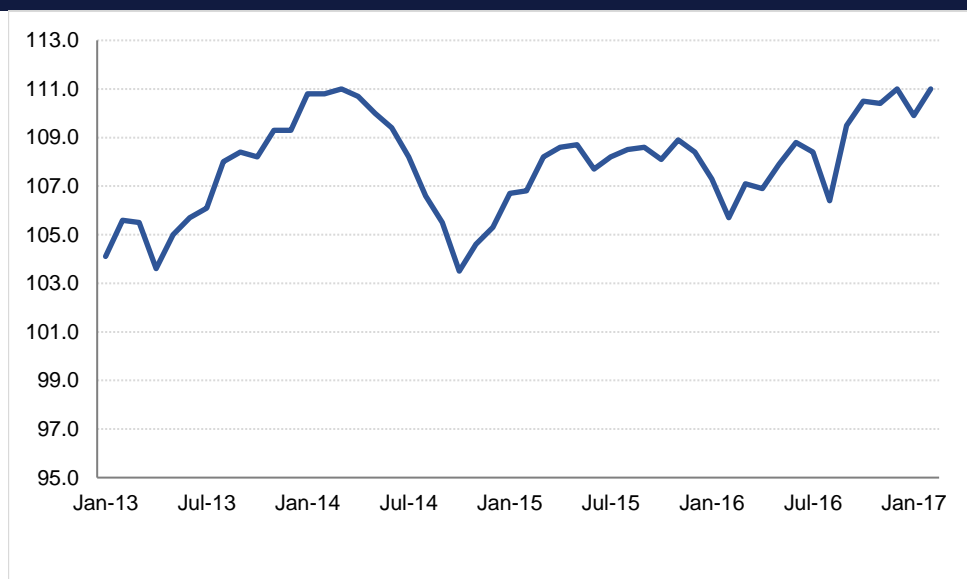
The minutes of the January/February FOMC left the door open for a rate hike in March if the data between now and then warrants such a move, but **this still seems unlikely given the uncertainty over US fiscal policy is unlikely to be resolved by the next meeting**. The Fed also extended the 'blackout period' before each meeting by three days, and voted to change the way they present quarterly macroeconomic projections to include fan charts to illustrate the band of uncertainty around each forecast. Separately, **US existing home sales increased by more than expected in January, rising 3.3% m/m** and confirming that demand for homes remains solid.

The **German IFO business confidence index recovered in February**, with the headline reading rising to 111.0 from 109.9 in January, a repeat of December's figure. The breakdown showed that the rise in the overall index was driven by a rebound in manufacturing sentiment, with wholesale trade also holding up, while construction and retail trade saw setbacks.

The data confirms the message from the flash PMI data for the same month, indicative of recovering growth even though consumer confidence weakened during the month. As such it presents a dilemma for policymakers such as the ECB, about whether to respond to the improving data by withdrawing monetary stimulus early or whether to hold on with QE for longer being aware of the political risks that could be around the corner. Inflation was steady in January at 1.8% y/y although it has risen steadily since mid-2016. With the EUR struggling despite the data it seems that the market believes that the ECB will hold on and wait.

Meanwhile UK Q4 GDP growth was revised up to 0.7% q/q, from an already healthy 0.6% initial estimate according to the Office for National Statistics. The upward revision was largely on account of stronger manufacturing, while trade and consumer spending were the biggest contributors to growth in Q4 as a whole. However, the latest data for sales around the turn of the year has shown retail sales losing momentum, suggesting that the economy may slow a little as it enters Q1.

German IFO business climate index rises in February



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
Germany Q4 GDP q/q (final)	11:00	0.4%	US Chicago Fed Activity	17:30	0.00
US Initial Jobless Claims	17:30	240k	US House Price Index	18:00	0.5%

Source: Bloomberg.

Fixed Income

Fixed income market were largely range-bound yesterday after analysing plenty of economic data out of the US, UK and Eurozone which had minimal surprises. Solid US home sales data was counterbalanced by slightly less hawkish tone of the FOMC minutes. The UST curve flattened with yields on 2yr and 10 yr treasuries closing at 1.22% (+1bp) and 2.41% (-3bps) respectively. January inflation in the Eurozone and 4Q16 GDP data from UK was within expectations; however, increasing political uncertainty left sovereign bonds well bid. Yield on 10yr Gilts and Bunds closed lower at 1.20% and 0.27% respectively.

Lacking any clear direction, risk appetite was constrained leading to slight increase in credit spreads. CDS levels on US IG were unchanged at 63bps, however Euro Main closed a bp wider at 74bps. In contrast, CDS on GCC sovereign were clearly on the narrowing path with Saudi Arabia 5yr CDS tightening 4bps to 101bps and Dubai down a bp to 125bps as oil prices remained stable. GCC cash bonds had a constructive day with benchmark yields tightening and average credit spreads remaining unchanged. Yield on liquid UAE bonds was unchanged at 3.05%.

In the local corporate news, Fitch affirmed ratings on NBAD (AA-/stable), UNB (A+/stable), ADCB (A+/stable) and ENBD (A+/stable) and kept FGB's A+ rating on review for upgrade pending the completion of its merger with NBAD.

Primary market awaits roadshow from Oman sovereign which is scheduled for next week.

FX

The USD was largely range-bound yesterday with slight weakening bias against the majors. The dollar index closed at 101.22. Despite strong 4Q GDP reading in the UK, GBP remained in the zone of 1.2450. The Euro was supported somewhat by slightly dovish FOMC meeting minutes and the news that Francois Bayrou will not run in the French presidential election. Consolidation amid a quiet session saw EURUSD close at 1.0566.

Equities

Global equities were mixed yesterday as US shares responded to the FOMC minutes that rate hike was warranted 'fairly soon'. Nevertheless the decline in US equities was modest—the S&P 500 giving up 0.1%. In Europe performance was similarly mixed although the main indices—FTSE 100, Dax and CAC 40—all ended the day higher.

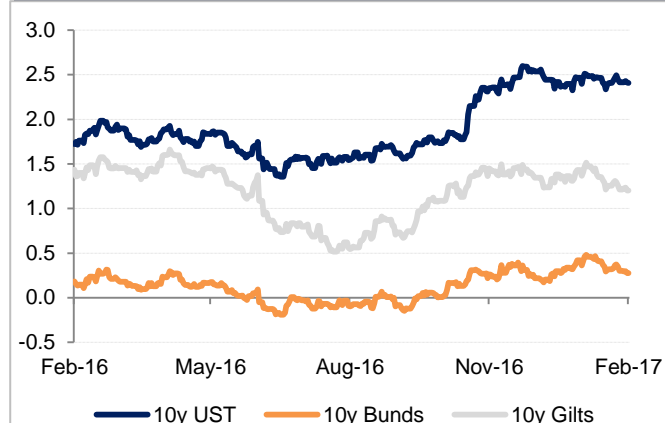
Regional equities also posted modest gains yesterday with the DFM adding more than 2.4% and the Tadawul edging slightly higher. Saudi Aramco is considering to offer shares of the company to Saudi nationals at a lower price when it eventually lists.

Commodities

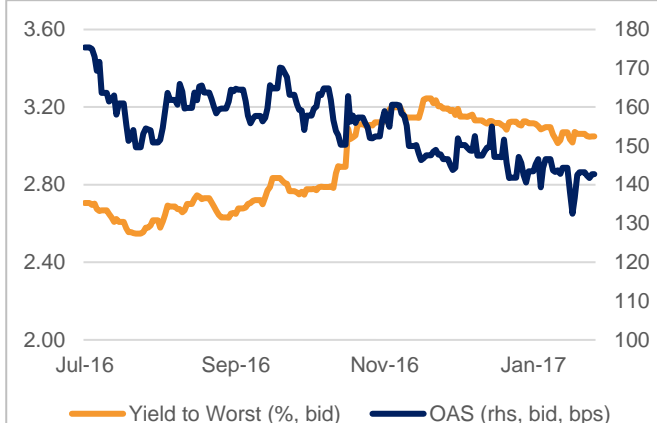
After poking their head above the range where they have spent most of 2017 oil prices dropped back down yesterday, WTI giving up 0.9% and Brent futures more than 1.4%. The question of whether OPEC will extend its production cuts is hanging over the market with no clear evidence that stockpiles are being drained substantially. Oil got a little support at the end of the day with API data showing a modest draw in US inventories, which if confirmed by the EIA later this evening would snap the recent trend of builds. The backwardation across Brent and WTI December time spreads continued to stay elevated with Dec Brent 17-19 moving close to USD 2/b.

Markets in Charts

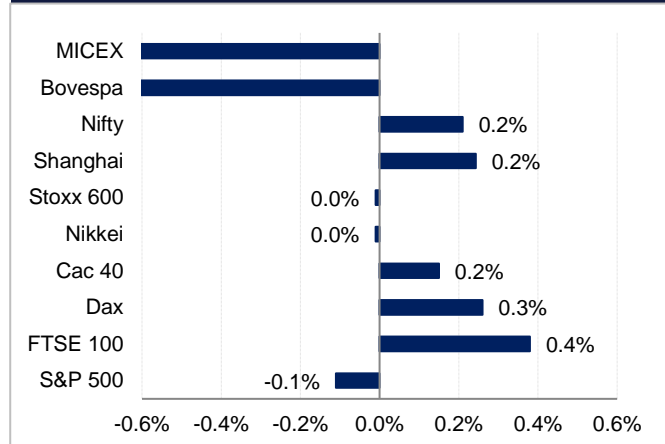
Global Bond Yields



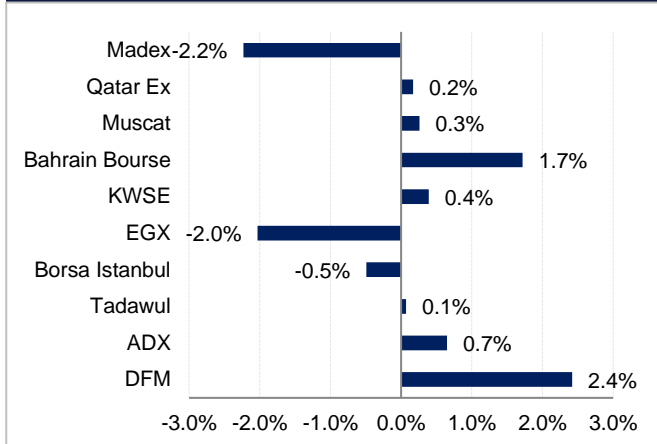
UAE liquid bond index



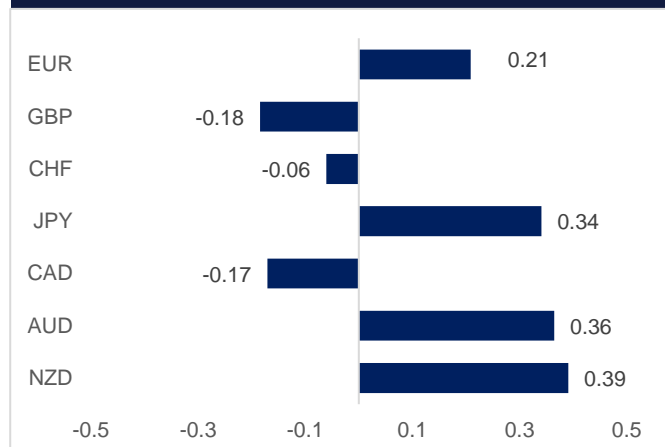
Global Equity Indices



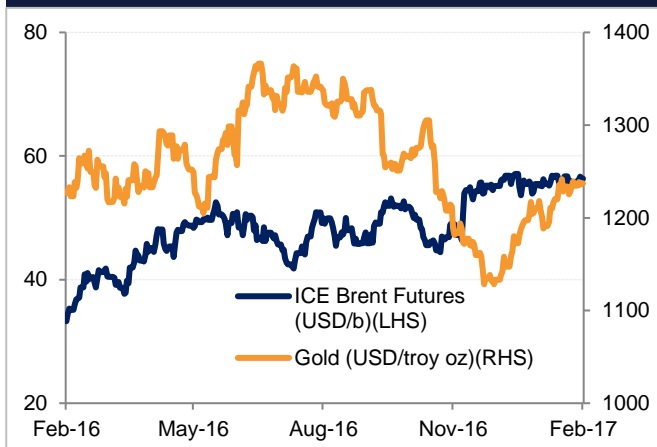
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0558	+0.21	1.0776	USDTRY	3.5799	-1.12	EURAED	3.8778	+0.20
GBPUSD	1.2450	-0.18	1.2588	USDEGP	15.7549	-0.38	GBPAED	4.5719	-0.21
USDJPY	113.31	-0.33	111.11	USDSAR	3.7503	--	JPYAED	0.0324	+0.35
USDCAD	1.3164	+0.18	1.3098	USDQAR	3.6413	-0.00	CADAED	2.7899	-0.16
AUDUSD	0.7703	+0.36	0.7654	USDKWD	0.3055	-0.02	AUDAED	2.8290	+0.35
USDCHF	1.0103	+0.06	0.9845	USDBHD	0.3770	-0.01	CHFAED	3.6349	-0.07
EURGBP	0.8481	+0.39	0.8560	USDOMR	0.3850	+0.00	TRYAED	1.0200	+0.54
USDAED	3.6729	--	3.6818	USDINR	66.9100	-0.02	INRAED	0.0549	-0.02

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.9814	1.3866	1.6159	2.0599	USD 2 yr	1.561	-2
USD LIBOR	0.7794	1.0534	1.3624	1.7454	USD 5 yr	2.022	-2
GBP LIBOR	0.2616	0.3559	0.5161	0.7434	USD 10 yr	2.388	-2
JPY LIBOR	-0.0086	-0.0091	0.0241	0.1291	EUR 2 yr	-0.144	+0
CHF LIBOR	-0.7888	-0.7262	-0.6658	-0.5114	EUR 5 yr	0.132	-1
					EUR 10 yr	0.735	-3

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1237.44	+0.14	ADGB 6.75 19	1.47	-1	Abu Dhabi	50	--
Silver	18.03	+0.28	DUGB 7.75 20	2.77	-0	Dubai	125	-1
Oil (WTI)	53.59	-0.87	QATAR 6.55 19	1.84	+3	Qatar	74	--
Aluminium	1875.50	+0.01	US Tsy 2 yr	1.22	+1	Saudi Arabia	101	-4
Copper	6025.75	-0.33	US Tsy 10 yr	2.41	-2	Bahrain	230	+1

Source: Bloomberg, Emirates NBD Research

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