



بنك الإمارات دبي الوطني  
Emirates NBD

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www.emiratesnbdresearch.com

# Daily Outlook

**The Bank of Japan lowered its FY2019 inflation forecast significantly at yesterday's policy meeting, to 0.9% from 1.4% previously, and well below the 2% target.** FY2018 inflation estimates were also revised lower to 0.8% (from 0.9%) and FY2020 to 1.4% from (1.5%). Governor Kuroda also reiterated that risks to the outlook were skewed to the downside. Indeed, the flash manufacturing PMI declined to 50.0 in January from 52.6 in December. While the BoJ does have room to ease monetary policy further, most analysts expect JGB yields to remain near their current levels for some time.

**The focus today will likely be on Europe,** with flash PMIs due to be released early this afternoon and the ECB meeting following late afternoon. The ECB is expected to acknowledge that risks to Eurozone growth have shifted to the downside, but stop short of changing forward guidance or policy settings.

**In the UK, the pound has rallied overnight as the risk of a no-deal Brexit appears to have receded (for now).** The Labour Party has indicated it would support a bill to extend Article 50 if parliament did not approve a Brexit deal by 26 February. The bill is expected to be voted on next week and reportedly has sufficient support from MPs across several parties to pass. Germany and France have also indicated that they would be willing to extend Article 50 at the request of the UK, although all 27 EU states would have to be in agreement.

**White House economic advisor Kevin Hassett said that the US economy may not grow at all in Q1 2019 if the shutdown continues through March.** The Senate and House of Representatives are due to vote on separate spending bills today, with neither version likely to pass both houses.

## Sterling rallies on hope that 'no-deal' exit is taken off the table



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
France composite PMI	12:15	51.0	Germany composite PMI	13:00	51.5
ECB rate announcement	16:45		US manufacturing PMI	18:45	53.5
US services PMI	18:45	54.0			

Source: Bloomberg, Emirates NBD Research.

## **Fixed Income**

Treasuries closed largely unchanged amid a lack of catalysts. Yields on the 2y UST, 5y UST and 10y UST closed at 2.58% (flat), 2.57% (flat) and 2.74% (flat) respectively.

Regional bonds continued their positive run. The YTW on the Bloomberg Barclays GCC Credit and High Yield index dropped -3 bps to 4.48% and credit spreads tightened 5 bps to 185 bps.

## **FX**

GBP rose for a second day on Wednesday, GBPUSD rising 0.89% to close at 1.3069, above the 200-day moving average. While the price remains above this level, there is a risk of further gains towards 200-week moving average of 1.3168, a level last seen in November 2018. It is noteworthy that analysis of the weekly candle chart shows that the downtrend that has been in effect since May 2018 has now been breached and should the price close the week above 1.2920, there is a risk of further medium term gains. With this said, the price needs to close above the 200-day moving average today in order to increase the chances of this outcome.

This morning's underperformer is the AUD, AUDUSD falling 0.29% to 0.71215. Following resistance at the 100-day moving average (0.7169), the AUD has declined despite firmer than expected employment data which showed that the unemployment rate fell to 5.0% in December from 5.1% the previous month.

## **Equities**

Developed market equities closed mixed as strong corporate earnings supported prices. The S&P 500 index and the Euro Stoxx 600 index closed +0.2% and -0.1% respectively.

Regional markets closed largely positive. The DFM index added +0.9% and the Tadawul gained +0.8%. The DFM index was supported by a rebound in real estate stocks. Emaar Properties and Damac rallied +2.2% and +4.4%. The Tadawul was helped by stocks which have underperformed in the recent past. Almarai and Savola added +3.5% and +3.8% respectively.

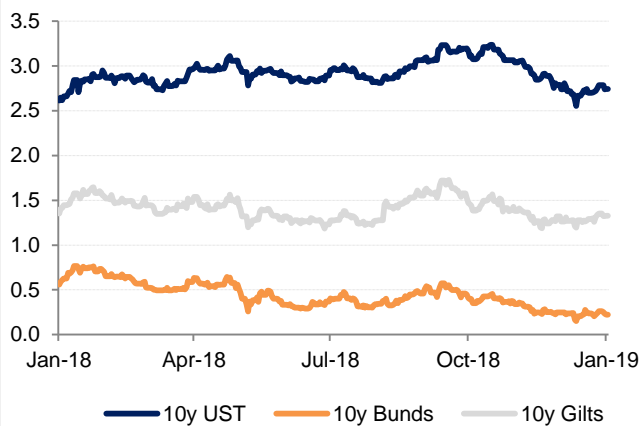
## **Commodities**

Oil markets were split overnight with Brent slipping by 0.6% and moving back to a USD 60/b handle this morning while WTI was effectively flat overnight but is pushing lower in early trading today. The API reported a stock build of 6.6m bbl last week and there further additional builds in gasoline and diesel. EIA is out later today, delayed thanks to a public holiday earlier in the week.

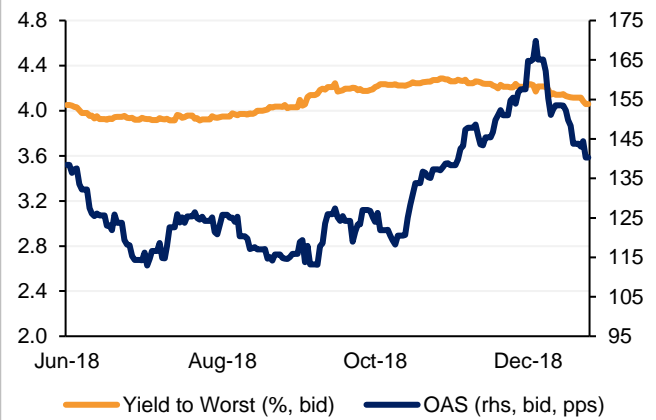
Market structures were relatively unchanged; WTI is holding in a contango at the front end of the curve of around USD 0.3/b while in Brent the backwardation is around USD 0.1/b.

## Markets in Charts

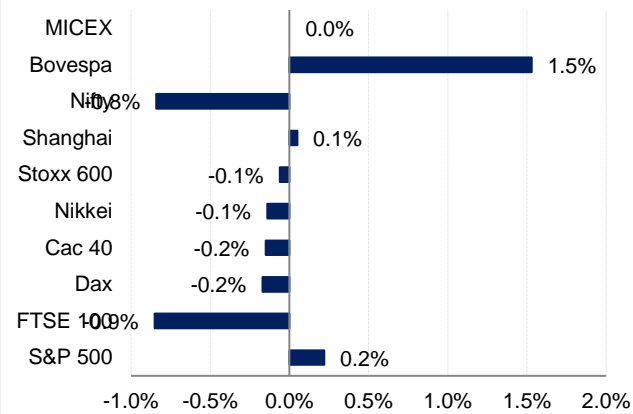
### Global Bond Yields



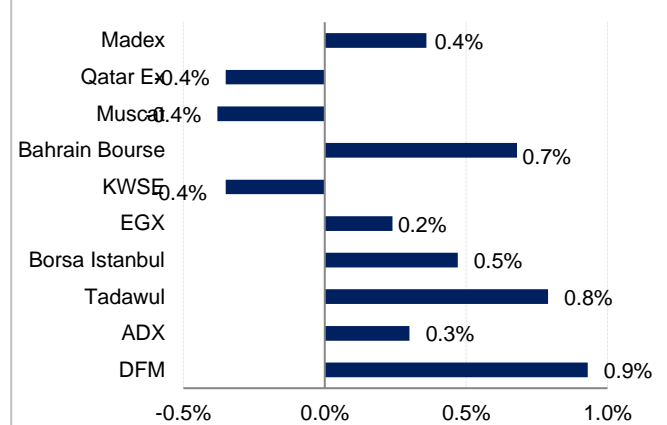
### UAE liquid bond index



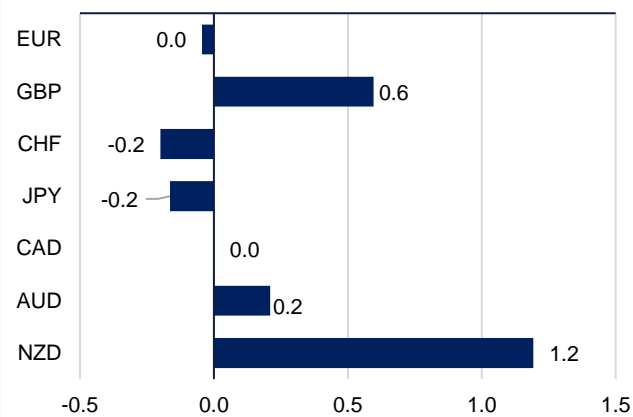
### Global Equity Indices



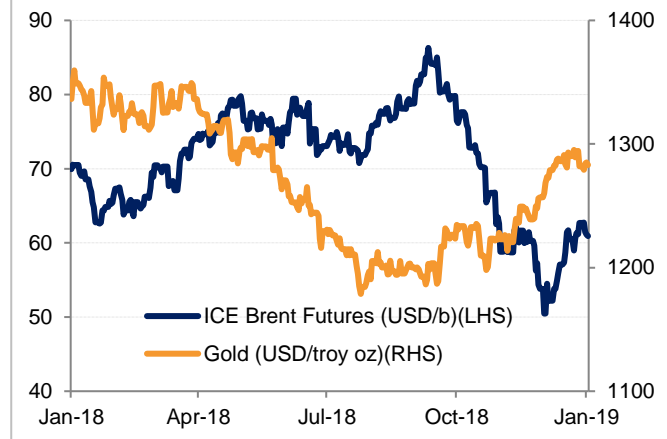
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1358	-0.04	1.1727	USDTRY	5.3210	-0.70	EURAUD	4.1726	-0.02
GBPUSD	1.2992	+0.60	1.3224	USDEGP	17.9159	-0.03	GBPAED	4.7726	+0.61
USDJPY	109.63	+0.16	106.24	USDSAR	3.7507	+0.00	JPYAED	0.0335	-0.17
USDCAD	1.3321	--	1.3222	USDQAR	3.6800	+0.75	CADAED	2.7574	+0.00
AUDUSD	0.7138	+0.21	0.7179	USDKWD	0.3034	+0.01	AUDAED	2.6220	+0.22
USDCHF	0.9986	+0.20	0.9633	USDBHD	0.3770	--	CHFAED	3.6781	-0.20
EURGBP	0.8742	-0.64	0.8868	USDOMR	0.3847	-0.06	TRYAED	0.6900	+0.67
USDAED	3.6730	--	3.6762	USDINR	71.2525	-0.26	INRAED	0.0552	+7.40

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.6093	2.8925	3.1445	3.4608	USD 2 yr	2.744	-1
USD LIBOR	2.5100	2.7706	2.8536	3.0350	USD 5 yr	2.677	-1
GBP LIBOR	0.7335	0.9191	1.0403	1.1709	USD 10 yr	2.790	-0
JPY LIBOR	-0.1152	-0.0897	-0.0050	0.1068	EUR 2 yr	-0.156	-1
CHF LIBOR	-0.7824	-0.7024	-0.6440	-0.5082	EUR 5 yr	0.189	-2
					EUR 10 yr	0.776	-2

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1282.72	-0.19	ADGB 6.75 19	2.42	--	Abu Dhabi	65	-1
Silver	15.41	+0.67	DUGB 7.75 20	3.24	+0	Bahrain	273	-2
Oil (WTI)	52.62	+0.10	QATAR 6.55 19	2.26	-5	Dubai	133	-1
Aluminium	1896.25	+0.94	US Tsy 2 yr	2.58	-0	Qatar	75	-1
Copper	5919.25	+0.25	US Tsy 10 yr	2.74	+0	Saudi Arabia	90	--

Source: Bloomberg, Emirates NBD Research

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