



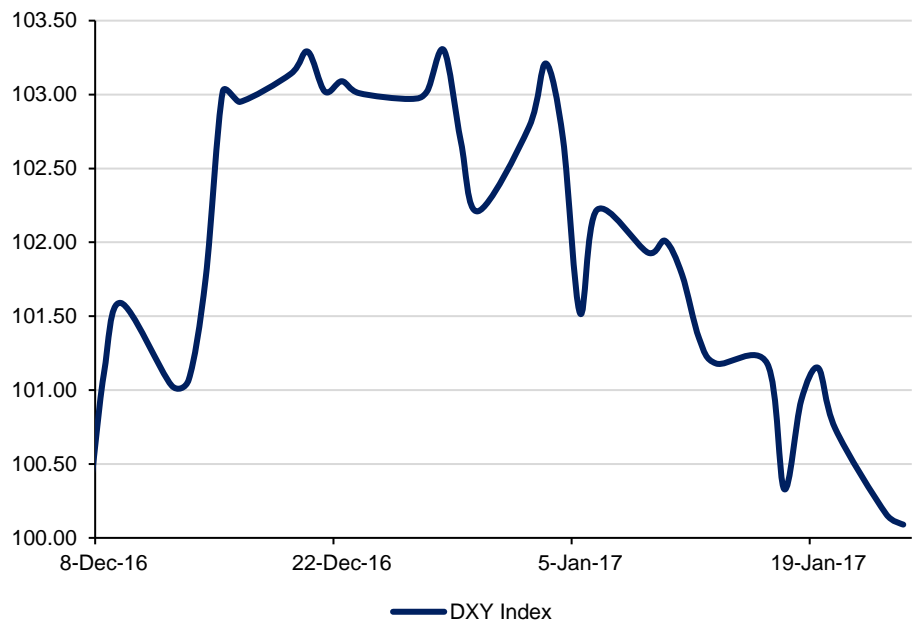
# Daily Outlook

**President Trump signed withdrawal of the US from the 12-nation Trans-Pacific Partnership and promised to commence renegotiation of the North American Free Trade Agreement (NAFTA).** Although the Trans-Pacific Partnership had not been approved by Congress, Mr. Trump's decision to withdraw carries broad geopolitical implications. **Trump's swift action on the TPP weighed on markets yesterday with dollar suffering and sovereign yields declining.** Australia is working with other signatories to keep the deal alive even without US participation. The main US data releases today are manufacturing PMI and existing home sales.

**Japan's Nikkei manufacturing PMI improved in January to 52.8 from 52.4 in December.** This followed slightly disappointing industrial activity data for November, which was released yesterday: the All Industry Activity Index rose 0.3% m/m in November, lower than the consensus forecast for a 0.4% m/m rise.

**Eurozone PMIs due later today are expected to be broadly unchanged from last month.** Consumer confidence for January was slightly lower than expected at -4.9, although this was better than the December reading of -5.1. Yesterday, ECB president Mario Draghi's speech in Italy provided some comfort for markets, reiterating that ECB will maintain its accommodative monetary policy for as long as the Eurozone economy needs it.

## Dollar Index falls to six week low as markets ponder Trump



Source: Bloomberg, Emirates NBD Research.

## Day's Economic Data and Events

	Time	Cons		Time	Cons
Eurozone PMIs	13:00	0.4%	Markit US Manufacturing PMI	18:45	54.5
Turkey Benchmark Repurchase Rate	15:00	8.50%	US Existing Home Sales	19:00	5.51m

Source: Bloomberg.

## Fixed Income

President Trump's withdrawal from the TPP and rhetoric about renegotiating the NAFTA fuelled a risk-off sentiment in fixed income markets, thereby boosting the demand for sovereign bonds and dragging UST Yields down. Yields on 2yr and 10yr treasuries closed at 1.14% (-5bps) and 10yr at 2.40% (-7bps) respectively while Gilt and Bunds closed down by 6bps each to 1.36% and 0.36% respectively.

Though USD denominated global cash corporate bonds benefited from lower benchmark yields and closed mostly in the green, credit spreads were wider in the face of renewed uncertainty created by the shaking of current global trade agreements by the US. CDS levels on US IG and Euro Main rose to 67bps (+1bp) and 71bps +2bps) respectively.

Locally, GCC bonds moved much in tandem with the benchmark yields with BUAEUL index closing up in price as yield fell a bp to 3.11% though OAS rose 5bps to 147bps. That said, CDS levels on GGCC sovereign remained resilient as oil prices maintained their strength.

In corporate news, Fitch affirmed Abu Dhabi's rating at AA/stable citing its strong fiscal and external balances but weak policy framework and high dependence on hydrocarbons. After the successful exercise of raising \$885 million in the Taiwanese market by NBAD earlier this year, the Emirate of Abu Dhabi is now on the road in Asia for a possible bond deal to fund expected budget deficit of circa 6% of GDP this year.

NBK reported better than expected results along with Boubyan Bank that reported 17% increase in profit. In contrast, Doha Bank profit dropped 22% in 2016 to QAR 1.05bn, however it sees opportunities for business growth in India and expects to tap the market for extra funding this year.

## FX

USD continued to lose ground yesterday, falling to a 6 week low against the other majors with the Dollar Index depreciating 0.58% to 100.16. In the absence of economic data, markets continued to behave with uncertainty following Trump's rhetoric (see above). Currently DXY trades at 100.01, with support at 99.35, the 100 day MA which sits close to the one year 61.8% Fibonacci retracement of 99.27.

## Equities

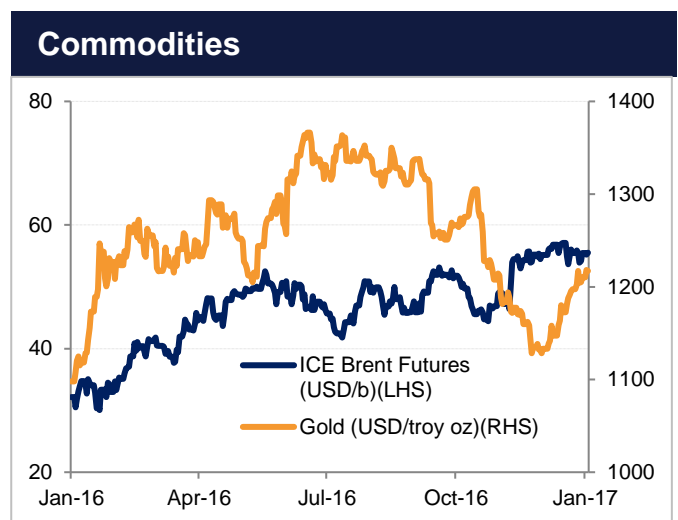
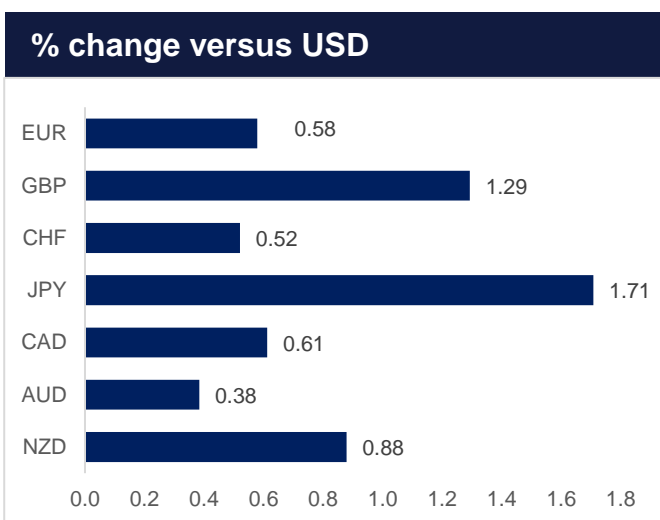
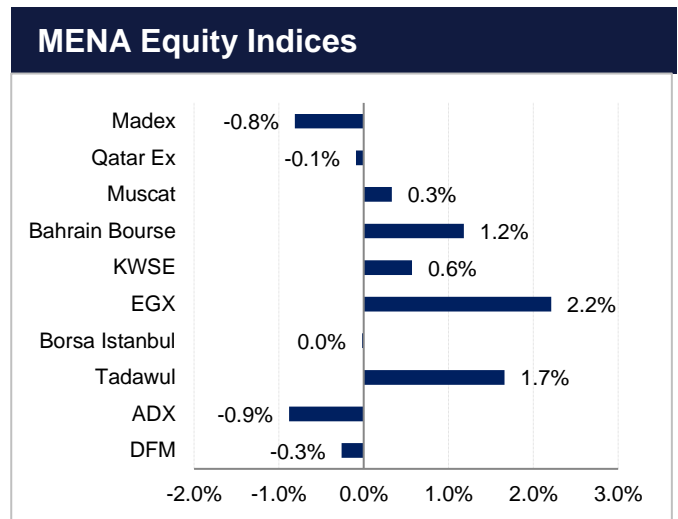
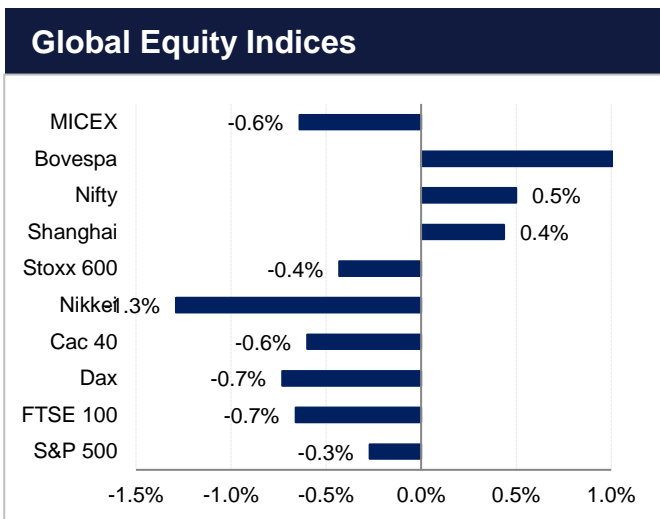
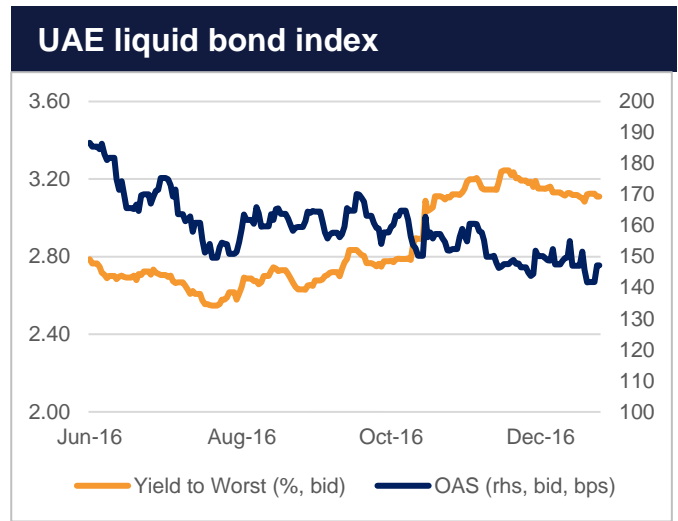
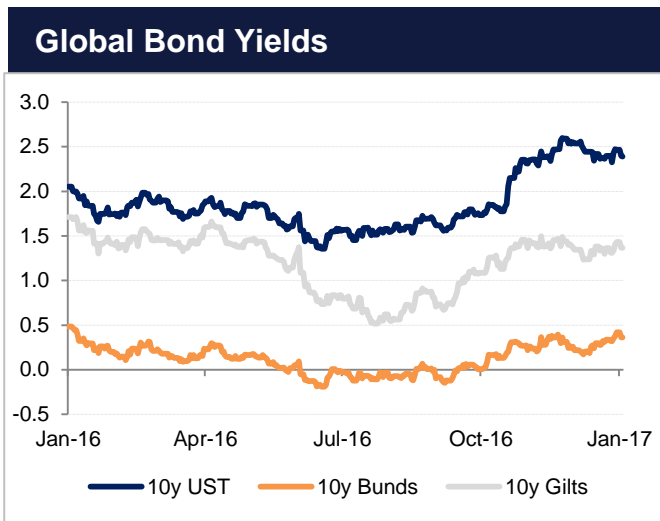
Equity markets globally slipped yesterday under the weight of uncertainty created by President Trump's protectionist agenda. Trump's talk about introducing major border tax for companies that move manufacturing offshore left Dow Jones and Nasdaq closing down by 0.14% and 0.04% respectively. European bourses closed weak as well with FTSE 100 at Euro Stoxx down by 0.66% and 0.80% respectively. Asia has opened in the red as Nikkei trails at -0.07% this morning.

GCC equities had a mixed day. Though DFM, Abu Dhabi and Qatar stock exchanges closed lower by 0.26%, 0.88% and 0.09% respectively, Saudi, Egypt, Kuwait and Bahrain markets were up. Saudi's Tadawul closed up by 1.24% after news surfaced about the Saudi government approving large infrastructure projects.

## Commodities

Oil prices have held steady as OPEC continues to cut supply, with Iraq, the second largest OPEC producer, being the latest member to announce that it is close to its fully implementing its pledged cut. Oil Minister Jabbar Al-Luaibi announced that the Iraq has already reduced its supply by 180,000 barrels a day and is on target to cut a further 30,000 a day by the end of January. As we go to print, NYMEX WTI Crude futures trade at USD53/b while ICE Brent Crude futures trade at USD55.50.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0765	+0.58	1.0985	USDTRY	3.7568	-0.30	EURAED	3.9536	+0.58
GBPUSD	1.2535	+1.29	1.2667	USDEGP	18.8669	+0.60	GBPAED	4.6043	+1.31
USDJPY	112.71	-1.67	110.51	USDSAR	3.7504	-0.00	JPYAED	0.0326	+1.70
USDCAD	1.3238	-0.62	1.3169	USDQAR	3.6413	+0.00	CADAED	2.7746	+0.66
AUDUSD	0.7584	+0.38	0.7527	USDKWD	0.3050	-0.23	AUDAED	2.7845	+0.32
USDCHF	0.9965	-0.51	0.9722	USDBHD	0.3770	-0.01	CHFAED	3.6848	+0.50
EURGBP	0.8588	-0.73	0.8673	USDOMR	0.3850	--	TRYAED	0.9800	+0.54
USDAED	3.6730	--	3.6830	USDINR	68.1025	-0.11	INRAED	0.0540	+0.08

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.9814	1.3964	1.6673	2.0829	USD 2 yr	1.468	-5
USD LIBOR	0.7753	1.0434	1.3582	1.7329	USD 5 yr	1.937	-6
GBP LIBOR	0.2622	0.3596	0.5273	0.7753	USD 10 yr	2.302	-6
JPY LIBOR	-0.0250	-0.0167	0.0183	0.1274	EUR 2 yr	-0.170	-1
CHF LIBOR	-0.7882	-0.7294	-0.6636	-0.5032	EUR 5 yr	0.120	-3
					EUR 10 yr	0.731	-4

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1218.23	+0.65	ADGB 6.75 19	1.70	-1	Abu Dhabi	60	--
Silver	17.24	+0.86	DUGB 7.75 20	2.83	-1	Dubai	142	-3
Oil (WTI)	52.75	+0.63	QATAR 6.55 19	2.07	-2	Qatar	85	+1
Aluminium	1854.75	+0.11	US Tsy 2 yr	1.14	-5	Saudi Arabia	113	-1
Copper	5773.50	+0.76	US Tsy 10 yr	2.40	-7	Bahrain	270	--

Source: Bloomberg, Emirates NBD Research

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