



بنك الإمارات دبي الوطني
Emirates NBD

Daily

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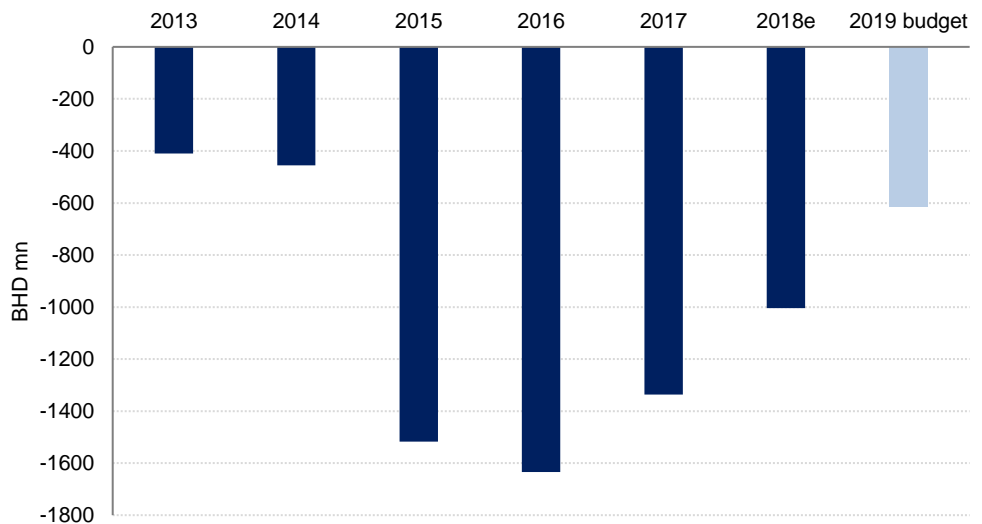
Daily Outlook

Fed Chairman Jerome Powell starts two days of testimony to congress today, where he is expected to discuss how monetary policy makers view recent economic and financial market developments, and the outlook for the US economy. While the Fed's "dot plot" indicates that two more rate hikes are likely this year, the language in the January statement indicated a more dovish tone than had been evident in December 2018. The market is not currently pricing in any further tightening by the Fed this year. On the data front, the Dallas Fed's Manufacturing Index released yesterday rose to a 3-month high of 13.1 in February, well above consensus forecasts, while the Chicago Fed's National Activity Index fell in January, below expectations.

Turning to the UK, press reports indicate **that PM May could discuss delaying Brexit at a cabinet meeting today**, in order to avert further resignations from ministers opposed to a no-deal Brexit. This is a significant shift from the PM's previous position, which was that the UK would leave the EU on 29 March, with or without a deal. Mrs May is expected to announce what the cabinet has decided in parliament this afternoon and table a motion to be voted on tomorrow. Separately, Labour Party leader Jeremy Corbyn indicated yesterday that his party would support a second referendum on Brexit.

Bahrain's cabinet has approved a budget with a 53% smaller deficit in 2019. The 2019 budget projects a deficit of just -BHD 613mn, down from an estimated -BHD 1.32bn in 2018 and smaller than our forecast of -BHD 968mn this year. The government's revenue estimates are higher than our forecasts, while their expenditure projections are lower, with a budgeted 12% cut in spending this year. Bahrain received financial support from other GCC countries late last year, in return for a commitment to balance its budget by 2022. Bahrain announced a 250% rise in fees for expat work permits as part of the 2019 budget.

Bahrain plans significant spending cuts in 2019



Source: Bloomberg, Haver Analytics, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
German Consumer Confidence	11:00	10.8	US Housing Starts	17:30	1256k
US Richmond Fed Manuf. Index	19:00	5	US Consumer Confidence	19:00	124.9

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed little changed as risk assets continued their positive run. Yields on the 2y UST, 5y UST and 10y UST closed at 2.50% (+1 bp), 2.47% (flat) and 2.66% (+1 bp) respectively. It is likely that investors' are hedging their bets ahead of a testimony by Fed Chair Jerome Powell.

Regional bonds continued their positive run. The YTW on the Bloomberg Barclays GCC Credit and High Yield index dropped -1 bp to 4.30% and credit spreads tightened 3 bps to 175 bps.

According to comments from the CFO, First Abu Dhabi Bank may issue USD2bn – USD 4bn in bonds this year. Elsewhere, Qatar's Ahli Bank is planning a bond sale in May or June this year.

FX

GBP rallied overnight on increased speculation that Brexit may be delayed. GBP rallied to four week high of USD1.3148 this morning before resistance at the 50-week moving average 1.3153 halted further advances. Currently trading at 1.3139, a break of the 50-week moving average is likely to be followed by a retest of the 38.2% one year Fibonacci retracement (1.3181).

Equities

Developed market equities closed higher amid optimism over progress in trade talks between the US and China. However, markets gave up early session gains to close marginally higher. The S&P 500 index and the Euro Stoxx 600 index added +0.1% and +0.3% respectively.

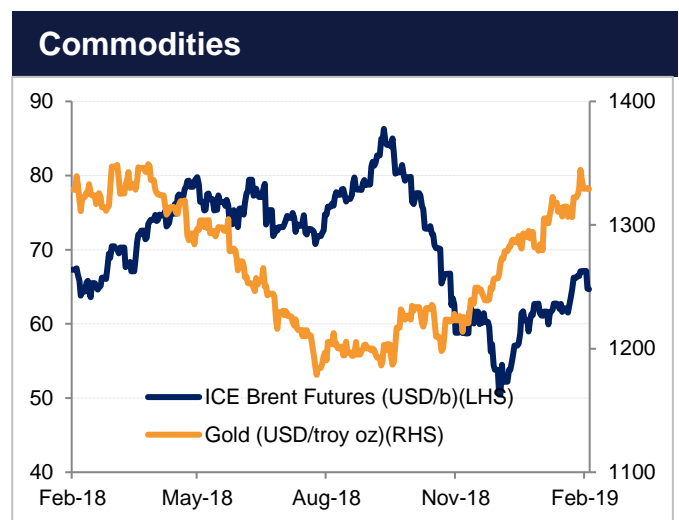
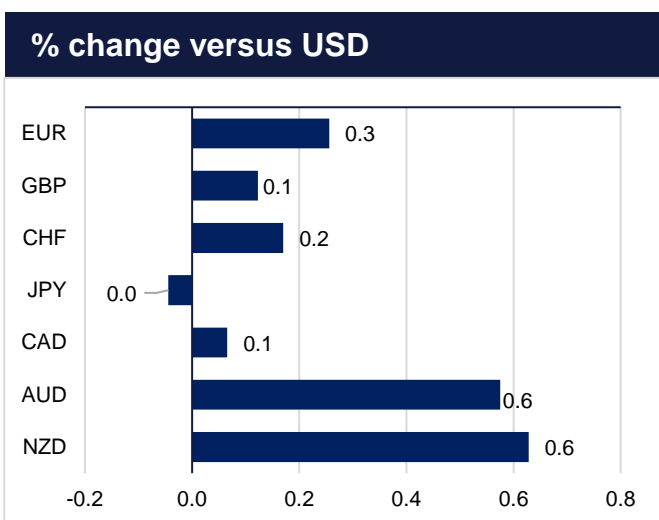
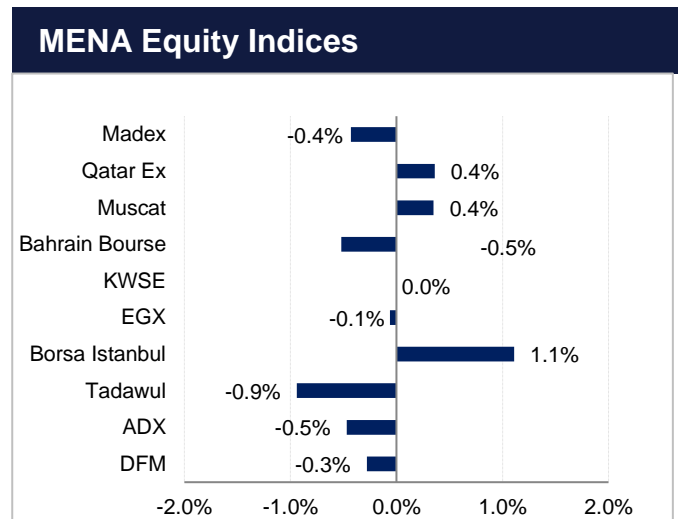
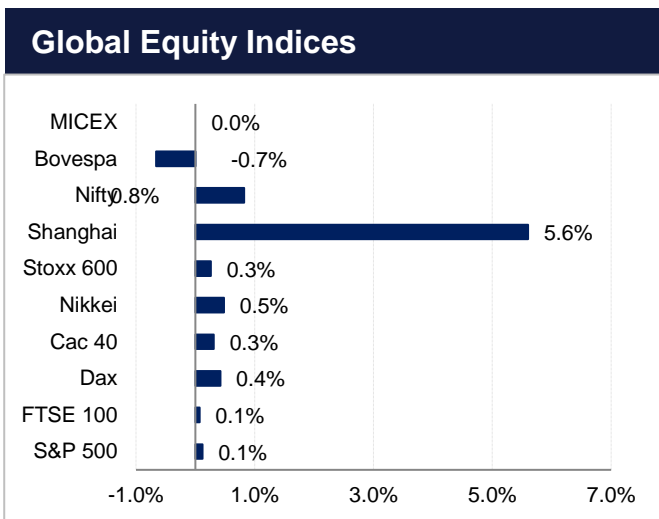
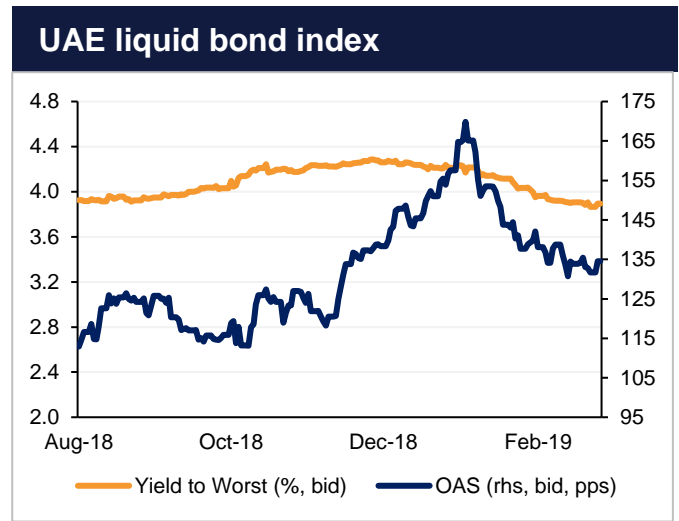
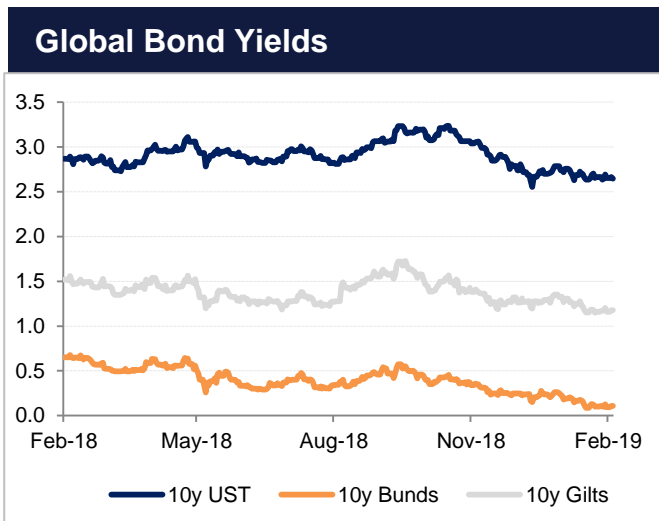
Regional equities closed mixed as investors' locked in recent gains on some indices. The DFM index dropped -0.3% and the Tadawul declined -0.9%. The stocks which rallied sharply over the past couple of weeks closed lower with Emaar Malls losing -2.2% and Aldar Properties dropping -1.7%.

Commodities

US president Donald Trump was in full effect in oil markets yesterday. The prospect of a US-China trade deal helped to keep Brent prices bid over USD 67/b in early trading but a tweet from the president in the European session, telling OPEC to 'relax' and that oil prices were too high helped prices plummet lower. Brent futures fell 3.5% to USD 64.72/b while WTI gave up 3.1% to close at USD 55.23/b. We had cautioned earlier this year that Brent price close to USD 70-80/b was Trump's 'tweet zone' and that the risk of the US raising a NOPEC bill is not off the cards.

Nevertheless, market conditions are still tightening as Libya continues to endure disruptions to supply at its largest oil field. OPEC's production cuts have helped to push the Brent/Dubai EFS to near its narrowest level in the past year thanks to a shortage of heavy, sour barrels.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1364	+0.26	1.1720	USDTRY	5.3066	-0.21	EURAED	4.1741	+0.20
GBPUSD	1.3069	+0.12	1.3299	USDEGP	17.5184	-0.11	GBPAED	4.8001	+0.38
USDJPY	110.73	+0.04	107.45	USDSAR	3.7504	--	JPYAED	0.0332	+0.12
USDCAD	1.3126	-0.07	1.3026	USDQAR	3.6800	+0.73	CADAED	2.7983	+0.66
AUDUSD	0.7170	+0.58	0.7211	USDKWD	0.3036	-0.01	AUDAED	2.6335	+0.86
USDCHF	0.9986	-0.18	0.9644	USDBHD	0.3770	--	CHFAED	3.6783	+0.20
EURGBP	0.8696	+0.17	0.8814	USDOMR	0.3850	+0.01	TRYAED	0.6900	-0.10
USDAED	3.6730	--	3.6759	USDINR	70.7225	-0.64	INRAED	0.0552	+7.03

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.5963	2.9170	3.1263	3.3200	USD 2 yr	2.603	+1
USD LIBOR	2.4791	2.6386	2.6931	2.8831	USD 5 yr	2.543	+1
GBP LIBOR	0.7290	0.8598	0.9951	1.1365	USD 10 yr	2.676	+1
JPY LIBOR	-0.0870	-0.0803	0.0043	0.1078	EUR 2 yr	-0.155	+0
CHF LIBOR	-0.7786	-0.7178	-0.6512	-0.5112	EUR 5 yr	0.127	+1
					EUR 10 yr	0.645	+2

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1327.58	-0.14	ADGB 6.75 19	2.42	--	Abu Dhabi	60	--
Silver	15.99	+0.79	DUGB 7.75 20	3.10	-2	Bahrain	245	-6
Oil (WTI)	55.48	-3.11	QATAR 6.55 19	1.76	-3	Dubai	127	-1
Aluminium	1880.50	-0.50	US Tsy 2 yr	2.51	+1	Oman	254	-3
Copper	6524.50	+0.08	US Tsy 10 yr	2.66	+1	Qatar	72	-2
						Saudi Arabia	87	--

Source: Bloomberg, Emirates NBD Research

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