



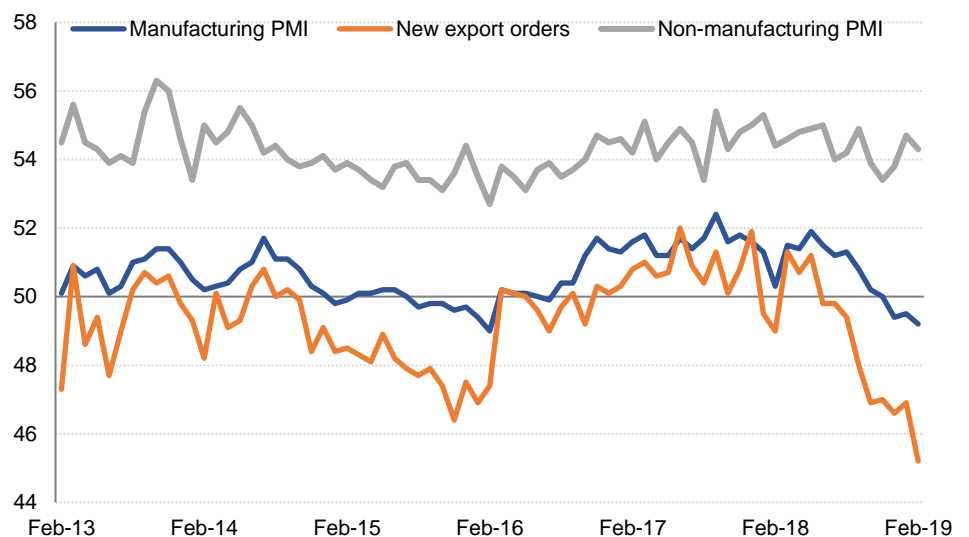
# Daily Outlook

**Chinese flash PMI data for February, released this morning, was slightly softer than expected** with the manufacturing PMI declining further to 49.2 (49.5 in January). New export orders declined at the fastest rate since 2009. The non-manufacturing PMI fell to 54.3 from 54.7 in January, signalling slower growth in the services sector as well. **In Japan, industrial production contracted by a bigger than expected -3.7% m/m in January** but was flat y/y. Retail sales also disappointed, declining -2.3% m/m in January.

Weaker than expected US economic data released yesterday was largely overshadowed by former Trump attorney Michael Cohen's explosive testimony to Congress, but we will restrict our comments this morning to the former. **The US trade deficit widened to a record -USD 79.5bn in December** as exports declined -2.8% m/m (-0.3% y/y) while imports rose 2.4% m/m (3.2% y/y). **Factory orders rose by less than forecast** in December, while **core capital goods orders declined by more than had been estimated** in the advance report last week. Both **wholesale & retail inventories rose by more than forecast** in December as well, likely due to weaker exports. The only positive note was bigger than expected rise in pending home sales in January. **The delayed US GDP data for Q4 will be the key data release today, with the market expecting 2.2% q/q annualised, down from 3.4% in Q3 2018.**

**The market reaction to escalating tension between India and Pakistan remains relatively muted.** INR is just 2% weaker against the dollar year to date, although equities have missed out on the broad rally in equities since January. The KSE100 index is up just 4.4% ytd, underperforming other Asian equity markets. The US has called for restraint from both sides, and Pakistan's PM Imran Khan has said the two countries should engage in dialogue.

## China PMI: New export orders fall the most since 2009



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
UK Nationwide House PX (y/y)	11:00	0.3%	France GDP Q4 (y/y)	11:45	0.9%
Germany Feb CPI (y/y)	17:00	1.5%	US Q4 GDP Annualised	17:30	2.2%
US Core PCE (q/q)	17:30	1.6%	US Chicago PMI	18:45	57.5

Source: Bloomberg, Emirates NBD Research.

## Fixed Income

Fed Chair Jerome Powell's testimony to the House financial services committee largely repeated messaging that other Fed speakers have given in recent weeks. Powell indicated that the Fed would stop its balance sheet reduction later this year with the market expecting the central bank would hold on to around USD 3.2-3.5trn on its balance sheet.

Treasury yields were higher across the board with the 10yr up nearly 6bps overnight and the 2yr adding 2bps. Fourth quarter GDP data for the US will be released later today and the gain in yields may be a little premature given some of the lackluster data that has emerged out of the US in recent releases.

EDB set final price guidance of a USD 750m issue at 98bps over midswaps, considerably tighter than initial guidance of as wide as 130bps.

## FX

GBPUSD continued its rally overnight as the prospect of a no-deal Brexit receded, despite 20 Tory MPs abstaining from yesterday's vote in protest at PM May's concession. Some pro-Brexit MPs appear to be more willing to support an "imperfect deal" than risk potentially indefinite delays or no Brexit at all.

## Equities

Developed market equities closed mostly lower yesterday, but not by much. US trade representative Robert Lighthizer sounded very cautious in his comments about ongoing trade negotiations with China to a congressional committee and the large US trade deficit causing some early weakness in the US session.

Regional equities had a mixed session yesterday, although again the extent of the moves were relatively small.

## Commodities

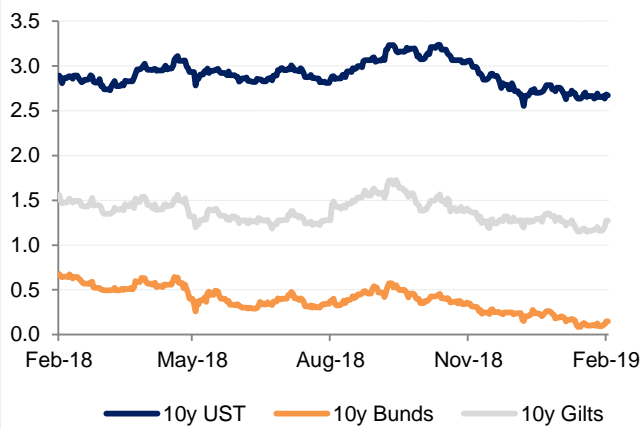
Oil futures gained sharply overnight with Brent adding 1.8% to push back above USD 66/b while WTI gained nearly 2.6% to close just short of USD 57/b. Markets appear to have rallied on the back of commentary from Saudi Arabia's energy minister who issued a rebuttal to US President Trump's call for OPEC to 'relax' on oil production cuts. Khalid al Falih said that OPEC and its partners were 'taking it easy' and were taking a 'slow and measured' approach. Falih indicated that cuts would likely remain in place in the second half of the year although he did not that there was considerable uncertainty on the outlook for supply from Venezuela, Iran and Libya.

EIA data showed a large drop in crude stocks last week—8.6m bbl—as imports fell by 1.6m b/d. Crude production has hit another new record high of 12.1m b/d while exports are still holding above 3m b/d.

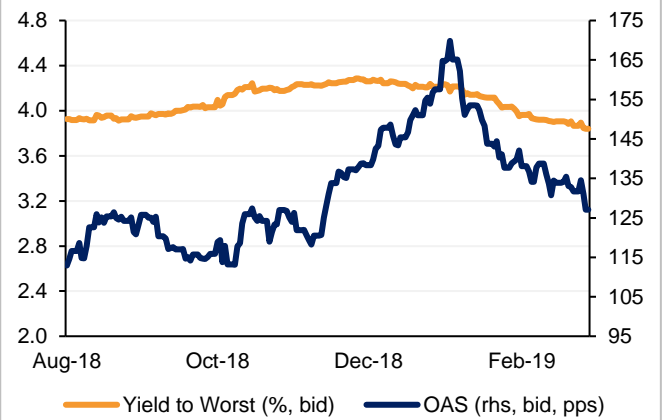
Metals prices are on the back foot this morning after a third consecutive manufacturing PMI print from China below 50. LME copper is back below USD 6,500/tonne, a level it has struggled to break through in the last few days.

## Markets in Charts

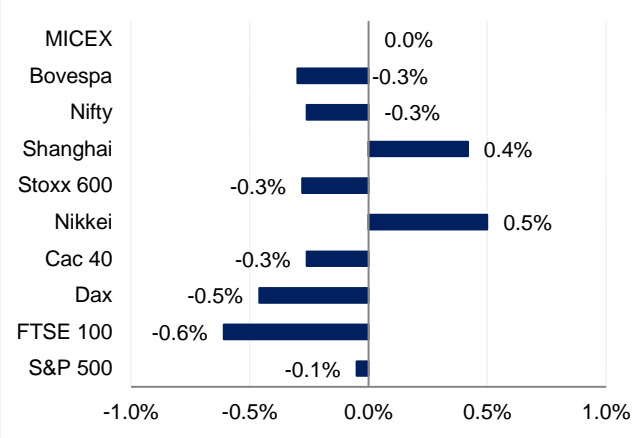
### Global Bond Yields



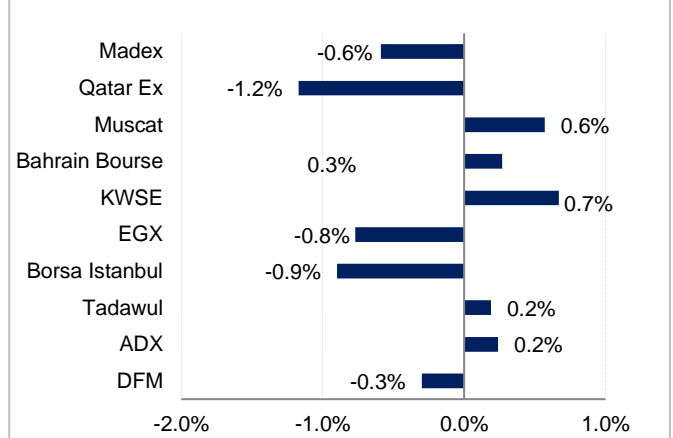
### UAE liquid bond index



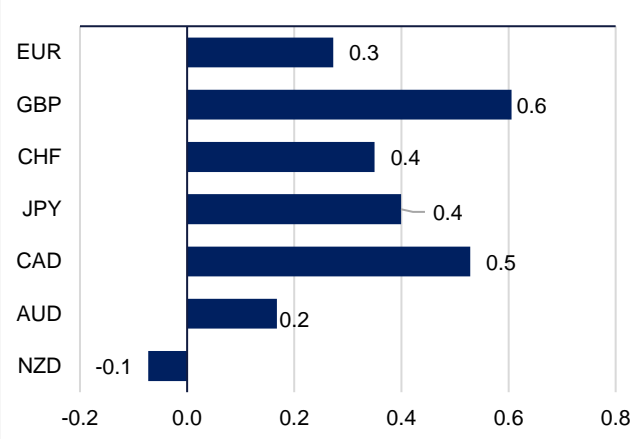
### Global Equity Indices



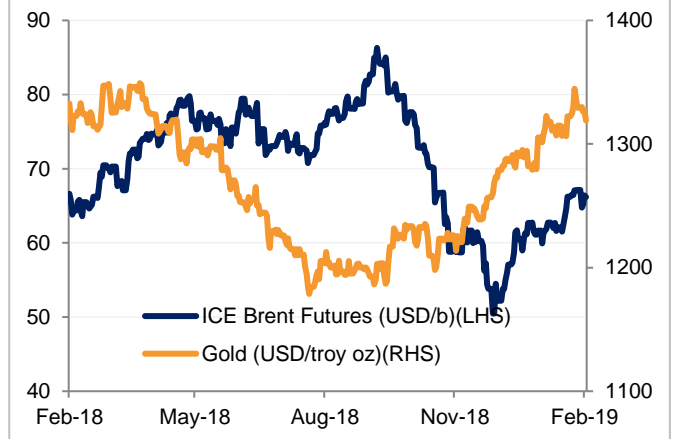
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1395	+0.27	1.1750	USDTRY	5.2976	+0.05	EURAED	4.1863	+0.30
GBPUSD	1.3295	+0.61	1.3526	USDEGP	17.5140	+0.06	GBPAED	4.8829	+0.59
USDJPY	110.44	-0.39	107.19	USDSAR	3.7503	--	JPYAED	0.0333	+0.39
USDCAD	1.3138	-0.52	1.3041	USDQAR	3.6800	+0.71	CADAED	2.7957	+0.52
AUDUSD	0.7167	+0.17	0.7207	USDKWD	0.3034	-0.02	AUDAED	2.6325	+0.17
USDCHF	0.9969	-0.34	0.9628	USDBHD	0.3770	--	CHFAED	3.6842	+0.34
EURGBP	0.8570	-0.33	0.8687	USDOMR	0.3848	-0.06	TRYAED	0.6900	-0.53
USDAED	3.6730	--	3.6759	USDINR	70.7225	-0.64	INRAED	0.0552	+6.88

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.6000	2.6750	3.0881	3.3999	USD 2 yr	2.559	-4
USD LIBOR	2.4893	2.6261	2.6850	2.8665	USD 5 yr	2.493	-4
GBP LIBOR	0.7293	0.8549	0.9904	1.1346	USD 10 yr	2.636	-3
JPY LIBOR	-0.1008	-0.0797	0.0040	0.1063	EUR 2 yr	-0.148	+0
CHF LIBOR	-0.7846	-0.7154	-0.6452	-0.5118	EUR 5 yr	0.126	+0
					EUR 10 yr	0.646	+0

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1319.86	-0.68	ADGB 6.75 19	2.42	--	Abu Dhabi	59	-1
Silver	15.86	-0.02	DUGB 7.75 20	3.08	-2	Bahrain	242	-1
Oil (WTI)	56.94	+2.59	QATAR 6.55 19	1.69	-16	Dubai	126	--
Aluminium	1896.50	+0.60	US Tsy 2 yr	2.50	+2	Oman	300	+47
Copper	6546.00	+0.38	US Tsy 10 yr	2.68	+5	Qatar	71	-16
						Saudi Arabia	84	--

Source: Bloomberg, Emirates NBD Research

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## Emirates NBD Research & Treasury Contact List

**Emirates NBD Head Office**  
12th Floor  
Baniyas Road, Deira  
P.O.Box 777  
Dubai

**Jonathan Morris**  
General Manager Wholesale Banking  
JonathanM@emiratesnbd.com

**Aazar Ali Khwaja**  
Senior Executive Vice President  
Global Markets & Treasury  
+971 4 609 3000  
aazark@emiratesnbd.com

**Tim Fox**  
Head of Research &  
Chief Economist  
+9714 230 7800  
timothyf@emiratesnbd.com

---

### Research

**Khatija Haque**  
Head of MENA Research  
+9714 230 7803  
khatijah@emiratesnbd.com

**Anita Yadav**  
Head of Fixed Income Research  
+9714 230 7630  
anitay@emiratesnbd.com

**Aditya Pugalia**  
Financial Markets Research  
+9714 230 7802  
adityap@emiratesnbd.com

**Daniel Richards**  
MENA Economist  
+9714 609 3032  
danielricha@emiratesnbd.com

**Edward Bell**  
Commodity Analyst  
+9714 230 7701  
edwardpb@emiratesnbd.com

**Mohammed Altajir**  
FX Analytics and Product Development  
+9714 609 3005  
mohammedtaj@emiratesnbd.com

**Hessa Al Khawaja**  
Research Associate  
+9714 609 3015  
hessaalkh@emiratesnbd.com

---

### Sales & Structuring

**Group Head – Treasury Sales**  
Tariq Chaudhary  
+971 4 230 7777  
tariqmc@emiratesnbd.com

**Saudi Arabia Sales**  
Numair Attiyah  
+966 11 282 5656  
numaira@emiratesnbd.com

**Singapore Sales**  
Supriyakumar Sakhalkar  
+65 65785 627  
supriyakumars@emiratesnbd.com

**London Sales**  
+44 (0) 20 7838 2241

**Egypt**  
Gary Boon  
+20 22 726 5040  
garyboon@emiratesnbd.com

---

### Emirates NBD Capital

**Hitesh Asarpota**  
Head of Debt Capital Markets.  
+971 50 4529515  
asarpotah@EmiratesNBD.com

---

### Investor Relations

**Patrick Clerkin**  
+9714 230 7805  
patricke@emiratesnbd.com

### Group Corporate Affairs

**Ibrahim Sowaidan**  
+9714 609 4113  
ibrahims@emiratesnbd.com

**Claire Andrea**  
+9714 609 4143  
clairea@emiratesnbd.com