



Daily Outlook

Britain's Prime Minister Theresa May officially notified the European Union, that Britain is leaving the bloc, via a letter delivered to EU Council President Donald Tusk. The notice of the UK's decision to leave the bloc under Article 50 of the EU's Lisbon Treaty, paves the way for two years of tough negotiations that will shape the future of the UK economy and the nature of its relationship to the EU. While Prime Minister May has made it clear she is willing to walk away without any special deals, British officials have quietly signaled a willingness to soften their stance on contentious issues ranging from the so called EUR 60bn exit bill, strengthening bi-lateral security ties and the role of the European Court of Justice.

UK consumer credit slowed in February, though by less than expected. Data from the Bank of England showed consumer credit went up by GBP 1.441bn in February, against GBP 1.609bn in January, though the figures were higher than market estimates for a rise of GBP 1.3bn for Feb. **Mortgage approval figures by lenders dropped to 68,315 in February against 69,114 a month earlier**, according to data by the BOE. Markets and policymakers are closely monitoring for signs of "cooling off" in consumer spending, which has held up well through 2016, after the Brexit vote in June last year.

Bank lending growth in Saudi Arabia slowed down in February according to data from the Saudi central bank SAMA. Bank lending to the private sector slowed considerably to 0.3% y/y growth in February from 1.8% y/y in January, and down from the 10% y/y growth see the same month last year. The slowdown could be attributed to an improved flow of state funds through the economy, after the government stopped paying bills last year, forcing a lot of private sector companies to tap credit facilities, thus inflating bank lending growth. While bill payments have resumed, companies remain nervous about stubbornly low oil prices, and the prospects for further austerity measures by the government.

Triggering of Article 50 has muted effect on Sterling



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
EC Business Climate Indicator	13:00	0.87	EC Consumer Confidence	13:00	108.3
US Personal Consumption	16:30	3.00%	US Core PCE (QoQ0)	16:30	1.20%

Source: Bloomberg.

Fixed Income

Despite being broadly telegraphed, U.K.'s formal triggering of Brexit yesterday did dampen risk appetite. Safe haven bid saw sovereign bonds record a mini rally. Even though Fed official's comments were generally hawkish yesterday, yields on 2yr and 10yr treasuries fell 4 bps each to 1.26% and 2.38% respectively. Yields on 10yr Gilts and Bunds also closed lower at 1.15% (-4bps) and 0.34% (-5bps) respectively.

Cash bonds have been alternating between gains and losses over the last four days. Global bonds were mostly in the green yesterday though CDS levels on US IG and Euro Main closed a bp wider each at 68bps and 75bps respectively.

Retreating benchmark yields have boosted GCC investors' confidence. Liquid UAE bond index recorded 2bp fall in yields to 3.11% and 5bps decline in credit spreads to 135bps. That said, most focus was on primary market deals yesterday. BBB-/Ba1 rated Ezdan Holdings priced its 5yr sukuk at 5% profit rate or MS+295.2bps. Al Ahli Bank of Kuwait priced \$5000 million senior debt at MS+155bps, 20bps tighter than the IPT. News surfaced about Saudi Aramco having circulated initial price guidance on its \$2 billion sukuk which is being privately placed.

FX

Pound Sterling emulated a 10 pip elevator in early Asia trading this morning, taking little direction, with markets largely pricing in the official Article 50 trigger event this week. In fact, as we go to print, Sterling trades firmer against the other G10 currencies, GBPUSD trading 0.09% higher at 1.2445, trading back above the 50 and 100 day moving averages of 1.2429 and 1.2418 respectively. In the days ahead, politics is likely to be the main driver for the currency instead of technical and economic data and further direction will be dictated by the tone of negotiations.

Equities

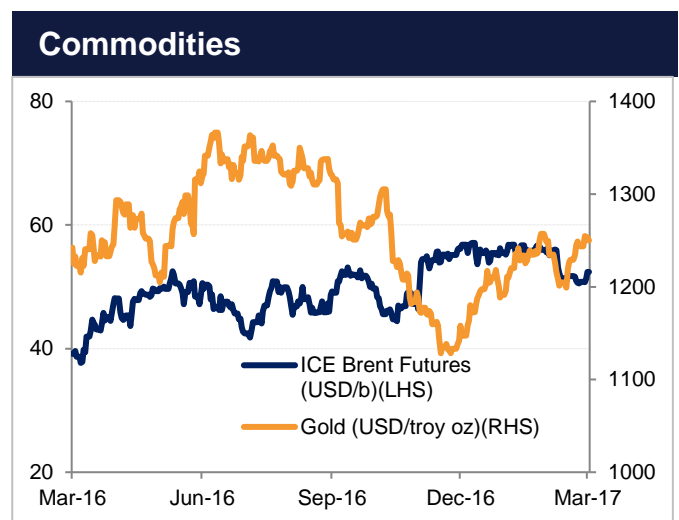
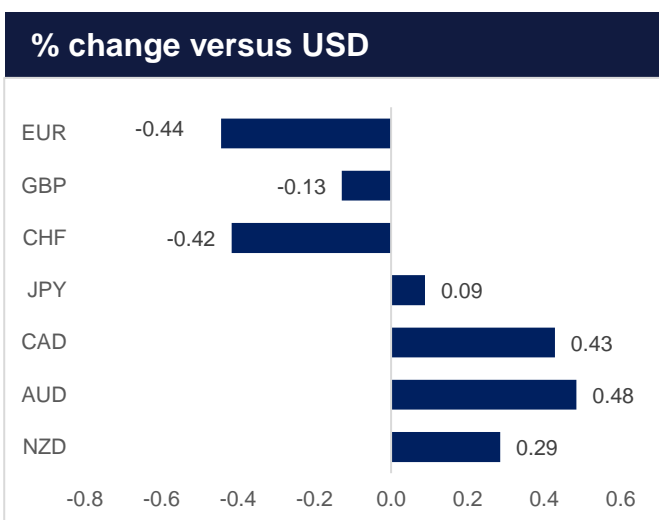
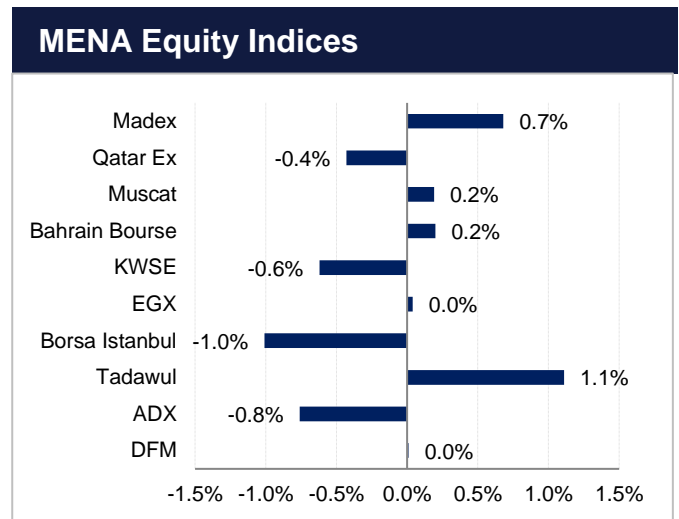
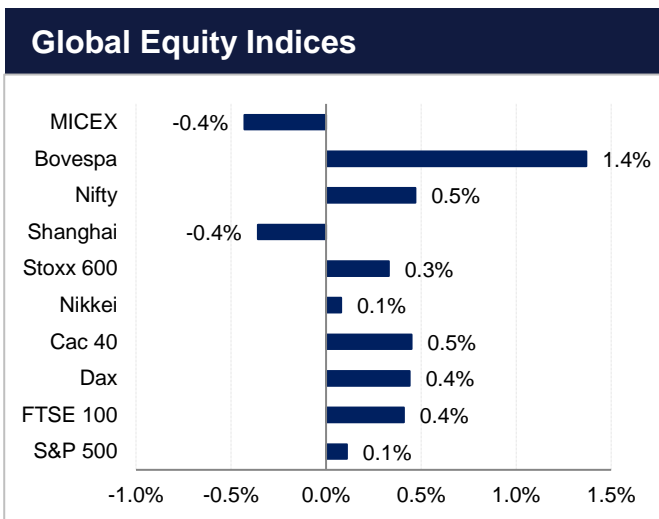
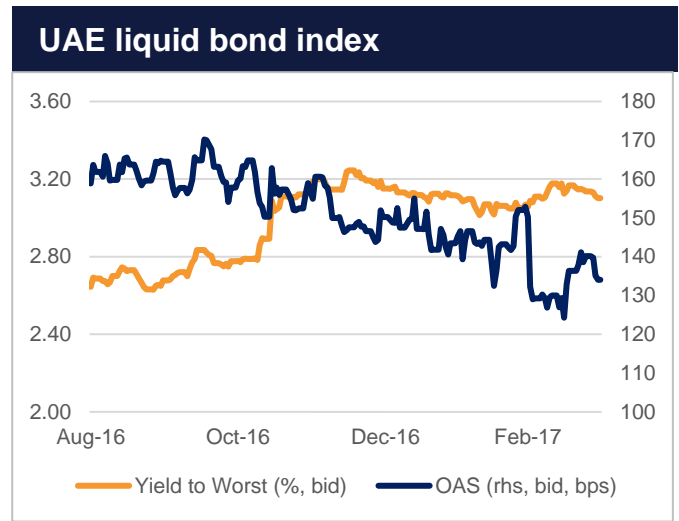
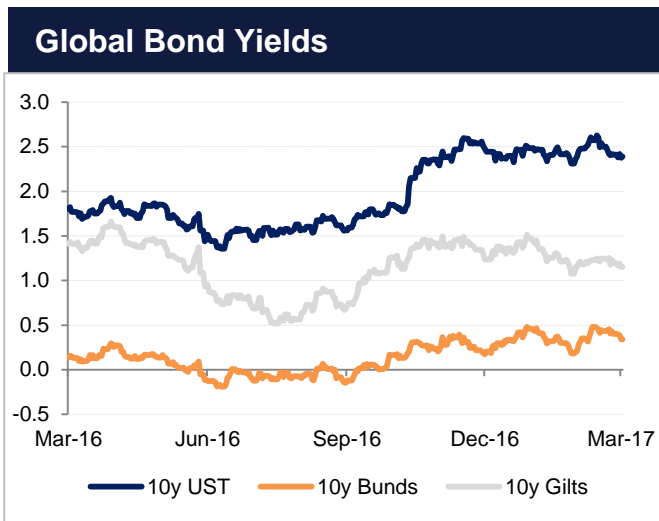
Stocks in Asia have opened lower even though Europe and US bourses closed higher overnight. Global shares are heading for a fifth month of gains. Equities in China and Japan fell, offsetting gains in Australia, which benefited as energy producers rallied. Japan's Topix is trailing 0.4% lower and Hang Seng has fallen 0.5%. Overnight S&P 500 and DAX had closed up by 0.38% and 0.45% respectively.

Locally, Dubai shares were little changed yesterday closing up by only 0.01% though Abu Dhabi stock exchange closed down by 0.7% with Aldar accounting for over 17% of the index's fall.

Commodities

Brent held on to previous day's gains and closed up by 2% to \$52.42 / b as a bigger-than-forecast decline in U.S. gasoline stockpiles countered an expansion of crude production to the highest level in more than a year. Gold slipped 0.3% to \$1,249.92 an ounce. The metal is still up circa 9% for the quarter.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0766	-0.44	1.0975	USDTRY	3.6458	-0.34	EURAED	3.9540	-0.45
GBPUSD	1.2434	-0.13	1.2564	USDEGP	18.2481	-0.05	GBPAED	4.5675	-0.12
USDJPY	111.04	-0.10	109.04	USDSAR	3.7501	-0.00	JPYAED	0.0331	+0.08
USDCAD	1.3326	-0.43	1.3245	USDQAR	3.6414	+0.00	CADAED	2.7561	+0.43
AUDUSD	0.7670	+0.48	0.7628	USDKWD	0.3047	+0.09	AUDAED	2.8170	+0.46
USDCHF	0.9965	+0.40	0.9724	USDBHD	0.3770	-0.00	CHFAED	3.6859	-0.41
EURGBP	0.8658	-0.30	0.8736	USDOMR	0.3850	+0.00	TRYAED	1.0100	+0.60
USDAED	3.6729	+0.00	3.6792	USDINR	64.9662	-0.12	INRAED	0.0567	+0.56

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.0517	1.4683	1.6985	2.1953	USD 2 yr	1.607	-3
USD LIBOR	0.9822	1.1522	1.4249	1.7982	USD 5 yr	2.038	-4
GBP LIBOR	0.2574	0.3416	0.4989	0.7311	USD 10 yr	2.361	-3
JPY LIBOR	-0.0127	0.0208	0.0436	0.1490	EUR 2 yr	-0.124	-1
CHF LIBOR	-0.7904	-0.7324	-0.6662	-0.4990	EUR 5 yr	0.192	-6
					EUR 10 yr	0.774	-4

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1253.45	+0.13	ADGB 6.75 19	1.68	+1	Abu Dhabi	42	-3
Silver	18.25	+0.28	DUGB 7.75 20	2.73	-3	Dubai	116	-2
Oil (WTI)	49.51	+2.36	QATAR 6.55 19	1.96	--	Qatar	64	-2
Aluminium	1953.00	+0.90	US Tsy 2 yr	1.27	-3	Saudi Arabia	101	--
Copper	5884.00	+0.59	US Tsy 10 yr	2.38	-4	Bahrain	226	-2

Source: Bloomberg, Emirates NBD Research

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