



بنك الإمارات دبي الوطني
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Daily Outlook

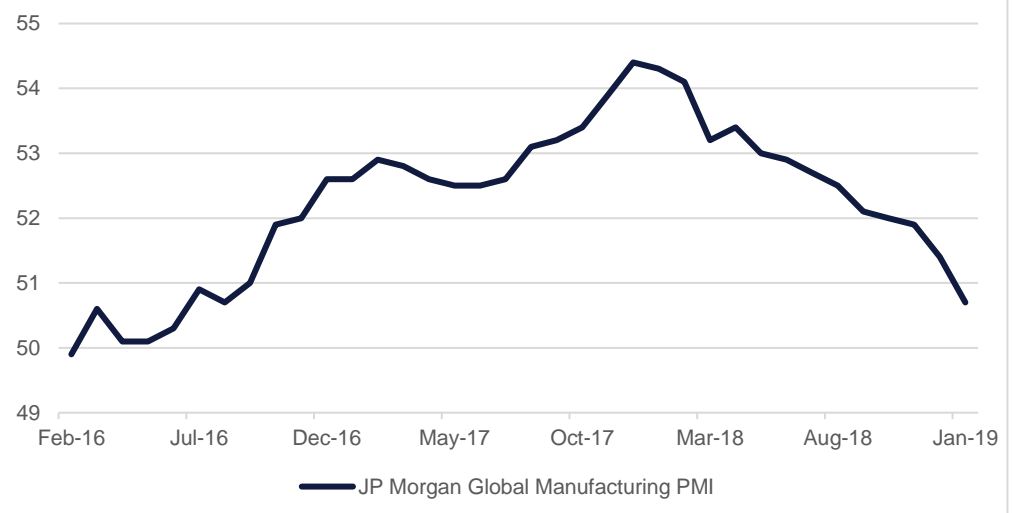
Over the weekend, the **Government of India unveiled its interim budget for FY 2020**. It was an expansionary budget with measures aimed at **increasing disposable income** of all sections of society while continuing to maintain a reasonable pace of capital expenditure. The proposals included cash handouts to farmers, higher income tax exemption limit for middle class tax payers and increased thresholds for TDS (tax deducted at source) for other section of tax payers. The budget will mean the government breaches its fiscal deficit target for the second consecutive year. However, the breach is marginal and was expected in an election year. Overall, the measures are expected to have a limited impact on financial assets. It should also be noted that the new government post elections in May 2019 will present a full budget for FY 2020.

The **US non-farm payrolls data for January 2019** was a blow-out number with **304k new jobs added**. This was relative to expectations of 165k jobs and much higher than December's tempered down gain of 222k jobs. It is worth reflecting that the average monthly gain in 2018 was 223k. However, other facets of the data were more mixed. While the **labour participation rate remained steady at 63.1%**, **wage growth** was muted with average hourly earnings rising **only 0.1% m/m**.

The PMI data from China was in direct contrast to the robust picture painted by the US jobs data. The **Caixin/Markit manufacturing PMI reading for January came in at 48.3**, the lowest reading since February 2016 while the **services PMI was more robust with a reading of 53.6**. The overall **Caixin/Markit composite index remained in expansion territory despite dropping sharply from 52.2 in December to 50.9 in January**. However, worryingly the trend in China's PMI readings was similar to that seen across economies. The JP Morgan Global Manufacturing PMI slowed to 50.7 in January 2019 from 51.4 in December 2018.

Some nine months after elections were held in May last year, it was announced on Friday that **Lebanon has formed a government**, in a potential inflection point for the country after the past several months of escalating concerns over its financial stability.

Global manufacturing PMIs drift lower



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
US Durable Goods Order	19:00	1.5%	Eurozone PPI	14:00	3.1%

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries ended the week higher as a dovish Federal Reserve overshadowed the stronger than expected non-farm payrolls data. Yields on the 2y UST, 5y UST and 10y UST closed at 2.50% (-10 bps w-o-w), 2.50% (-10 bps w-o-w) and 2.68% (-7 bps w-o-w) respectively.

Regional bonds continued their positive run on the back of decline in benchmark yields. The YTW on the Bloomberg Barclays GCC Credit and High Yield index dropped -6 bps w-o-w to 4.40% and credit spreads widened marginally to 185 bps.

Fitch affirmed the rating of Abu Dhabi Commercial Bank at A+ following the confirmation of merger with UNB and Al Hilal Bank.

FX

The USD softened fell against a basket of currencies last week, the Dollar Index falling 0.20% to close at 95.607 on Friday after falling as low as 95.162 on Thursday. Analysis of the daily candle chart shows that over the last three days support at the 200-day moving average (95.314) prevented further declines, however the index closed below the 200-week moving average (95.882) for a second week. While the price remains below the 200-week moving average, there is a risk of further losses and a break and daily close below the 200-day moving average can result in a more significant fall towards 94.00, not far from the 61.8% one-year Fibonacci retracement.

Equities

Regional equities started the week on a weak footing. The DFM index and the Tadawul dropped -1.1% and -0.4% respectively. Real estate stocks dragged the DFM index lower with Emaar Properties and Damac Properties losing -3.3% and -2.3% respectively. Banking sector stocks underperformed on the Tadawul with Banque Saudi Fransi dropping -2.8% after reporting weaker than expected earnings. Elsewhere, the First Abu Dhabi Bank was a notable exception with gains of +1.8% following the bank's proposal to increase its foreign ownership limit to 40% from existing 25%.

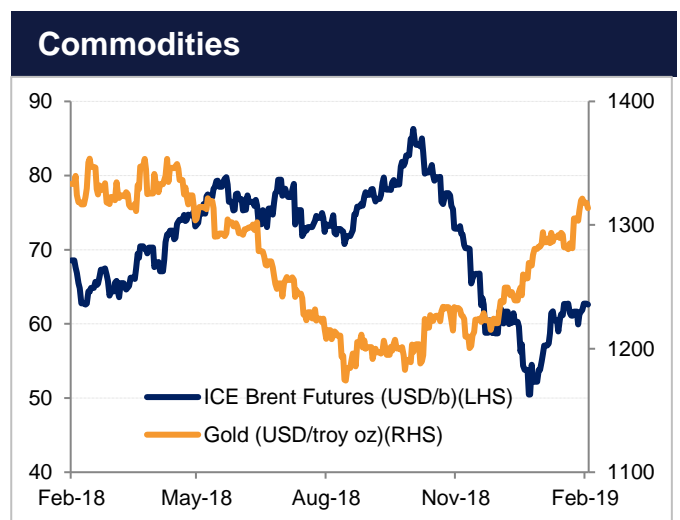
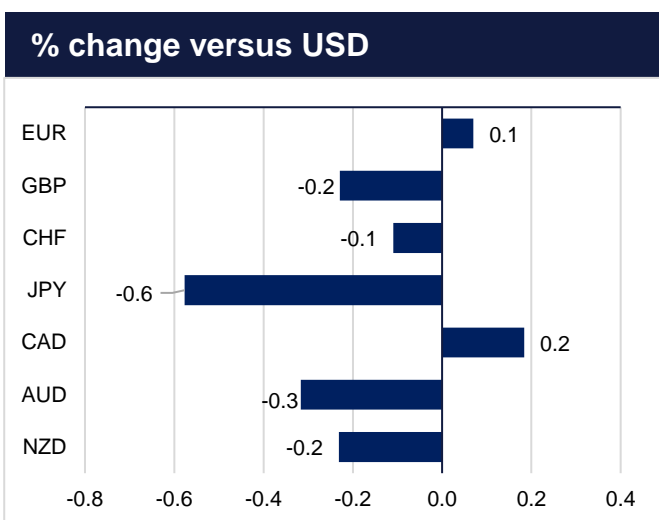
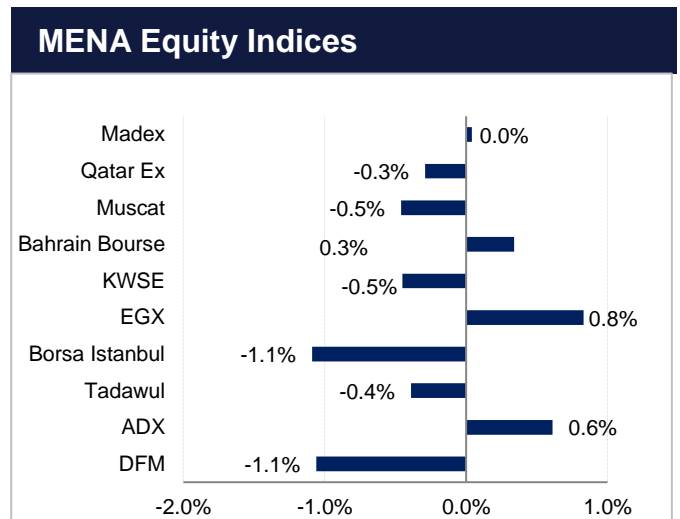
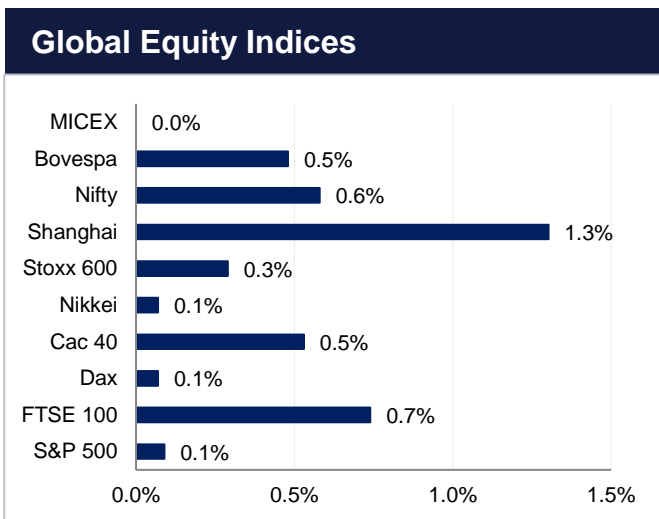
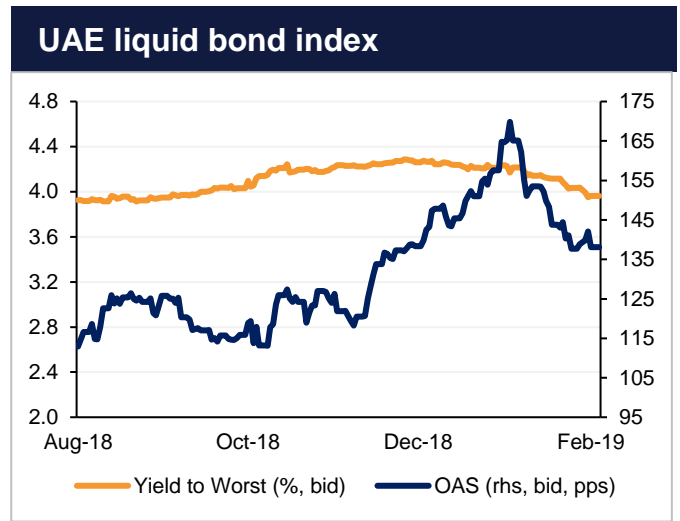
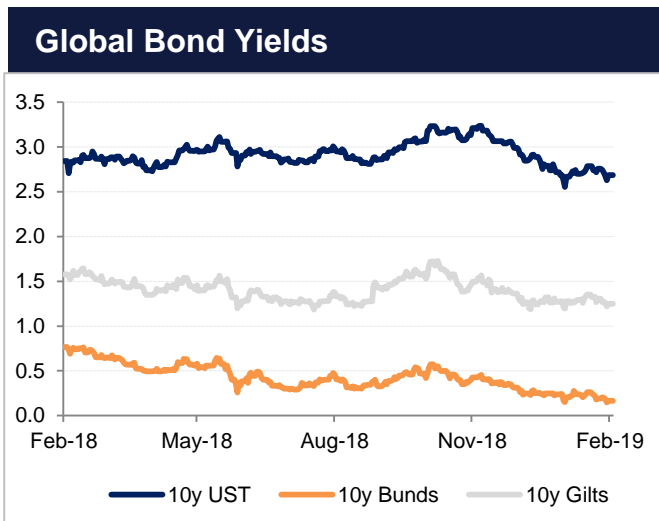
Commodities

Oil prices extended their 2018 gains last week, rising 2.9% in WTI and 1.8% in Brent to help make January the strongest start to the year for crude futures on record. OPEC's production cuts, a risk-on tone to markets, no derailment of US-China trade talks and the imposition of US sanctions on PDVSA all contributed to a bullish month for oil.

Forward curves strengthened even as there was some distortion at the front end related to the expiry of the Brent March contract. Brent Dec spreads closed at USD 0.87/b in 19/20 and more than USD 1.30/b in 20/21, their strongest levels since mid-November 2016. In WTI, the front end of the curve remains in contango but Dec spreads gained: 19/20 ended the week in a backwardation of USD 0.48/b compared with a Monday close of a contango of USD 0.12/b.

The first surveys of OPEC's production levels for January are hitting the markets and are coming in roughly as expected. Total production fell by nearly 900k b/d month on month in January, following on from an already sharp decline of 630k b/d recorded in January (Reuters estimates). Total production has fallen three months running and fell to slightly below 31m b/d in January (excluding Qatar).

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1456	+0.07	1.1821	USDTRY	5.2087	+0.85	EURAED	4.2081	+0.09
GBPUSD	1.3079	-0.23	1.3311	USDEGP	17.6800	+0.15	GBPAED	4.8042	-0.23
USDJPY	109.50	+0.56	106.20	USDSAR	3.7506	--	JPYAED	0.0335	-0.57
USDCAD	1.3102	-0.18	1.3009	USDQAR	3.6800	+0.74	CADAED	2.8037	+0.19
AUDUSD	0.7250	-0.32	0.7288	USDKWD	0.3031	+0.05	AUDAED	2.6618	-0.39
USDCHF	0.9956	+0.14	0.9610	USDBHD	0.3770	--	CHFAED	3.6897	-0.11
EURGBP	0.8757	+0.28	0.8878	USDOMR	0.3850	-0.01	TRYAED	0.7000	-1.57
USDAED	3.6730	--	3.6760	USDINR	71.6637	+0.81	INRAED	0.0552	+6.67

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.6038	2.6525	3.1293	3.4594	USD 2 yr	2.652	+4
USD LIBOR	2.5140	2.7326	2.7900	2.9616	USD 5 yr	2.591	+6
GBP LIBOR	0.7306	0.9135	1.0303	1.1695	USD 10 yr	2.713	+5
JPY LIBOR	-0.0950	-0.0820	-0.0022	0.0957	EUR 2 yr	-0.156	+1
CHF LIBOR	-0.7884	-0.7062	-0.6534	-0.5152	EUR 5 yr	0.149	+3
					EUR 10 yr	0.698	+4

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1317.98	-0.25	ADGB 6.75 19	2.42	--	Abu Dhabi	61	-
Silver	15.91	-0.96	DUGB 7.75 20	3.16	+0	Bahrain	258	-1
Oil (WTI)	55.26	+2.73	QATAR 6.55 19	2.31	-0	Dubai	125	-1
Aluminium	1859.25	-1.73	US Tsy 2 yr	2.50	+4	Qatar	71	+1
Copper	6115.75	-0.58	US Tsy 10 yr	2.68	+5	Saudi Arabia	89	-

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