



بنك الإمارات دبي الوطني  
Emirates NBD

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# Daily Outlook

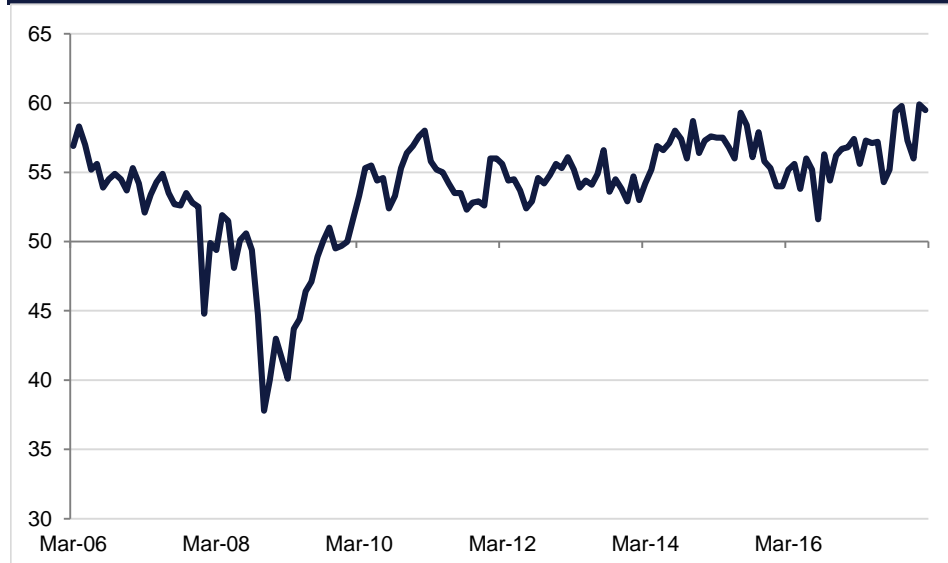
On Monday, and in early Asia trading Tuesday, markets largely shrugged off the threat of looming trade wars after US President Donald Trump announced plans to implement tariffs on steel and aluminium imports this week. The tariffs are yet to be implemented, but the rhetoric from the White House remains highly supportive of the move, even in the face of criticism from allies such as Paul Ryan, alongside those of major trading partners and the IMF. However, while it had previously been said that there would be no exemptions for specific countries, President Trump has now said that he would consider removing Canada – the largest steel exporter to the US – and Mexico, if good progress is made on ongoing Nafta talks. The talks have made little headway as yet, with some 6 of 30 points settled. This raises the possibility that the bluster of the past five days has been at least in part aimed at securing a ‘good deal’ from the North American trade talks.

Staying in the US, the February ISM Non-Manufacturing Index was released yesterday, falling modestly from 59.9 to 59.5. Despite the decline, this remains far above the neutral 50.0 level which delineates contraction and expansion, and January’s reading was in fact a 12-year high. The underlying data was supportive of continued strong performance in the US economy, with the new orders component performing well.

The Reserve Bank of Australia kept its key rate unchanged at 1.50% on Tuesday morning, as was widely expected. In its statement, the bank gave no signals of coming tightening, expecting that inflation would pick up gradually, but remain low. The Tunisian central bank raised rates by 75bps to 5.75% on Monday, in a bit to tackle inflation which was at 28-year highs of 7.1% in February.

In the Eurozone, retail sales were up 2.3% y/y in January, compared to expectations for 2.0%. The outlook is broadly positive for next month also given the recent cold snap which will likely drive up sales of seasonal clothing. In Italy, both Five Star Movement and the League are claiming the right to govern in Italy after elections there on Sunday. While Five Star likely took the most votes (around 32.4%), the centre-right coalition of which the League is a member likely still won more than them with 37.3%, within which the League likely garnered 17.6% to Forza Italia’s 14.1%.

## US Non-Manufacturing Index



Source: Bloomberg, Emirates NBD Research

## Day’s Economic Data and Events

	Time	Cons		Time	Cons
US factory orders	19.00	-1.30%	Australia GDP y/y	04.30	2.50%

Source: Bloomberg

## Fixed Income

US Treasuries closed lower in a muted trading session as concerns over a possible trade war faded. Yields on the 2y UST, 5y UST and 10y UST ended the week at 2.23% (flat 5d), 2.64% (+2 bps 5d) and 2.88% (+2bps 5d) respectively.

Yield on the 10y Italian government bond rose +3 bps to 1.99% as result of the election threw up a hung parliament.

Regional bonds remained largely unchanged. The YTW on the Bloomberg Barclays GCC Credit and High Yield index remained flat at 4.18% and credit spreads tightened 2 bps to 157 bps.

Moody's changed the outlook on Dar Al Arkan to stable from negative and affirmed the ratings.

## FX

AUD is trading firmer in the aftermath of this morning's RBA meeting (see macro2). As we go to print, AUDUSD is currently trading 0.21% higher at 0.77810 in a move that has taken the price back above the 100 day moving average (0.7772) which has acted as a resistance for the last five days. Despite this, further gains have been halted after resistance has been encountered at the 200 day moving average of 0.7790. A break of 200 day moving average is likely to result in further advances towards the 61.8% one year Fibonacci retracement (0.7828). On the other hand if, the price falls retreats and has a daily close below the 100 day moving average, we see further declines towards the 50% one year Fibonacci retracement of 0.7732, a break of which will catalyze a larger decline towards 0.76.

## Equities

Developed market equities closed higher as concern over trade tariffs eased slightly. Though the Italian election result did throw up a hung parliament, it had limited impact on European equities. The S&P 500 index added +1.1% and the Euro Stoxx 600 index gained +1.0%. The FTSE MIB index did close lower, losing -0.4%.

Regional markets continue to remain sluggish. The Qatar Exchange dropped -3.2% as couple of market heavyweights went ex-dividend. Banque Saudi Fransi dropped -2.0% after reporting weaker than expected earnings.

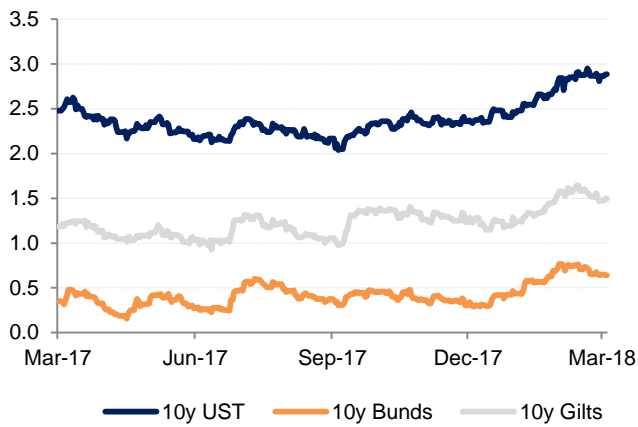
## Commodities

Oil prices closed higher with Brent adding +1.8% to regain USD 65.0/bbl level and WTI gaining +2.2% to close at USD 62.5/bbl.

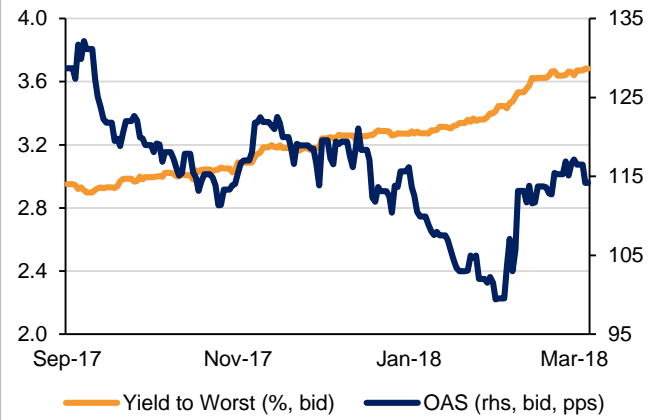
IEA, in a report, said that the US will dominate oil markets for the next few years and could satisfy as much as 80% of global demand growth to 2020. They expect US production to rise to 17mn barrels a day by 2023 from 13.2mn last year.

## Markets in Charts

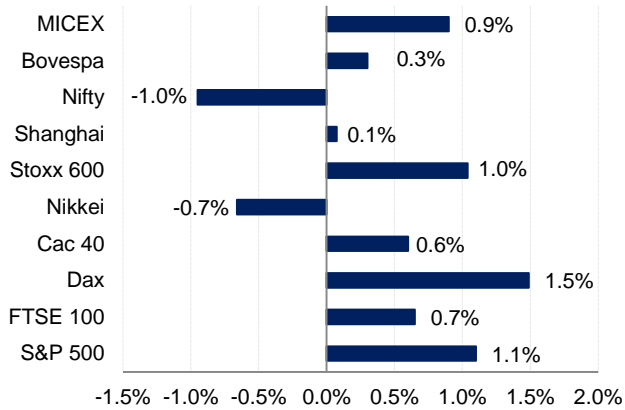
### Global Bond Yields



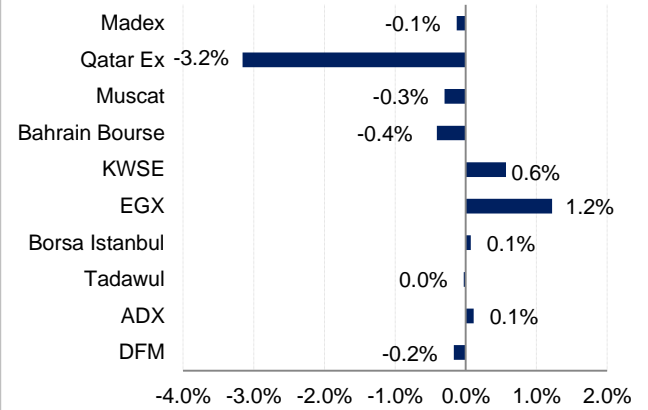
### UAE liquid bond index



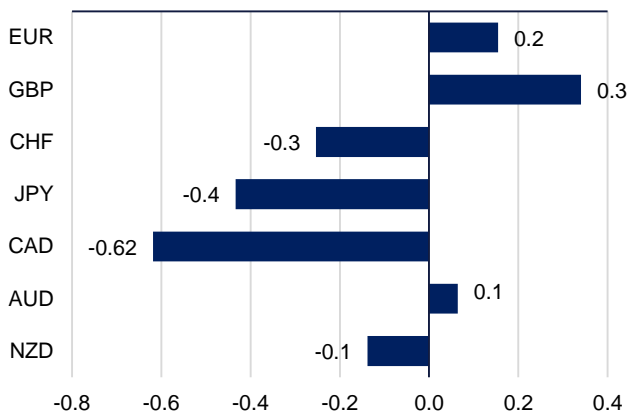
### Global Equity Indices



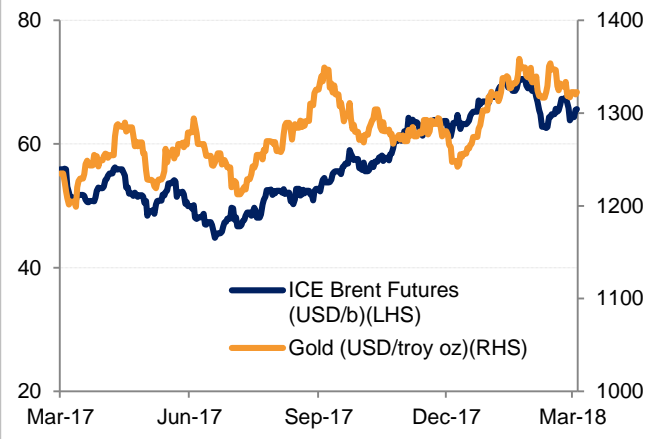
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2336	+0.15	1.2705	USDTRY	3.8084	+0.02	EURAED	4.5310	+0.14
GBPUSD	1.3849	+0.34	1.4076	USDEGP	17.6104	-0.14	GBPAED	5.0867	+0.35
USDJPY	106.20	+0.43	103.29	USDSAR	3.7504	--	JPYAED	0.0346	-0.44
USDCAD	1.2964	+0.64	1.2878	USDQAR	3.6800	+1.07	CADAED	2.8334	-0.59
AUDUSD	0.7765	+0.06	0.7786	USDKWD	0.2999	-0.03	AUDAED	2.8526	+0.03
USDCHF	0.9399	+0.27	0.9087	USDBHD	0.3771	--	CHFAED	3.9078	-0.24
EURGBP	0.8908	-0.21	0.9026	USDOMR	0.3850	--	TRYAED	0.9600	-0.48
USDAED	3.6730	--	3.6765	USDINR	65.1125	-0.08	INRAED	0.0565	+0.29

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.6675	2.0342	2.3107	2.6760	USD 2 yr	2.512	+1
USD LIBOR	1.6905	2.0252	2.2284	2.4967	USD 5 yr	2.747	+2
GBP LIBOR	0.4979	0.5847	0.6894	0.9015	USD 10 yr	2.890	+1
JPY LIBOR	-0.0857	-0.0585	0.0100	0.1105	EUR 2 yr	-0.123	+0
CHF LIBOR	-0.8117	-0.7446	-0.6616	-0.5314	EUR 5 yr	0.457	+1
					EUR 10 yr	1.086	+1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1320.11	-0.20	ADGB 6.75 19	2.42	--	Abu Dhabi	57	--
Silver	16.43	-0.55	DUGB 7.75 20	3.12	+0	Dubai	98	-2
Oil (WTI)	62.57	+2.16	QATAR 6.55 19	2.68	-2	Qatar	83	+1
Aluminium	2130.50	-0.39	US Tsy 2 yr	2.24	-0	Saudi Arabia	80	-1
Copper	6874.25	+0.16	US Tsy 10 yr	2.88	+2	Bahrain	247	+4

Source: Bloomberg, Emirates NBD Research

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