



بنك الإمارات دبي الوطني  
Emirates NBD

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# Daily Outlook

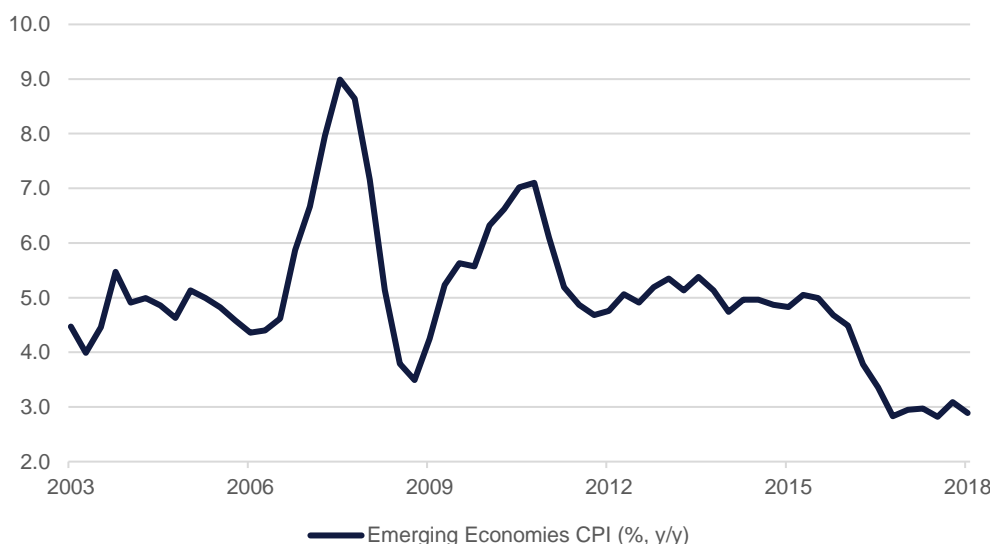
After developed market central banks, it is the turn of emerging market central banks to shift towards easy monetary policy. It appears that subdued inflation, relative stability in currencies and a shift in stance by the US Federal Reserve has provided enough room **for central banks in Asian emerging markets to move away from a hawkish policy stance**. The JP Morgan Spot EM Currency index has gained +2.7% ytd.

**Bank of Thailand**, at its meeting yesterday, **left interest rates unchanged at 1.75%**. Later today, we have the Reserve Bank of India's first policy meeting in 2019. The **RBI is widely expected to change its stance from calibrated tightening to neutral and possibly cut rates by 25 bps**. The latest CPI data for India showed inflation rising at its slowest pace since the middle of 2017 and well below the lower end of RBI's target range of 4%-6%.

The ongoing uncertainty over Brexit with risks of a no-deal exit rising as we move closer to the deadline and continued softness in economic data has **limited the room available to the Bank of England for any policy tinkering when it meets later today**. More than the policy, investors will be keeping an eye on the central bank's revision to its economic forecasts and any comments on Brexit.

Elsewhere, **German factory orders dropped for a second consecutive month in December 2018 with a -1.6% m/m decline**. This was relative to consensus expectation of a +0.3% m/m gain. The drop was accentuated by weak demand for investment goods from outside the Eurozone. This data along with other recent data releases underpins the narrative that the slowdown in Eurozone's largest economy may be more protracted than anticipated earlier. The Economy Ministry alluded to the possibility when it said **'the latest sentiment indicators point to muted momentum at the start of the year'**.

## Inflation in emerging markets edge lower



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
RBI Repo Rate Decision	10.15	6.5%	Germany Industrial Production	11.00	0.8%
BoE Rate Decision	16.00	0.75%	US Initial Jobless Claims	17.30	221k

Source: Bloomberg, Emirates NBD Research.

## **Fixed Income**

It was a subdued day of trading for Treasuries. Yields on the 2y UST, 5y UST and 10y UST closed largely unchanged at 2.52%, 2.50% and 2.69% respectively. In fact, since the start of the week, Treasuries across the curve have traded within 2 bps.

Regional bonds continued their positive run. The YTW on the Bloomberg Barclays GCC Credit and High Yield index dropped -1 bp to 4.36% while credit spreads remained steady around 180 bps.

## **FX**

AUD found itself under pressure on Wednesday following a shift in tone from the RBA's Governor Graham Lowe. After Lowe communicated that policy makers had shifted from a tightening bias towards a neutral stance regarding interest rates, AUDUSD fell by 1.81%, its largest daily decline in a year, to close at 0.7103. As we go to print, the cross remains near two week lows of 0.7108.

Elsewhere, GBPUSD continues to find itself under pressure and thus far is down 1.32% in February as a result of Brexit uncertainties. As the situation stands, the United Kingdom is currently on route to leave the European Union without a deal on March 29th, an increasingly probable outcome that has kept sterling under pressure. While policy makers at the Bank of England are meeting this afternoon, no change in interest rates are expected. However it is likely that Governor Mark Carney will again highlight his fears over an unstructured Brexit.

## **Equities**

Developed market equities closed mixed in thin trading amid weak corporate earnings and lack of catalysts. The S&P 500 index dropped -0.2% while the Euro Stoxx 600 index added +0.2%.

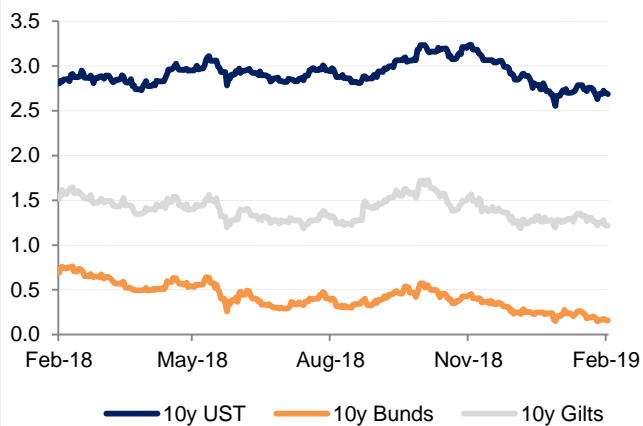
It was a mixed day of trading for regional markets too. The DFM index added +0.6% while the Qatar Exchange lost -0.3%. A rebound in real estate stocks supported the DFM with Emaar Malls and Damac gaining +2.7% and +3.2% respectively. Elsewhere, banking sector stocks in Qatar continue to underperform following weaker than expected dividend payouts.

## **Commodities**

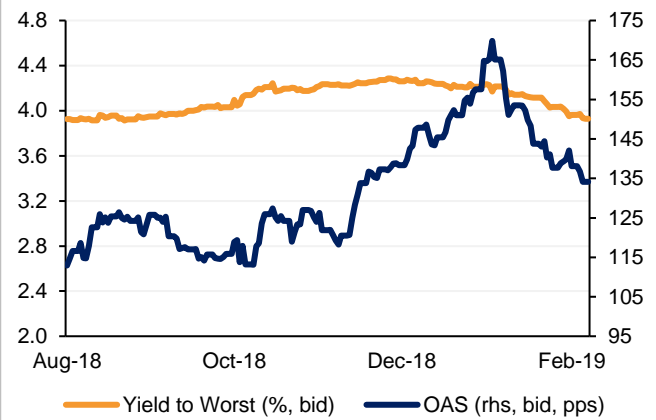
Oil markets snapped two days of losses overnights and managed to gain 0.65% in WTI (closing at USD 54.01/b) while Brent ended the day at USD 62.69/b (up 1.15%). Weekly EIA data showed an increase in US crude stocks of 1.3m bbl while product stocks fell thanks to a decline in diesel and propane inventories, likely down to increased seasonal demand for heating fuels as parts of the US endured harsh winter weather.

## Markets in Charts

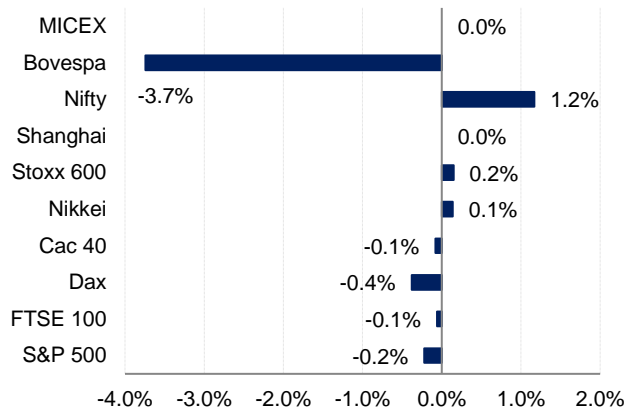
### Global Bond Yields



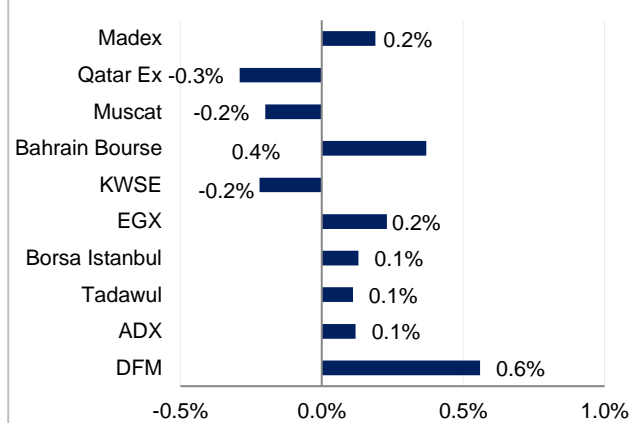
### UAE liquid bond index



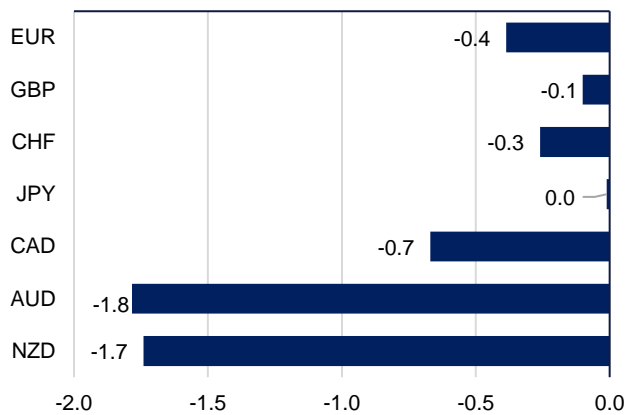
### Global Equity Indices



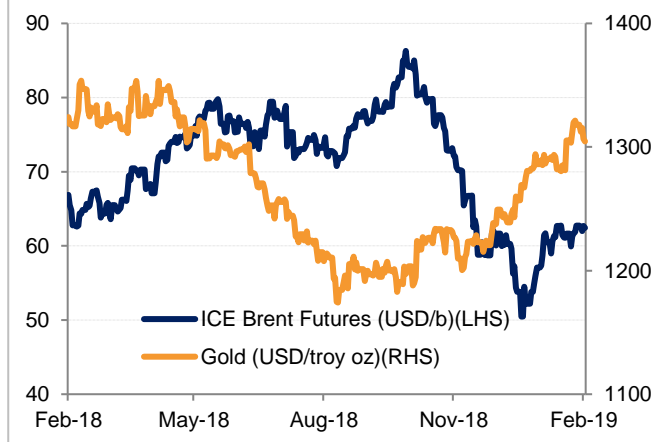
### MENA Equity Indices



### % change versus USD



### Commodities



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1362	-0.39	1.1727	USDTRY	5.2159	+0.31	EURAUD	4.1744	-0.36
GBPUSD	1.2932	-0.10	1.3165	USDEGP	17.6000	-0.33	GBPAED	4.7486	-0.17
USDJPY	109.97	+0.01	106.61	USDSAR	3.7503	-0.00	JPYAED	0.0334	-0.02
USDCAD	1.3214	+0.67	1.3117	USDQAR	3.6800	+0.75	CADAED	2.7799	-0.65
AUDUSD	0.7105	-1.78	0.7146	USDKWD	0.3035	+0.04	AUDAED	2.6097	-1.80
USDCHF	1.0021	+0.23	0.9670	USDBHD	0.3770	+0.01	CHFAED	3.6633	-0.27
EURGBP	0.8787	-0.26	0.8908	USDOMR	0.3848	--	TRYAED	0.7000	-0.90
USDAED	3.6730	--	3.6758	USDINR	71.5638	-0.01	INRAED	0.0552	+7.49

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.6138	2.8513	3.1320	3.4594	USD 2 yr	2.671	+0
USD LIBOR	2.5126	2.7376	2.7763	2.9620	USD 5 yr	2.595	-1
GBP LIBOR	0.7311	0.9034	1.0218	1.1699	USD 10 yr	2.722	-0
JPY LIBOR	-0.0958	-0.0935	0.0002	0.0942	EUR 2 yr	-0.151	+0
CHF LIBOR	-0.7798	-0.7108	-0.6518	-0.5132	EUR 5 yr	0.151	-0
					EUR 10 yr	0.689	-1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1306.60	-0.66	ADGB 6.75 19	2.42	--	Abu Dhabi	61	-
Silver	15.68	-1.10	DUGB 7.75 20	3.21	+2	Bahrain	251	+1
Oil (WTI)	54.01	+0.65	QATAR 6.55 19	2.48	+3	Dubai	130	+1
Aluminium	1881.00	-0.93	US Tsy 2 yr	2.52	+0	Qatar	73	-
Copper	6260.50	+0.70	US Tsy 10 yr	2.69	-0	Saudi Arabia	87	-

Source: Bloomberg, Emirates NBD Research

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