



بنك الإمارات دبي الوطني  
Emirates NBD

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# Daily Outlook

**US factory orders fell 1.4% m/m in January, slightly underperforming analyst expectations of a 1.3% drop.** This compared to an upwardly revised 1.8% rise the previous month, and was the first decline in six months. Lower demand for transportation (down 10%) and defence air craft (down 46%) and non-defence air craft (down 28%) lay behind the decline to USD491.7bn. While broadly in line with expectations, the result could be a slightly negative signal for Q1 GDP. Non-defence capital goods excluding aircraft, which can be read as a measure of business expansion plans, declined for a second month running for the first time since May 2016.

**Staying in the US, the imposition of President Trump's trade tariffs looks more likely once more with the departure of Gary Cohn as top economic advisor.** Cohn had strongly opposed the move.

**Australian GDP grew by 0.4% m/m in Q4 2017, compared to consensus estimates of 0.5%. The y/y expansion also fell short of analyst expectations, coming in at 2.4% as opposed to 2.5%.** Net exports were the primary drag on the results, with coal shipments hit by bad weather and a tempering in Chinese iron ore demand. Construction was also a drag on the economy. The Australian economy is in a transition phase away from the mining that has driven growth, towards a more services and consumption-driven model. However, income growth has been slow, and household debt levels are high. Yesterday, the Reserve Bank of Australia kept its key rate unchanged at 1.50%, acknowledging this, and judging that it could best help the economy through maintaining an easy monetary policy. The RBA governor, Philip Lowe has also highlighted the threat of potential trade wars.

**UAE bank deposits declined -0.4% m/m in January but were 3.8% higher y/y.** Residents' deposits were up 4.8% y/y, offsetting the -3.0% y/y contraction in non-residents' deposits. Bank lending increased 0.5% m/m and 2.0% y/y in January, the fastest annual rate of growth since August 2017. As a result, the loan to deposit ratio (net of provisions) increased to 91.0% from 90.5% at the end of 2017.

## Australia real GDP y/y



Source: Bloomberg, Emirates NBD Research

## Day's Economic Data and Events

	Time	Cons		Time	Cons
Eurozone Q4 GDP q/q	14.00	0.6%	Eurozone Q4 GDP y/y	04.30	2.50%
US trade balance	17.30	-\$55bn	Bank of Canada rate call	1.25%	

Source: Bloomberg

## Fixed Income

US Treasuries closed mixed with the curve flattening amid mixed signals on the trade war emanating from the US. Yields on the 2y UST, 5y UST and 10y UST ended the week at 2.24% (+1 bps 5d), 2.65% (+1 bps 5d) and 2.88% (flat 5d) respectively.

The Emirate of Sharjah raised USD 1bn from a 10y Sukuk which was priced at MS+135bps. Union National Bank raised USD 500mn in a 5y paper which was priced at MS+135 bps.

EA Partners said it received a notification from cash manager that debt remarketing event occurred on 26 February 2018 with respect to EA Partner II bonds which matures in June 2021. No such event was triggered for EA Partner I bonds. A debt remarketing event occurs when liquidity pool falls below 75% of aggregate amount of initial deposits. EA Partner I bond is currently trading at USD 74 level and EA Partner II bond at 73.5 level.

The primary issuance pipeline continues to build. Al Ahli Bank of Kuwait hired banks for Additional Tier 1 bond offering.

## FX

After paring some of its recent losses yesterday (when it strengthened modestly against the greenback following a consecutive six sessions of declines), the Canadian dollar has resumed its fall, trading at CADUSD 0.7736 as we go to print. Renewed fears over the imposition of steel tariffs by US President Trump (see macro), and stalling Nafta talks have cast a shadow over the currency as the likelihood of protectionist measures from the US rise; the Canadian economy is reliant on exports to its larger neighbour. Further, the probability of a rate hike at today's Bank of Canada meeting has declined significantly owing to recent weak data. A hold at 1.25% is expected, meaning that there will be little upside for the loonie.

## Equities

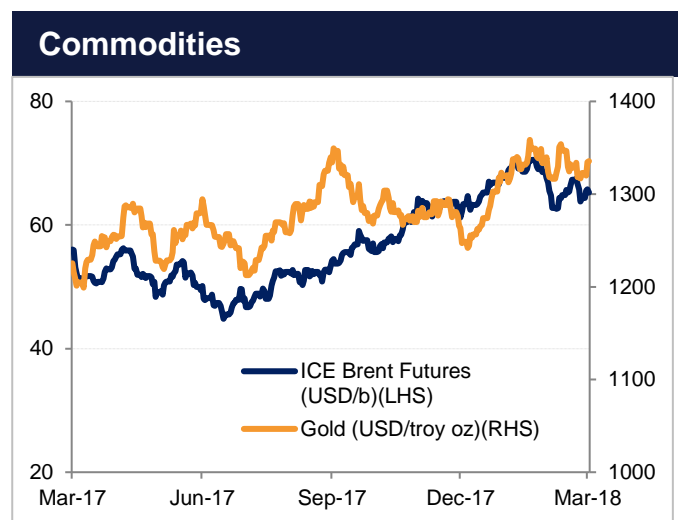
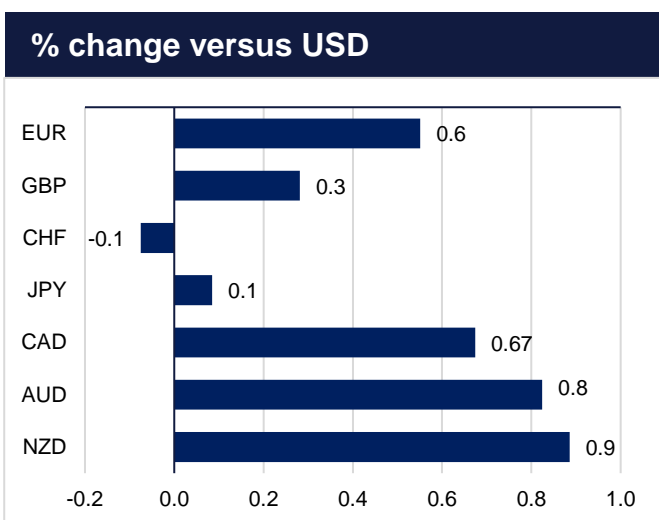
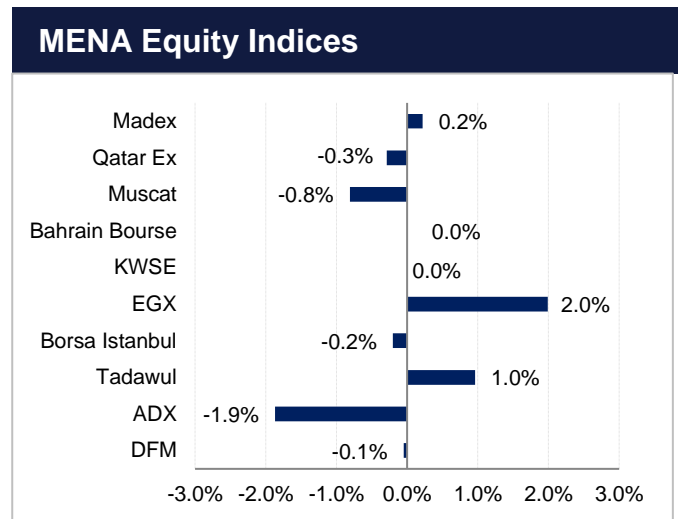
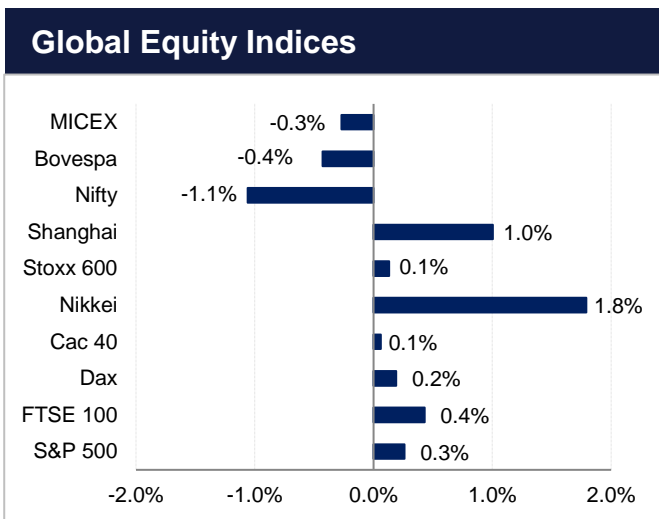
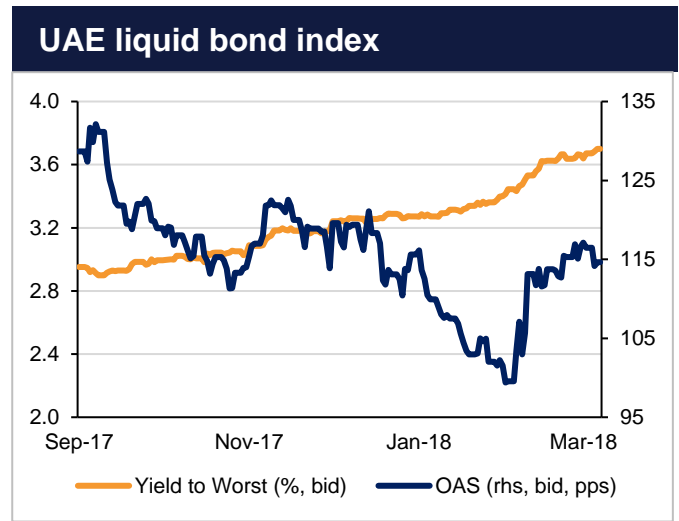
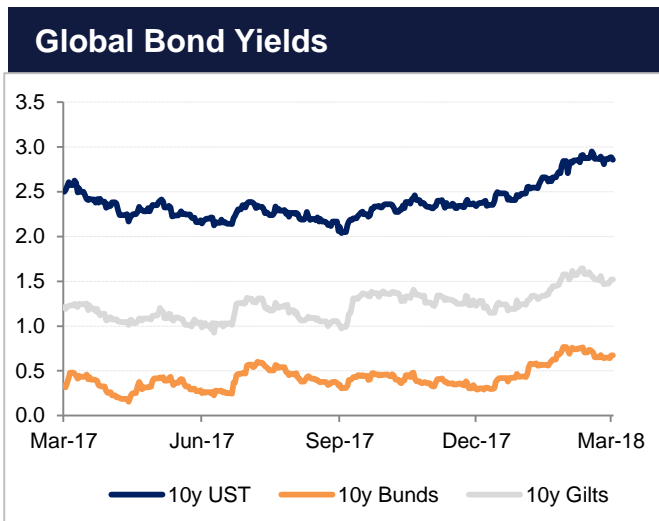
Developed market equities closed marginally higher but off the highs of the trading session. Gary Cohn, the economic advisor to the US President, resigned amid difference on tariffs. The White House also said that it is considering clamping down on Chinese investments in the US and imposing tariffs on a broad range of its imports. The S&P 500 index added +0.3% and the Euro Stoxx 600 index gained +0.1%.

The Tadawul (+1.0%) and the EGX 30 index (+2.0%) were notable exception in what was another day of sluggish trading in regional markets. Real estate sector stocks in Egypt continue to gain traction following reports that the New Urban Communities Authority has released bid sheets for new land plots in East and West Cairo.

## Commodities

Oil prices drifted higher with Brent adding +0.4% to remain above USD 65.0/bbl level and WTI gaining +0.1% to close at USD 62.6/bbl. The American Petroleum Institute was said to report that US Crude inventories rose by about 5.7mn barrels.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2404	+0.55	1.2775	USDTRY	3.7940	-0.38	EURAED	4.5562	+0.56
GBPUSD	1.3888	+0.28	1.4115	USDEGP	17.6177	+0.04	GBPAED	5.1013	+0.29
USDJPY	106.13	-0.07	103.21	USDSAR	3.7504	--	JPYAED	0.0346	+0.08
USDCAD	1.2876	-0.68	1.2791	USDQAR	3.6800	+1.06	CADAED	2.8527	+0.68
AUDUSD	0.7829	+0.82	0.7850	USDKWD	0.2999	+0.01	AUDAED	2.8753	+0.80
USDCHF	0.9407	+0.09	0.9095	USDBHD	0.3771	--	CHFAED	3.9049	-0.07
EURGBP	0.8932	+0.28	0.9051	USDOMR	0.3850	+0.01	TRYAED	0.9700	+0.58
USDAED	3.6730	--	3.6767	USDINR	64.9263	-0.29	INRAED	0.0566	+0.21

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.6692	2.0075	2.3128	2.6713	USD 2 yr	2.529	+2
USD LIBOR	1.7017	2.0349	2.2293	2.4979	USD 5 yr	2.767	+2
GBP LIBOR	0.4982	0.5889	0.6896	0.9018	USD 10 yr	2.903	+1
JPY LIBOR	-0.0762	-0.0503	0.0132	0.1072	EUR 2 yr	-0.121	+0
CHF LIBOR	-0.8097	-0.7426	-0.6596	-0.5314	EUR 5 yr	0.474	+2
					EUR 10 yr	1.103	+2

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1334.56	+1.09	ADGB 6.75 19	2.42	--	Abu Dhabi	56	-1
Silver	16.76	+2.02	DUGB 7.75 20	3.13	+1	Dubai	97	-1
Oil (WTI)	62.60	+0.05	QATAR 6.55 19	2.70	+2	Qatar	83	+1
Aluminium	2129.00	-0.07	US Tsy 2 yr	2.25	+1	Saudi Arabia	78	-2
Copper	6965.75	+1.33	US Tsy 10 yr	2.89	+1	Bahrain	242	-5

Source: Bloomberg, Emirates NBD Research

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