



بنك الإمارات دبي الوطني  
Emirates NBD

Daily  
8 March 2018

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# Daily Outlook

**The Bank of Canada held its benchmark rate unchanged at 1.25% yesterday, as widely expected.** A run of weak data in recent months, coupled with the threat of US tariffs on Canadian steel exports and stalling Nafta negotiations made a hike unlikely. The language in the communique was dovish, and while the US tariffs were not mentioned explicitly, reference was made to recent developments in trade policy which made for 'a growing source of uncertainty.' **Turkey's central bank also held its benchmark rates unchanged yesterday, stating that it would maintain a tight stance until inflation falls.** Inflation hit a multi-year high of 13.0% in November, and while it eased to 10.3% at the latest print in February, it remains well above the bank's target rate of 5.0%.

**Japan's GDP expanded by 1.6% y/y in Q4, revised up from preliminary results of 0.5%.** This is the 8<sup>th</sup> consecutive quarter of positive growth in Japan, the strongest run in 30 years. Positively for the future outlook, capital spending was among the primary factors behind the upward revision. Nevertheless, private consumption expanded by just 0.5%, and wages and inflation have lagged despite the jobless rate falling to a 25-year low of 2.4% in January. As a result, **we expect no end to monetary stimulus at the Bank of Japan's meeting on Friday.** BoJ Governor Haruhiko Kuroda this week clarified earlier statements about easing in the fiscal year beginning April 2019, stating that while the bank would be thinking about it that year, it wouldn't necessarily begin, and that **the removal of stimulus remains dependent on inflation reaching 2.0%.**

**The ECB is scheduled to meet today, and while it had been expected by some to be a pivotal meeting, with a potential timeline for the removal of QE introduced, recent developments make this unlikely.** The confusion still surrounding the outcome of the Italian elections, where a populist government of some degree is likely to eventually take charge, coupled with rising fears over a global trade war, will outweigh the positive news from Germany, where a government was finally formed this week after six months. This will empower those council members who would rather wait for a more persistent strengthening in growth and inflation before removing support. Protectionism had already been cited by the ECB as a potential risk at its last meeting in January. The greater likelihood now is that a change on future guidance will be delayed until June.

## Japan real GDP y/y



Source: Bloomberg, Emirates NBD Research

## Day's Economic Data and Events

	Time	Cons		Time	Cons
ECB Main Refinancing Rate	16.45	0.00%	US Initial jobless claims	17.30	220k

Source: Bloomberg

## Fixed Income

It was a choppy session of trading for US treasuries as they followed lead from the move in equity markets. Eventually, the yield on the 2y UST, 5y UST and 10y UST ended the day at 2.24% (flat 5d), 2.64% (-1 bps 5d) and 2.88% (flat 5d) respectively.

Regional bonds drifted lower with the YTW on the Bloomberg Barclays GCC Credit and High Yield index rising +2 bps to 4.18% and credit spreads remaining flat at 156 bps.

The primary issuance pipeline continues to build. Emirates Airlines and Dar Al Arkan are said to have hired banks for a possible sukuk sale.

## FX

The CAD is trading firmer this morning after comments that some countries could be exempt from US tariff plans. Currently USDCAD is trading 0.24% lower at 1.2881, effectively reversing losses realized on Wednesday following dovish comments from the Bank of Canada (see macro). We expect to see strong resistance to further gains at 1.30, the level which has halted advances consistently this week, and support at 1.2720, close to the 38.2% one year Fibonacci retracement of 1.2723.

## Equities

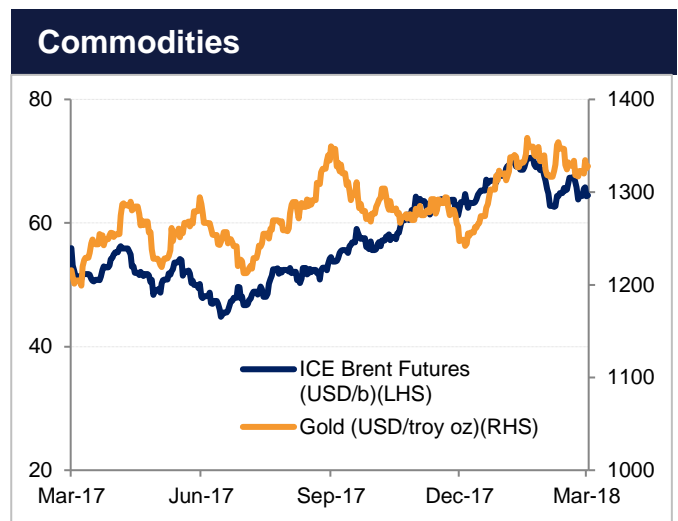
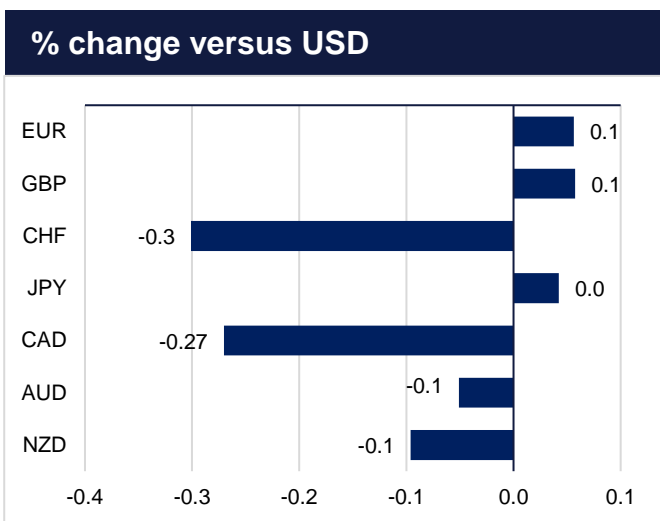
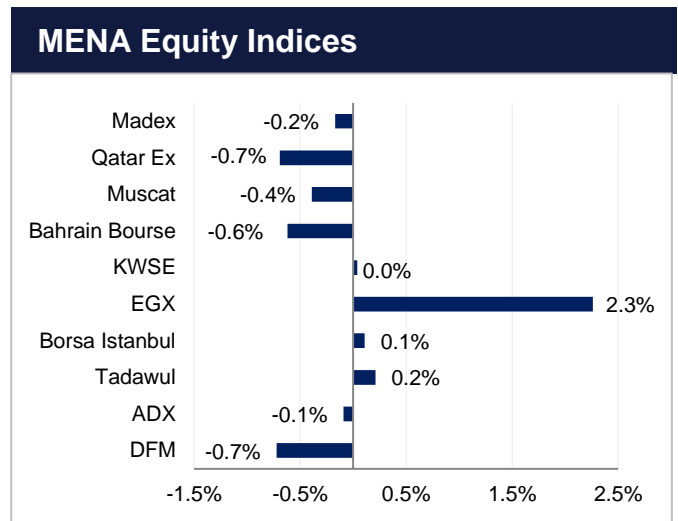
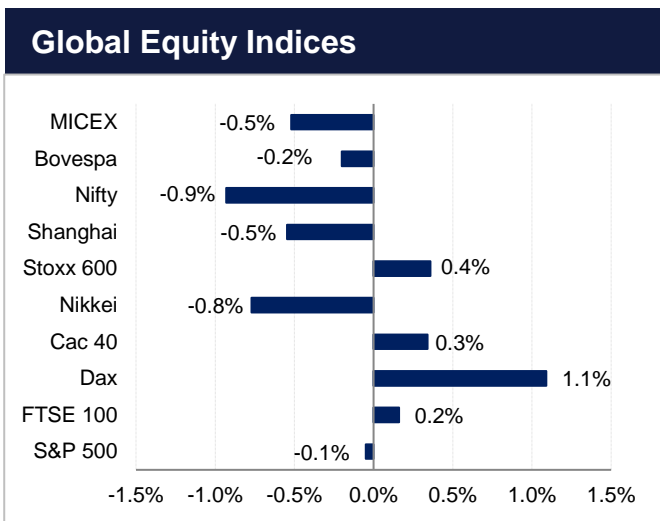
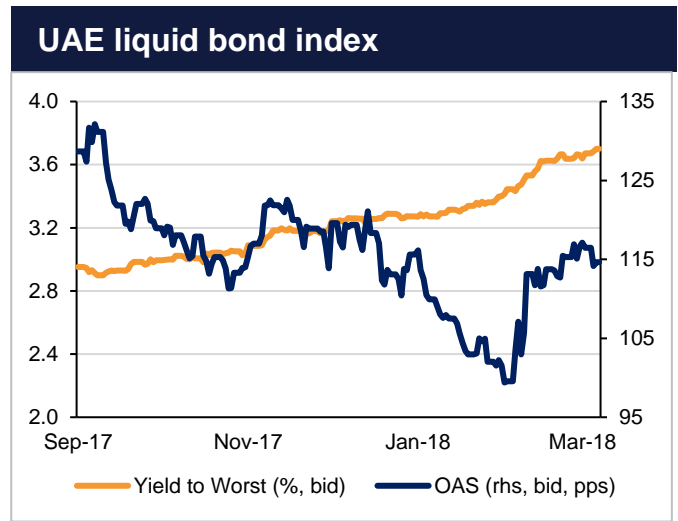
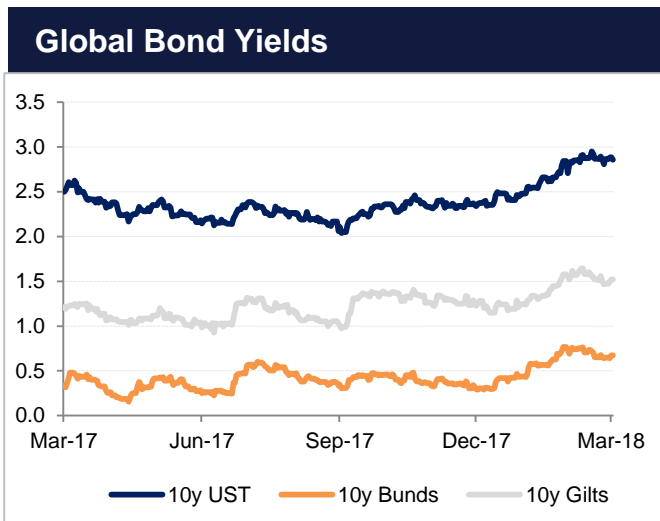
Developed market equities closed mixed as speculation continued about the nature of tariffs which will be imposed by the US President later this week. The S&P 500 index closed off the lows with losses of -0.1% while the Euro Stoxx 600 index added +0.4%.

The EGX 30 index continues to outperform regional markets by a wide margin. The EGX30 index added +2.3% to take its year to date gains to +9.1%. The FTSE index decision is scheduled for later this month and that could be proving to be a catalyst for some stocks.

## Commodities

Despite falling 2.32% yesterday, oil prices have halted their decline following data released by the Energy Information Administration. Compared to expectations for an increase in U.S. crude inventories of 3 million barrels, inventories rose by 2.41 million. In addition stockpiles at Cushing, a key storage hub fell to the lowest level since 2017. As we go to print, NYMEX WTI Crude futures are trading 0.25% higher this morning at USD 61.31/bbl. while ICE Brent Crude futures are trading 0.22% higher at USD 64.48/bbl.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2411	+0.06	1.2785	USDTRY	3.8016	+0.20	EURAED	4.5587	+0.05
GBPUSD	1.3896	+0.06	1.4126	USDEGP	17.6180	+0.00	GBPAED	5.1066	+0.10
USDJPY	106.07	-0.06	103.14	USDSAR	3.7504	--	JPYAED	0.0346	+0.05
USDCAD	1.2912	+0.28	1.2825	USDQAR	3.6800	+1.06	CADAED	2.8446	-0.28
AUDUSD	0.7825	-0.05	0.7847	USDKWD	0.2998	-0.04	AUDAED	2.8734	-0.07
USDCHF	0.9435	+0.30	0.9121	USDBHD	0.3771	--	CHFAED	3.8930	-0.30
EURGBP	0.8931	-0.01	0.9051	USDOMR	0.3850	--	TRYAED	0.9600	-0.84
USDAED	3.6730	--	3.6767	USDINR	64.9300	-0.04	INRAED	0.0566	-0.08

## Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.6775	2.0622	2.3265	2.6773	USD 2 yr	2.537	+1
USD LIBOR	1.7113	2.0473	2.2405	2.5120	USD 5 yr	2.768	+0
GBP LIBOR	0.4961	0.5962	0.6998	0.9151	USD 10 yr	2.904	+0
JPY LIBOR	-0.0858	-0.0537	0.0115	0.1063	EUR 2 yr	-0.124	-0
CHF LIBOR	-0.8097	-0.7426	-0.6596	-0.5314	EUR 5 yr	0.470	-0
					EUR 10 yr	1.083	-2

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1325.57	-0.67	ADGB 6.75 19	2.42	--	Abu Dhabi	57	+1
Silver	16.50	-1.55	DUGB 7.75 20	3.11	-2	Dubai	97	--
Oil (WTI)	61.15	-2.32	QATAR 6.55 19	2.66	-4	Qatar	83	--
Aluminium	2075.50	-2.51	US Tsy 2 yr	2.25	+0	Saudi Arabia	79	+1
Copper	6909.75	-0.80	US Tsy 10 yr	2.88	-0	Bahrain	243	+1

Source: Bloomberg, Emirates NBD Research

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