



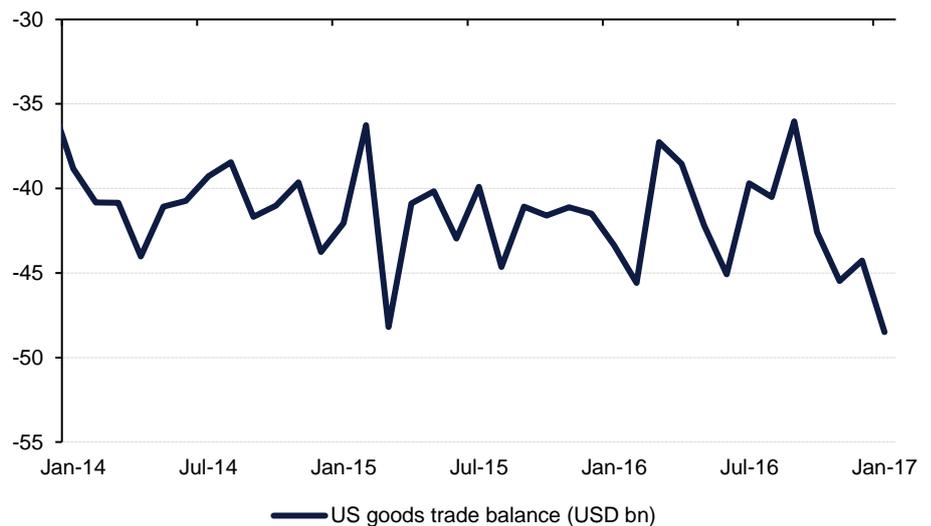
Daily Outlook

Japan's fourth quarter GDP growth was revised upwards this morning to annualized growth of 1.2% from 1.0% thanks to expansions in business investment, which rose 2%, and exports. Japan's economy has now expanded four quarters in a row which is the longest stretch of growth it has had in three years and the relatively softness of the yen against the dollar is helping to support exports.

Meanwhile, **the US in January recorded its largest trade deficit since 2012, around USD 49 bn.** While this may get the Trump administration frustrated about imports of goods from Mexico or China the levels are reflecting the solid growth in the US economy where consumers and business are demand more goods, more capital inputs. One particular import to note was imports of cars was at a record level, no doubt matching some of the data we've seen out of Japan.

UK house prices growth was weak in February, rising by just 0.1% m/m and 5.1% y/y according to the Halifax. At 5.1%, this is the lowest reading since July 2013. The data follows disappointing UK February PMI data last week and comes at a sensitive time, just as the government is expected to invoke Article 50 of the Lisbon Treaty before the end of the month, signaling the start of a two-year Brexit negotiation period. **The government lost another parliamentary vote on Brexit overnight, although the bill will go back to the House of Commons next week for the final time where it is likely to pass, paving the way for Article 50 to be triggered.** There is also the chance of the Scottish National Party calling another Independence referendum once this happens. Against this uncertain background GBP has fallen further yesterday down -0.38% on the dollar, and weaker against a number of other currencies. The UK budget will be announced later today, although it is unlikely to contain many surprises.

US trade deficit widens in January



Source: Bloomberg, Emirates NBD Research

Day's Economic Data and Events

	Time	Cons		Time	Cons
Germany industrial production	11:00	2.6%	US ADP employment chg	17:15	185k
UK Spring budget	n/a	n/a	US nonfarm productivity	17:30	1.5%

Source: Bloomberg.

Fixed Income

It was a softer day across fixed income markets with most cash bond indices closing lower. Yields on 10yr USTs closed above 2.5% for the first time since January but have given up a little ground this morning. Yields on bunds and gilts also moved higher on the day, albeit only slightly.

Regionally, the BUAEUL index closed essentially flat while the OAS was likewise marginally down.

The new issue market is awaiting Kuwait's sovereign issue which could emerge as early as next week with expectations that it could be a sizeable issue, considering the scale of Oman's recent issuance.

FX

Sterling was the big mover yesterday, falling below USD 1.22 as the UK government lost another vote on its Brexit vote in the House of Lords and weaker than expected house price data. However, it has recovered somewhat this morning ahead of the Spring Budget which will be announced this afternoon.

Kiwi consolidated below 0.70/USD, continuing the downtrend since mid-February, on muted inflation expectations.

Equities

Developed market equities drifted lower for a second consecutive trading session as investors remained cautious ahead of the Fed meeting next week. The S&P 500 index and the Euro Stoxx 50 index dropped -0.3% and -0.1% respectively.

Asian equities are trading lower this morning tracking weak close to developed markets overnight. The MSCI Asia Pacific index was trading -0.2% at the time of this writing.

Most regional equity indices closed lower. The DFM dropped -1.5% while the Qatar Exchange declined -1.9%.

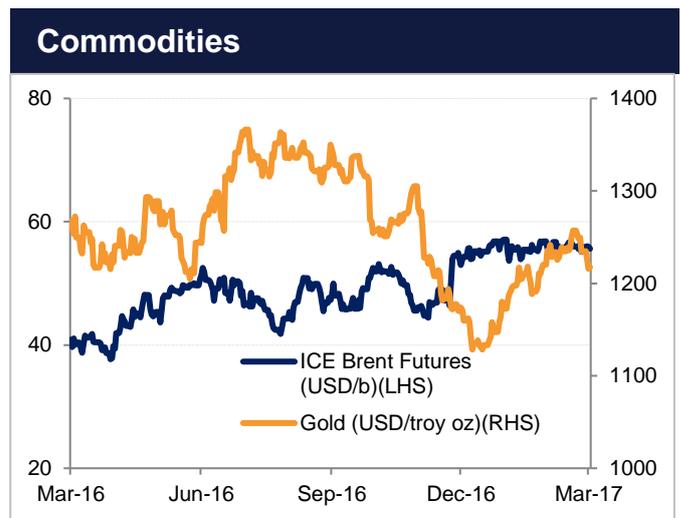
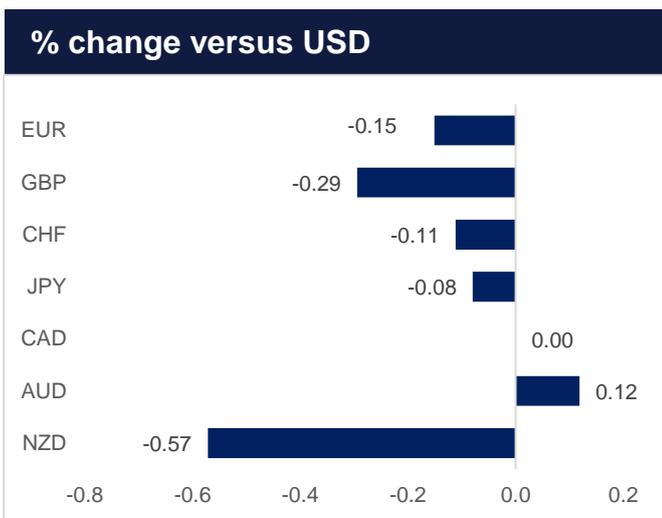
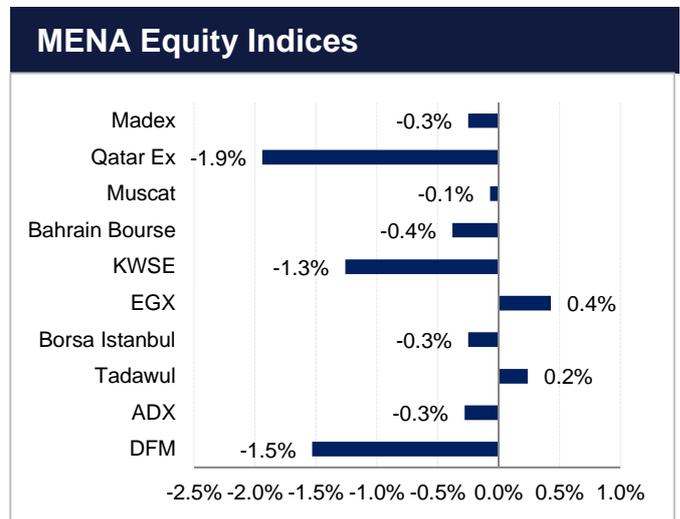
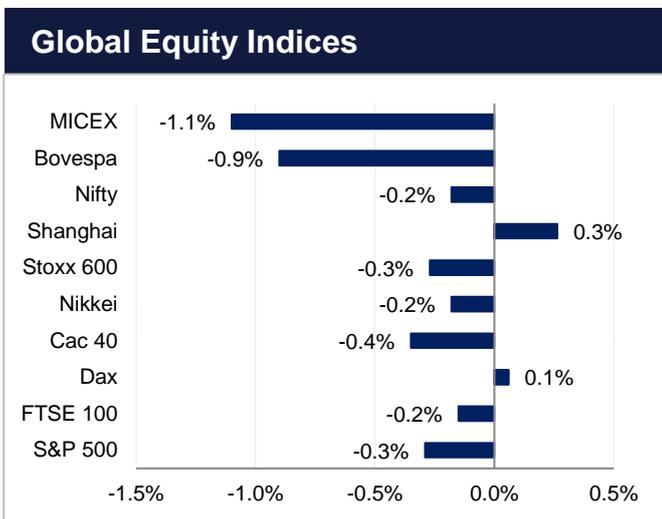
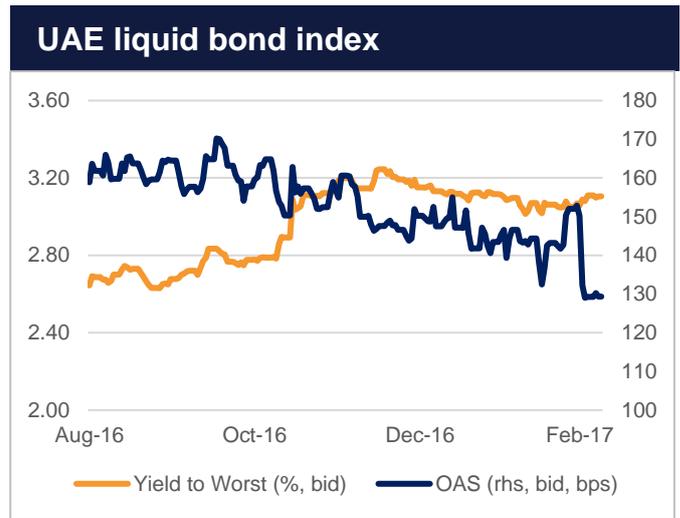
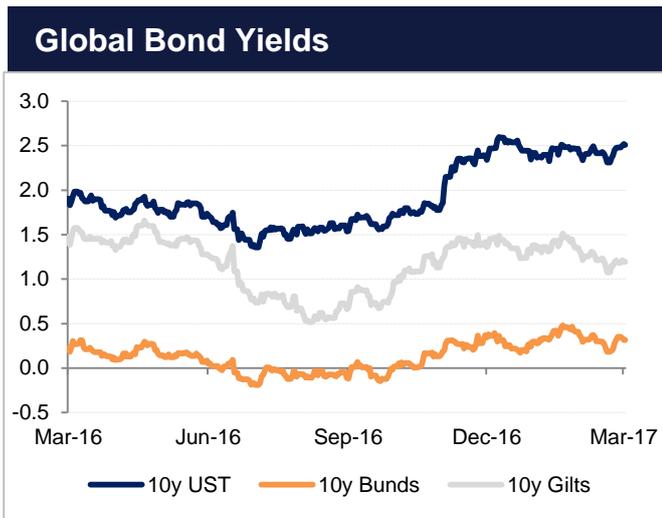
Emaar Properties closed -3.8% lower after the company proposed an unchanged cash dividend of AED 0.15 per share.

Commodities

Oil markets were slightly softer overnight as WTI futures closed at USD 53.14/b and Brent below USD 56/b. Both contracts are extending losses this morning as the market comes to grips with the EIA's upward revision of US crude production. The EIA now expects average US crude output to exceed 9.2m b/d in 2017, up from a forecast of less than 9m b/d only as recently as February. API data also reported another build in crude inventories, with their estimate of 11.6m bbl a threateningly large number.

Khalid al Falih, Saudi Arabia's energy minister, gave his comments to CERA Week yesterday, and appeared to change Saudi Arabia's view on the OPEC production cut somewhat, suggesting that it may need to be extended after its initial term of six months ends. Mr al Falih noted that inventories were not falling as quickly as he had expected, a dynamic picked up by Suhail al Mazrouei, the energy minister of the UAE.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.0566	-0.15	1.0781	USDTRY	3.6801	-0.80	EURAED	3.8807	-0.15
GBPUSD	1.2200	-0.29	1.2338	USDEGP	17.4000	+3.69	GBPAED	4.4810	-0.28
USDJPY	113.98	+0.08	111.75	USDSAR	3.7502	-0.00	JPYAED	0.0322	-0.09
USDCAD	1.3413	+0.01	1.3335	USDQAR	3.6414	+0.01	CADAED	2.7381	-0.01
AUDUSD	0.7588	+0.12	0.7542	USDKWD	0.3057	+0.05	AUDAED	2.7864	+0.09
USDCHF	1.0133	+0.10	0.9880	USDBHD	0.3770	+0.00	CHFAED	3.6246	-0.09
EURGBP	0.8661	+0.15	0.8739	USDOMR	0.3850	-0.00	TRYAED	1.0000	+1.02
USDAED	3.6726	--	3.6826	USDINR	66.6725	-0.06	INRAED	0.0551	+0.03

Rates

Interbank	1 mo	3 mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.9650	1.4054	1.6603	2.0927	USD 2 yr	1.648	+1
USD LIBOR	0.8467	1.1062	1.4210	1.8001	USD 5 yr	2.134	+1
GBP LIBOR	0.2606	0.3562	0.5039	0.7216	USD 10 yr	2.466	+0
JPY LIBOR	-0.0517	-0.0079	0.0244	0.1304	EUR 2 yr	-0.129	-1
CHF LIBOR	-0.7900	-0.7230	-0.6656	-0.5048	EUR 5 yr	0.175	-1
					EUR 10 yr	0.775	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1215.86	-0.77	ADGB 6.75 19	1.43	-1	Abu Dhabi	41	-2
Silver	17.49	-1.62	DUGB 7.75 20	2.76	-0	Dubai	115	+2
Oil (WTI)	53.14	-0.11	QATAR 6.55 19	1.99	-1	Qatar	62	-1
Aluminium	1865.75	--	US Tsy 2 yr	1.33	+2	Saudi Arabia	92	-1
Copper	5754.75	-1.52	US Tsy 10 yr	2.52	+2	Bahrain	214	-4

Source: Bloomberg, Emirates NBD Research

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