



بنك الإمارات دبي الوطني
Emirates NBD

Weekly
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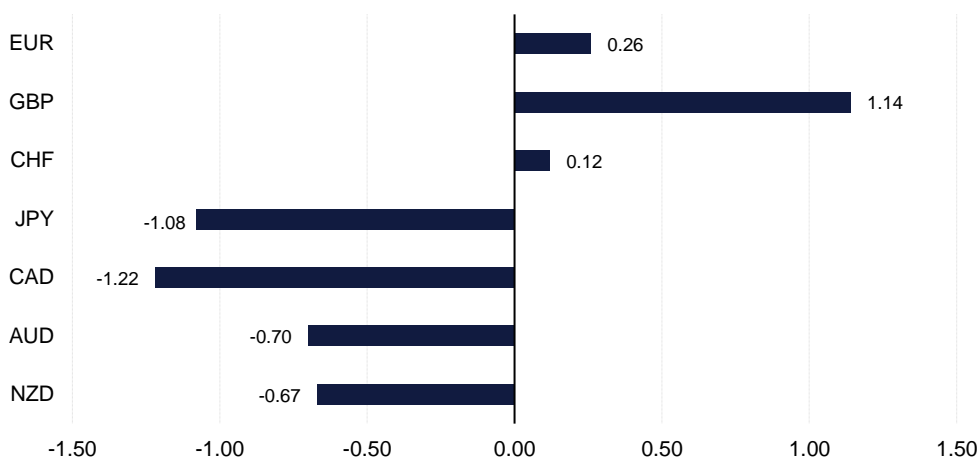
FX Week

Risk appetite is benefiting from an easing in trade tensions, better than expected U.S. Q4 GDP data, the FOMC's dovishness and expectations that the ECB may provide more stimulus measures. These are more than compensating for the breakdown of the U.S. - North Korean nuclear talks and the overhang of Brexit, although even this is becoming less of a concern as the threat of 'no-deal' appears to fade. This week's calendar of data and events includes China's National People's Congress, U.S. non-farm payrolls data and ECB, BoC, and RBA policy meetings. The outcomes of these could go a long way in setting direction for the rest of the month, but for the time being currencies are being supported and safe havens and the USD are out of favour, with the GBP and EUR rising and the JPY losing out. Furthermore, the USD is likely to feel the impact of President Trump's weekend comments in which he argued for a 'little bit lower dollar' and criticized the Fed for raising interest rates.

Recession fears in the U.S. were at least partially cooled by better than expected Q4 GDP data, which rose by 2.6% on an annualized basis. The result included a solid contribution from domestic consumption and capital investment, although with retail sales having tailed off in December (-1.8% m/m) and personal spending also dropping (-0.6%), the omens for Q1 are probably much less favourable, especially with the February ISM manufacturing index declining as well. Attention will now be on the February employment report and a number of other delayed indicators, with markets currently expecting the labour market to remain firm. Fed Chairman Powell will also remain a focal point as he will be discussing Monetary Policy Normalization at Stanford University at the end of the week, although he is expected to reiterate the Fed's patient approach.

In China the National People's Congress will start on Tuesday, and could announce new GDP growth targets. Key data on manufacturing activity, external trade and inflation will also be watched closely by the markets and by policymakers. Australia's RBA and the Bank of Canada both have policy meetings scheduled, with both seen on hold, with rates steady at 1.50%, and 1.75% respectively. The ECB policy meeting will be the other major event, with markets expecting less hawkish guidance by President Draghi.

Weekly currency movement vs USD (%)



Source: Bloomberg, Emirates NBD Research

EURUSD

EURUSD rises for a second week

Despite Q4 2019 GDP data being better than expected, the USD turned in a softer performance last week. The main reason behind this was the easing in trade tensions between the U.S. and China and the dovishness of U.S. monetary policy makers. Investors continue to expect no further rate hikes from the Federal Reserve and actually may expect further pressure on the policy makers, following developments over the weekend. U.S. President Trump again commented on exchange rates on Saturday, stating that the dollar is “too strong” and referring to Fed Chairman Powell as “a gentleman that likes raising interest rates.” Under these conditions, the euro may gain more ground on the dollar, a trend that may continue as divergence in monetary policy between the Fed and ECB becomes less pronounced.

U.S. NFP and the ECB are key this week.

Next week’s key economic data release is likely to be the U.S. nonfarm payroll report which is expected to show that 185,000 new jobs were created in February 2019, taking the unemployment rate down from 4.0% to 3.9%. With the same report likely to show accelerating wage pressures, further evidence of tightening in the labour market is likely to be the conclusion of the report. With this in mind, a positive report may not give the dollar much reprieve from the losses of the last two weeks however as more will probably be needed to persuade the markets that rate hikes will happen in 2019.

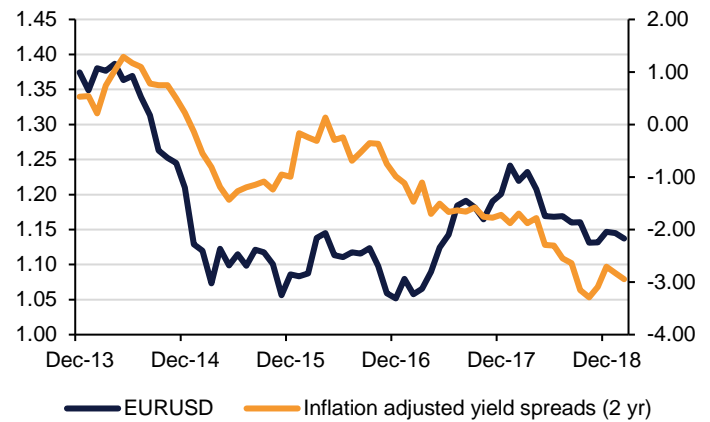
In Europe, the focus will be on monetary policy with the ECB meeting on Thursday. The key question is whether there will be a change in the ECB’s guidance, which currently still keeps open the option of a rate hike later in the year. Downward revisions to the ECB’s growth forecasts could be seen as the excuse to withdraw this guidance, and could also be seen increasing the arguments in favour of another round of cheap TLTRO loans, which might leave the EUR a little vulnerable.

Technical outlook

An increase of 0.27% resulted in EURUSD closing at 1.1366 last week, a second week of gains and the second time that the price has found support at the 200-week moving average (1.3338). Over the course of the week, the price has reached as high as 1.1420, before retreating lower. Support was consistently found at the 200-week moving average and while the price remains above this level, we expect further gains and maintain our Q1 2019 forecast of 1.15.

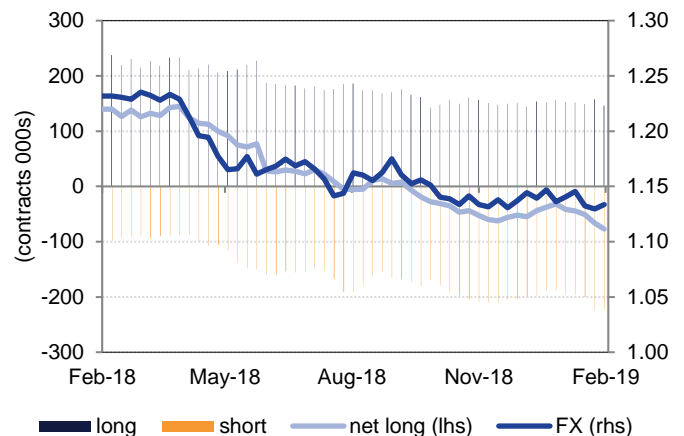
Forecasts	Spot	1 Week	1 month
EURUSD	1.1365	1.1400	1.1500
EURGBP	0.8607	0.8769	0.9200
EURJPY	127.18	128.82	128.80

Yield Spreads



Source: Bloomberg, Emirates NBD Research

Net Positioning



Source: Bloomberg, Emirates NBD Research

Weekly Candle Chart



Source: Bloomberg, Emirates NBD Research

USDJPY

Risk appetite catalyzes USDJPY advance

Amid an easing in trade tensions, and expectations of loosening monetary policy, risk appetite was abundant last week. Under these conditions and a steepening U.S. Treasury curve, USDJPY posted a fourth consecutive week of gains.

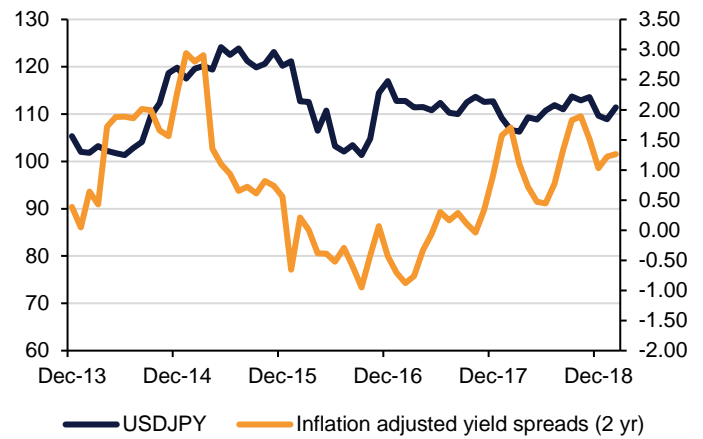
Over the next week, final data for Q4 2018 Japanese GDP is expected to show some upward revisions, rising to 1.7% q/q annualized compared with the previous print of 1.4% q/q. However, this increase is unlikely to give the yen support and risk appetite is likely to continue to be the key driver of USDJPY in the week ahead.

Technical outlook

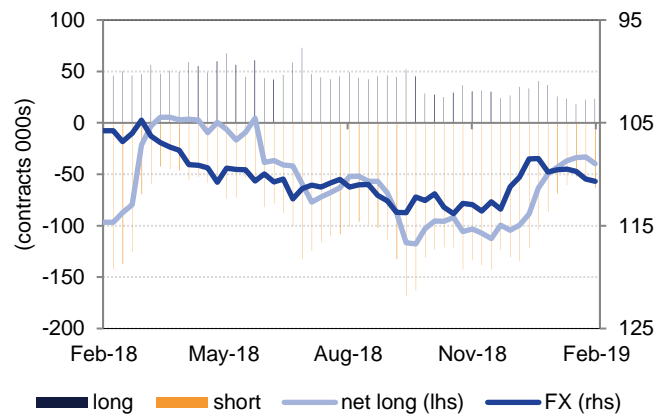
Last week's 1.10% gain took USDJPY to 111.91, in a move that broke above many significant levels. Over the course of the week, the price broke above the 61.8% one-year Fibonacci retracement (110.73), formerly resistive 200-day moving average (111.34) and 100-day moving average (111.39) which is now acting as a support level. Furthermore, the 50-week moving average (110.67) which was broken last week has provided support and the 100-week moving average (110.79) was closed above for the first time in 2019. These developments are bullish for the USDJPY which finds itself close to many support levels. In the week ahead, a break of the 200-week moving average (112.37) and 67.4% one-year Fibonacci retracement (112.19) may trigger further gains towards the 113 handle.

Forecasts	Spot	1 Week	1 month
USDJPY	111.89	113.00	112.00
EURJPY	127.18	128.82	128.80
GBPJPY	147.72	146.90	140.00

Yield Spreads



Net Positioning



Source: Bloomberg, Emirates NBD Research

Weekly Candle Chart



Source: Bloomberg, Emirates NBD Research

GBPUSD

GBPUSD gains for a second week

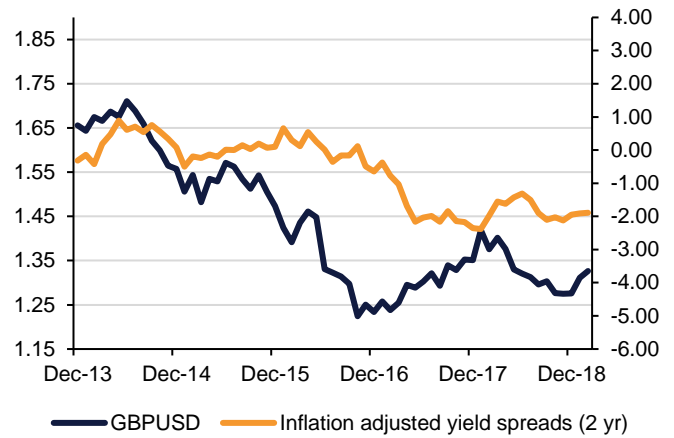
GBP rallied last week against the USD, EUR and JPY, and is up nearly 5% year-to-date. This strength reflects a reduction in the pound's perceived Brexit discount, as political developments appear to have reduced the chances of a no-deal outcome. Key parliamentary votes on Brexit are due the week of March 11th and the pound has the potential to rally much more should a no-deal scenario be completely ruled out. However, surprises are still quite possible in the run-up to these votes, which could mean that volatility will be the main risk in the coming week depending on the headlines.

Technical outlook

GBPUSD rose 1.15% last week, closing at 1.3202. Over the course of the week, there were many key technical developments. The price broke above the 50-week moving average (1.3155) and the 100-week moving average (1.3202) closing at the latter. The price had climbed to as high as 1.3350, an eight month high, before paring some of these gains. In the next week, the key question will be whether the price continues to sustain daily closes above the 38.2% one-year Fibonacci retracement. This will be vital for GBPUSD to hold onto its gains.

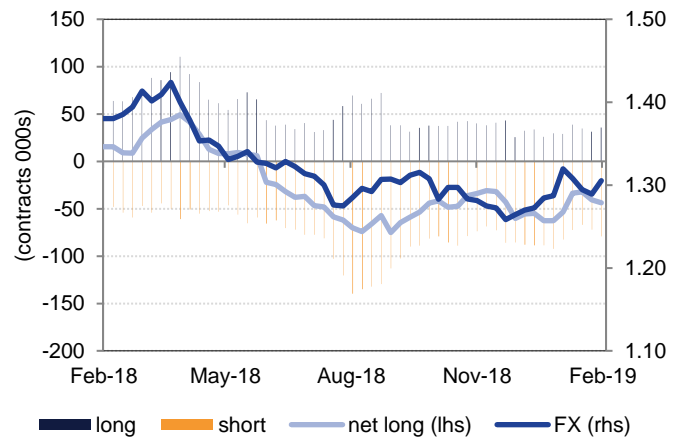
Forecasts	Spot	1 Week	1 month
GBPUSD	1.3202	1.3000	1.2500
EURGBP	0.8607	0.8769	0.9200
GBPJPY	147.72	146.90	140.00

Yield Spreads



Source: Bloomberg, Emirates NBD Research

Net Positioning



Source: Bloomberg, Emirates NBD Research

Daily Candle Chart



Source: Bloomberg, Emirates NBD Research

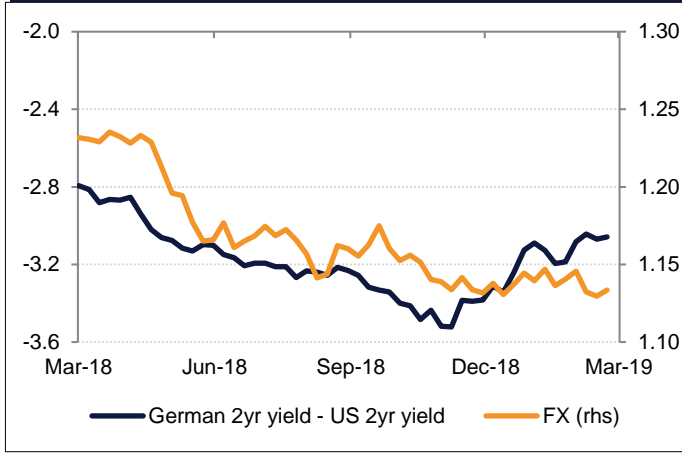
FX Forecasts

FX Forecasts - Major						Forwards		
	1-Mar	Q1 2019	Q2 2019	Q3 2019	Q4 2019	3m	6m	12m
EURUSD	1.1365	1.1500	1.1500	1.1800	1.2000	1.1422	1.1509	1.1690
USDJPY	111.89	111.00	113.00	112.00	110.00	109.89	109.10	107.42
USDCHF	0.9993	1.0000	1.0000	0.9800	0.9700	0.9919	0.9834	0.9662
GBPUSD	1.3202	1.2500	1.3000	1.3500	1.4000	1.3113	1.3171	1.3283
AUDUSD	0.7079	0.7300	0.7550	0.7700	0.8000	0.7139	0.7148	0.7171
NZDUSD	0.6800	0.6800	0.6900	0.7100	0.7400	0.6857	0.6868	0.6890
USDCAD	1.3297	1.3250	1.2850	1.2600	1.2500	1.3106	1.3081	1.3035
EURGBP	0.8607	0.9200	0.8846	0.8741	0.8571	0.8707	0.8735	0.8798
EURJPY	127.18	127.65	129.95	132.16	132.00	125.47	125.47	125.47
EURCHF	1.1358	1.1500	1.1500	1.1564	1.1640	1.1328	1.1317	1.1293
FX Forecasts - Emerging						Forwards		
	1-Mar	Q1 2019	Q2 2019	Q3 2019	Q4 2019	3m	6m	12m
SAR	3.7504	3.7500	3.7500	3.7500	3.7500	3.7509	3.7520	3.7568
AED	3.6729	3.6730	3.6730	3.6730	3.6730	3.6737	3.6744	3.6765
KWD	0.3037	0.3020	0.3020	0.3020	0.3020	0.1520	0.3038	--
OMR	0.3850	0.3850	0.3850	0.3850	0.3850	0.3855	0.3864	0.3885
BHD	0.3770	0.3770	0.3770	0.3770	0.3770	0.3762	0.3762	0.3787
QAR	3.6553	3.6400	3.6400	3.6400	3.6400	3.6543	3.6547	3.6542
EGP	17.5070	18.0000	18.1250	18.2500	18.2500	17.8950	18.3250	19.3200
INR	70.911	70.000	70.000	68.000	68.000	71.9000	72.6800	74.1500
CNY	6.7064	6.9000	7.0000	7.1000	7.2000	6.7045	6.7118	6.7225
SGD	1.3552	1.3500	1.3200	1.3000	1.2900	1.3484	1.3463	1.3406
FX Forecasts - MENA						Forwards		
	1-Mar	Q1 2019	Q2 2019	Q3 2019	Q4 2019			
MAD	9.5615	9.5000	9.6000	9.6000	9.7000			
TND	3.0370	3.0800	3.1000	3.1500	3.2000			
TRY	5.3733	5.4000	5.5000	5.6000	5.7000			

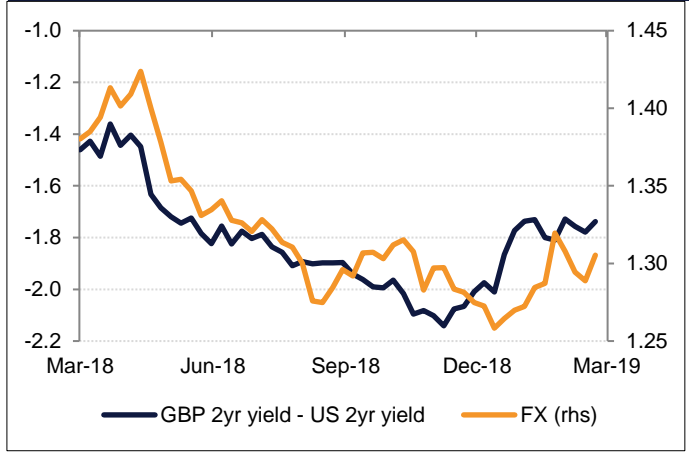
Source: Bloomberg, Emirates NBD Research
 *Denotes USD peg

Major FX and Nominal Interest Rates

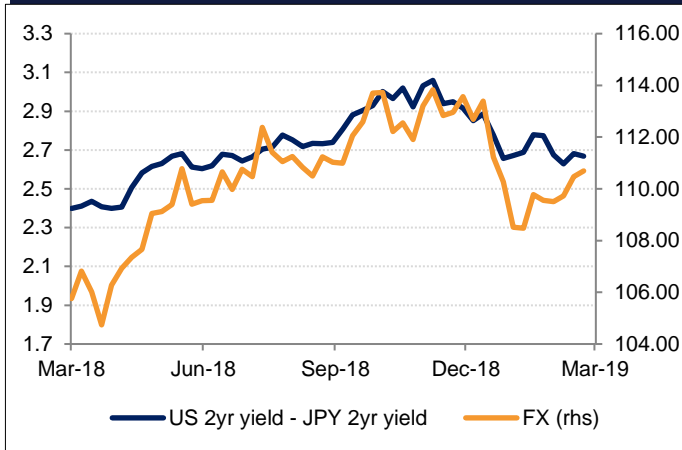
Interest Rate Differentials - EUR



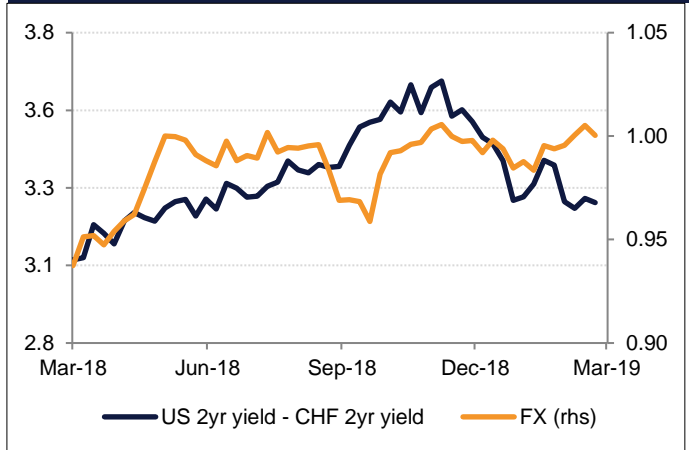
Interest Rate Differentials - GBP



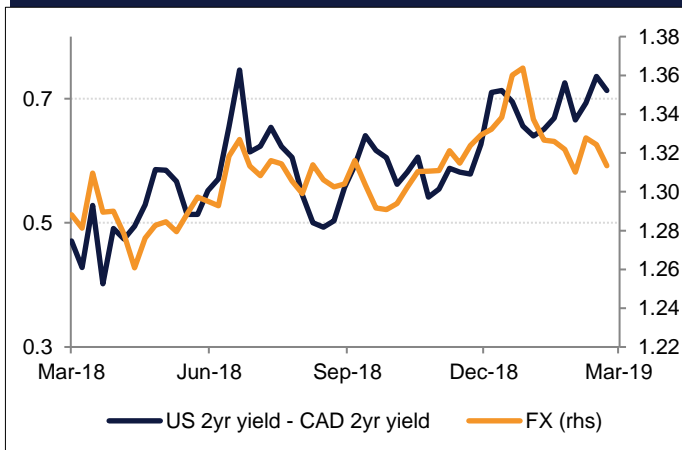
Interest Rate Differentials - JPY



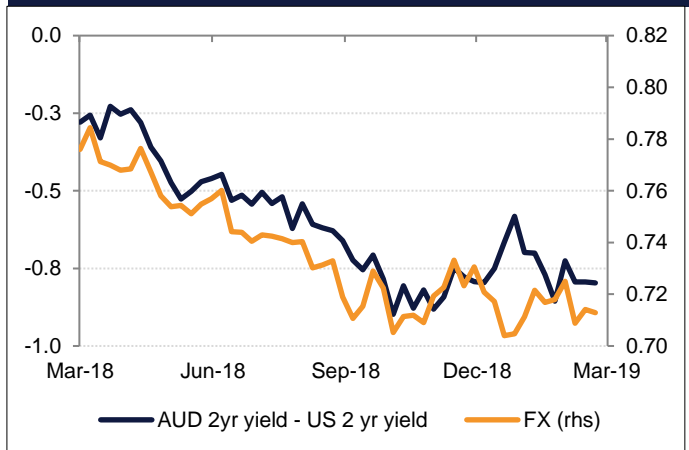
Interest Rate Differentials - CHF



Interest Rate Differentials - CAD

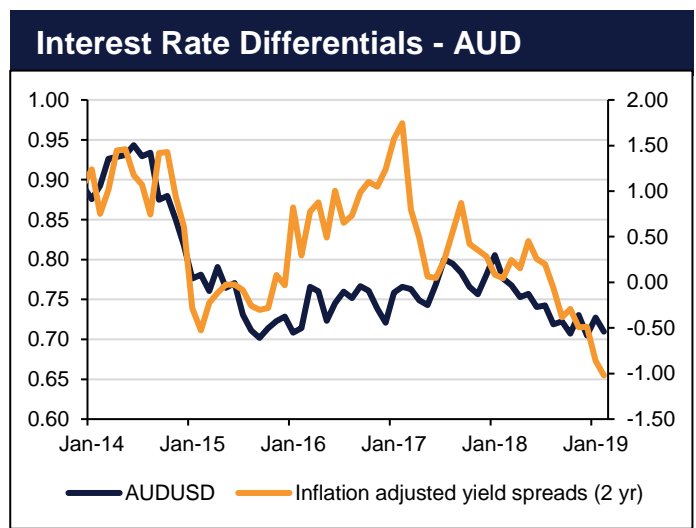
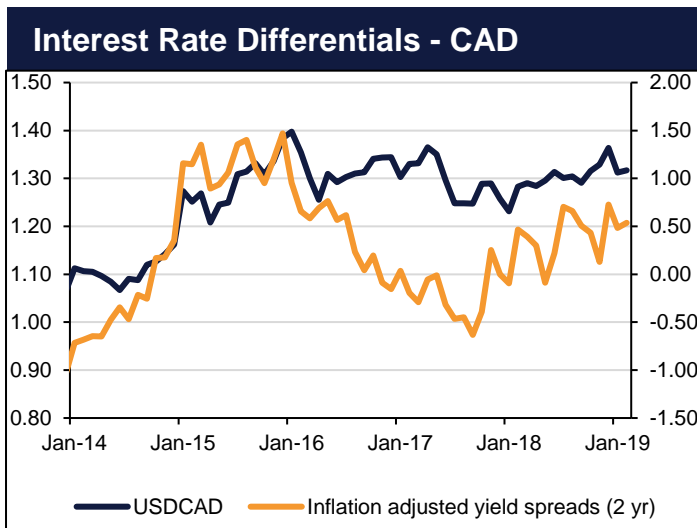
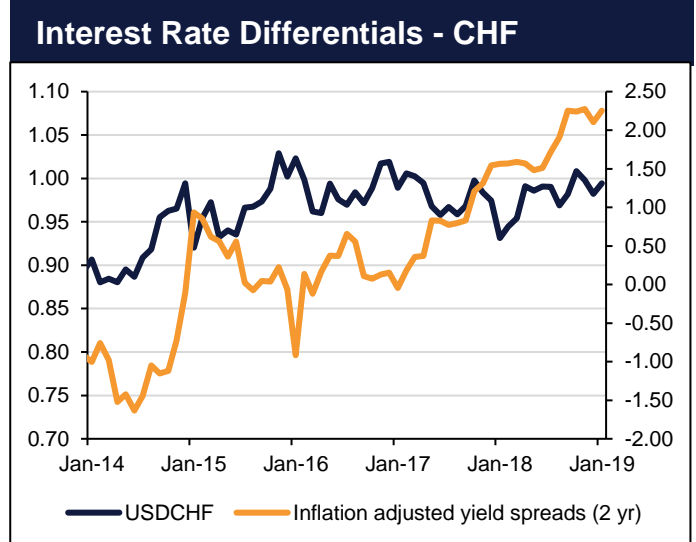
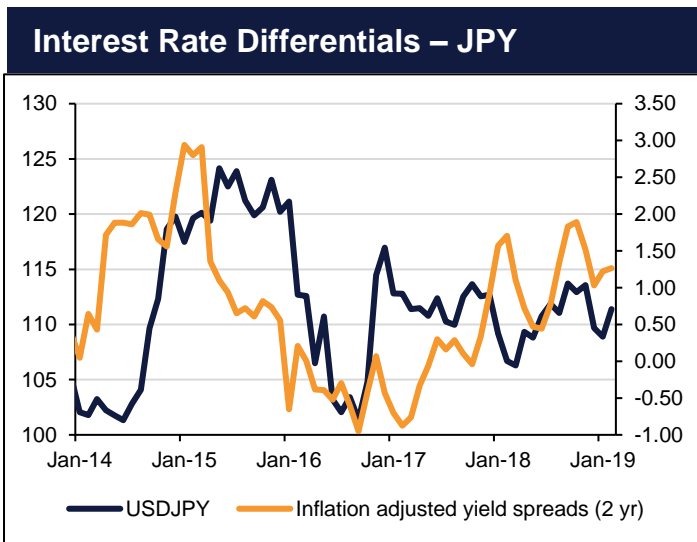
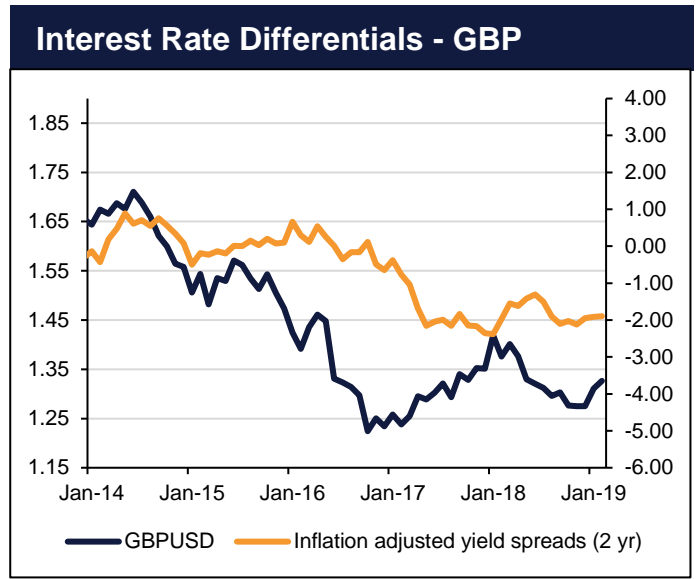
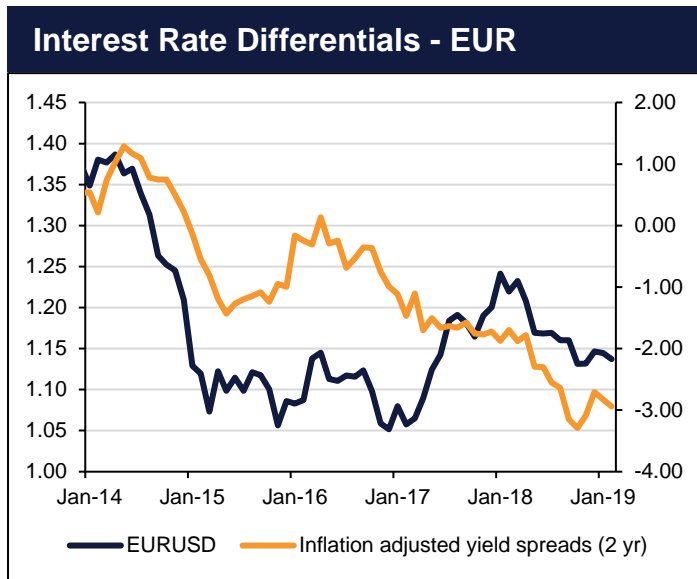


Interest Rate Differentials - AUD



Source: Bloomberg, Emirates NBD Research

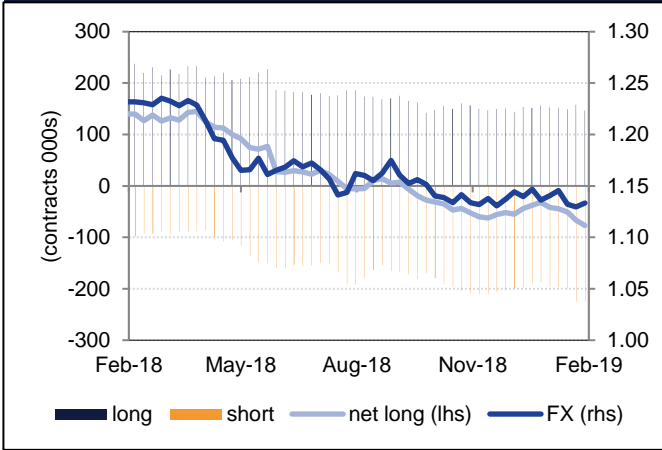
Major FX and Real Interest Rates



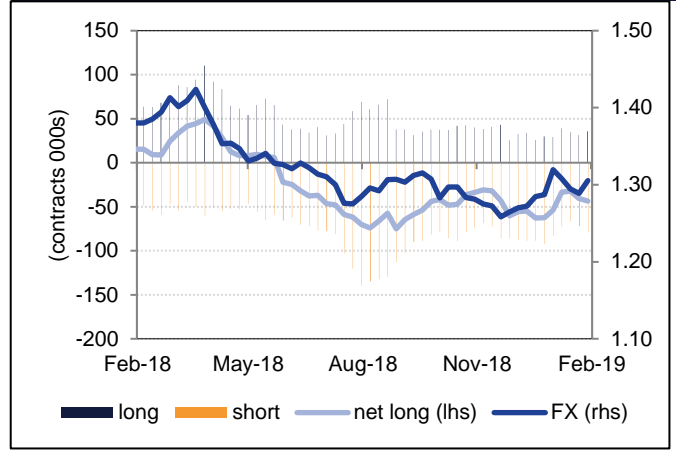
Source: Bloomberg, Emirates NBD Research

Major Currency Positions

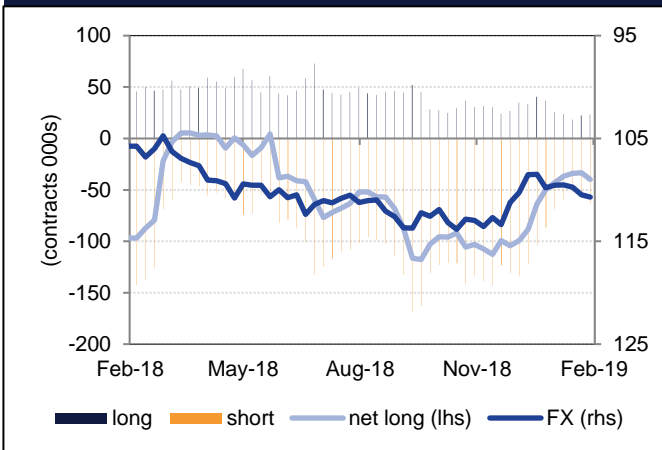
CFTC – Speculative Positions - EUR



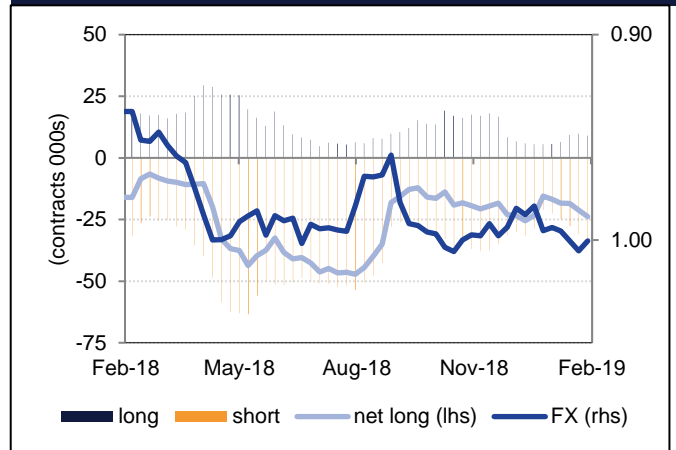
CFTC – Speculative Positions - GBP



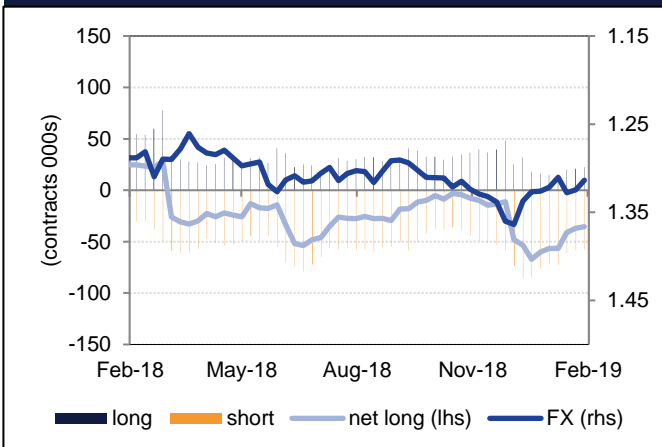
CFTC – Speculative Positions - JPY



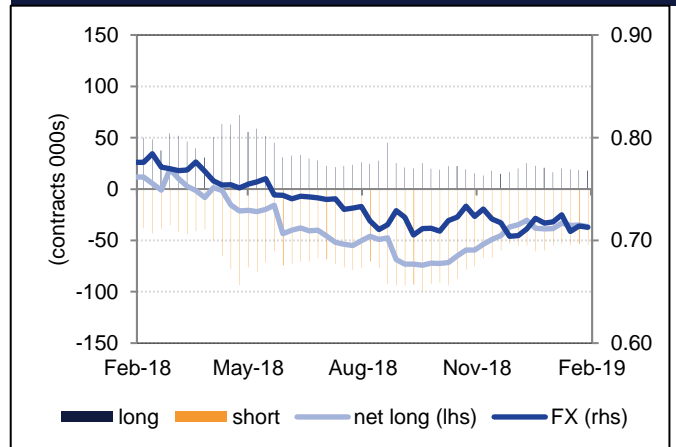
CFTC – Speculative Positions - CHF



CFTC – Speculative Positions - CAD



CFTC – Speculative Positions - AUD



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