



بنك الإمارات دبي الوطني  
Emirates NBD

Daily

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www.emiratesnbdresearch.com

# Daily Outlook

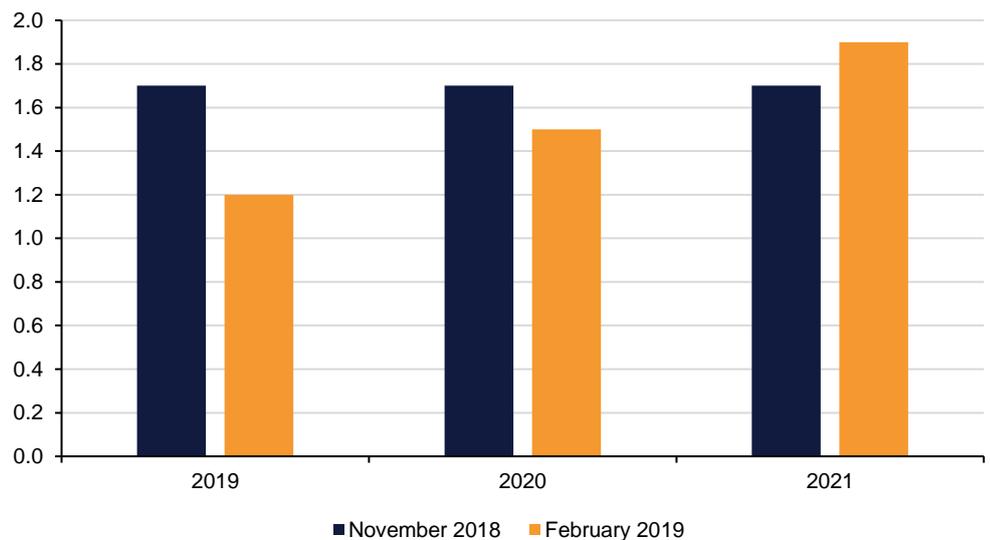
**The Reserve Bank of India cut repo rates by 25 bps to 6.25% and changed its stance to neutral from calibrated tightening.** The cut was a surprise relative to consensus view but in line with our expectations. The central bank also cut its inflation forecasts for a second successive meeting and now forecasts inflation across Q2 2019 and Q3 2019 in the range of 3.2% -3.4% and 3.9% for Q4 2019. The RBI also flagged concerns over growth including investment slowdown and deceleration in services sector.

**The Bank of England held interest rates at 0.75% during last week's meeting and revised downwards their expectations for economic growth,** Governor Mark Carney warning that the "fog of Brexit" was likely to result in economic growth slowing to its lowest level in a decade, with significant declines in investment and wage growth. As a result of this, the MPC have lowered their growth expectations for 2019 and 2020 to 1.2% and 1.5% respectively, compared with 1.7% expected for both in their November report. **The EC also slashed its euro-zone GDP growth forecast for 2019 from 1.9% in November to 1.3% at the end of last week.** Among the biggest changes Italy's growth projection was cut from 1.2% to 0.2% and Germany's from 1.8% to 1.1%. The coming week will see if Germany avoided slipping into outright recession at the end of last year, with publication of Q4 GDP data on Thursday.

**Egyptian CPI inflation posted a modest acceleration in January, climbing to 12.7% y/y, from 12.0% in December. Core inflation also rose, from 7.9% to 8.3%.** This reaffirms our expectation that the CBE will keep rates on hold at its meeting this week, before resuming its rate-cutting cycle later in the year.

**Emirates Development Bank (EDB) will be the first federal institution to issue bonds under the new debt law.** EDB is expected to raise USD 750mn this month, to finance loans to SMEs and UAE citizens. The central bank is also expected to issue debt this year under the new law which was approved last October.

## Bank of England lowers growth forecasts



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

	Time	Cons		Time	Cons
UK Q4 2018 GDP y/y	13:30	1.4%	UK Industrial Production m/m	13:30	0.1%
UK Trade Balance	13:30	-£3000m			

Source: Bloomberg, Emirates NBD Research.

## Fixed Income

Treasuries ended the week higher as mixed economic data across economies raised concern over growth and further validated the market theory that the Federal Reserve will find it difficult to raise rates in 2019. Yields on the 2y UST, 5y UST and 10y UST closed the week 2.46% (-4 bps w-o-w), 2.44% (-6 bps w-o-w) and 2.63% (-5 bps w-o-w) respectively.

European sovereign yields moved sharply lower as the European Union lowered their growth projections for the region. Yields on 10y Bunds dropped 8 bps to 0.08%, the lowest since Q3 2016.

Regional bonds continued to benefit from drop in benchmark yields. The YTW on the Bloomberg Barclays GCC Credit and High Yield index dropped -3bps w-o-w to 4.37% and credit spreads tightened marginally to 187 bps.

Following the passage of UAE's debt law late last year which allowed the federal government to issue debt, Emirates Development Bank plans to raise USD 750mn through bond issuance later this month. This will be the institution's first debt issuance since starting operations in 2015. The proceeds will be passed onto the UAE economy through loans to SMEs and other entities as well as for housing and providing cost savings.

Bahrain's finance minister said that the country will focus on 'stringent cost controls' in its bid to cut its budget deficit. He added that the government trimmed the deficit by 35% last year as part of a plan to balance the budget by 2022.

## FX

EURUSD fell by 1.17% last week, closing at 1.1323 in a move that saw the price break below the 100-day and 50-day moving averages (1.1424 and 1.1398 respectively). Also of note is that the 200-week moving average (1.1333) which had acted as a support line over the last fifteen weeks has been breached. This development is bearish for EURUSD and while the price trades below this level, a larger decline towards the one year low of 1.1216 cannot be ruled out.

GBPUSD fell for a second week losing 1.05% to close at 1.2944. In the process, the price fell below the 200-week moving average (1.3023) an area that provided support towards the end of January. Further losses were only halted when support was found close to the 100-day moving average (1.2890) and 23.6% one-year Fibonacci retracement (1.2898). At these levels, the price remains vulnerable and a break below the 1.2890 level exposes the price to further slides towards 1.27.

## Equities

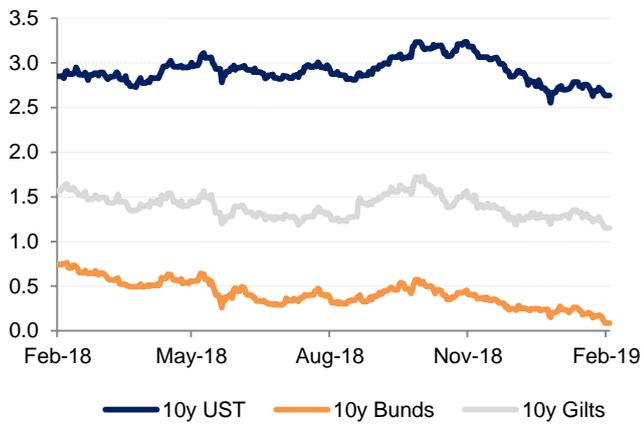
Regional equities started the week on a negative note as most major indices closed lower. Dubai Investments dropped -6.4% after the company reported a 35% y/y decline in 2018 profits to AED 651.4mn. The company attributed the decline to fair valuation loss on investment properties and financial instruments. Elsewhere, Aluminium Bahrain dropped -9.5% after the company reported loss of BHD 17.5mn in Q4 2018. This was the company's first quarterly loss in 12 quarters. The company also said that it will not distribute dividend for 2018.

## Commodities

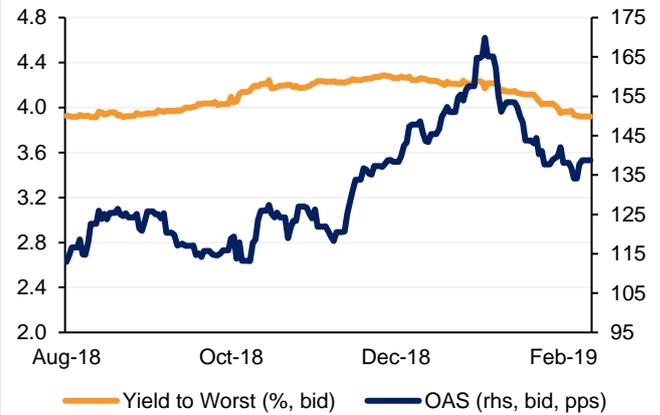
Oil markets had their biggest weekly decline since December 2018 as concerns over economic growth resurfaced. Last week, the WTI futures dropped -4.6% while Brent futures eased -1.0%. Further, the data released by Baker Hughes showed that working American oil rigs rose by seven last week to 854. This was only the second instance in 2019 when drillers increased activity.

## Markets in Charts

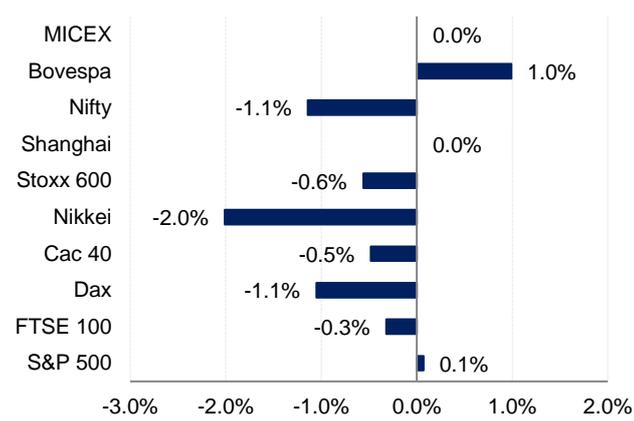
### Global Bond Yields



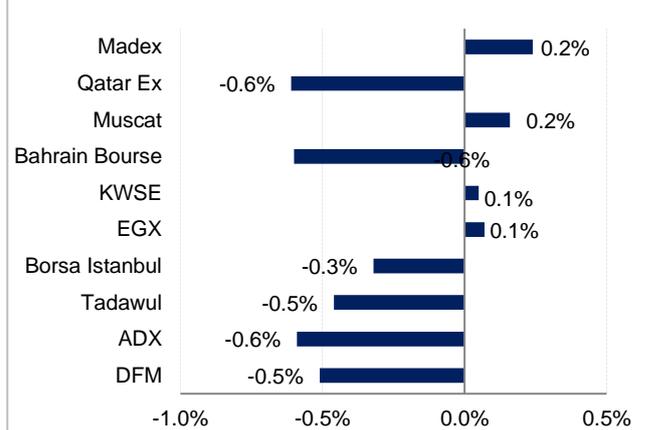
### UAE liquid bond index



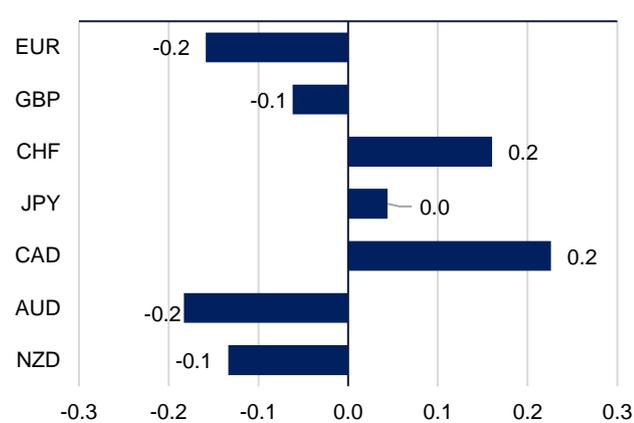
### Global Equity Indices



### 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	1.1323	-0.16	1.1682	USDTRY	5.2474	-0.37	EURAED	4.1588	-0.15
GBPUSD	1.2944	-0.06	1.3178	USDEGP	17.6800	+0.15	GBPAED	4.7590	+0.04
USDJPY	109.73	-0.08	106.42	USDSAR	3.7503	--	JPYAED	0.0335	+0.05
USDCAD	1.3278	-0.23	1.3180	USDQAR	3.6800	+1.05	CADAED	2.7660	+0.22
AUDUSD	0.7088	-0.18	0.7129	USDKWD	0.3031	+0.74	AUDAED	2.6034	-0.19
USDCHF	1.0005	-0.16	0.9659	USDBHD	0.3770	+0.00	CHFAED	3.6715	+0.19
EURGBP	0.8741	-0.17	0.8857	USDOMR	0.3850	+0.13	TRYAED	0.7000	+0.37
USDAED	3.6730	--	3.6759	USDINR	71.2250	-0.32	INRAED	0.0552	+7.23

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.5750	2.8513	3.1438	3.5990	USD 2 yr	2.614	-1
USD LIBOR	2.5041	2.6978	2.7419	2.9358	USD 5 yr	2.536	-2
GBP LIBOR	0.7321	0.8828	1.0065	1.1418	USD 10 yr	2.661	-2
JPY LIBOR	-0.1125	-0.0898	-0.0017	0.0992	EUR 2 yr	-0.160	-0
CHF LIBOR	-0.7794	-0.7098	-0.6534	-0.5160	EUR 5 yr	0.103	-2
					EUR 10 yr	0.627	-3

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1314.29	+0.32	ADGB 6.75 19	2.42	--	Abu Dhabi	62	+1
Silver	15.84	+0.65	DUGB 7.75 20	3.21	-1	Bahrain	255	6
Oil (WTI)	52.72	+0.15	QATAR 6.55 19	2.60	+15	Dubai	129	+2
Aluminium	1857.50	-0.75	US Tsy 2 yr	2.47	-1	Qatar	76	1
Copper	6190.75	-0.60	US Tsy 10 yr	2.63	-2	Saudi Arabia	91	+3

Source: Bloomberg, Emirates NBD Research

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