



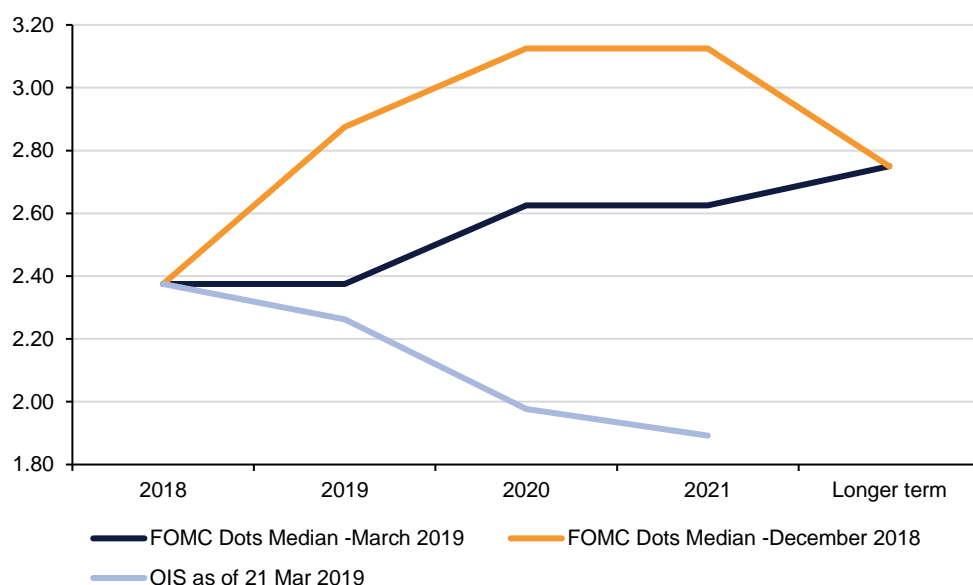
# Daily Outlook

The Fed sounded a more dovish tone than the market had been expecting yesterday, with the 'dot' plot now indicating no rate hikes in 2019 and just one in 2020. The Fed's median GDP growth forecast was revised down for both 2019 and 2020. In the post meeting statement, the Fed noted that growth has slowed since Q4 2018 and that recent data indicated weaker household spending and business fixed investment in Q1. Fed Chairman Powell re-iterated that policy decisions remain dependent on data, and that the Committee would remain patient in determining the path of interest rates going forward. In terms of the balance sheet reduction, the Fed will reduce the size of monthly redemptions to USD 15bn from USD 30bn and stop the run-off in September this year.

Treasury yields and the dollar declined following the FOMC's statement, but after an initial post-meeting rally, US equities closed lower. This was largely due to comments by President Trump that he expects to leave existing tariffs on Chinese imports into the US in place for some time, to ensure China's compliance with the terms of any trade agreement that is reached. The Chinese had been calling for the existing tariffs to be lifted as part of the deal.

Sterling weakened overnight after PM May requested only a short delay to Brexit, to the end of June, allowing her more time to get her deal approved by parliament next week. The EU is unlikely to formally agree to the extension at the summit today, and has instead pencilled in an emergency summit next week to decide this. European Council President Tusk said the EU would only approve the short extension if the existing deal was approved by the UK's parliament next week. If parliament does not approve the deal, the alternative would be a no-deal Brexit or a longer extension, with the EU potentially adding conditions such as a second referendum.

## 'Dot' plot shows majority on FOMC expect rates on hold in 2019



Source: Bloomberg, Emirates NBD Research

## Today's Economic Data and Events

|                           | Time  | Cons |                               | Time  | Cons  |
|---------------------------|-------|------|-------------------------------|-------|-------|
| UK Retail Sales Feb y/y   | 13:30 | 3.3% | Band of England rate decision | 16:00 | 0.75% |
| US Initial Jobless Claims | 16:30 | 225k | US Leading Index              | 18:00 | 0.1%  |

Source: Bloomberg, Emirates NBD Research.

## Fixed Income

Benchmark UST yields sank after the Federal Reserve cut its rate hike projections to none for 2019 from two previously. Yields on 10yr USTs fell 7.5bps to close the day back at a 2.5% handle, its lowest level since January 2018. The messaging from the Fed was perhaps even more dovish than the market expected and it is likely to be a few days before markets steady at new lower levels. The 2-10yr spread fell to below 14bps and has pushed lower this morning.

The Fed is also ending its balance sheet reduction in September and will resume being a net buyers of Treasuries in the second half of the year.

## FX

The USD weakened in the aftermath of the FOMC monetary policy meeting (see marco), the Dollar Index falling 0.65% on Wednesday to close at 95.761. Support near the 200-day moving average (95.850) and 200-week moving average (95.899) have helped slow further declines and this morning the index is trading just above these levels at 95.904. We expect a retest and break of these level to be followed by a test of the 76.4% one-year Fibonacci retracement (95.642). A break of this level is likely to catalyse a more significant decline towards the 50-week moving average (95.235) and then the 61.8% one-year Fibonacci retracement (94.361).

## Equities

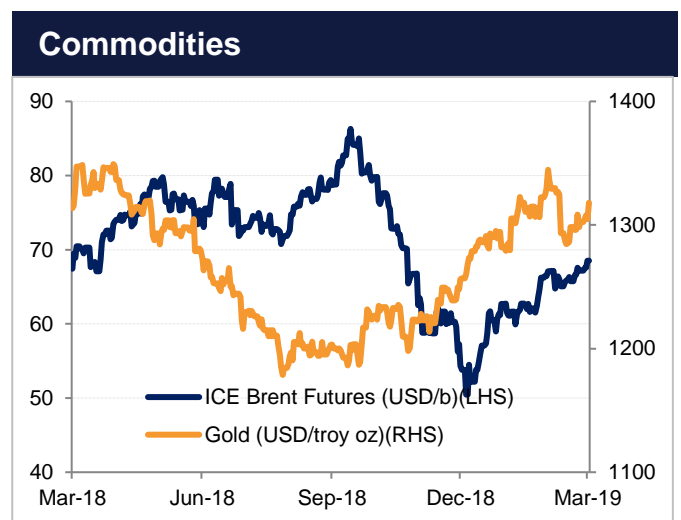
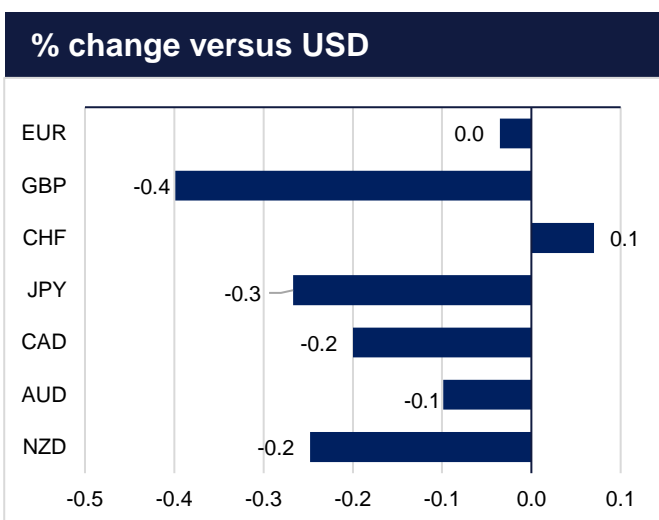
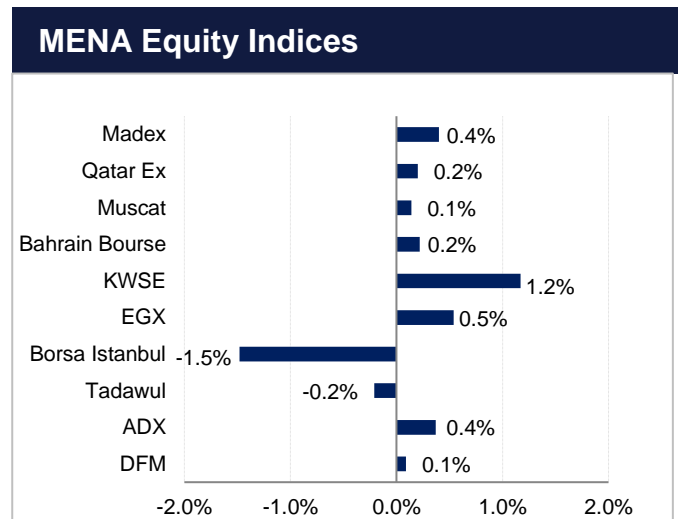
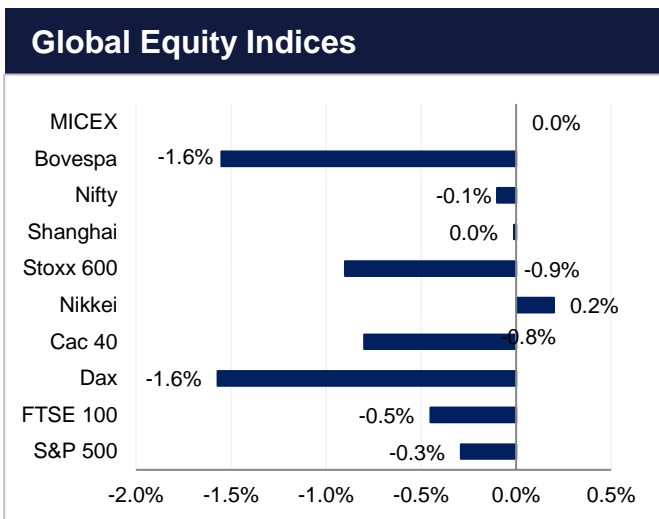
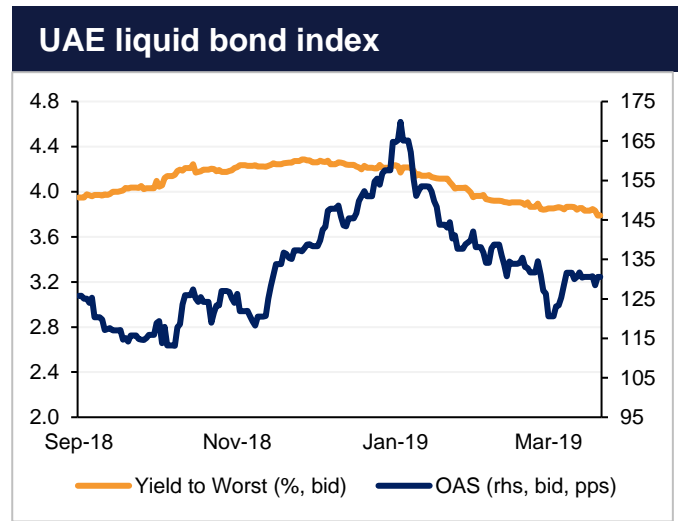
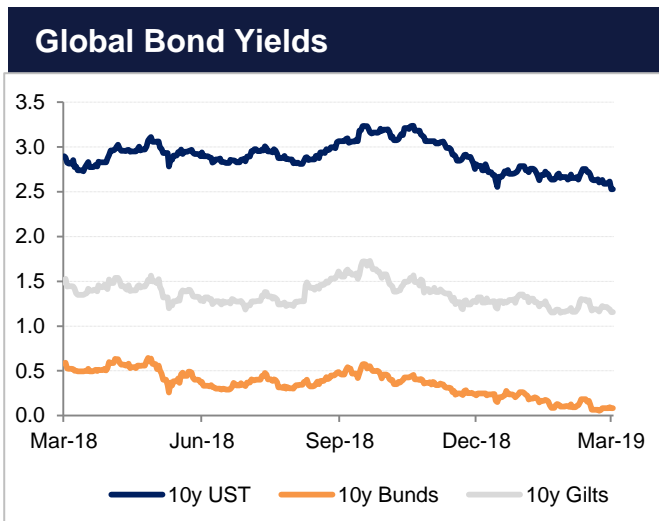
Equity markets sold off as the Fed's weaker economic outlook and risk of the US-China trade war escalating again appeared to outweigh the impact of lower borrowing costs. The S&P 500 fell 0.29% while the FTSE fell 0.45% and other European indices were even worse.

Local equity markets were more mixed with the DFM roughly flat, the Abu Dhabi exchange up 0.4% and the Tadawul down 0.2%.

## Commodities

Crude prices rose by more than 1.3% in both contracts as the EIA reported a large drop in crude stocks. WTI has now moved above USD 60/b while Brent is not too far off USD 69/b. Total crude stocks 9.6m bbl while there were also large draws in gasoline and diesel. Production pushed higher to 12.1m b/d while exports surged by nearly 850k b/d to almost 3.4m b/d.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

|        | Close  | %1D chg | 1 yr fwd |        | Close   | %1D chg |        | Close  | %1D chg |
|--------|--------|---------|----------|--------|---------|---------|--------|--------|---------|
| EURUSD | 1.1351 | -0.04   | 1.1704   | USDTRY | 5.4787  | +0.06   | EURAED | 4.1703 | -0.01   |
| GBPUSD | 1.3240 | -0.40   | 1.3467   | USDEGP | 17.2779 | -0.14   | GBPAED | 4.8632 | -0.40   |
| USDJPY | 111.51 | +0.26   | 108.28   | USDSAR | 3.7502  | -0.00   | JPYAED | 0.0329 | -0.25   |
| USDCAD | 1.3338 | +0.19   | 1.3224   | USDQAR | 3.6800  | +0.73   | CADAED | 2.7537 | -0.19   |
| AUDUSD | 0.7093 | -0.10   | 0.7147   | USDKWD | 0.3036  | --      | AUDAED | 2.6049 | -0.12   |
| USDCHF | 0.9991 | -0.06   | 0.9652   | USDBHD | 0.3770  | --      | CHFAED | 3.6765 | +0.07   |
| EURGBP | 0.8573 | +0.36   | 0.8690   | USDOMR | 0.3850  | +0.00   | TRYAED | 0.6700 | -0.12   |
| USDAED | 3.6731 | +0.00   | 3.6762   | USDINR | 70.7225 | -0.64   | INRAED | 0.0552 | +3.73   |

## Rates

| Interbank | 1 mo    | 3mo     | 6 mo    | 1 yr    | Swaps     | Close  | 1D chg (bps) |
|-----------|---------|---------|---------|---------|-----------|--------|--------------|
| EIBOR     | 2.5863  | 2.7775  | 3.0887  | 3.2025  | USD 2 yr  | 2.562  | -0           |
| USD LIBOR | 2.4906  | 2.6070  | 2.6790  | 2.8135  | USD 5 yr  | 2.464  | -0           |
| GBP LIBOR | 0.7296  | 0.8371  | 0.9654  | 1.1131  | USD 10 yr | 2.601  | -1           |
| JPY LIBOR | -0.1062 | -0.0772 | 0.0085  | 0.0995  | EUR 2 yr  | -0.167 | +1           |
| CHF LIBOR | -0.7852 | -0.7084 | -0.6500 | -0.5040 | EUR 5 yr  | 0.098  | +1           |
|           |         |         |         |         | EUR 10 yr | 0.589  | +2           |

## Commodities & Fixed Income

| Commodities | Close   | %1D chg | Bonds/Sukuk   | YTM  | 1D chg (bps) | CDS          | Close | 1D chg (bps) |
|-------------|---------|---------|---------------|------|--------------|--------------|-------|--------------|
| Gold        | 1312.53 | +0.46   | ADGB 6.75 19  | 2.42 | --           | Abu Dhabi    | 62    | +5           |
| Silver      | 15.32   | -0.53   | DUGB 7.75 20  | 3.08 | -1           | Bahrain      | 243   | +3           |
| Oil (WTI)   | 59.83   | +1.36   | QATAR 6.55 19 | 1.28 | -26          | Dubai        | 129   | +6           |
| Aluminium   | 1912.75 | -0.48   | US Tsy 2 yr   | 2.40 | -7           | Oman         | 328   | +20          |
| Copper      | 6483.50 | +0.22   | US Tsy 10 yr  | 2.53 | -9           | Qatar        | 74    | +8           |
|             |         |         |               |      |              | Saudi Arabia | 84    | +7           |

Source: Bloomberg, Emirates NBD Research

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