



بنك الإمارات دبي الوطني
Emirates NBD

Daily
23 January 2019

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Daily Outlook

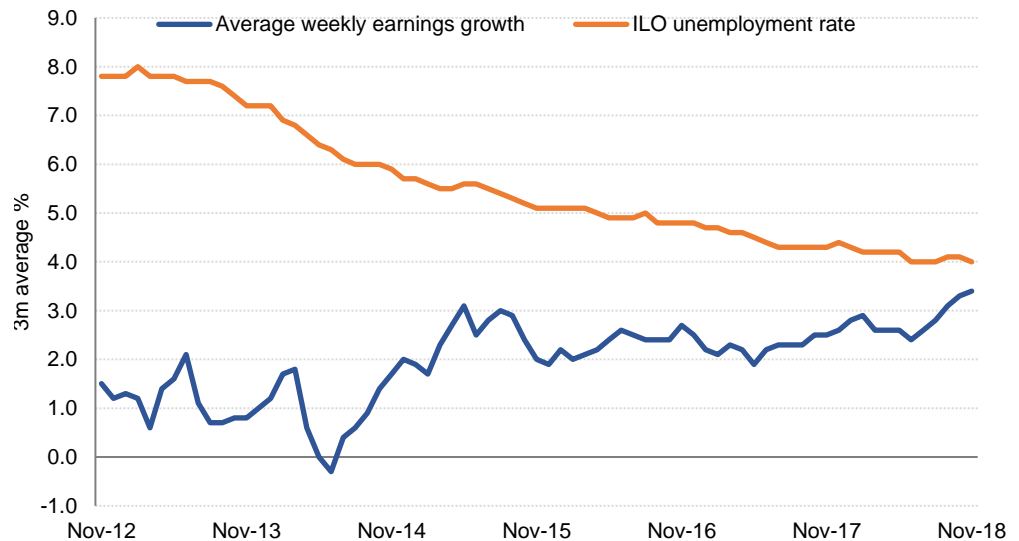
Labour market conditions in the UK continued to tighten in November, despite softer output growth and Brexit uncertainty. Unemployment in the 3m to November fell to 4.0%, the lowest unemployment rate since 1975, and lower than the consensus forecast. 141k new jobs were added, most of them full-time positions. At the same time, average wage growth (including bonuses) rose 3.4%, the fastest rate since the financial crisis. Excluding bonuses, average weekly earnings were up 3.3%. This puts monetary policy makers in a difficult position as the jobs data suggests tighter monetary policy may be needed, while recent economic activity data and uncertainty over how Brexit will play out is likely to stay their hands for the time being.

German investors' assessment of current economic conditions deteriorated sharply in January, with the **ZEW current situation index falling to 27.6 from 45.3 in December**, well below analysts' forecasts. **The ZEW expectations index was slightly higher however**, rising to -15.0 from -17.5, signalling some improvement in confidence, although more firms remained pessimistic than optimistic about the next six months.

US existing home sales were lower than forecast in December at 4.99m, down from November. The housing data didn't help equity markets which were already under pressure following the IMF's downgrade of global GDP growth yesterday, and concerns that US-China trade talks were floundering. However, White House economic advisor Larry Kudlow said that the talks were on track and that Chinese Vice-Premier Liu He would be coming to Washington for talks next week.

Kuwait's 2019/2020 budget (to come into effect on 1 April) projects a deficit of -KWD 7.7bn (-USD 25.4bn), significantly bigger than we had expected on the back of increased government spending. Expenditure is budgeted at KWD 22.5bn, higher than the KWD 20bn spending cap announced last year. Kuwait has delayed the implementation of VAT, and parliament has resisted efforts to further reduce subsidies (initially cut in 2016) and introduce additional taxes.

UK labour market tightens further in November



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
Japan All Industry Activity	8:30	-0.4%	Richmond Fed Man. Index	19:00	-2
Eurozone Consumer Confid	19:00	-6.5			

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed higher amid a risk-off move in equities. Gains were led by the belly of the curve with yields on the 2y UST, 5y UST and 10y UST closing at 2.58% (-3 bps), 2.57% (-5 bps) and 2.73% (-5 bps) respectively.

Regional bonds continued their positive run. The YTW on the Bloomberg Barclays GCC Credit and High Yield index dropped -1 bp to 4.51% and credit spread rose marginally to 190 bps.

Saudi Arabia raised SAR 7.1bn in SAR-denominated sukuk offering.

Saudi Aramco's CEO told that the company is talking to credit rating agencies in preparation for its first foray into the international bond market.

FX

GBPUSD rose yesterday in the aftermath of employment data from the UK which showed that the three month average unemployment rate had fallen to 4.0% in November from 4.1% in October. This combined with wage growth increasing from 3.3% to 3.4% during the same period helped GBPUSD climb above the 100-day average (1.2891). Currently trading at 1.2952, the daily close above this 100-day MA may trigger a further retest of the 1.30 level, which halted gains on Thursday and Friday of last week.

Equities

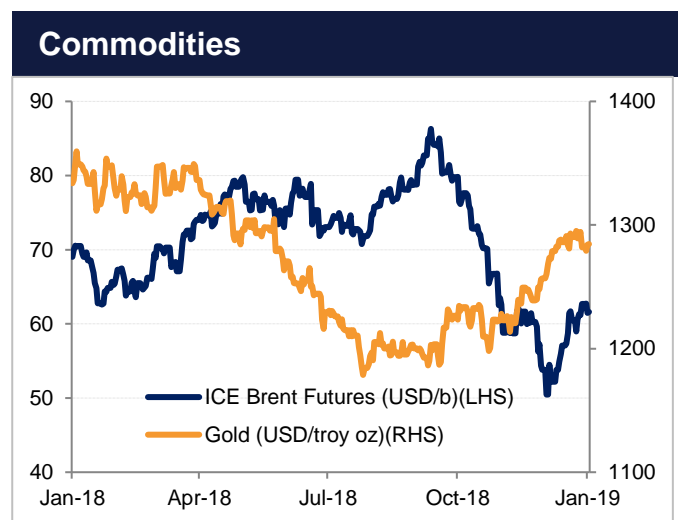
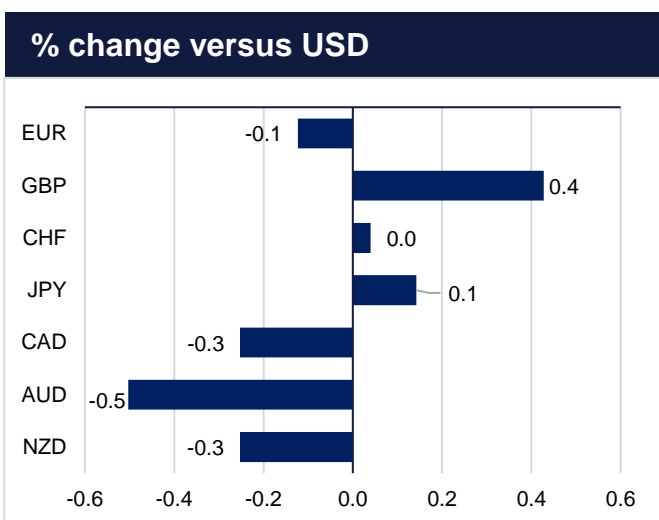
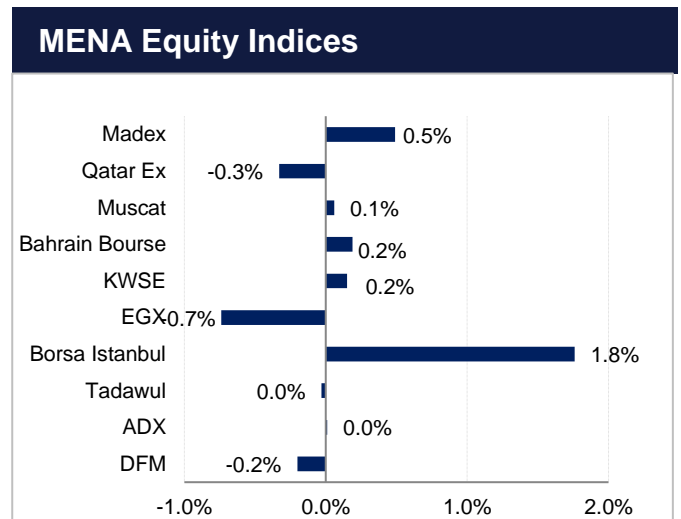
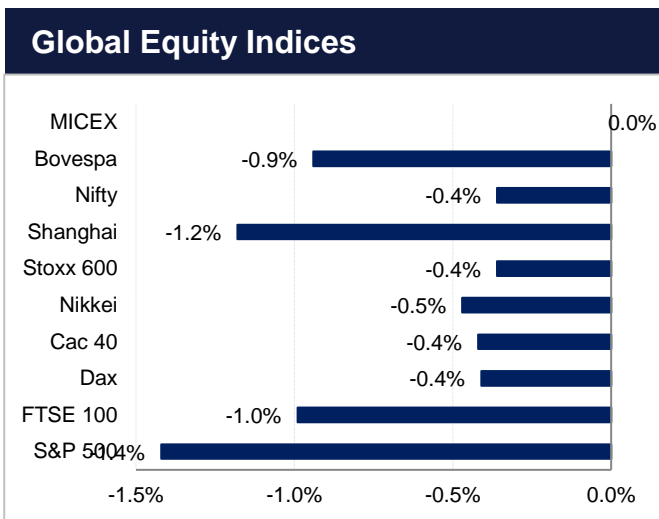
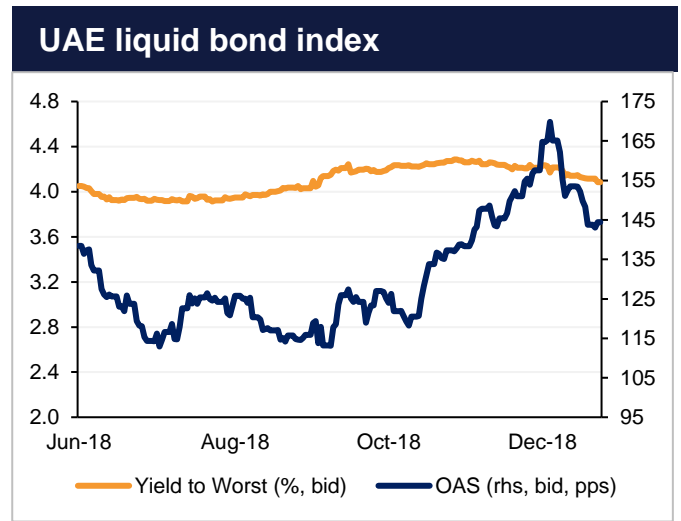
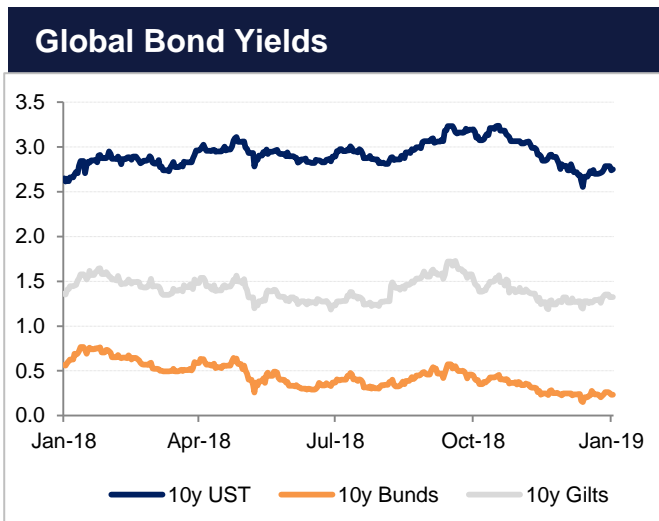
Developed market equities closed lower as optimism over trade gave way to scepticism. Weak corporate earnings also weighed on investor sentiment. The S&P 500 index and the Euro Stoxx 600 index dropped -1.4% and -0.4% respectively.

Regional equities closed marginally lower. The DFM dropped -0.2% while the Qatar Exchange lost -0.3%. Volumes across indices were lower by as much as 40% compared to 1-month averages.

Commodities

Oil markets closed lower overnight along with a broader decline in risk assets. Brent futures fell 2% to USD 61.50/b while WTI lost nearly 2.3% to close at USD 52.57/b. The EIA projected growth in shale basins to hit 8.179m b/d in February, accounting for most of total US oil production. However, it does expect the pace of growth to slow from last year.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1363	-0.12	1.1730	USDTRY	5.3587	+0.33	EURAED	4.1733	-0.12
GBPUSD	1.2915	+0.43	1.3145	USDEGP	17.9212	+0.00	GBPAED	4.7436	+0.44
USDJPY	109.45	-0.15	106.09	USDSAR	3.7506	-0.01	JPYAED	0.0336	+0.15
USDCAD	1.3321	+0.26	1.3223	USDQAR	3.6800	+0.74	CADAED	2.7573	-0.25
AUDUSD	0.7123	-0.50	0.7163	USDKWD	0.3034	-0.00	AUDAED	2.6163	-0.49
USDCHF	0.9966	-0.04	0.9616	USDBHD	0.3770	--	CHFAED	3.6856	+0.06
EURGBP	0.8798	-0.55	0.8923	USDOMR	0.3850	-0.01	TRYAED	0.6900	+0.34
USDAED	3.6730	--	3.6757	USDINR	71.2400	-0.05	INRAED	0.0552	+7.09

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	2.5930	2.8700	3.1070	3.4545	USD 2 yr	2.750	-1
USD LIBOR	2.5190	2.7793	2.8536	3.0371	USD 5 yr	2.687	-1
GBP LIBOR	0.7344	0.9248	1.0326	1.1588	USD 10 yr	2.792	
JPY LIBOR	-0.1003	-0.0780	-0.0040	0.1060	EUR 2 yr	-0.150	-0
CHF LIBOR	-0.7806	-0.7004	-0.6438	-0.5082	EUR 5 yr	0.204	-0
					EUR 10 yr	0.799	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1285.22	+0.37	ADGB 6.75 19	2.42	--	Abu Dhabi	66	--
Silver	15.31	+0.42	DUGB 7.75 20	3.24	+1	Bahrain	275	-5
Oil (WTI)	52.57	-2.29	QATAR 6.55 19	2.31	+9	Dubai	133	-1
Aluminium	1878.50	+1.68	US Tsy 2 yr	2.59	-3	Qatar	76	+1
Copper	5904.25	-0.79	US Tsy 10 yr	2.74	-5	Saudi Arabia	93	+2

Source: Bloomberg, Emirates NBD Research

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