

Political uncertainty weighs on sentiment

Equity markets recorded weekly losses as concerns over global trade tensions weighed on the market sentiment. US stocks underperformed the most with continuous shake-up in President Trump's administration adding to the political uncertainty and rising risks of US protectionism. The unexpected removal of Secretary of State Rex Tillerson (viewed as a free-trade advocate) and replacing Mr. Gary Cohn with Mr. Larry Kudlow (supports "long dollar-short gold" approach) as the chief economic advisor were interpreted as firming up the prospects of a global trade war. Economic data was also subdued with retail sales declining for the second consecutive month. On the other hand, February gains in US CPI were modest and were largely in line with market expectations, thus further easing market's inflation concerns. As a result, US Treasuries, particularly long-dated bonds posted a relief rally and the yield curve flattened further. The dollar slightly strengthened during the week against majority of the currencies, supported on comments from the new economic advisor favoring a stronger dollar policy. As a result, gold prices ended the week lower, though safe-haven demand limited the decline. Oil prices ended the week mostly flat, as prospects of tensions in middle-east occupied the market sentiment.

Packed week ahead- March Fed hike a done deal

In addition to markets looking out for possibility of any retaliation risks in response to US decision on imposing tariffs on steel and aluminium imports (effective this Friday), attention will be mainly focused on the most awaited March Fed meeting on Wednesday, 21 March. A rate hike of 25bp will not come as a surprise as it has been fully priced in by the market. More importantly, markets will be closely tracking any changes made in the Fed's future rate hike trajectory as indicated by the famous "dot plot". The FOMC dot plot currently points to a median projection of three rate hikes in 2018. Given the backdrop of growing economy and tight labour markets, many market participants expect that the Fed will raise economic projections and also increase the number of hikes to four this year. However, we believe that the Fed will maintain status-quo as recent inflation concerns seem to have been overblown with the data still indicating a steady rise in price pressures. The upcoming meeting will be Mr. Jerome Powell's debut meeting as the new Fed Chair and we expect him to also downplay on the recent inflation concerns too. Apart from the FOMC, the central bankers and finance ministers from the G-20 countries are scheduled to meet this week and will largely be focusing on the rising risks of trade war post the US imposition of trade tariffs. Bank of England is also scheduled to meet this week and is expected to strike a hawkish tone with the possibility of rate increase in May.

Past week global markets' performance

Index Snapshot (World Indices)				Global Commodities, Currencies and Rates			
Index	Latest	Weekly Chg %	YTD %	Commodity	Latest	weekly Chg %	YTD %
S&P 500	2,752.0	-1.2	2.9	ICE Brent USD/bbl	66.2	1.1	-1.0
Dow Jones	24,946.5	-1.5	0.9	Nymex WTI USD/bbl	62.3	0.5	3.2
Nasdaq	7,482.0	-1.0	8.4	Gold USD/t oz	1314.2	-0.7	0.9
DAX	12,389.6	0.3	-4.1	Silver USD/t oz	16.3	-1.5	-3.5
Nikkei 225	21,676.5	1.0	-4.8	Platinum USD/t oz	950.1	-1.6	2.4
FTSE 100	7,164.1	-0.8	-6.8	Copper USD/MT	6923.0	1.7	-3.3
Sensex	33,176.0	-0.4	-2.6	Alluminium	2064.5	-1.9	-8.6
Hang Seng	31502.0	1.6	5.3	Currencies			
Regional Markets (Sunday to Thursday)				EUR USD	1.2290	-0.1	2.4
ADX	4542.7	0.2	3.3	GBP USD	1.3942	0.7	3.2
DFM	3197.3	0.3	-5.1	USD JPY	106.01	-0.8	-6.3
Tadaw ul	7744.7	0.6	7.2	CHF USD	0.9520	0.1	2.3
DSM	8847.8	7.2	3.8	Rates			
MSM30	4896.93	-0.2	-4.0	USD Libor 3m	2.2018	5.4	30.0
BHSE	1355.5	-0.9	1.8	USD Libor 12m	2.6145	2.8	24.1
KWSE	6760.2	-0.0	5.5	UAE Eibor 3m	2.1117	2.4	17.6
MSCI				UAE Eibor 12m	2.7608	3.7	7.1
MSCI World	2,134.0	-0.7	1.5	US 3m Bills	1.7691	6.6	28.6
MSCI EM	1,213.1	0.5	4.7	US 10yr Treasury	2.8445	-1.7	18.3

Please refer to the disclaimer at the end of this publication

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Summary market outlook

Bonds									
Global Yields	Long-end US Treasuries rallied on account of subdued inflation and retail sales release. We expect 10-year yield to consolidate below 3% as further uptick in yields will only trigger a buying opportunity for long-duration fixed income investors.								
Stress and Risk Indicators	The VIX index jumped higher, tracking the decline in the equity market. Volatility is unlikely to decline significantly given the backdrop of markets' fear of central bank policy normalization.								
Equity Markets									
Local Equity Markets	GCC equity markets had a mixed week, though Doha stocks posted huge weekly gains. We remain neutral on GCC equities given the potential for further dollar strength and range-bound oil prices. We maintain our tactical call on Saudi equities on the back of their inclusion onto the MSCI watch list for potential promotion into the MSCI Emerging Markets index.								
Global Equity Markets	Global equities ended the week lower with increase in political uncertainty and trade war concerns dampening the upbeat sentiment. US stocks suffered the most as investors digested the continuous shake-up in President Trump's administration. Small-cap stocks performed better than large-caps with the former less susceptible to the recent imposition of trade tariffs. Japanese equities posted weekly gains on account of yen weakness. Overall, we continue to believe that strong economic fundamentals along with robust corporate earnings growth will support demand for global equities.								
Commodities									
Precious Metals	Gold prices declined on account of stronger dollar. We remain overweight on gold as a risk hedge against ongoing political and (potential) inflationary risks.								
Energy	Oil prices ended the week, shrugging off the dollar strength and IEA reports pointing to larger increase in US crude inventories. We expect oil to continue trading in the broad range seen over the past 12 months. A break out at the upper end will be challenging given US production will likely act as a ceiling on oil prices.								
Industrial Metals	Industrial metals remained under pressure with aluminium prices declining further. Longer-term we do not recommend industrial metals exposure due to concerns around Chinese growth prospects post the Party Congress.								
Currencies									
EURUSD	The euro ended flat versus the dollar. We expect the euro to remain range bound with a minor upward bias.								
Critical levels	<table border="0"> <tr> <td>R2</td> <td>1.2371</td> <td>R1</td> <td>1.2330</td> <td>S1</td> <td>1.2254</td> <td>S2</td> <td>1.2219</td> </tr> </table>	R2	1.2371	R1	1.2330	S1	1.2254	S2	1.2219
R2	1.2371	R1	1.2330	S1	1.2254	S2	1.2219		
GBPUSD	The pound slightly appreciated versus the dollar. We expect sterling to remain under pressure due to political uncertainty, economic weakness and Brexit negotiations.								
Critical levels	<table border="0"> <tr> <td>R2</td> <td>1.4028</td> <td>R1</td> <td>1.3985</td> <td>S1</td> <td>1.3895</td> <td>S2</td> <td>1.3847</td> </tr> </table>	R2	1.4028	R1	1.3985	S1	1.3895	S2	1.3847
R2	1.4028	R1	1.3985	S1	1.3895	S2	1.3847		
USDJPY	The yen slightly weakened versus the dollar as trade uncertainty encouraged dollar buying. We believe there will remain a bias for yen weakness given divergent monetary policies between Japan and the US.								
Critical levels	<table border="0"> <tr> <td>R2</td> <td>106.82</td> <td>R1</td> <td>106.41</td> <td>S1</td> <td>105.60</td> <td>S2</td> <td>105.20</td> </tr> </table>	R2	106.82	R1	106.41	S1	105.60	S2	105.20
R2	106.82	R1	106.41	S1	105.60	S2	105.20		

Note: R2, R1, S2 and S1 refer to Bloomberg calculated weekly technical resistance and support levels

Forthcoming important economic data

United States

Indicator	Period	Expected	Prior	Comments
03/21/2018	Existing Home Sales	Feb	5.40m	5.38m
03/21/2018	Existing Home Sales MoM	Feb	0.40%	-3.20%
03/21/2018	FOMC Rate Decision	21-Mar		
03/22/2018	Initial Jobless Claims	17-Mar	--	--
03/22/2018	Markit Manufacturing PMI	Mar P	55.6	55.3
03/23/2018	Durable Goods Orders	Feb P	1.70%	-3.60%
03/23/2018	New Home Sales	Feb	624K	593K

All eyes will be on FOMC meeting this week. Focus will also be on housing data and PMI data.

Japan

Indicator	Period	Expected	Prior	Comments
03/19/2018	Trade Balance	Feb	¥89.1b	¥89.1b
03/19/2018	Exports YoY	Feb	1.40%	12.20%
03/19/2018	Imports YoY	Feb	16.00%	7.90%
03/20/2018	Machine Tool Orders YoY	Feb F	--	39.50%
03/22/2018	Nikkei PMI Mfg	Mar P	--	54.1
03/23/2018	Natl CPI YoY	Feb	1.50%	1.40%
03/23/2018	Natl CPI Ex Fresh Food YoY	Feb	1.00%	0.90%
03/23/2018	Natl CPI Ex Fresh Food, Energy YoY	Feb	0.50%	0.40%

PMI and inflation release will be important.

Eurozone

Indicator	Period	Expected	Prior	Comments
03/20/2018	Consumer Confidence	Mar A	0	0.1
03/20/2018	PPI YoY	Feb	4.40%	5.00%
03/22/2018	Markit Manufacturing PMI	Mar P	58.1	58.6
03/22/2018	IFO Expectations (GER)	Mar	104.4	105.5
03/22/2018	ECB Publishes Economic Bulletin			

IFO will be the main focus this week.

United Kingdom

Indicator	Period	Expected	Prior	Comments
03/19/2018	Rightmove House Prices MoM	Mar	--	0.80%
03/20/2018	CPI YoY	Feb	2.80%	3.00%
03/20/2018	CPI Core YoY	Feb	2.50%	2.70%
03/20/2018	RPI YoY	Feb	3.70%	4.00%
03/22/2018	Retail Sales Ex Auto Fuel YoY	Feb	1.20%	1.50%
03/22/2018	BoE MPC Meeting	Mar	No Change	

Attention will be on BoE meeting. Inflation and retail sales print will be important.

China and India

Indicator	Period	Expected	Prior	Comments
				No important data releases scheduled for the week.

Sources

All information in this report has been obtained from the following sources except where indicated otherwise:

1. Bloomberg
2. Wall Street Journal
3. RTTNews
4. Reuters
5. Gulfbase
6. Zawya

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