



بنك الإمارات دبي الوطني  
Emirates NBD

Daily

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# Daily Outlook

- **Saudi Arabia will open its borders with Qatar more than three years after sanctions were imposed**, signalling an easing in the rift. An accord is expected to be signed today, with Qatar's Emir likely to attend a GCC summit in Saudi Arabia. The deal comes as tensions with Iran have heightened in recent days, and as the US prepares to change administration.
- **Broad money supply in Saudi Arabia accelerated to 11.6% y/y in November** from 10.8% y/y in October. Private sector credit growth eased slightly to 14.9% y/y from 15.2% in October. Net foreign assets rose by USD 10bn to USD 452.2bn.
- **Saudi Arabia approved a new mining investment law** in a bid to attract greater investment and create more jobs in the sector. The law sets out the roles and responsibilities of investors in mining projects and streamlines the approval and licensing process.
- **Data from DTCM show that Dubai attracted 1.11mn international visitors in July to November 2020.** This is around 83% lower than the number of visitors over the same period in 2019, as international travel remains constrained by the coronavirus pandemic. The decline in international visitor numbers to Dubai is broadly consistent with the -88% y/y drop in international air passenger traffic in September and October, reported by IATA.
- **UAE CPI declined -0.1% m/m and -2.4% y/y in November**, down from -2.2% y/y in October. On an annual basis, higher food and clothing prices have been offset by lower housing, transport and recreation & culture costs. Services prices are starting to recover from sharp declines in Q2, with recreation and culture prices up 5.7% m/m in November and restaurant & hotel prices up 0.3% m/m.
- **Turkish CPI inflation ticked up to 14.6% y/y in December, from 14.0% the previous month.** This exceeded expectations of 14.2%, and was the highest level since August 2019. A lira sell-off last year on the back of questions over a monetary policy that had real rates in negative territory has been the primary driver of the acceleration in price growth, and with PPI inflation at 25.2%, the likelihood is that price pressures will remain in play over the next several months. Newly appointed central bank governor Naci Agbal has pledged to keep monetary policy tight as long as is required in order to restore calm, and has already hiked by a cumulative 675bps since taking office in October. For now the markets are taking him at his word amidst a general atmosphere of risk-on tone and despite the higher-than-expected inflation number, the TRY continued on its appreciative trend yesterday. At 7.42/USD the currency is trading at levels last seen in September.
- **Eurozone manufacturing PMI slipped to 55.2 in December** from 55.5 in November, indicating a slower expansion in the sector even as most of the region was locked-down to some extent. However, the restrictions affected the services sectors more than manufacturing. **The UK's manufacturing PMI remained relatively high at 57.5 ahead of Brexit**, as many firms likely stockpiled goods in case no trade deal was reached with the EU before year-end.
- **US manufacturing PMI was higher than expected at 57.1**, up from 56.5 in November, despite tighter restrictions on activity imposed across many states in the last few weeks of last year. As in Europe however, the restrictions would have affected services such as restaurants and entertainment more than factories.

## Today's Economic Data and Events

	Time	Cons.		Time	Cons.
GE unemployment change	12:55	10k	US ISM mfg	19:00	56.7

Source: Bloomberg, Emirates NBD Research

### Fixed Income

- Treasury markets started the year on a modestly stronger footing as concerns that Covid-19 vaccines aren't being deployed quickly enough weighed on risk appetite. Yields across the curve were marginally lower, although the range of movement was relatively narrow. For the 2yr UST yields closed at 0.1132% while on the 10yr they slipped less than 1bp to 0.9132%.
- Cleveland Fed president Loretta Mester noted that the Fed's stance should remain steady for the rest of 2021 as an anticipated slowdown in the "first part" of the year would require accommodative conditions from the Fed.
- Bond markets were higher in Europe as well with yields across bunds, gilts and OATs slipping. New lockdown restrictions have been imposed in the UK, adding more downward pressure to the growth outlook there.
- The GCC primary market is so far quiet to begin 2021..

### FX

- Currency markets were broadly mixed overnight with gains in the EUR, JPY and CHF markets offset by a sharp drop in sterling as new stringent lockdown measures have been imposed over all of the UK. The DXY index closed the day roughly flat with a slightly lower bias.
- EM currencies were generally stronger against the dollar. The CNY has now pushed below 6.50 against the USD while the INR held close to the 73 handle. TRY showed some notable volatility as a higher than anticipated inflation number for December seemed to suggest the CBRT will need to carry on with tightening monetary policy.

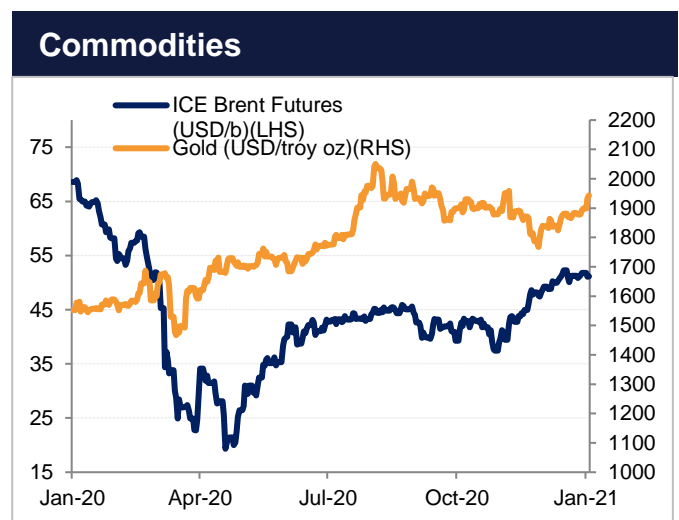
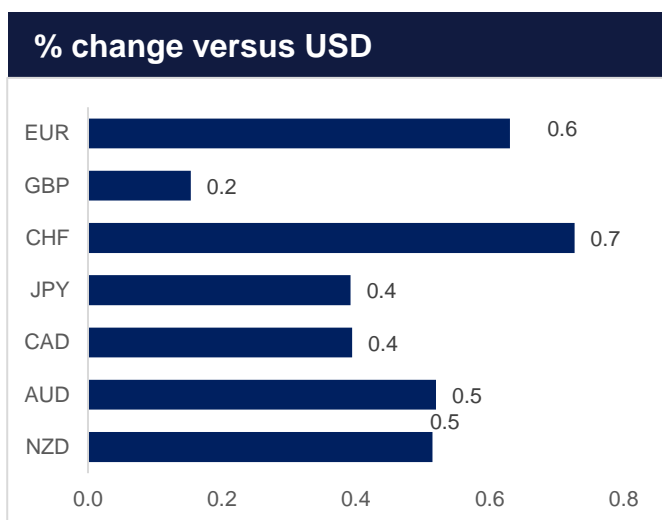
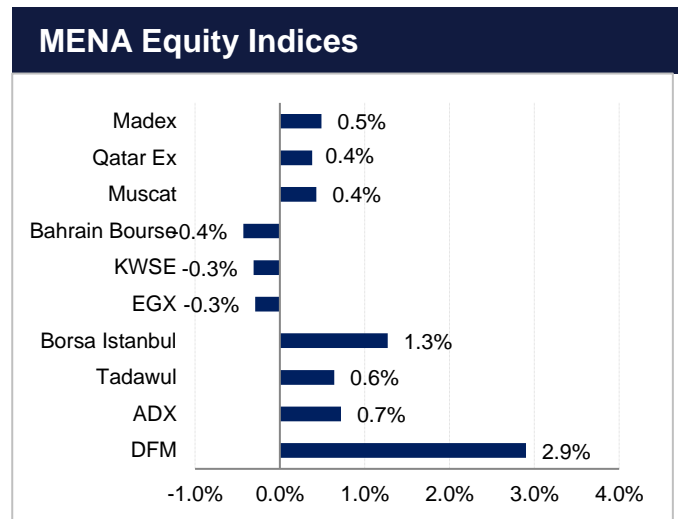
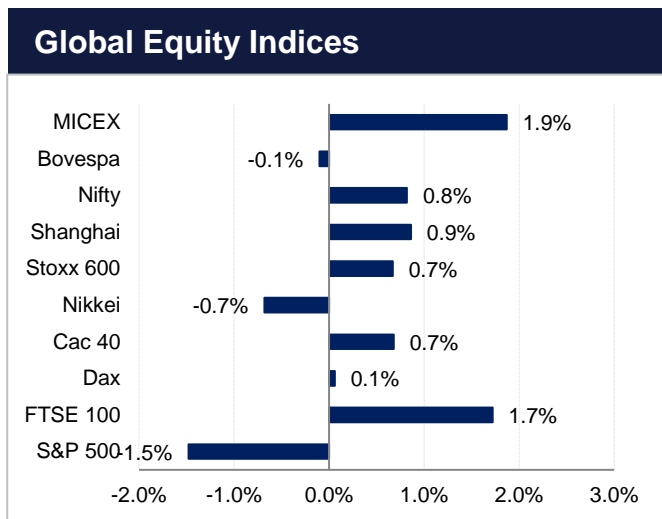
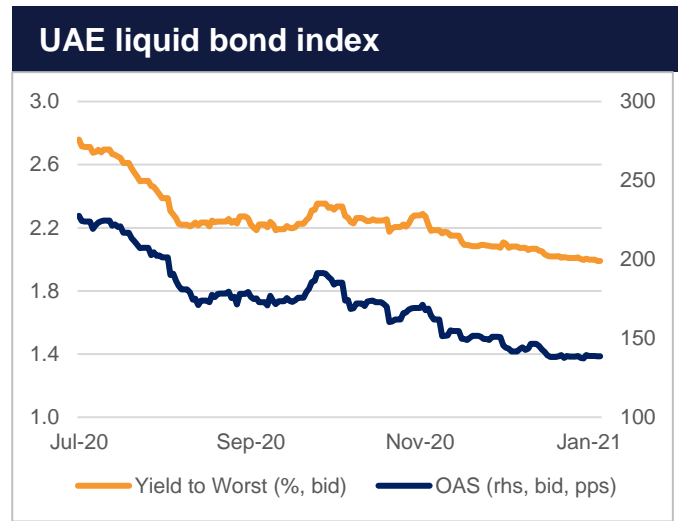
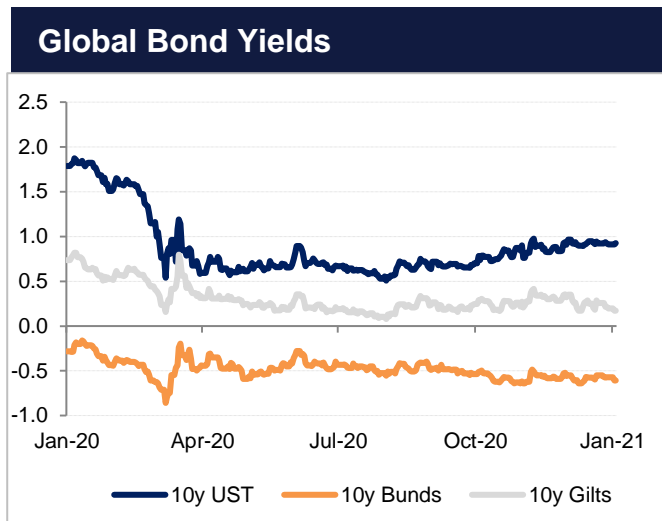
### Equities

- Global equity markets had a mixed first day of trading in 2021. Despite the threat of renewed lockdowns, European equities held up well. The FTSE 100 advanced 1.7%, although these gains might be reversed following the evening announcement by the prime minister that there would be a new lockdown through until February half term at least. Germany's DAX gained 0.6% and France's CAC 0.7%, while the pan-European STOXX 600 benchmark climbed 0.7%. Strong PMI numbers contributed to this positive momentum.
- In the US, all three major indices ended the day negative, despite having hit record highs in earlier trading. The Dow Jones lost 1.3%, while the S&P 500 and the NASDAQ both ended the day 1.5% lower.
- Within the region things were also positive, as the DFM gained 2.9% and the Tadawul 0.6%.

### Commodities

- After posting a strong start to the trading day, oil prices closed lower as OPEC+ monthly talks ended without a decision on where to set February's production level. Brent futures closed down 1.4% at USD 51.09/b while WTI was off by 1.9% to close at USD 47.62/b. Both contracts had been up nearly 3% at their highs during the day.
- OPEC+ remains divided on whether to add an additional 500k b/d in February after adding that much for January. Russia is in favour of higher output but seemingly Saudi Arabia along with a core group of OPEC members support holding output steady. Ministers from OPEC+ members will meet again today to try and hammer out a deal but market nerves are likely to be frayed should this debate play out on a monthly basis..

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2292	+0.63	1.2395	USDTRY	7.3768	-0.84	EURAED	4.5151	+0.64
GBPUSD	1.3693	+0.15	1.3724	USDEGP	15.7102	-0.63	GBPAED	5.0287	+0.14
USDJPY	102.80	-0.39	102.29	USDSAR	3.7514	-0.01	JPYAED	0.0357	+0.39
USDCAD	1.2678	-0.39	1.2673	USDQAR	3.6800	+0.31	CADAED	2.8972	+0.39
AUDUSD	0.7734	+0.52	0.7749	USDKWD	0.3038	-0.23	AUDAED	2.8410	+0.53
USDCHF	0.8796	-0.73	0.8701	USDBHD	0.3770	-0.00	CHFAED	4.1756	+0.73
EURGBP	0.8977	+0.44	0.9032	USDOMR	0.3850	--	TRYAED	0.5000	+1.27
USDAED	3.6730	--	3.6756	USDINR	73.0237	-0.13	INRAED	0.0552	+9.91

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2420	0.4500	0.5321	0.6427	USD 2 yr	0.197	-0
USD LIBOR	0.1398	0.2373	0.2559	0.3406	USD 5 yr	0.432	+0
GBP LIBOR	0.0230	0.0271	0.0350	0.0821	USD 10 yr	0.931	+1
JPY LIBOR	-0.0775	-0.0803	-0.0585	0.0533	EUR 2 yr	-0.537	-2
CHF LIBOR	-0.8172	-0.7676	-0.7278	-0.6098	EUR 5 yr	-0.481	
					EUR 10 yr	-0.293	-3

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1942.90	+2.33	ADGB 2.50 25	0.82	#VALUE!	Abu Dhabi	38	--
Silver	27.28	+3.33	DUGB 3.89 25	1.93	#VALUE!	Bahrain	231	-8
Oil (WTI)	47.62	-1.85	QATAR 3.4 25	0.91	#VALUE!	Dubai	110	-2
Aluminium	2028.25	+2.77	US Tsy 2 yr	0.11	-1	Oman	350	-8
Copper	7844.00	+1.23	US Tsy 10 yr	0.91	--	Qatar	39	+1
						Saudi Arabia	67	+2

Source: Bloomberg, Emirates NBD Research

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