



بنك الإمارات دبي الوطني
Emirates NBD

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Daily Outlook

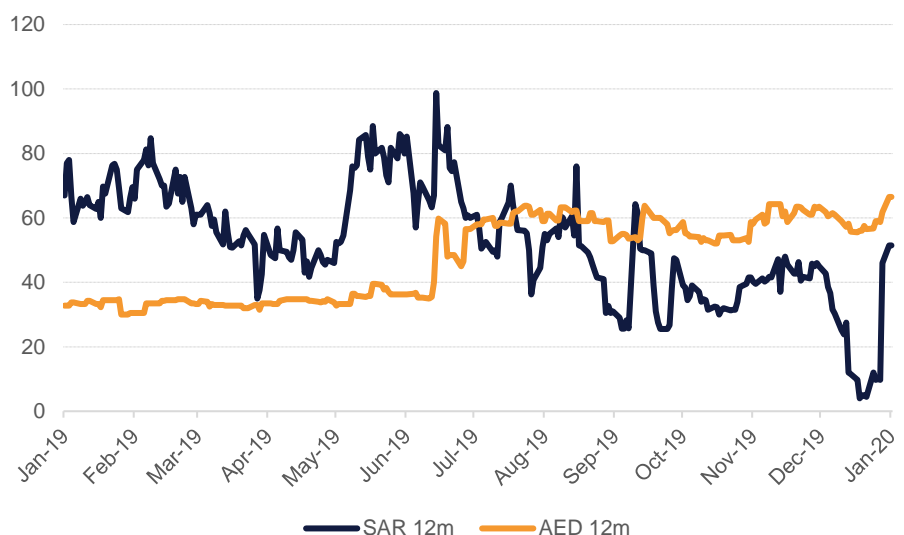
Markets are still on edge in response to the escalation in tensions between the US and Iran but have begun to look outside the region for more direction. Regional assets remain in focus but across the Middle East and North Africa, domestic equity indices showed a mixed performance while UAE bond spreads over benchmarks widened. Forward points for GCC currencies have spiked in response to the escalation in geopolitics but remain well below highs seen in the last five years: in Saudi Arabia's case, 1-year SAR forwards are still lower than they were when Aramco infrastructure was attacked in September 2019.

PMI data for the Eurozone showed some signs of vigour in the region's services sector even as industry remains in contraction. The region-wide services element improved to 52.8. Services are growing in all of the Eurozone's major economies—Germany's service sector PMI rose to 52.9—although the pace of growth is hardly blistering and will likely see more calls from ECB officials for governments to step up the pace of spending. The official composite December PMI hit 50.9, better than the flash estimate and beating market expectations

In the UK, PMI data showed a similar trend, beating flash estimates and actually returning to the neutral 50 level in the services component. The chance that Brexit will be officially sealed by the end of the month may help to give some confidence to firms although the hard work of negotiating a new trading relationship with the EU remains in place. The broader composite PMI remained below 50, however, showing the weakness in industry affecting the UK's economy. Until there is much greater clarity over the shape of a future UK-EU trading relationship, companies may be reluctant to make heavy capital investment.

In the US, the services PMI for December reported a healthy jump to 52.8 from 51.6 in the previous month, and also beat flash estimates. Output prices rose for a third month running, suggesting firms entered 2020 with some profit momentum. The overall composite PMI rose to 52.7 from 52, mirroring a trend occurring elsewhere with manufacturing remain in the doldrums while services outperform.

Saudi and UAE 12 month currency forwards move higher



Source: Bloomberg, Emirates NBD Research. Note: offshore.

Today's Economic Data and Events

	Time	Cons		Time	Cons
EZ CPI m/m Dec	14:00	0.3%	US ISM non-manf.	19:00	54.5
US durable goods Nov.	19:00	-2%	US factory orders	19:00	-0.8%

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries gave up some of their recent gains as investors took a more measured approach to the recent spike in geopolitical tensions. Yields on the 2y UST and 10y UST closed at 1.54% (+2 bps) and 1.80% (+2 bps) respectively.

Regional markets caught up with the moves in benchmark over the weekend. The YTW on Bloomberg Barclays GCC Credit and High Yield index rose +3 bps to 3.21% and credit spreads widened 2 bps to 149 bps.

FX

EURUSD remains unchanged this morning, just below the 1.12 level and trading at 1.1193. This afternoon, investors will be paying attention towards economic data expected to show that Eurozone aggregate CPI ticked up to 1.3% y/y in December from 1.0% the previous month. Should the data be stronger than expected, it may help the cross break and close about the 1.12 level which has proven to be a hurdle for the price over the previous few days. Elsewhere the pound has held onto its gains from yesterday following stronger than expected PMI surveys. As we go to print, GBPUSD is trading at 1.3175.

Equities

Developed market equities closed mixed as investors started to see some value following the recent losses. The S&P 500 index added +0.4% while the Euro Stoxx 600 index dropped -0.4%.

Regional markets were more mixed. The DFM index added +0.2% and the Qatar Exchange gained +1.2% while Muscat's 30 index dropped -1.0%.

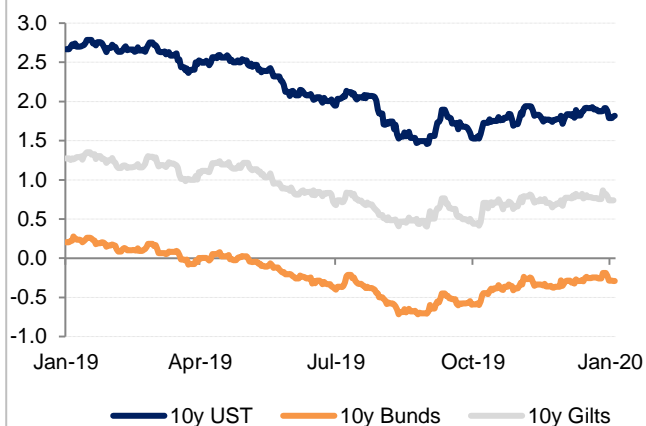
Commodities

Oil markets tempered their gains somewhat to start trading. Brent futures settled up 0.45% at USD 68.91/b despite having broken above USD 70/b earlier in trading. WTI closed at USD 63.27/b, up 0.35%. Both contracts are losing ground in early trading today, down by more than 1% each.

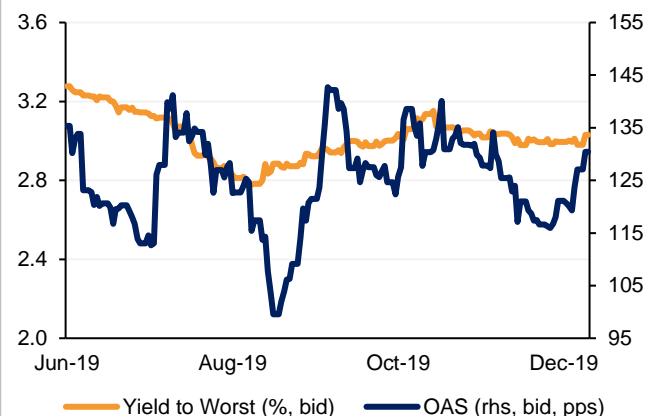
Curve structures and signals from the physical oil still remain relatively sanguine in response to the escalation of tension. Time spreads for Dubai crude have held in a backwardation of around USD 1.90/b, far off highs of around USD 4/b seen in Q3 2019.

Markets in Charts

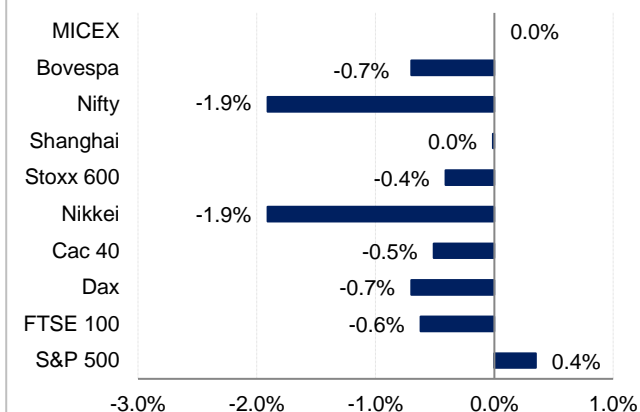
Global Bond Yields



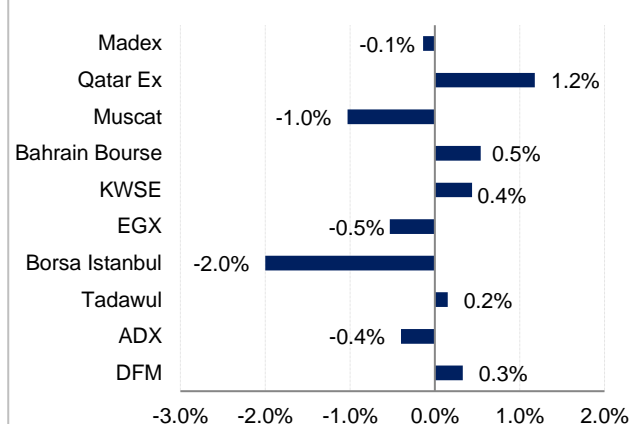
UAE liquid bond index



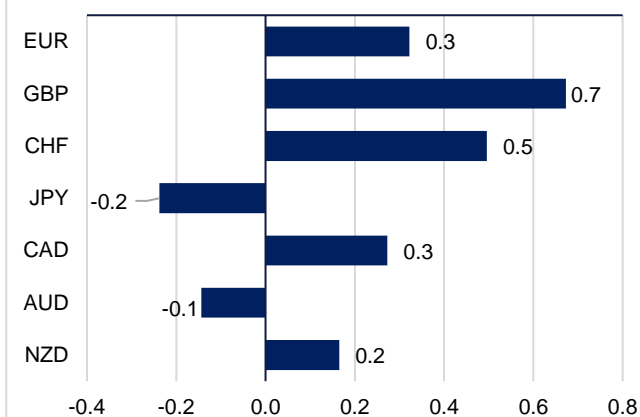
Global Equity Indices



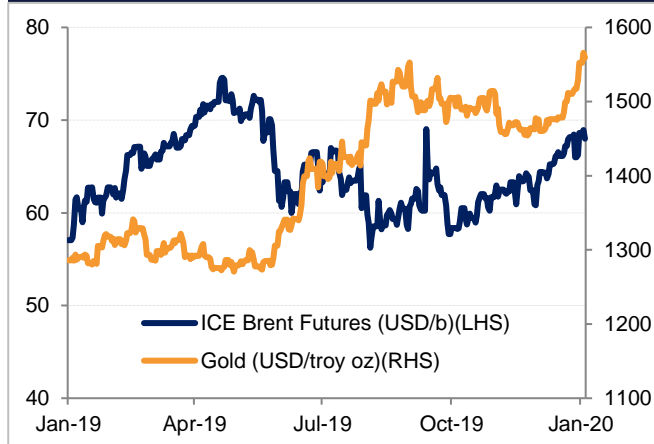
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1197	+0.32	1.1449	USDTRY	5.9692	-0.04	EURAUD	4.1126	+0.32
GBPUSD	1.3171	+0.67	1.3296	USDEGP	16.0809	+0.24	GBPAED	4.8354	+0.64
USDJPY	108.37	+0.26	106.19	USDSAR	3.7520	--	JPYAED	0.0339	-0.24
USDCAD	1.2965	-0.28	1.2969	USDQAR	3.6800	+0.54	CADAED	2.8330	+0.26
AUDUSD	0.6940	-0.14	0.6995	USDKWD	0.3031	-0.04	AUDAED	2.5491	-0.14
USDCHF	0.9684	-0.46	0.9443	USDBHD	0.3771	--	CHFAED	3.7951	+0.50
EURGBP	0.8502	-0.37	0.8612	USDOMR	0.3850	+0.01	TRYAED	0.6200	+0.80
USDAED	3.6730	--	3.6797	USDINR	70.7225	-0.64	INRAED	0.0552	+7.92

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.9182	2.1111	2.1780	2.3208	USD 2 yr	1.611	-0
USD LIBOR	1.6921	1.8723	1.8943	1.9549	USD 5 yr	1.602	-1
GBP LIBOR	0.7035	0.7944	0.8658	0.9644	USD 10 yr	1.750	-0
JPY LIBOR	-0.0910	-0.0483	0.0150	0.1078	EUR 2 yr	-0.317	-0
CHF LIBOR	-0.7736	-0.6772	-0.6138	-0.4828	EUR 5 yr	-0.190	-1
					EUR 10 yr	0.111	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1565.74	+0.87	ADGB 6.75 19	2.42	--	Abu Dhabi	38	+1
Silver	18.15	+0.51	DUGB 7.75 20	2.33	+34	Bahrain	181	+5
Oil (WTI)	63.27	+0.35	QATAR 5.25 20	2.70		Dubai	93	+1
Aluminium	1800.00	+0.42	US Tsy 2 yr	1.54	+2	Oman	234	--
Copper	6114.50	+0.17	US Tsy 10 yr	1.81	+2	Qatar	39	+2
						Saudi Arabia	62	+1

Source: Bloomberg, Emirates NBD Research

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