



بنك الإمارات دبي الوطني
Emirates NBD

Daily

7 January 2021

Daily Outlook

- **Congress resumed certification of the electoral college votes after a four-hour hiatus**, during which a mob of Trump supporters stormed the Capitol building, leading to clashes with police and National Guard. Once congress resumed the certification process, some senators that had objected to the electoral college vote counts earlier indicated they would drop their objections. The process is expected to be concluded by late Wednesday night. Several of Trump's White House staff, resigned after the violence at the Capitol.
- **Democratic candidates defeated the republican incumbents in Georgia's senate runoff election, giving their party 50 seats in the upper house.** A recount may be necessary after Jon Ossoff beat David Purdue with a slim majority. Some postal votes are still being counted. The vote of VP Kamala Harris would give the Democrats a one-seat majority in the Senate, making it easier for them to confirm cabinet and other political and judicial appointments. It also increases the likelihood of some additional fiscal stimulus in the coming months, but major policy initiatives would still need 60 votes to be approved by the Senate.
- **There was little new in the FOMC's December meeting minutes, with most policy makers seemingly in wait-and-see mode.** At the December meeting, the Fed indicated that asset purchases would continue "until substantial further progress" was made in reducing unemployment and achieving its inflation target. However the minutes did not provide more detail on defining how "substantial progress" would be measured, except to say that the FOMC would update markets with the perceived progress well in advance of any need to taper asset purchases.
- **Dubai announced additional fiscal support measures yesterday** including fee exemptions for some hotels and businesses, and extending measures announced last year that had expired to mid-2021. These included refunding 50% of hotel and tourist taxes to non-beachfront hotels, rent discounts for nursery schools and waiving some fees and lease requirements for renewing business licenses. The government estimates the new package is worth AED 315mn, bring the total sum of fiscal measures announced since the start of the pandemic to AED 7.1bn.
- **Eurozone services PMI was revised lower to 46.4 from the flash December reading** of 47.3. The composite Eurozone PMI was also revised lower to 49.1 from an earlier estimate of 49.8, but was higher than the November reading of 45.3. The data points to a contraction in Eurozone GDP in Q4 as new restrictions were imposed, but the decline looks to be less severe than in Q2.
- **US services PMI slipped to a slightly lower than expected 54.8 in December**, suggesting a slowdown in services sector growth last month. **The ADP payroll survey showed that 123k jobs were lost in the private sector in December**, against a consensus forecast for a 75k increase. This was the first decline in private sector jobs since April. New coronavirus restrictions led to 58k job losses in leisure and hospitality. While the ADP survey is not a great predictor of the non-farm payrolls number, it does suggest that Friday's NFP reading will be much weaker than prior months'. Bloomberg consensus expectation is for a 50k increase in NFP in December, with the unemployment rate rising to 6.8%.

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
UK Construction PMI	13:30	54.6	EC Retail Sales m/m	14:00	-3.4%
EC CPI m/m	14:00	0.3%	US Initial Jobless Claims	17:30	800k
US Continuing Claims	17:30	5200k	US ISM Services	19:00	54.5

Source: Bloomberg, Emirates NBD Research

Fixed Income

- Treasury markets sold off overnight, pushing yields on the 10yr UST above 1% for the first time since March 2020. Expectation that Democrats will now control the US senate and be able to unleash considerable spending in a Joe Biden administration is helping to fuel the reflation trade with the curve continuing to bear steepen.
- Bond markets generally were softer with declines across European and emerging markets as well.
- Emirates NBD priced a USD 750m 5yr Reg S at MS +115bp following investor calls earlier in the week.

FX

- Currency markets were mixed overnight with the DXY index managing to hold a small gain of 0.11%, although following the events in the US Capitol it has since given up those gains and is trading down around 0.15% today. Euro was the major gainer among the critical pairs, up 0.24% at 1.2327 and is holding those gains today while GBP and JPY both came off.
- AUD and NZD were among the strongest gainers in broader majors, both gaining at least 0.55% on the day as risk-on sentiment took hold of markets.

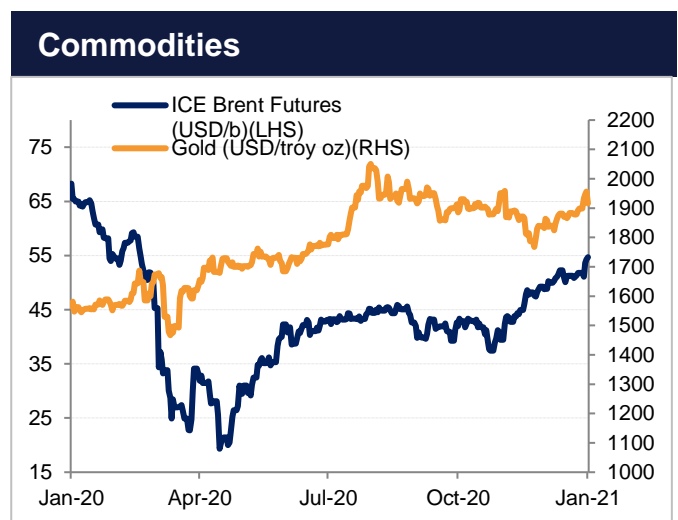
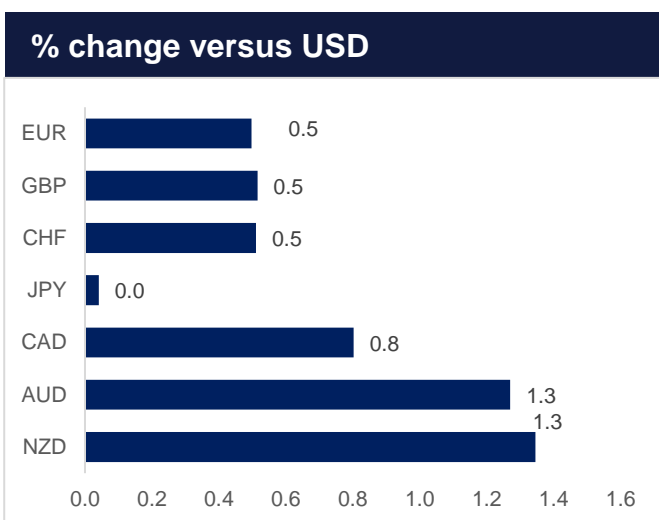
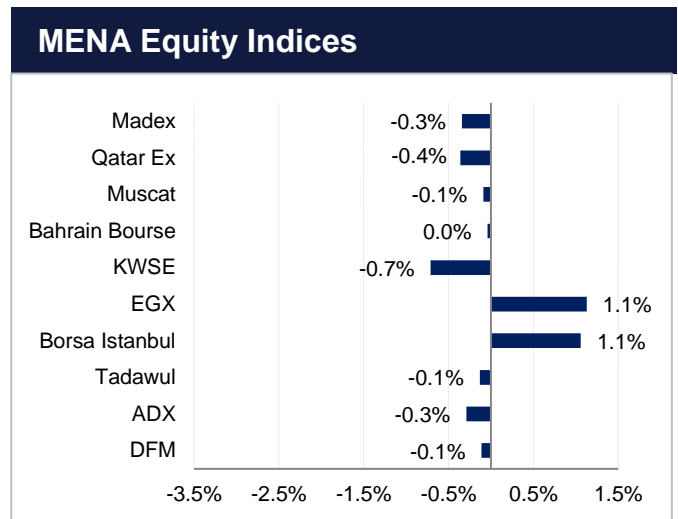
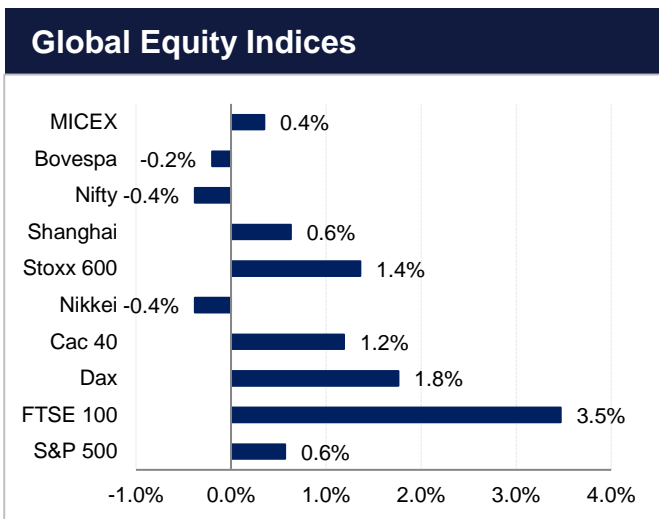
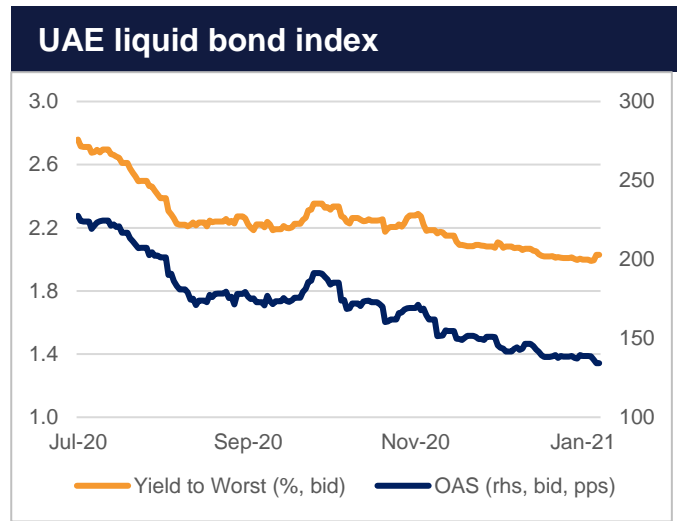
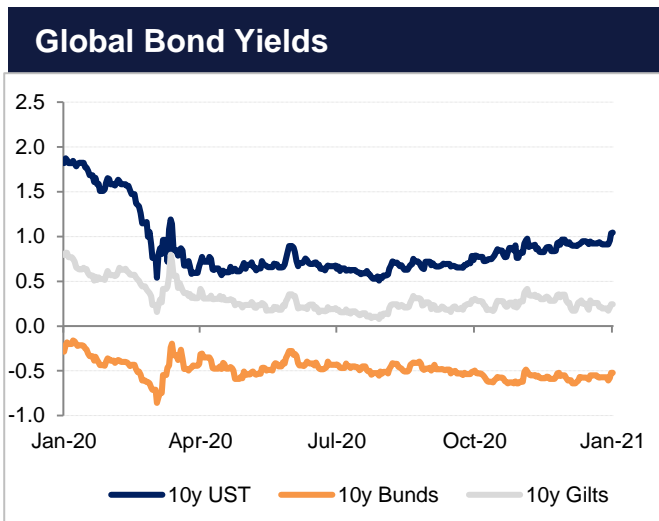
Equities

- Global equities had a strong day yesterday as they reacted positively to the Democratic Party wins in Georgia which narrowly gives the party control of all three branches of the US government and paves the way for greater infrastructure spending and Covid-19 support for households. In the US, the S&P 500 gained 0.6% while the Dow Jones added 1.4%.
- On the other hand, concerns over greater regulation of corporates under President Elect Joe Biden, in the tech sector especially, saw the tech-heavy NASDAQ close -0.6% lower.
- In Europe, the FTSE 100 had an especially strong day, rising 3.5% - although at 6,841 it still remains substantially lower than its pre-pandemic levels of 7,500. The CAC gained 1.2% and the DAX 1.8%.
- In Asia, things were mixed as the Nikkei dropped -0.4% and the Shanghai Composite gained 0.6%. Within the region, the DFM and the Tadawul both closed -0.1% lower.

Commodities

- Oil prices extended their gains, rallying 1.3% and 1.4% for Brent and WTI futures respectively. Saudi Arabia's energy minister said the country's voluntary additional cuts of 1m b/d would persist for February and March and then output levels would increase.
- Oil markets got a boost from a sizeable drop in US crude stocks of more than 8m bbl last week. However, there were builds across much of the rest of the barrel with gasoline up 4.5m bbl and distillates up 6.4m bbl. Production held steady at 11m b/d while product demand was off by 2.3m b/d last week.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2338	+0.50	1.2442	USDTRY	7.3283	-0.82	EURAED	4.5318	+0.51
GBPUSD	1.3656	+0.52	1.3690	USDEGP	15.6907	-0.06	GBPAED	5.0169	+0.54
USDJPY	102.84	-0.03	102.34	USDSAR	3.7515	+0.00	JPYAED	0.0357	+0.04
USDCAD	1.2637	-0.81	1.2631	USDQAR	3.6800	+0.43	CADAED	2.9064	+0.80
AUDUSD	0.7814	+1.27	0.7831	USDKWD	0.3032	-0.14	AUDAED	2.8700	+1.25
USDCHF	0.8764	-0.48	0.8669	USDBHD	0.3770	+0.00	CHFAED	4.1911	+0.50
EURGBP	0.9035	-0.02	0.9089	USDOMR	0.3848	--	TRYAED	0.5000	+0.58
USDAED	3.6730	-0.00	3.6756	USDINR	73.1125	-0.09	INRAED	0.0552	+10.13

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2353	0.4300	0.5731	0.5550	USD 2 yr	0.199	+1
USD LIBOR	0.1320	0.2340	0.2524	0.3324	USD 5 yr	0.482	+6
GBP LIBOR	0.0269	0.0266	0.0313	0.0758	USD 10 yr	1.016	+9
JPY LIBOR	-0.0802	-0.0773	-0.0555	0.0555	EUR 2 yr	-0.535	+1
CHF LIBOR	-0.8206	-0.7654	-0.7278	-0.6106	EUR 5 yr	-0.460	+3
					EUR 10 yr	-0.243	+5

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1918.61	-1.61	ADGB 2.50 25	0.85	+2	Abu Dhabi	42	+2
Silver	27.82	+1.32	DUGB 3.89 25	1.93	+2	Bahrain	230	--
Oil (WTI)	50.63	+1.40	QATAR 3.4 25	0.93	+2	Dubai	110	-2
Aluminium	2031.00	-0.27	US Tsy 2 yr	0.14	+2	Oman	350	--
Copper	8030.50	+0.45	US Tsy 10 yr	1.04	+8	Qatar	42	+1
						Saudi Arabia	67	-1

Source: Bloomberg, Emirates NBD Research

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