



بنك الإمارات دبي الوطني
Emirates NBD

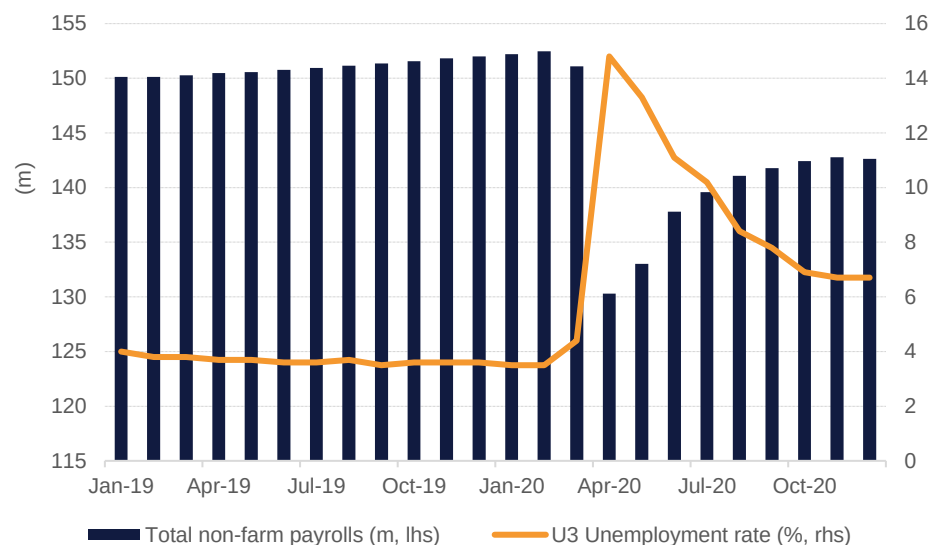
Daily

11 January 2021

Daily Outlook

- **Politics will again be thrust to the fore this week as Democratic policymakers in the US deliberate over whether to attempt again to impeach President Donald Trump** for what they view as his part in provoking violent protests at the US capitol last week. Markets generally seem to be looking past the noise of the end of the Trump presidency and took relief in statements from President-elect Joe Biden that he would unveil substantial stimulus measures once he takes office.
- **The US labour market weakened in December as lockdown measures shut in hospitality services across the nation.** Total non-farm payrolls fell by 140k in December with around 500k jobs lost in the hospitality and leisure sector. Jobs growth managed to hold up in other sectors such as manufacturing (where social distancing can be easier) and professional and business services (likely allowing more working from home).
- **Overall the unemployment rate in the US was steady at 6.7%** thanks to more people leaving the workforce while fewer front-line services staff means that earnings were distorted upward as more lower-wage jobs came out of the labour market.
- **Eurozone data showed the regional economy ended 2020 in slightly better conditions than anticipated although much of that may now be undone** given that lockdown conditions have been reimposed in several economies. Retail sales fell 6.1% m/m for November but are not far off pre-pandemic levels while a measure of economic sentiment ticked up to 90.4 in December from 87.7 a month earlier. Inflationary pressures remain weak though, with the headline inflation rate at -0.3% for December.
- **Egyptian CPI inflation dipped to 5.4% in December**, from 5.7% the previous month. This was the slowest pace of price growth since October.

US jobs market weakens at end of 2020



Source: Bloomberg, Emirates NBD Research.

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
CH CPI	05:30	0/0%	TU Unemployment	11:00	--

Source: Bloomberg, Emirates NBD Research

- Treasury markets in the US continued to fall as investors price in a wave of inflationary stimulus from the incoming Biden administration. Remarkably, markets generally looked past the political unrest in the US capital last week and focused on data and upcoming changes to policy. The curve has continued to steepen with the 10yr UST yield breaching and holding above the 1% threshold, a gain of 20bps last week, while the 2yr closed up 1bp at 0.1329%.
- Bond markets were mixed with US treasuries declining along with peers in Europe while Asian and high-yield debt were relative outperformers. EM bonds slipped last week, declining by 0.8% among USD-denominated issues.
- FAB priced a USD 500m 5yr sukuk at 90bps over midswaps, the second regional issuance so far this year following Emirates NBD earlier in the week.

FX

- The dollar recovered some ground last week with the DXY index up 0.18% despite the political noise affecting the transition of power from the Trump administration to President-elect Joe Biden. A pop in the 10yr UST to over 1% is also likely helping direct flows toward the dollar, seemingly at the expense of EM currencies.
- EURUSD retreated from an intra-week high of 1.2349 against the dollar to settle at 1.222. The spectre of lockdowns dragging down the European economy in Q1 2021 appears quite real as case loads there escalate sharply. Case in point was the performance of GBP last week, slipping by nearly 0.8% against the dollar as lockdown measures are strengthened.
- Among the commodity exposed FX, price action was stronger against the dollar thanks to the performance of industrial materials generally last week. A softer than anticipated Canadian jobs report saw the loonie weaken toward the backend of the week but not enough to derail weekly gains.

Equities

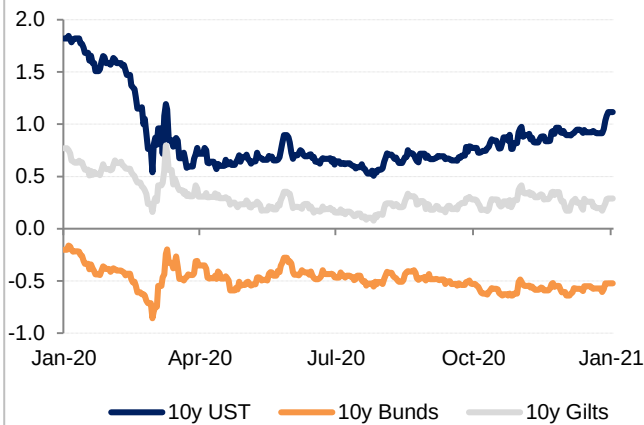
- Despite an unexpectedly negative non-farm payrolls report at the close of the week, global equity indices continued to tick higher on the back of expectations of greater spending under a Democratic Party-controlled White House and Congress. In the US itself, the Dow Jones, S&P 500 and the NASDAQ added 1.6%, 1.8% and 2.4% w/w. This meant new record highs for the S&P 500 and the NASDAQ.
- European stocks were similarly frothy as the STOXX 600 closed up 3.0% w/w despite renewed lockdown restrictions across the continent. Positive data at the end of the week in the form of a surprise fall in the Eurozone unemployment rate and a stronger than anticipated industrial production reading from Germany added to the optimism driven by the US elections. The DAX gained 2.4% w/w and the CAC 2.8%.

Commodities

- Oil prices had their strongest week since November with Brent futures gaining 8% to close the week at USD 55.99/b while WTI closed at USD 52.24/b, a gain of 7.7%. The primary propellant was the announcement from Saudi Arabia for its voluntary additional cuts to production, helping to keep Q1 balances in deficit. OPEC releases their monthly oil market report this week with all eyes on whether they will cut their demand projections for 2021.
- Elsewhere industrial metals were the primary gainers in the commodity markets with copper up 4.7% to break over USD 8,000/tonne. Precious metals sold off in line with the moves higher in yields with gold down 2.6% and silver off by 3.7% over the week.

Markets in Charts

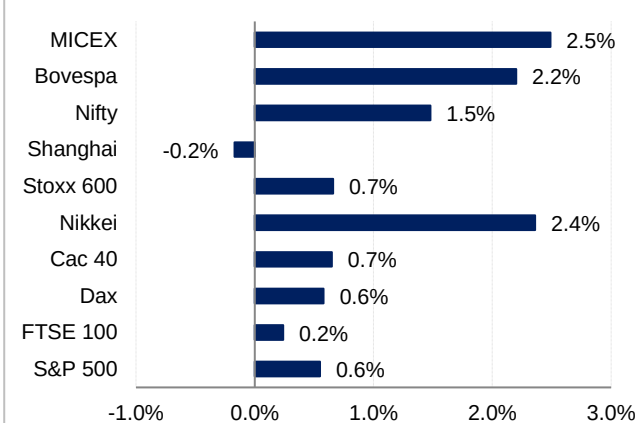
Global Bond Yields



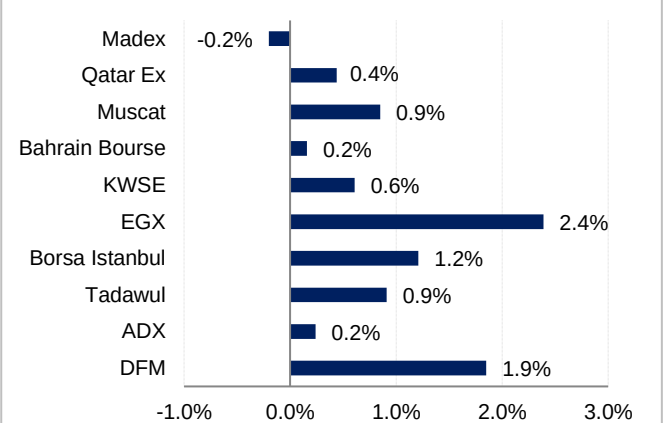
UAE liquid bond index



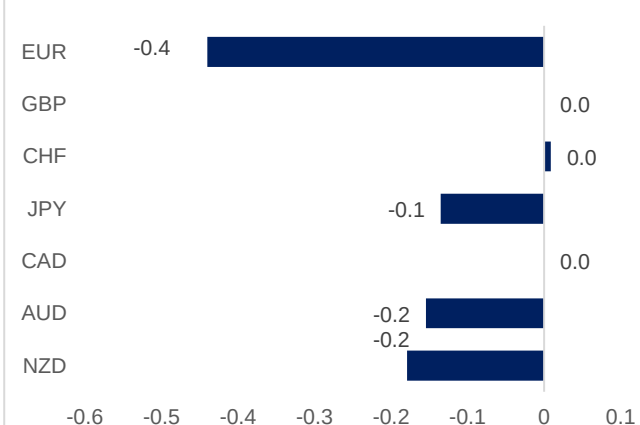
Global Equity Indices



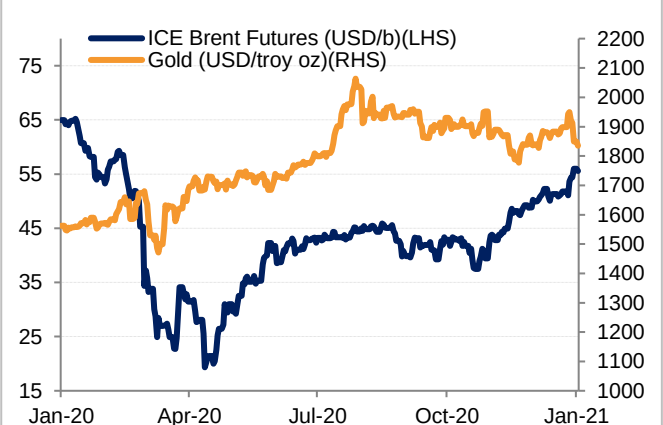
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2218	-0.44	1.2322	USDTRY	7.3521	+0.44	EURAED	4.4877	-0.43
GBPUSD	1.3568	--	1.3603	USDEGP	15.6995	+0.00	GBPAED	4.9819	-0.01
USDJPY	103.94	+0.13	103.43	USDSAR	3.7516	-0.00	JPYAED	0.0353	-0.13
USDCAD	1.2702	+0.09	1.2693	USDQAR	3.6800	+0.48	CADAED	2.8948	+0.00
AUDUSD	0.7757	-0.15	0.7774	USDKWD	0.3036	+0.05	AUDAED	2.8524	-0.02
USDCHE	0.8855	+0.06	0.8759	USDBHD	0.3770	-0.01	CHFAED	4.1486	+0.01
EURGBP	0.9010	-0.41	0.9063	USDOMR	0.3850	+0.06	TRYAED	0.5000	-0.35
USDAED	3.6730	--	3.6753	USDINR	73.2450	-0.11	INRAED	0.0552	+10.47

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2328	0.4190	0.5282	0.5700	USD 2 yr	0.215	+0
USD LIBOR	0.1264	0.2244	0.2465	0.3296	USD 5 yr	0.558	+3
GBP LIBOR	0.0291	0.0273	0.0340	0.0768	USD 10 yr	1.126	+5
JPY LIBOR	-0.0813	-0.0772	-0.0560	0.0463	EUR 2 yr	-0.525	+0
CHF LIBOR	-0.8130	-0.7680	-0.7264	-0.6086	EUR 5 yr	-0.452	+0
					EUR 10 yr	-0.232	+0

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1849.01	-3.39	ADGB 2.50 25	0.89	+0	Abu Dhabi	42	--
Silver	25.42	-6.33	DUGB 3.89 25	1.93	-0	Bahrain	234	--
Oil (WTI)	52.24	+2.77	QATAR 3.4 25	0.94	-1	Dubai	109	--
Aluminium	2024.00	-0.21	US Tsy 2 yr	0.13	-0	Oman	352	-1
Copper	8118.00	-0.60	US Tsy 10 yr	1.12	+4	Qatar	43	-1
						Saudi Arabia	65	-1

Source: Bloomberg, Emirates NBD Research

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