



بنك الإمارات دبي الوطني
Emirates NBD

Daily
13 January 2020

www.emiratesnbdresearch.com

Daily Outlook

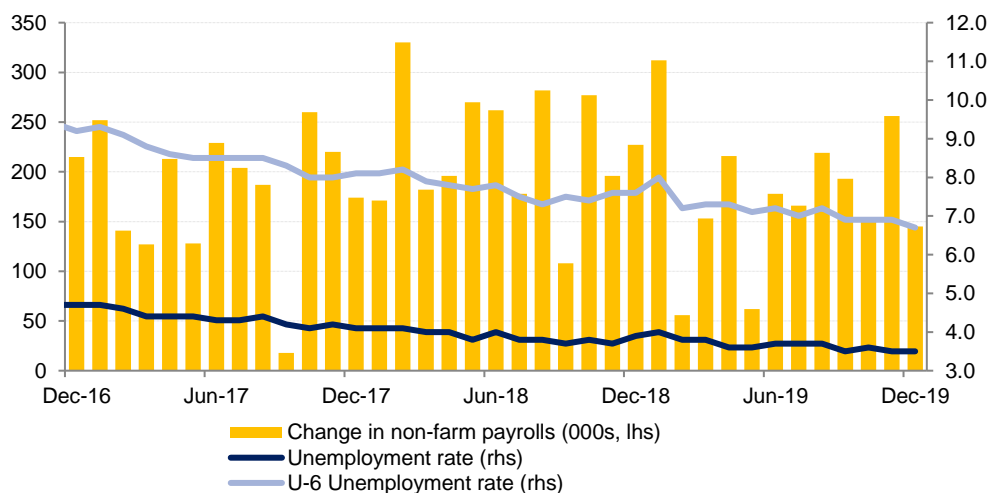
After a week dominated by geopolitics, this period is perhaps coming to an end for the time being and the coming one should be back to basics with market direction once again being set by economic fundamentals. U.S. non-farm payrolls rose by just 145,000 last month, and while the unemployment rate remained at 3.5%, wages grew by only 2.9% y/y, the slowest pace since 2018. For policy makers at the Fed, the message from the employment report was that while the labour market remains tight, it is still not tight enough to put upward pressure on earnings. This is likely to reinforce the message from the minutes from the Fed's December meeting which displayed a dovish consensus to keep rates steady for 2020.

Oman's Sultan Qaboos passed away over the weekend, reportedly after a lengthy illness. His cousin, Haitham bin Tariq Al Said was nominated by Sultan Qaboos as his successor and has been sworn in as the new ruler. Sultan Haitham had served as minister of culture and heritage, and has indicated that we will continue Oman's policy of neutrality on foreign policy. It remains to be seen whether the new ruler will make significant changes to Oman's economic or fiscal policy.

The Dubai PMI eased further to 52.3 in December from 53.5 in November, the lowest reading since August. While output increased at a slightly faster rate in December, new order growth slowed, with the latter index falling to the lowest level since February 2016. Employment in Dubai's private sector was also broadly unchanged at the end of last year, after increasing slightly in October and November. Firms continued to discount selling prices in December, despite rising input costs.

Egyptian CPI inflation ticked up to 7.1% y/y in December, compared to just 3.6% in November, as previously favourable base effects eased. Nevertheless, price growth remains well within the CBE's target range (9% +/- 3 by the end of the year). On a m/m basis, inflation was -0.2%. The CBE's monetary policy committee is set to meet this week, and while further monetary easing this year is all but guaranteed, the significant rise in inflation last month could swing the body towards adopting a wait-and-see approach for the time being – the postponement of this meeting from December 26 to January 16 may well have been implemented with this in mind. If there is a cut it is more likely to be 50bps compared to the 100bps reductions we have seen recently. In any case, we retain our outlook for around 200bps of cuts in total this year from the 12.25% the overnight deposit rate currently stands at.

145,000 US jobs added in December



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
TU Current Account Balance	11:00	-0.4b	UK Manuf. Prod.m/m	13:30	-0.2%
UK Industrial Production m/m	13:30	0.0%	US Monthly Budget	23:00	-\$15.0b

Source: Bloomberg, Emirates NBD Research.

Fixed Income

It was a choppy week for US treasuries as geopolitical tensions at the start of the week and economic data (non-farm payrolls) at the end of the week weighed on investor sentiment. Over the course of the week, Treasuries closed lower with yields on the 2y UST and 10y UST closing at 1.57% (+5 bps w-o-w) and 1.82% (+4 bps w-o-w) respectively.

Regional bonds ended the week largely unchanged as investors remained cautious in light of hostility between the US and Iran. The YTW on Bloomberg Barclays GCC Credit and High Yield index was flat w-o-w at 3.18% and credit spreads tightened 3 bps to 144 bps.

According to reports, Lebanon Central Bank wants local holders of a USD 1.2bn Eurobond maturing in March 2020 to swap into new notes as part of a debt restructuring. The governor was also quoted as saying that no decision has been taken and will be dependent on the consent of Lebanese banks.

FX

Last week's decline of 0.36% resulted in EURUSD closing the week at 1.1121. This was the second week that the price declined. However, the most significant development is the failure to sustain the break above the 50-week moving average (1.1174). The price has not seen a weekly close above this level since May 2018. While the price stays below this level, downside pressures will persist. We expect the next level of support to be the 50-day moving average (1.1091), a level which prevented further declines over the previous week. Should this level falter, the 100-day moving average (1.1065) can expect to be tested in quick succession. On the other hand a break of the 50-week moving average will be bullish for the price and may result in further gains, initially towards the 50% one-year Fibonacci retracement (1.1197).

Last week, GBPUSD fell for the first time in three weeks, with a 0.21% decline taking the price to 1.3064. Of note is that while the price did close below the 200-week moving average (1.3074), it found support at the 100-week moving average (1.3011). In addition to this, analysis of the daily candle chart shows that the price has remained in an uptrend since August 2018. Therefore while the price remains above 1.3010, a level also not far from the 50-day moving average (1.3016), we expect the path of least resistance to be further gains for GBPUSD. A break above the 200-week moving average would be likely to result in a retest of the 76.4% one-year Fibonacci retracement (1.3147). Should this level also be penetrated, it could catalyze a more significant rise towards the 1.35 level.

Equities

Regional equities closed marginally higher to start the new week on a positive note. However, the trading was rather dull with most stocks closing largely unchanged.

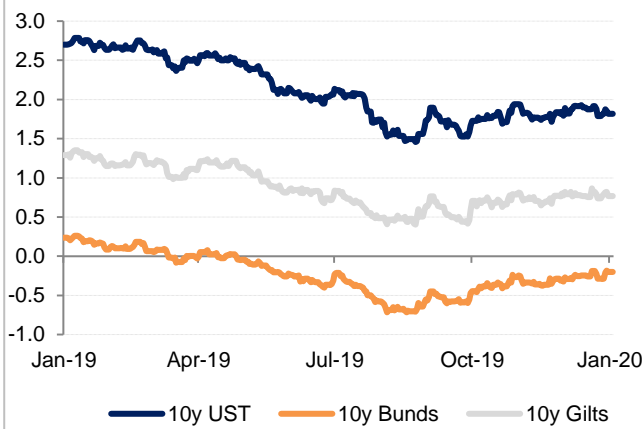
Commodities

The geopolitical spark that pushed Brent oil futures above USD 70/b snuffed itself out quickly as it became apparent that an escalation of tension had no impact on oil market fundamentals or flows of physical crude from the Middle East. Brent futures fell more than 5% last week to settle below USD 65/b while WTI dropped nearly 6.4% and closed at USD 59.04/b. The decline last week was the first weekly decline in the past six weeks and only the second weekly drop in the last 10.

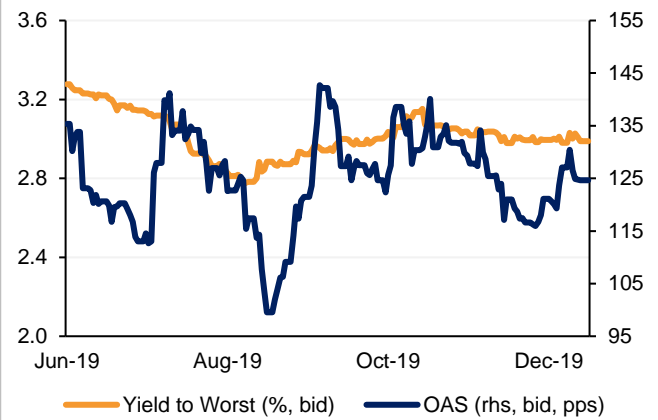
As benchmark futures declined, so did market structures. The backwardation at the front of the Brent and WTI curves weakened substantially. In WTI, the front of the curve is barely holding in backwardation (just USD 0.05/b on the 1-2 month spread) while in Brent the spread closed the week at USD 0.73/b. Longer-dated spreads also shrank with Dec spreads for 20/21 in both Brent and WTI moving below USD 3/b after having started the week wider than USD 4/b.

Markets in Charts

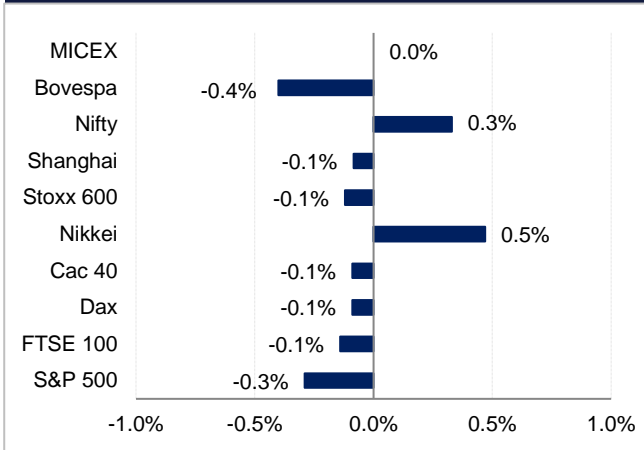
Global Bond Yields



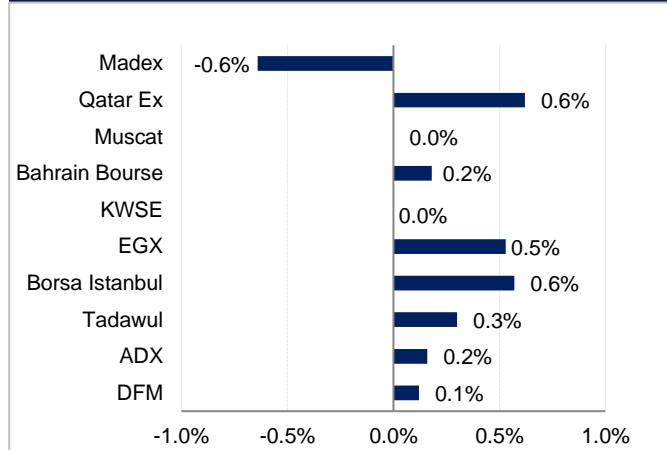
UAE liquid bond index



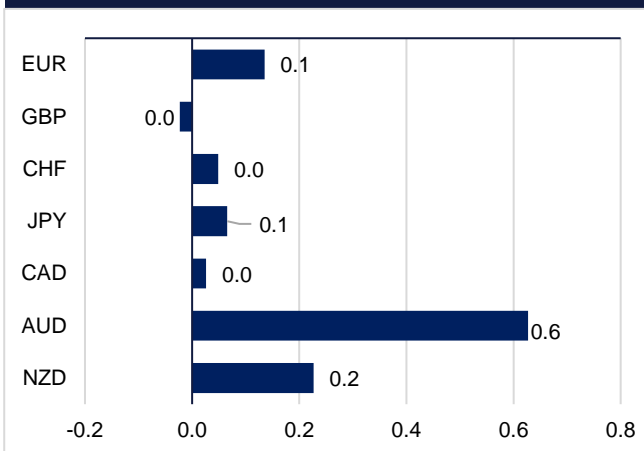
Global Equity Indices



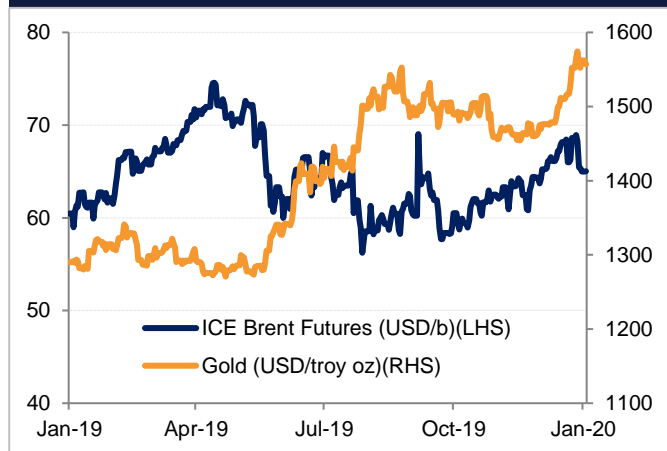
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1121	+0.14	1.1372	USDTRY	5.8808	+0.11	EURAED	4.0846	+0.14
GBPUSD	1.3064	-0.02	1.3198	USDEGP	15.9924	+0.17	GBPAED	4.7986	-0.01
USDJPY	109.45	-0.06	107.25	USDSAR	3.7520	--	JPYAED	0.0336	+0.05
USDCAD	1.3050	-0.05	1.3054	USDQAR	3.6800	+0.42	CADAED	2.8144	+0.04
AUDUSD	0.6901	+0.63	0.6957	USDKWD	0.3035	+0.02	AUDAED	2.5346	+0.62
USDCHF	0.9726	-0.06	0.9483	USDBHD	0.3770	-0.00	CHFAED	3.7759	+0.06
EURGBP	0.8512	+0.14	0.8615	USDOMR	0.3850	--	TRYAED	0.6200	-0.84
USDAED	3.6729	--	3.6779	USDINR	70.7225	-0.64	INRAED	0.0552	+7.07

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.8259	2.0673	2.1450	2.2382	USD 2 yr	1.631	-1
USD LIBOR	1.6766	1.8378	1.8721	1.9666	USD 5 yr	1.628	-2
GBP LIBOR	0.6903	0.7815	0.8375	0.9269	USD 10 yr	1.769	-3
JPY LIBOR	-0.0858	-0.0435	0.0075	0.1120	EUR 2 yr	-0.305	-0
CHF LIBOR	-0.7736	-0.6754	-0.6172	-0.4832	EUR 5 yr	-0.151	-0
					EUR 10 yr	0.155	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1562.34	+0.65	ADGB 6.75 19	2.42	--	Abu Dhabi	38	+1
Silver	18.12	+1.19	DUGB 7.75 20	2.05	-15	Bahrain	172	-6
Oil (WTI)	59.04	-0.87	QATAR 5.25 20	2.70		Dubai	95	--
Aluminium	1780.75	+0.32	US Tsy 2 yr	1.57	-1	Oman	234	--
Copper	6172.25	+0.32	US Tsy 10 yr	1.82	-3	Qatar	41	+2
						Saudi Arabia	63	+2

Source: Bloomberg, Emirates NBD Research

Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report. The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O.Box 777
Dubai

Aazar Ali Khwaja
Senior Executive Vice President
Global Markets & Treasury
+971 4 609 3000
aazark@emiratesnbd.com

Tim Fox
Head of Research &
Chief Economist
+9714 230 7800
timothyf@emiratesnbd.com

Research

Khatija Haque
Head of MENA Research
+9714 230 7803
khatijah@emiratesnbd.com

Edward Bell
Commodity Analyst
+9714 230 7701
edwardpb@emiratesnbd.com

Aditya Pugalia
Financial Markets Research
+9714 230 7802
adityap@emiratesnbd.com

Daniel Richards
MENA Economist
+9714 609 3032
danielricha@emiratesnbd.com

Mohammed Altajir
FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
Tariq Chaudhary
+971 4 230 7777
tariqmc@emiratesnbd.com

Saudi Arabia Sales
Numair Attiyah
+966 11 282 5656
numaira@emiratesnbd.com

Singapore Sales
Supriyakumar Sakhalkar
+65 65785 627
supriyakumars@emiratesnbd.com

London Sales
+44 (0) 20 7838 2241

Egypt
+20 22 726 5040

Emirates NBD Capital

Hitesh Asarpota
Head of Debt Capital Markets.
+971 50 4529515
asarpotah@EmiratesNBD.com

Investor Relations

Patrick Clerkin
+9714 230 7805
patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com