



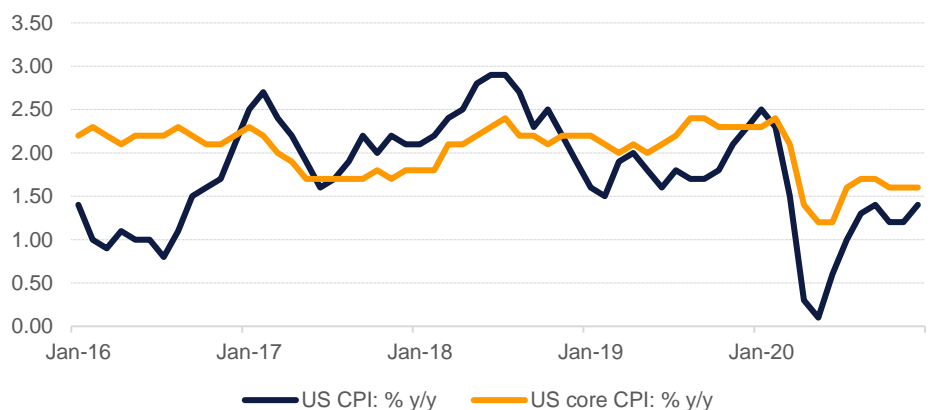
بنك الإمارات دبي الوطني
Emirates NBD

Daily
13 January 2021

Daily Outlook

- US President Donald Trump has been impeached for a second time by the Democrat-led House of Representatives for what they viewed as his role in inciting an insurrection at the US Capitol. Several Republican representatives also supported the motion, a shift from the first impeachment by the House in which no Republicans supported the measure.
- House speaker Nancy Pelosi must now decide whether to send the article of impeachment to the Senate where the President would face trial. While it still seems unlikely that the currently Republican-controlled Senate would indeed support impeachment the risk for markets and the incoming Biden administration is that an impeachment trial takes precedence over all other orders of business, delaying appointments to a new Biden cabinet and further delaying introduction of any new stimulus measures.
- Inflation in the US picked up in December, gaining by 0.4% m/m thanks mainly to higher fuel prices. On an annual basis CPI picked up to 1.4% from 1.2% a month earlier, while core inflation was steady at 1.6%. On base effects prices are likely to increase across much of 2021 as the economy recovers from the damage caused by the Covid-19 pandemic. However, one-off bumps in airline fares or other non-core items are unlikely to materially shift the trajectory for prices higher in the long-run. The Fed will be attempting to look through near-term price gains to identify if output gaps and utilization rates are actually tightening in the economy that would support higher prices over a longer period.
- Industrial production in the Eurozone bounced in November by 2.5% m/m thanks to a one off massive increase in Ireland's output. Stripping out Ireland, however, shows that output was still around flat. Manufacturing has generally managed to hold up reasonably well across major economies during the Covid-19 pandemic, with services sectors taking the brunt of lockdown measures.
- China's exports gained 18% y/y in USD terms while imports managed a 6.5% gain according to data out earlier today. China's total trade balance for 2020 was a surplus of USD 535bn, up 27% y/y and its highest level since 2015. As China managed to get control of its Covid-19 outbreak in the early stages, manufacturing was able to respond quickly to increased global demand for electronic goods and PPE as economies adjusted to coping with Covid-19.

Inflation in the US remains below target



Source: Bloomberg, Emirates NBD Research.

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
US initial jobless claims	17:30	789k	US continuing claims	17:30	5000k

Source: Bloomberg, Emirates NBD Research

Fixed Income

- Treasury markets extended their recent run of gains overnight as Fed speakers quashed expectations that any tapering of asset purchases was imminent. Lael Brainard said that QE was needed for “quite some time” and warned against pulling assistance away from a labour market too early. Markets will be closely watching commentary from Fed Chair Jerome Powell later today for any additional guidance from Fed leadership.
- Yields at the front end of the curve were roughly flat with the 2yr holding onto a 0.14% level while the 10yr dipped almost 5bps to close out at 1.0832. Yields have popped higher in early trade today, however, as the market digests news that a Biden fiscal support plan could be worth as much as USD 2tn.
- Bond markets were generally in the green, following the move in US treasuries. High yield and emerging market bonds also gained, up 0.09% and 0.23% respectively overnight.
- Fitch affirmed its rating on Israel at ‘A+’ with a stable outlook.

FX

- The dollar recovered much of the prior day’s losses overnight with the DXY index settling back up above the 90 handle and gaining 0.3% overnight. The Euro lost ground consistently throughout the day, settling at 1.2157, a drop of 0.4%, while sterling was moderately lower at 1.3639 at the close.
- The dollar is also pushing higher in early trade today on the news that a Biden fiscal relief plan could be valued at as much as USD 2tn.

Equities

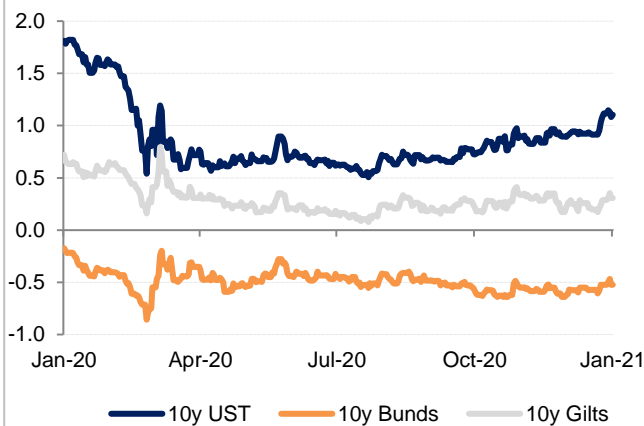
- Equity market moves were muted yesterday, with little change in either direction. In the US, the Dow Jones was broadly flat (down -0.03%), while the S&P 500 (0.2%) and the NASDAQ (0.4%) eked out some gains.
- In Europe, the FTSE 100 lost -0.1% despite strong gains from consumer-facing firms, with the strong pound weighing on multinationals. The DAX gained 0.1% and the CAC 0.2%.
- Locally, the DFM closed 0.8% higher, and is now up 9.2% ytd.

Commodities

- Oil prices ended lower overnight as the market balanced rising numbers of Covid-19 cases against near-term fundamentals that appeared positive. Brent closed down by 0.9% at USD 56.06/b while WTI was down by 0.6% at USD 52.91/b.
- Crude inventories in the US fell by 3.2mn bbl last week while there were builds in gasoline and diesel stocks.

Markets in Charts

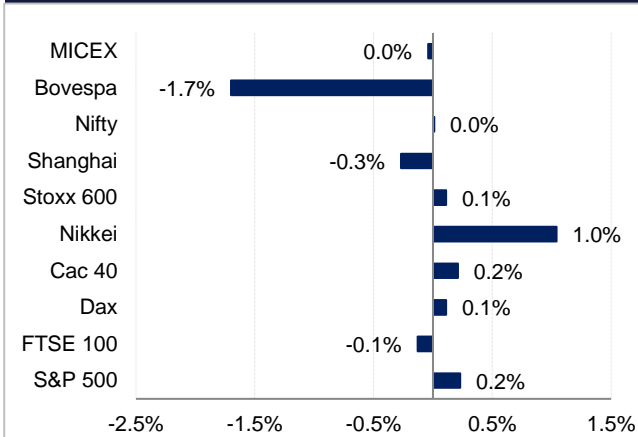
Global Bond Yields



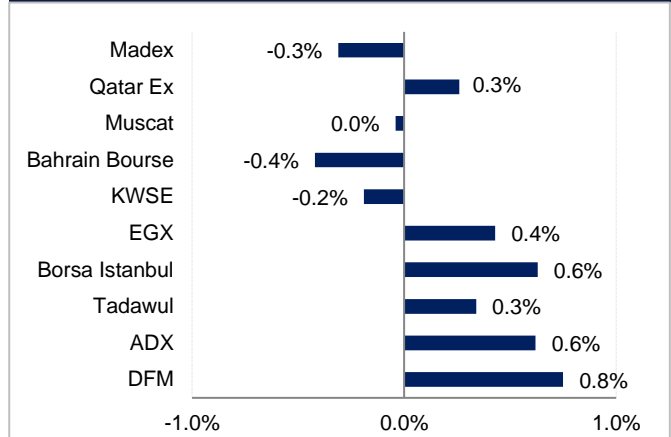
UAE liquid bond index



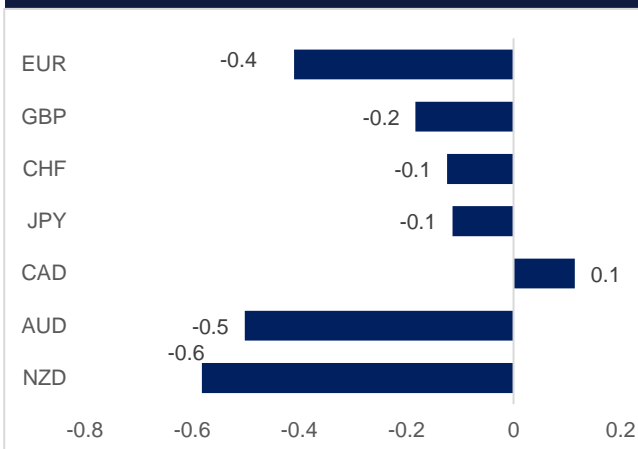
Global Equity Indices



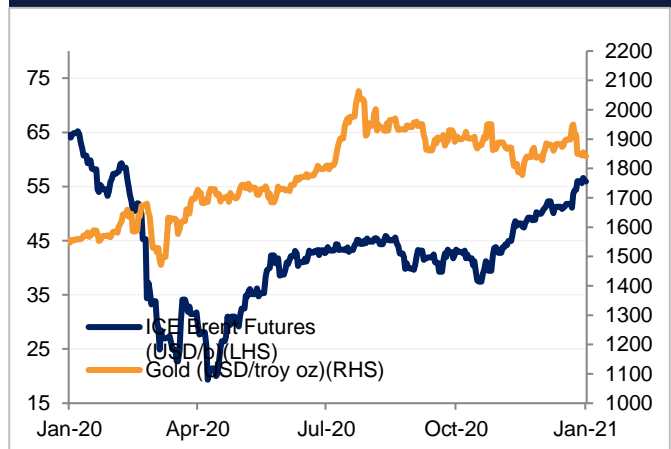
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2157	-0.41	1.2261	USDTRY	7.4030	-0.65	EURAED	4.4657	-0.40
GBPUSD	1.3639	-0.18	1.3673	USDEGP	15.6801	-0.14	GBPAED	5.0094	-0.20
USDJPY	103.89	+0.13	103.37	USDSAR	3.7516	-0.01	JPYAED	0.0354	-0.12
USDCAD	1.2698	-0.10	1.2688	USDQAR	3.6800	+0.64	CADAED	2.8926	+0.11
AUDUSD	0.7733	-0.50	0.7750	USDKWD	0.3032	-0.11	AUDAED	2.8411	-0.23
USDCHF	0.8878	+0.16	0.8780	USDBHD	0.3770	--	CHFAED	4.1385	-0.12
EURGBP	0.8915	-0.21	0.8969	USDOMR	0.3850	--	TRYAED	0.4900	-0.59
USDAED	3.6730	--	3.6752	USDINR	73.1500	-0.14	INRAED	0.0552	+10.19

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2328	0.3625	0.5400	0.5525	USD 2 yr	0.216	-1
USD LIBOR	0.1265	0.2413	0.2479	0.3263	USD 5 yr	0.542	-3
GBP LIBOR	0.0298	0.0341	0.0456	0.0894	USD 10 yr	1.093	-5
JPY LIBOR	-0.0598	-0.0763	-0.0568	0.0403	EUR 2 yr	-0.523	-1
CHF LIBOR	-0.8132	-0.7630	-0.7212	-0.6074	EUR 5 yr	-0.446	-3
					EUR 10 yr	-0.232	-5

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1845.51	-0.50	ADGB 2.50 25	0.91	-3	Abu Dhabi	32	-1
Silver	25.22	-1.32	DUGB 3.89 25	1.93	-1	Bahrain	247	+14
Oil (WTI)	52.91	-0.56	QATAR 3.4 25	0.96	-1	Dubai	111	+1
Aluminium	2015.50	-0.14	US Tsy 2 yr	0.14	-0	Oman	361	+3
Copper	7994.50	+0.38	US Tsy 10 yr	1.08	-5	Qatar	43	-1
						Saudi Arabia	66	-2

Source: Bloomberg, Emirates NBD Research

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