



بنك الإمارات دبي الوطني  
Emirates NBD

## Daily

18 January 2021

# Daily Outlook

- China's real GDP growth surprised to the upside in Q4, hitting 6.5% y/y compared to expectations of 6.2%. This takes 2020 growth to 2.3%, likely one of the very few economies globally to record an expansion last year. Chinese exports have fared especially well, in part related to the pandemic through a boost to sales of PPE and medical goods. In general, consumption has lagged behind production throughout the year, and with some modest flare-ups of Covid-19 at present, this will likely remain the case over the next several months.
- US President-elect Joe Biden unveiled his proposed USD 1.9tn pandemic economic support plan towards the close of last week. The plan would see a further USD 1,400 in direct helicopter money to individuals (in addition to the USD 600 already agreed this would take the total to the previously sought after USD 2,000 level), in addition to additional funds for state and local governments and more healthcare support spending for combating the virus.
- Republican senators were swift to speak out against the level of spending proposed, and with members of his own Democratic Party having previously cautioned against such high levels, Biden will have a struggle on his hands to get it passed in full despite his reputation for brokering cross-party deals. A pure tax and spending bill could be passed without a 60-seat supermajority, but even this would need all 48+2 Democratic Party and Independent senators, plus Vice President-elect Kamala Harris' deciding vote.
- As such, the likelihood is that what eventually materialises will be somewhat watered down from the current ambitious target, with the cash for local governments probably first in the firing line. Further, the timeline will remain in question given the move to impeach President Donald Trump for a second time.
- The case for greater spending was made most forcibly by two data releases at the close of last week which showed that the US economy was surprising to the downside. First, initial jobless claims hit 965,000 in the week ending January 9, up from 784,000 the previous week, which was the highest jump in new claimants since March. This was followed by retail sales data which showed a m/m decline of -0.7% in December, compared to expectations of a flat figure. With new Covid-19 case numbers still topping 200,000 each day (217,000 on Friday), the pressure on the US economy will remain severe.
- The prospect of greater fiscal expenditure and a resultant resurgent economy has raised questions over reflation, a winding down of QE, and a hike to the Fed Funds rate earlier than earmarked, and bond yields have pushed higher as a result since the start of the year. However, Fed Chair Jerome Powell was the latest and most important policymaker to pour cold water on this view on Friday, reaffirming his commitment to keeping QE as long as necessary. This is in keeping with the Fed's new policy of allowing inflation to run hot if it follows a period of undershooting, and with the latest FOMC statement that it will wait until 'substantial progress' on employment and inflation has been met.
- The UK economy contracted -2.6% m/m in November as the country underwent its second lockdown. However, this was a far slighter expansion than the Bloomberg consensus projection of -4.6%. Construction expanded, services did not decline by as much as anticipated, and warehousing in particular performed well (owing to pre-Brexit stockpiling and preparations for Black Friday and Christmas).

### Today's Economic Data and Events

	Time	Cons.		Time	Cons.
Canada housing starts	17:15	230k			

Source: Bloomberg, Emirates NBD Research

### Fixed Income

- Bond markets oscillated last week as hope that large scale US stimulus would support growth was balanced by persistent anxiety over the effects the Covid-19 pandemic was having on growth. Recent prints of US data have been disappointing and Q1 2021 is increasingly looking similar to Q4 2020, suggesting the optimism around reflation trades may be a little premature.
- Treasury yields peaked at 1.1855% last week for the 10yr before shedding more than 10bps and closing at 1.0835%, a weekly drop of 3bps. European bond markets closed the week up with yields on the 10yr bund closing at -0.54%, down from an intraweek high of -0.46%.
- Central banks will be busy this week with policy decisions in Sri Lanka, Malaysia, Canada, Brazil, Turkey, South Africa and Indonesia. However, the big hitters will come toward the end of the week with both the ECB and BoJ setting policy—where we expect no change.
- Riskier bonds fell in line with equities at the end of the week with both high-yield and USD emerging market bonds falling.
- S&P affirmed its sovereign rating on Kuwait at 'AA-' with a negative outlook.
- NCB has mandated banks for a USD tier-1 sukuk but gave no timing on when it would hit markets.

### FX

- Currency markets weakened across the board last week as the USD strengthened. Intraday movement was wide as the DXY index reacted to stimulus uncertainty before finishing over 0.7% higher at 90.784 after President-elect Joe Biden announced a USD 1.9tn package on Thursday evening. The only exception to this was GBP which finished slightly higher at around 1.3590, but still much less than its weekly high of 1.3710 compounded by weak GDP data out of the UK, as well as the JPY which recorded minor gains.

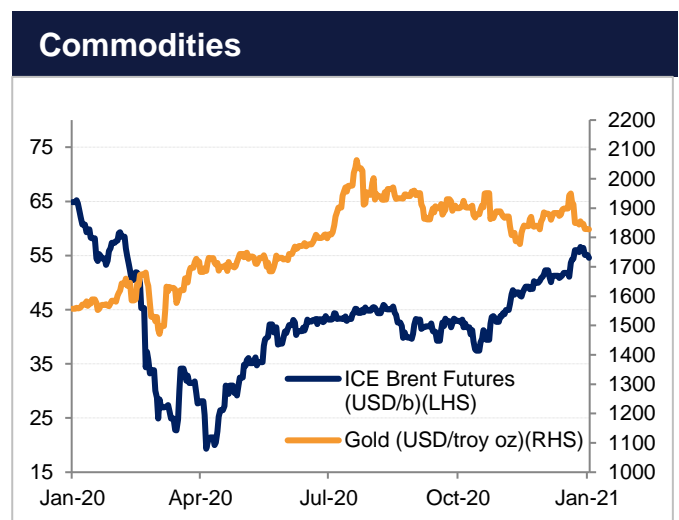
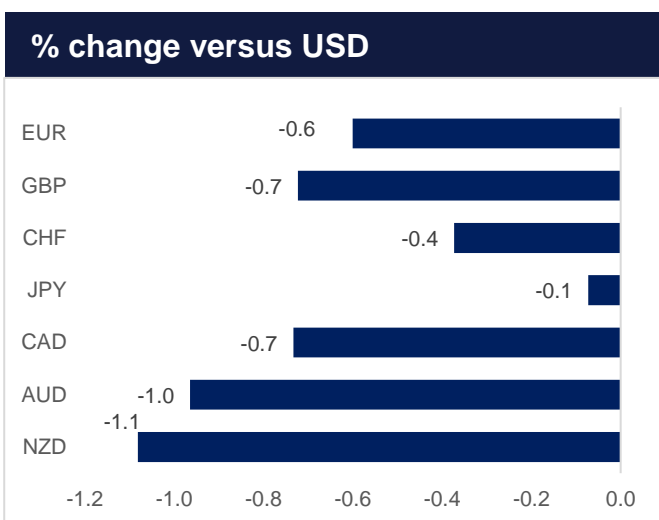
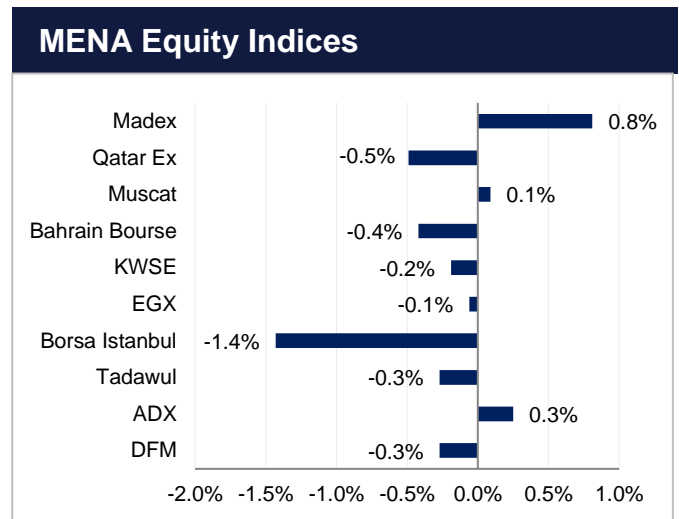
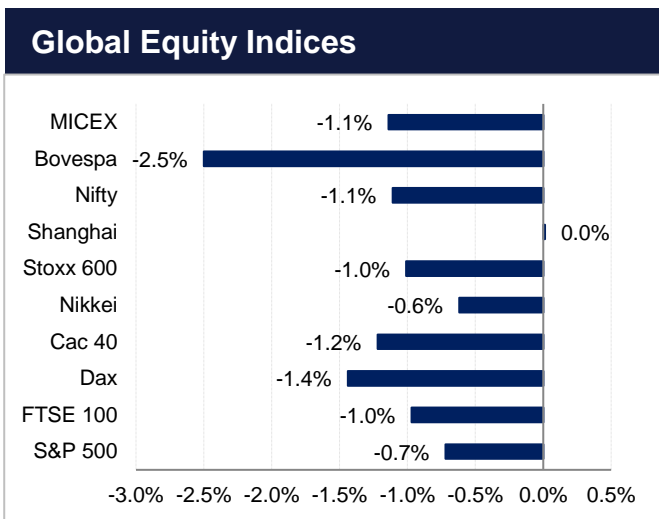
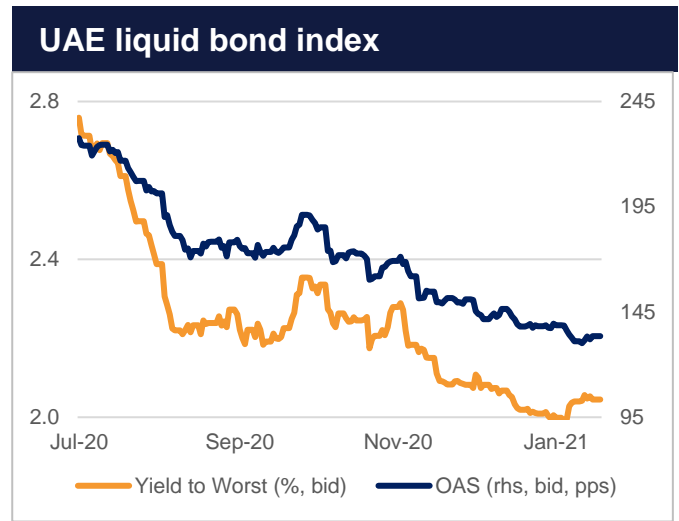
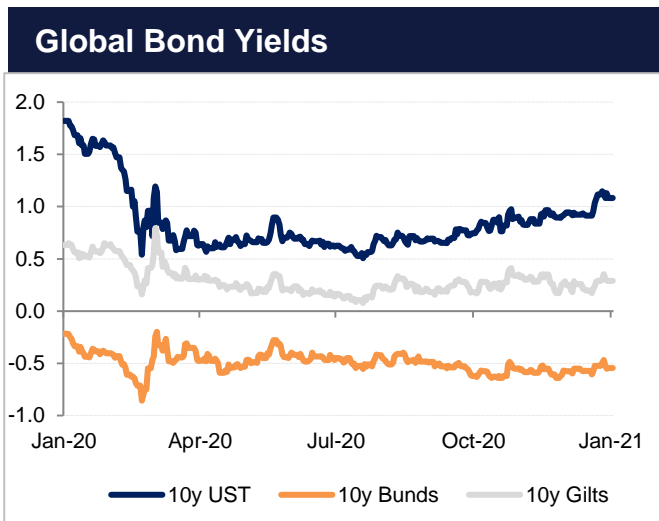
### Equities

- Global equity indices had one of the poorest weeks in months last week, as Covid-19 worries and poor data out of the US at the close of the week offset any optimism there might be over the prospect of President-elect Joe Biden's ambitious spending plan getting passed.
- Losses on Friday in particular resulted in all three benchmark US indices closing down compared to Friday the previous week, with the Dow Jones losing -0.9% w/w and the NASDAQ and the S&P 500 both down -1.5%.
- In Europe, the FTSE 100 closed off its worst week since October, losing -2.0% w/w, while a slower outlook for vaccine distribution in the EU saw the DAX not far behind with a -1.9% loss and the CAC down -1.7%.
- Regional equities fared better, and despite losses at the close of the week, the DFM (2.9%) and the Tadawul (1.9%) both closed higher w/w.

### Commodities

- Oil markets showed a wide range of movement, trading as high at USD 57/b on the Brent prices in the middle of the week before ending the week overall down by 1.6% at USD 55.10/b. WTI saw some similar moves but was helped by another draw in US stocks, closing the week roughly flat at USD 52.36/b.
- OPEC left its forecasts for 2021 supply and demand roughly unchanged in its latest monthly report. This week the oil market will be looking for the IEA's assessment of oil market conditions amid additional production cuts from Saudi Arabia while demand optimism wavers with more countries imposing lockdown measures again.
- Gold prices fell a second week running, slipping more than 1% to close out at 1,825/troy oz. Silver also moved lower while PGM metals both managed around a 0.5% gain.
- Industrial metals saw a choppy week of trading but are still holding around recent highs. LME 3mth copper futures closed the week at USD 7,934/tonne, a drop of 2.2% while aluminium closed at USD 1,828/tonne, down 1.5% over the five days.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2082	-0.60	1.2186	USDTRY	7.4726	+1.46	EURAED	4.4356	-0.65
GBPUSD	1.3590	-0.72	1.3625	USDEGP	15.6339		GBPAED	4.9901	-0.75
USDJPY	103.85	+0.05	103.34	USDSAR	3.7514	-0.00	JPYAED	0.0354	-0.08
USDCAD	1.2732	+0.73	1.2722	USDQAR	3.6800	+1.05	CADAED	2.8835	-0.74
AUDUSD	0.7703	-0.96	0.7719	USDKWD	#N/A N/A	#VALUE!	AUDAED	2.8312	-0.78
USDCHF	0.8910	+0.32	0.8813	USDBHD	0.3770	--	CHFAED	4.1209	-0.37
EURGBP	0.8890	+0.12	0.8943	USDOMR	0.3850	--	TRYAED	0.4900	-1.75
USDAED	3.6730	--	3.6754	USDINR	73.0663	+0.03	INRAED	0.0552	+9.68

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
	0.2096	0.3788	0.4375	0.5450	USD 2 yr	0.205	-1
USD LIBOR	0.1295	0.2234	0.2481	0.3226	USD 5 yr	0.523	-3
GBP LIBOR	0.0290	0.0280	0.0409	0.0783	USD 10 yr	1.086	-5
JPY LIBOR	-0.0623	-0.0753	-0.0537	0.0420	EUR 2 yr	-0.535	-0
CHF LIBOR	-0.8110	-0.7702	-0.7250	-0.6100	EUR 5 yr	-0.458	+0
					EUR 10 yr	-0.237	+1

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1828.45	-0.98	ADGB 2.50 25	0.90	--	Abu Dhabi	44	+2
Silver	24.77	-2.94	DUGB 3.89 25	1.92	-1	Bahrain	243	-3
Oil (WTI)	52.36	-2.26	QATAR 3.4 25	0.96	-1	Dubai	110	--
Aluminium	1991.05	-0.68	US Tsy 2 yr	0.13	-1	Oman	363	+2
Copper	7937.40	-1.27	US Tsy 10 yr	1.08	-5	Qatar	44	+2
						Saudi Arabia	68	+3

Source: Bloomberg, Emirates NBD Research

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