



بنك الإمارات دبي الوطني  
Emirates NBD

## Daily

20 January 2021

# Daily Outlook

- President-elect Joe Biden is due to be sworn in as the 46th POTUS today. He has already announced an ambitious pandemic support spending plan, but with the Democratic Party's knife-edge hold on the Senate, getting the USD 1.9tn passed in full will be difficult.
- Janet Yellen had her confirmation hearing as President-elect Biden's Treasury Secretary yesterday. As had been expected, she urged lawmakers to 'act big' in its moves to support the US economy through the current crisis, and to get behind Biden's spending plan.
- Germany's ZEW survey came in at -66.4 in January, compared to -66.5 the previous month, a negligible improvement and reflecting the ongoing stresses the coronavirus pandemic is exerting on Europe's biggest economy. Firms in banking and insurance were the most negative responders with regards their current situation. Responders from the German automobiles industry were positive for the second month in a row, albeit modestly at 13.4, up from 2.0 in December. Data released yesterday demonstrated the pressures the sector was under in 2020; car sales in the EU fell -23.7% last year, with a -3.3% y/y decline in December.
- The value of the UAE's non-oil trade declined -35% y/y in the first 9 months of 2020 according to official data by the Federal Competitiveness and Statistics Authority. China remained the UAE's largest non-oil trading partner, while Saudi Arabia moved into second place ahead of India. 2020 non-oil trade was disrupted by the impact of the coronavirus on demand for various goods as well as factory and border closures around the world. Global trade continued to recover in Q4 2020 and we expect a further improvement in 2021.
- Bahrain is looking to tap international capital markets with a benchmark bond issue, to help finance this year's budget deficit, according to Bloomberg. The country is expected to issue three tranches of 7y, 12y and 30y maturities.

### Today's Economic Data and Events

	Time	Cons.		Time	Cons.
UK CPI % y/y	11:00	0.5%	Canada CPI % y/y	17:30	1.1%
Bank of Canada interest rate decision	19:00	0.25%			

Source: Bloomberg, Emirates NBD Research

### Fixed Income

- Treasury markets were generally steady over the course of the day before dipping late in the session as the market digested Janet Yellen's commentary during her confirmation hearing to be appointed Treasury Secretary. Yellen focused on the low debt servicing costs the US government faces with interest rates so low, rather than the overall size of government debt. She also proposed that the US could issue a 50yr bond, compared with its current longest-dated issue of a 30yr UST.
- The curve overall was mixed with modest drops in yield at the front end and belly while longer dated yields gained. However, moves were limited.
- Bond markets elsewhere were generally higher as muted risk-on tone took hold of markets, helping to lift high yield and emerging market bonds.
- Turkey priced a dual tranche USD issue overnight. A 5yr USD 1.75bn issued priced at 4.9% while a 10yr USD 1.75bn issued priced at 5.95%. Both came in considerably tighter than initial pricing guidance.
- QNB launched a USD 1bn 5yr issue at 95bps over mid-swaps.

### FX

- The DXY index continued to move in a tight range but remains on the back foot ahead of Joe Biden's inauguration and is down by over 0.4% at 90.340.
- The JPY failed to hold onto its early position above 104 and currently trades at 103.75. The EUR and GBP are up by over 0.5% and 0.4% respectively amid a risk-on tone and broad-based USD weakness while the AUD has extended gains above the 0.77 figure.

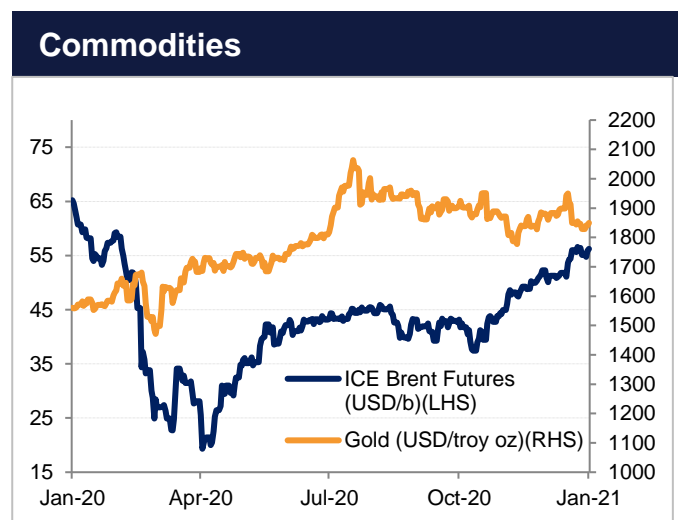
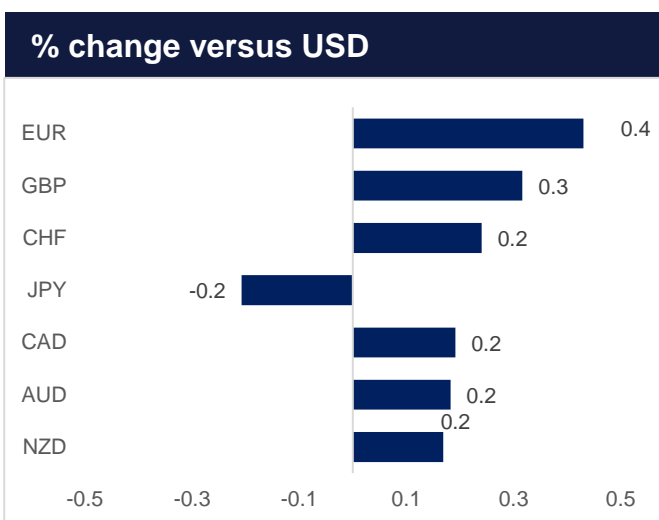
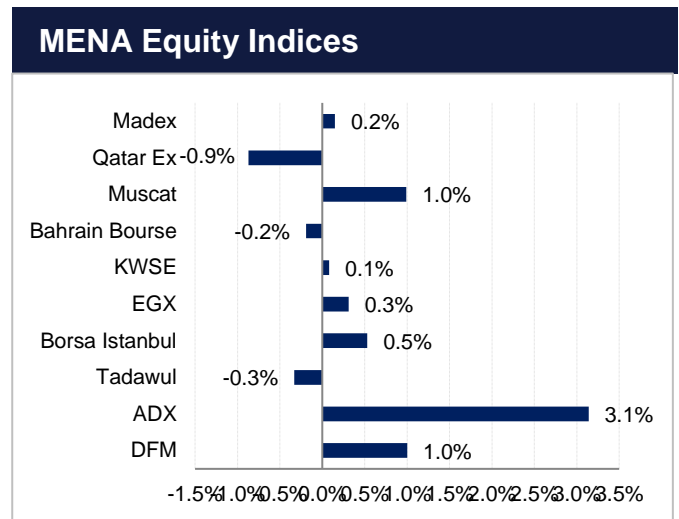
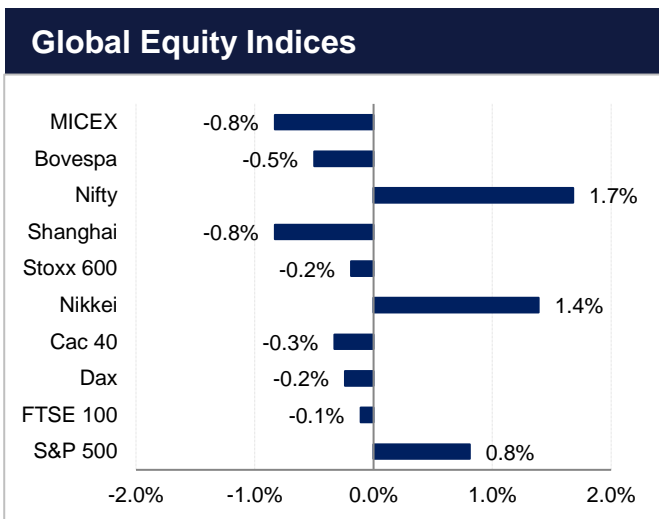
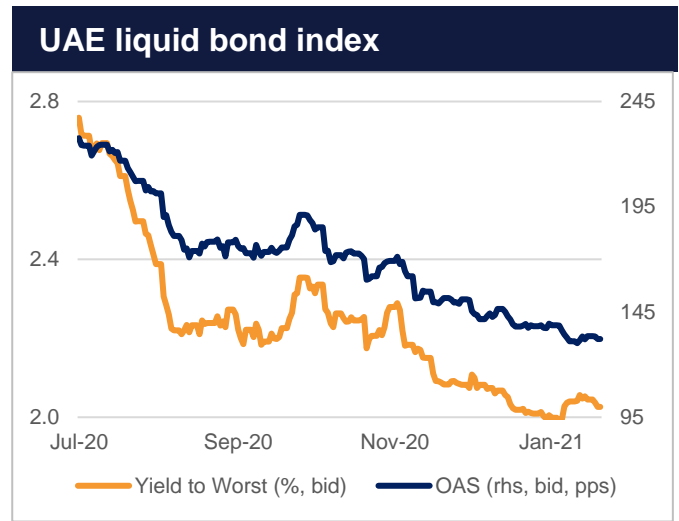
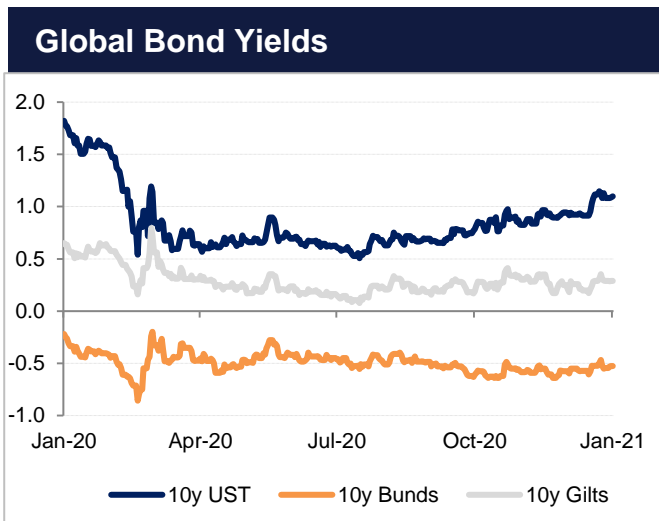
### Equities

- US markets reacted well to Janet Yellen's calls for greater spending and support for the economy. The Dow Jones, S&P 500 and the NASDAQ gained 0.4%, 0.8% and 1.5%, with the NASDAQ bolstered by strong Netflix results.
- Things were less positive in Europe, where the FTSE 100 (-0.1%), the DAX (-0.2%) and the CAC (-0.3%) all fell modestly.
- In the region, the DFM climbed 1.0% while the Tadawul lost -0.3%.

### Commodities

- Oil prices managed to shake off the IEA's downward demand revisions and looked to big stimulus measures that the incoming Biden administration could introduce as a way of fostering demand. Brent settled up 2.1% at USD 55.90/b while WTI came in just shy of USD 52/b, a gain of 1.2%.
- The IEA lowered its demand growth outlook for 2021 by 300k b/d thanks to the persistent prevalence of Covid-19 cases across many economies. On the supply side of the market, the IEA expects non-OPEC supply growth of close to 600k b/d although expects another year of decline in US production. The muted recovery in non-OPEC production leaves the producers' bloc room to increase market share for the first time since 2016.
- Gold prices showed no real direction overnight, holding at around USD 1,840/troy oz. Elsewhere moves were modest across metals markets.

## Markets in Charts



Source: Bloomberg, Emirates NBD Research

## Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2129	+0.43	1.2233	USDTRY	7.4718	-0.10	EURAED	4.4548	+0.42
GBPUSD	1.3630	+0.32	1.3664	USDEGP	15.6339	+0.07	GBPAED	5.0080	+0.35
USDJPY	103.90	+0.20	103.39	USDSAR	3.7513	+0.00	JPYAED	0.0354	-0.20
USDCAD	1.2735	-0.17	1.2724	USDQAR	3.6800	+1.05	CADAED	2.8845	+0.19
AUDUSD	0.7695	+0.18	0.7711	USDKWD	0.3032	--	AUDAED	2.8308	+0.34
USDCHF	0.8886	-0.25	0.8788	USDBHD	0.3770	+0.00	CHFAED	4.1333	+0.24
EURGBP	0.8898	+0.10	0.8952	USDOMR	0.3850	--	TRYAED	0.4900	-0.23
USDAED	3.6730	--	3.6754	USDINR	73.1725	-0.15	INRAED	0.0552	+10.03

## Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
	0.2158	0.3425	0.4246	0.5318	USD 2 yr	0.204	-0
USD LIBOR	0.1309	0.2240	0.2358	0.3124	USD 5 yr	0.520	-1
GBP LIBOR	0.0260	0.0286	0.0389	0.0740	USD 10 yr	1.093	-0
JPY LIBOR	-0.0618	-0.0745	-0.0545	0.0427	EUR 2 yr	-0.526	+1
CHF LIBOR	-0.8100	-0.7648	-0.7244	-0.6126	EUR 5 yr	-0.445	+1
					EUR 10 yr	-0.222	+0

## Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1840.28	-0.05	ADGB 2.50 25	0.89	+1	Abu Dhabi	44	--
Silver	25.22	-0.51	DUGB 3.89 25	1.90	-2	Bahrain	230	-13
Oil (WTI)	52.98	+1.18	QATAR 3.4 25	0.97	+2	Dubai	115	+5
Aluminium	1960.80	-0.04	US Tsy 2 yr	0.13	-0	Oman	335	-24
Copper	7951.25	-0.21	US Tsy 10 yr	1.09	+1	Qatar	44	--
						Saudi Arabia	68	-1

Source: Bloomberg, Emirates NBD Research

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## Emirates NBD Research & Treasury Contact List

**Emirates NBD Head Office**  
12thFloor  
Baniyas Road, Deira  
P.OBox777  
Dubai

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

**Khatija Haque**  
Head of Research &  
Chief Economist  
+9714 230 7803  
khatijah@emiratesnbd.com

---

### Research

**Edward Bell**  
Senior Director, Market Economics  
+9714 230 7701  
edwardpb@emiratesnbd.com

**Shady Shafer Elborno**  
Head of Macro Strategy  
+9714 609 3015  
shadyb@emiratesnbd.com

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

**Jamal Mattar**  
Research Analyst  
+9714 444 3607  
jamaly@emiratesnbd.com

---

### Sales & Structuring

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

**Saudi Arabia Sales**  
Abdulazeez Adm AlSomali  
+966 11 282 5623  
abdulazeezso@emiratesnbd.com

**Singapore Sales**  
Shivakumar Srinivasan  
+65 6578 5620  
shivakumars@emiratesnbd.com

**London Sales**  
Carlo de Vos  
+44 (0) 207 838 2279  
devosc@emiratesnbd.com

**Egypt Sales**  
Ahmad Okasha  
+202 2726 5934  
aokasha@emiratesnbd.com

**India Sales**  
Ashish Pahuja  
+91 22 6813 6202  
ashishpa@emiratesnbd.com

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### 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