



بنك الإمارات دبي الوطني
Emirates NBD

Daily

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Daily Outlook

- US President Joe Biden hit the ground running after his inauguration yesterday, signing into effect a raft of executive orders. Some of these, such as requiring face masks in federal buildings, were related to the pandemic crisis, while others were aimed at the more long-term climate crisis. Biden cancelled the permit for the Keystone XL pipeline between the US and Canada, and put in motion the US rejoining the Paris Climate Agreement. In another signal that multilateralism will find favour again under his government, Biden is also halting the US's departure from the WHO.
- The Bank of Japan kept its benchmark policy rate on hold at -0.1% this morning with a 7-1 majority vote, as had been widely anticipated. This was despite a downgrade to its 2021 growth projections owing to the resurgent pandemic crisis in Japan and new restrictions that have been imposed in recent weeks as a result. The ECB is meeting later today where no change is also expected.
- The Bank of Canada also left its key rate on hold yesterday, at 0.25%. Again, there was no expectation of any change, although the language in the bank's communiqué did lay the groundwork for potential tapering of its QE programme later in the year. The bank recommitted itself to 'extraordinary monetary policy support' to the economy, but it also upgraded its growth and inflation outlook, talked up the relative strength of the economy, and said that 'as the Governing Council gains confidence in the strength of the recovery, the pace of net purchases of Government of Canada bonds will be adjusted as required.'
- CPI inflation in the UK modestly overshoot expectations in December, coming in at 0.3% m/m and 0.6% y/y, compared to consensus projections of 0.2% and 0.5%. Clothing, computer games and travel were amongst the highest risers, though with so few people travelling during the month, this highlights the question as to how effective the measure is when compared to previous years, given the erratic swings in people's spending habits month by month over 2020 while the CPI basket is changed just once a year. The December print was twice the rate of November's 0.3% price growth, and inflation will likely head higher still over the course of the year as a VAT holiday for the hospitality sector comes to an end in April, the demand recovers from the pandemic shock, and the effect of new trading regulations with the EU make themselves felt.

UK CPI inflation, % y/y



Source: Bloomberg, Emirates NBD Research.

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
TCMB rate decision	15:00	17.0%	ECB rate decision	16:45	-0.5%
US initial jobless claims	17:30	935k	Eurozone consumer confidence	19:00	-15.0

Source: Bloomberg, Emirates NBD Research

Fixed Income

- Benchmark bond markets showed little change overnight as traders were more likely watching news screens and the inauguration of Joe Biden as President of the US. The implications for a Biden administration on fixed income markets were outlined earlier in the week when Janet Yellen had her confirmation hearing for Treasury Secretary, with ambitions to do large scale spending and expecting rates at low levels for years going forward.
- Markets have likely already priced in the impact from Biden taking office and enacting new spending plans. Now the politics will need to catch up with markets and we are still a little circumspect how Biden will be able to narrow the gap between expectations of stimulus worth as much as USD 1.9trn and the reality of bipartisan policymaking.
- Similar to Japan, the ECB meeting will likely result in no policy change likely but perhaps a re-framing of the economic outlook as Q1 looks as though it will be a write-off as many economies have had to re-impose lockdown measures.
- Overnight the Bank of Canada held policy rates at 0.25% and will continue buying up to CAD 4bn in government securities each week. However, governor Tiff Macklem said there was “clear reason to be more optimistic” about the outlook for Canada’s economy. Bond yields ticked higher following the announcement and the governor’s comments.
- Bahrain priced a triple-tranche USD deal overnight with a 7yr USD 500m at 4.25%, a 12yr USD 1bn at 5.25% and a 30yr USD 500m at 6.25%.

FX

- Despite ending the day flat the DXY index has since slipped to 90.3 this morning, marking a third straight day of losses for the greenback and its longest losing streak in over a month.
- The Trump to Biden handover went smoothly and a risk-on tone has sent US stocks to record highs but the USD remains soft. The JPY slipped by over 0.3% and has held steady at 103.55. This comes in spite of a downgrade in economic assessment from the BoJ where monetary policy was unchanged.
- Commodity currencies led gains against the greenback, with the AUD and NZD rallying by over 0.95% and 1.15% to reach 0.7770 and 0.7210 respectively, the former buoyed by upbeat Australian jobs data. Sterling is up by around 0.4% this morning while the Canadian dollar reached its highest level in more than two years after the BoC kept rates unchanged.

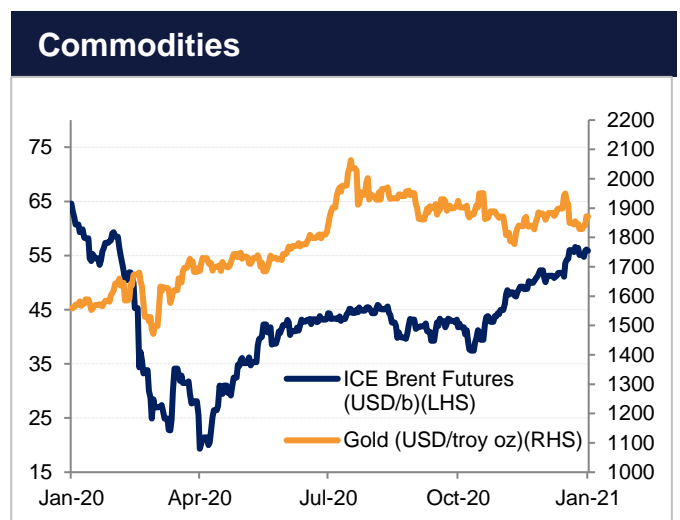
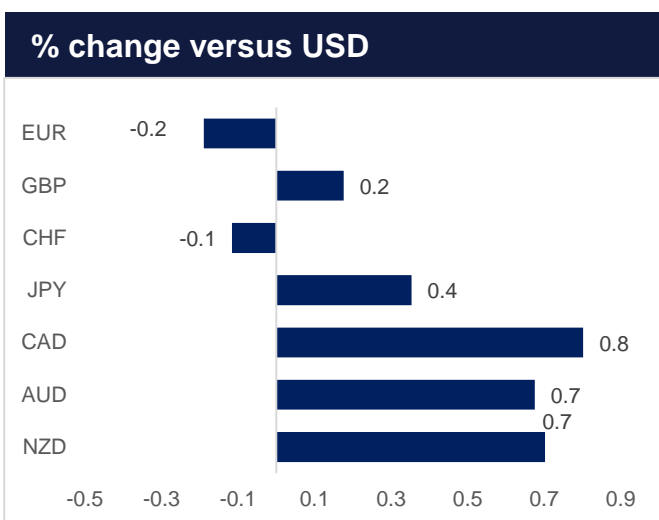
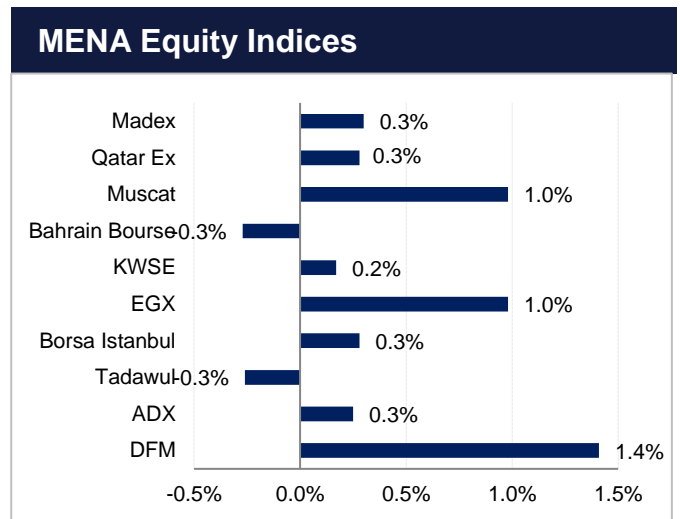
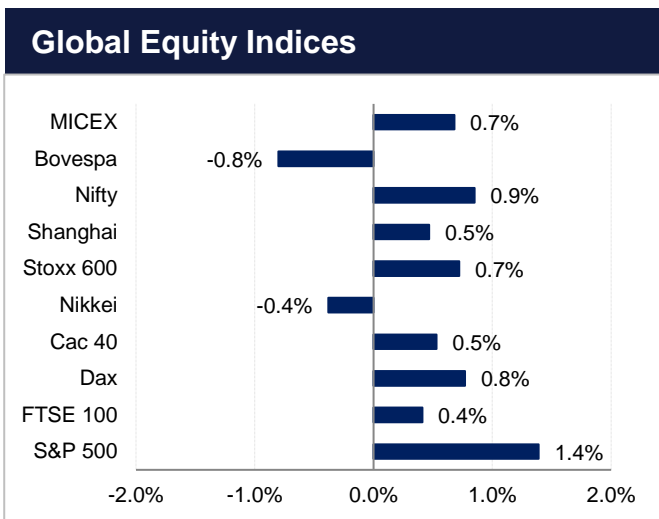
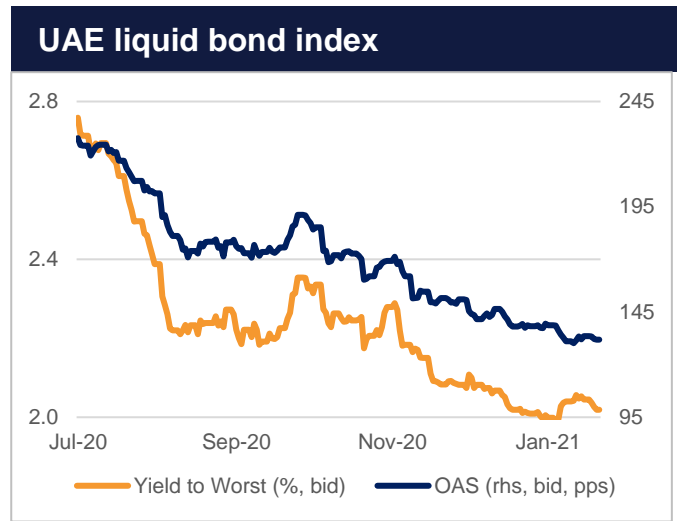
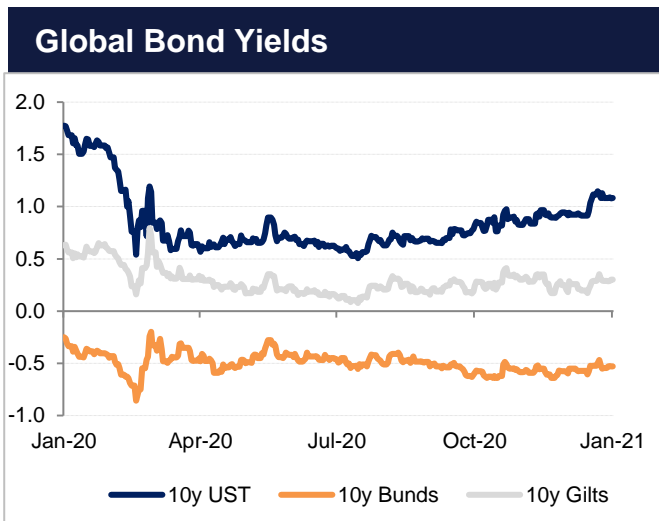
Equities

- New record highs were hit by US stocks in the wake of President Joe Biden’s inauguration yesterday, as the S&P climbed 1.4%. The NASDAQ saw even greater gains at 2.0%, while the Dow Jones was a little more muted, climbing 0.8%.
- The optimism extended to Europe, where the FTSE 100, CAC and DAX gained 0.4%, 0.5% and 0.8% respectively.

Commodities

- Oil prices nudged higher overnight but have unwound most of the gains in early trading today with Brent slipping back below USD 56/b and WTI holding at around USD 53/b. The API reported a build in crude stocks of 2.6m bbl last week while official EIA data will be released later this evening.
- In some of his first acts as president, Joe Biden focused on the energy industry. The President signed executive orders that mean US will now rejoin the Paris climate change agreement, will block oil leases in the Arctic wilderness areas from being developed and scrapped the Keystone XL pipeline between Canada and the US. Other action on fuel economy standards may follow.
- Whether these actions have a meaningful near term impact on oil market will be hard to disentangle from the effects the Covid-19 pandemic has had on oil demand and production. Nevertheless, going forward we would expect to see a much shallower trajectory for the development of oil and gas assets in North America, perhaps to the benefit of producers across the MENA region.

Markets in Charts



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2106	-0.19	1.2210	USDTRY	7.4248	-0.63	EURAED	4.4467	-0.18
GBPUSD	1.3654	+0.18	1.3688	USDEGP	15.6339	+0.12	GBPAED	5.0160	+0.16
USDJPY	103.54	-0.35	103.02	USDSAR	3.7514	+0.00	JPYAED	0.0355	+0.35
USDCAD	1.2636	-0.78	1.2627	USDQAR	3.6800	+1.07	CADAED	2.9075	+0.80
AUDUSD	0.7747	+0.68	0.7762	USDKWD	0.3029	-0.10	AUDAED	2.8433	+0.44
USDCHF	0.8897	+0.12	0.8799	USDBHD	0.3770	--	CHFAED	4.1283	-0.12
EURGBP	0.8866	-0.37	0.8920	USDOMR	0.3850	-0.00	TRYAED	0.4900	-0.32
USDAED	3.6730	--	3.6755	USDINR	73.0275	-0.20	INRAED	0.0552	+10.06

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
	0.2325	0.4263	0.5694	0.6643	USD 2 yr	0.205	+0
USD LIBOR	0.1295	0.2236	0.2359	0.3130	USD 5 yr	0.521	+0
GBP LIBOR	0.0271	0.0270	0.0376	0.0750	USD 10 yr	1.086	-1
JPY LIBOR	-0.0570	-0.0710	-0.0538	0.0403	EUR 2 yr	-0.526	--
CHF LIBOR	-0.8106	-0.7714	-0.7262	-0.6098	EUR 5 yr	-0.445	-0
					EUR 10 yr	-0.221	+0

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1871.84	+1.71	ADGB 2.50 25	0.89	--	Abu Dhabi	44	--
Silver	25.84	+2.45	DUGB 3.89 25	1.90	+0	Bahrain	235	+5
Oil (WTI)	53.24	+0.49	QATAR 3.4 25	0.98	+1	Dubai	115	--
Aluminium	1979.45	+0.95	US Tsy 2 yr	0.13	-0	Oman	332	-3
Copper	8040.25	+1.12	US Tsy 10 yr	1.08	-1	Qatar	44	--
						Saudi Arabia	66	-2

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

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