



بنك الإمارات دبي الوطني
Emirates NBD

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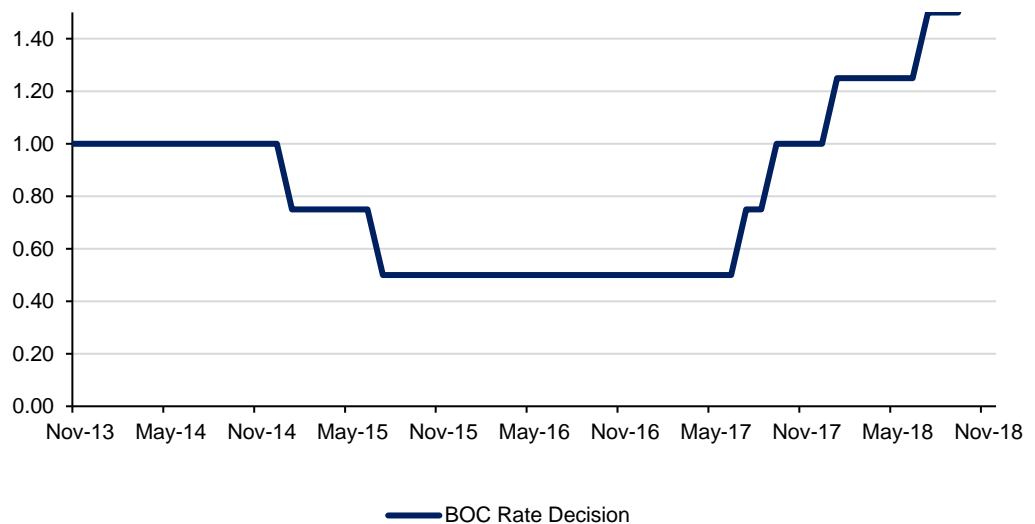
Daily Outlook

U.S. existing home sales jumped to their highest level in nearly two years in December, the latest indication that lower mortgage rates are supporting the housing market. Data from the National Association of Realtors showed that existing home sales increased 3.6% to a seasonally adjusted annual rate of 5.54 million units last month, marking the highest level since February 2018. November's sales were unchanged at 5.35 million units. Existing home sales are important, making up about 90% of U.S. home sales. Furthermore the report comes after government data last week showed homebuilding surged to a 13-year high in December.

The Bank of Canada has opened the door to rate cuts, being one of the few central banks to resist the global push towards monetary easing, as the economy continues to slow down. While the bank has left rates unchanged at 1.75%, it cited that growing slack in the economy threatens to dampen inflation. The bank's decision not to cut however was because policy makers did not want to risk fuelling household debt levels. Having kept rates steady over the course of 10 meetings, the Bank of Canada also highlighted concerns that growth may have stalled in the 4th quarter, and that global economic weakness is now spreading to households, affecting domestic spending by more than expected. The delta here is the shift in tone from global risks to domestic ones. Just three months back the central bank was highlighting the Canada's resiliency to elevated international risks. Since then domestic economic concerns have come to the forefront.

Oman is set to introduce VAT "sometime during the beginning of the year 2021" according to statements by the Omani Minister of Commerce and Industry on the side-lines of the World Economic Forum in Davos. In 2016 all six members of the GCC agreed to introduce a 5% of VAT but so far only three states have done so. Saudi Arabia and the UAE both introduced the tax in January 2018 and Bahrain followed in 2019. The minister said the sultanate has introduced a series of reforms including cuts to fuel and electricity subsidies and has recently introduced a new foreign investment law, and new PPP legislation. Sultan Haitham bin Tariq was sworn in as Oman's new leader earlier this month following the death of Sultan Qaboos bin Said. The minister said the country's new leader headed Oman's Vision 2040 economic transformation strategy — a draft version of which was published in September last year.

Bank of Canada Interest Rates



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
JN Trade Balance	03:50	-¥170b	ECB Deposit Facility Rate	16:45	-0.50%
US Initial Jobless Claims	17:30	214k	US Leading Index	19:00	1.75%

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed marginally higher following continued risk-off trade in other asset classes. Yields on the 2y UST and 10y UST closed at 1.52% (-1 bp) and 1.76% (-1 bp) respectively.

Regional bonds continued to drift higher in a move closely aligned with move in benchmark. The YTW on Bloomberg Barclays GCC Credit and High Yield index dropped marginally to 3.10% and credit spreads tightened to 141 bps.

Samba raised USD 500mn in a 7year paper which was priced at MS+130 bps.

FX

The Canadian dollar softened in the aftermath of the Bank of Canada policy meeting yesterday. While the central bank left interest rates unchanged, and said that a rate cut was not necessary “at this time”, there were some dovish tilts in the message. Policy makers removed the word appropriate when describing the current interest rate level (1.75%) and highlighted that consumer spending has been “unexpectedly soft”. In addition to this, the growth forecast for 2020 was lowered and Governor Poloz said that the “door is open to a rate cut” if there is further downward pressure on inflation. As we go to print, USDCAD is trading at 1.3158, compared to 1.3044 before the announcement, with further upside risks likely.

Equities

Developed market equities closed marginally lower as investors continue to remain cautious about evolving virus situation in Asia. The S&P 500 index closed flat while the Euro Stoxx 600 index dropped -0.1%.

Regional equities continued to see profit booking. The DFM index and the Tadawul dropped -0.2% each. The DFM was led lower by Emaar-related names with Emaar Properties and Emaar Malls dropping -1.0% and -1.1% respectively.

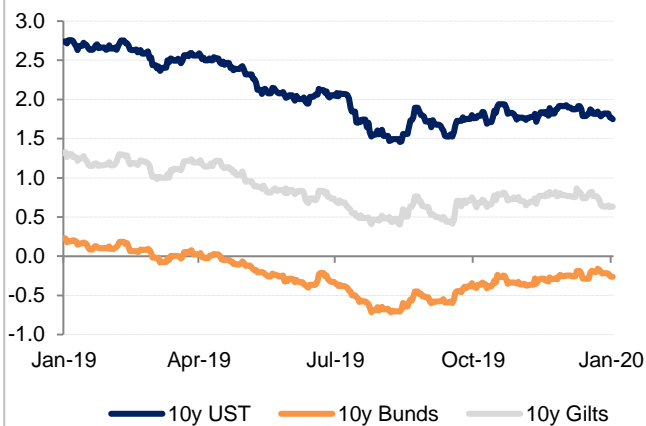
Commodities

Oil prices continue to wilt under the pressure of significant supply growth and new demand concerns related to the coronavirus outbreak in China and elsewhere in Asia. Brent futures gave up 2.1% to settle at USD 63.21/b and are already pushing down more than 1% lower in early trade while WTI gave up 2.7% overnight—closing at USD 56.74/b—and are now at around USD 55.80/b, down 1.6%.

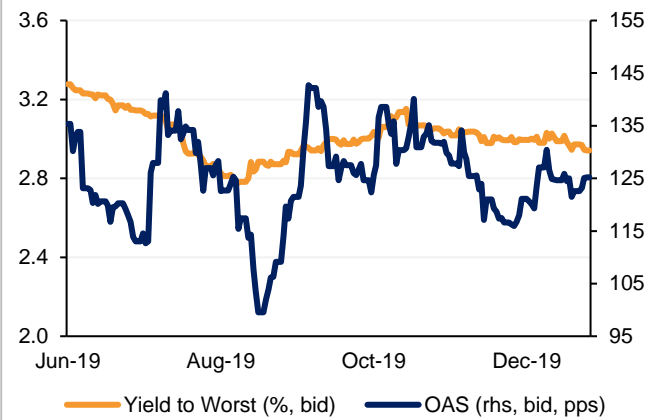
Data from the API showed an increase in crude stocks of 1.6m bbl. Official EIA data is out later today, a day later than usual thanks to a public holiday in the US at the start of the week. After several weeks of heavy product builds the market may be preparing for data to continue to underperform and risk prices testing even lower.

Markets in Charts

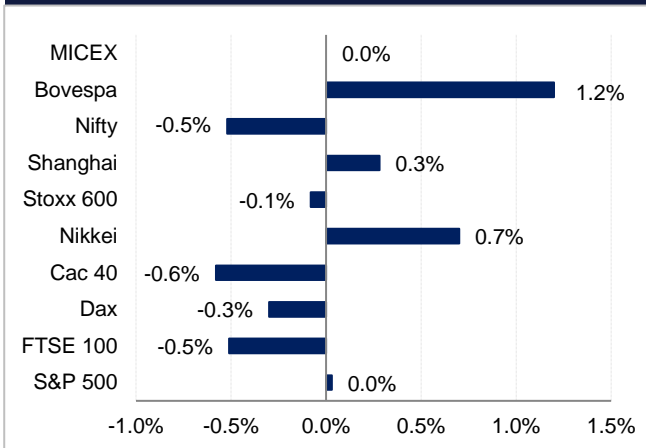
Global Bond Yields



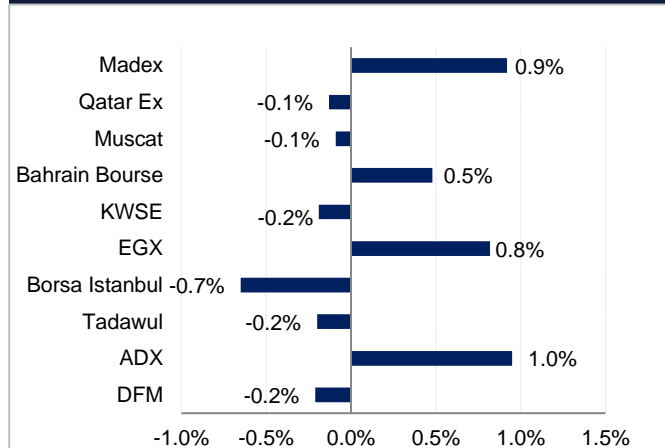
UAE liquid bond index



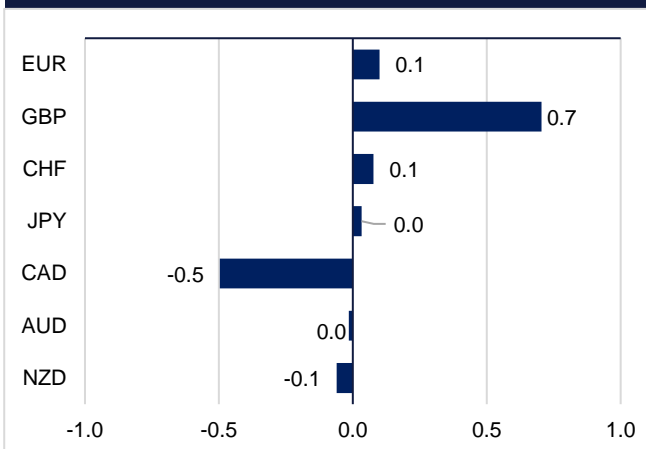
Global Equity Indices



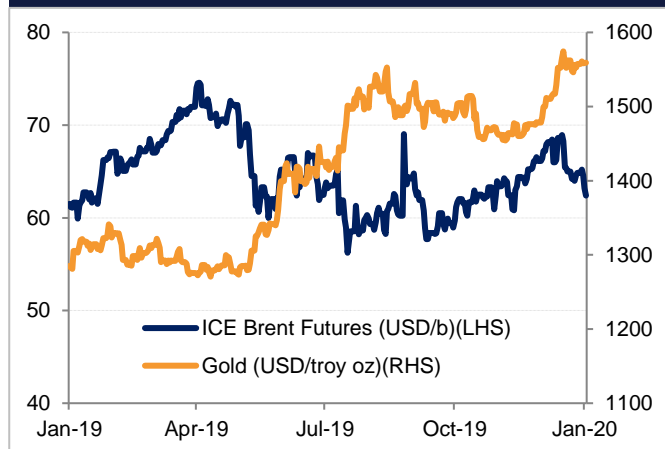
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1093	+0.10	1.1341	USDTRY	5.9249	-0.22	EURAUD	4.0746	+0.11
GBPUSD	1.3142	+0.70	1.3288	USDEGP	#N/A N/A	#VALUE!	GBPAED	4.8266	+0.70
USDJPY	109.84	-0.03	107.67	USDSAR	3.7515	-0.00	JPYAED	0.0334	+0.03
USDCAD	1.3135	+0.50	1.3130	USDQAR	3.6800		CADAED	2.7964	-0.49
AUDUSD	0.6844	-0.01	0.6903	USDKWD	0.3037	--	AUDAED	2.5141	+0.01
USDCHF	0.9678	-0.09	0.9437	USDBHD	0.3770	-0.01	CHFAED	3.7950	+0.09
EURGBP	0.8441	-0.62	0.8535	USDOMR	0.3850	-0.01	TRYAED	0.6200	+0.23
USDAED	3.6730	--	3.6776	USDINR	70.7225	-0.64	INRAED	0.0552	+7.14

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.8863	1.9797	2.1263	2.3155	USD 2 yr	1.602	-1
USD LIBOR	1.6595	1.8063	1.8344	1.9184	USD 5 yr	1.588	-1
GBP LIBOR	0.6326	0.7021	0.7446	0.8074	USD 10 yr	1.726	-1
JPY LIBOR	-0.0805	-0.0462	0.0198	0.1245	EUR 2 yr	-0.305	-0
CHF LIBOR	-0.7614	-0.6774	-0.6274	-0.4930	EUR 5 yr	-0.180	-1
					EUR 10 yr	0.103	-1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1558.78	+0.04	ADGB 6.75 19	2.42	--	Abu Dhabi	38	+1
Silver	17.84	+0.29	DUGB 7.75 20	2.05	+2	Bahrain	172	-6
Oil (WTI)	56.74	-2.74	QATAR 5.25 20	2.70		Dubai	95	--
Aluminium	1797.25	-0.95	US Tsy 2 yr	1.53	-0	Oman	234	--
Copper	6073.75	-0.89	US Tsy 10 yr	1.77	-1	Qatar	41	+2
						Saudi Arabia	63	+2

Source: Bloomberg, Emirates NBD Research

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