



بنك الإمارات دبي الوطني
Emirates NBD

Daily

25 January 2021

Daily Outlook

- The European Central Bank kept policy unchanged last week as expected, changing neither rates nor its target for asset purchases. The flash Eurozone PMIs came in largely in line with expectations, with the composite PMI declining to 47.5 in January from 49.1 in December, reflecting the contractionary impact of tighter restrictions on the services sector in particular.
- The UK services PMI fell to 38.8 in January, well below consensus forecasts of 45.0, and down from 49.4 in December as tighter coronavirus restrictions had a negative impact on activity. However, the manufacturing sector remained in expansion territory although here too, the PMI declined to 52.9 from 57.5 in December.
- In the US, President Biden signed a number of executive orders to boost food aid to low income households and ensure that millions of people who have not yet received last year's stimulus cheques receive their funds. He also instructed all federal contractors to pay a minimum wage of USD15/hr. Executive orders are limited in what they can achieve, and the focus this week will be on building bipartisan support for a bigger fiscal package, although several republican senators have said they do not see the need for more support so soon after the last USD 900bn package was approved. Recent data would appear to support this view, as the US composite PMI rose to 58.0 in January from 55.3 in December, as both services and manufacturing activity accelerated. Initial jobless claims fell to 900k in the week to January 16 from 965k prior, while continuing claims also eased to 5.05mn from 5.27mn. Existing home sales in December were higher than forecast and up 0.7% m/m from November at 6.76mn.
- The Turkish central bank announced its rate decision from its latest MPC meeting on Thursday, holding the benchmark one-week repo rate at 17.0%. Reassuringly for markets, the bank's communique indicated that the bank remained committed to the tight monetary policy which was instated by Governor Naci Agbal in October, in contrast to the cutting under the previous incumbent which had left real rates in negative territory and contributed to a lira sell-off. The text stated that the tight monetary policy would be maintained for an 'extended period until strong indicators point to a permanent fall in inflation and price stability.'
- Saudi Arabia replaced Ahmed Alkholifey as central bank governor with Fahad Al Mubarak, who headed the central bank from 2011 to 2016. Alkholifey was appointed an advisor to the royal court. In a separate announcement, Crown Prince Mohammed said the Public Investment Fund aimed to double in size to manage over USD1tn in assets by 2025, and confirmed it would invest USD 40bn per year in the domestic economy to support growth and create jobs over the next five years.
- The Saudi unemployment among nationals declined to 14.9% in Q3 2020 from a peak of 15.4% in Q2. However, the rate remains above the 11.8% pre-pandemic level in Q1 2020. Saudi employment in the private sector increased by 81.4k in Q3 2020, while expatriates employed in the private sector declined by almost 237k. Overall employment in the private sector fell by around 155k in Q3, while public sector employment increased by 6.2k.

Today's Economic Data and Events

	Time	Cons.		Time	Cons.
GE IFO Business Climate	13:00	91.4	GE IFO Expect.	13:00	93.6
Chicago Fed Nat. Activity Index	17:30	0.1	Dallas Fed Manuf. Activity	19:30	12.0

Source: Bloomberg, Emirates NBD Research

Fixed Income

- US Treasuries oscillated in a holiday-shortened week but held within a 4bps range on the 10yr UST, moving between around 1.12% at the top end and 1.08% at the bottom. Markets ended the week essentially unchanged, however, at 1.0855% on the 10yr and 0.1209% on the 2yr.
- Attention will focus this week on the FOMC meeting and what language, if any, Fed Chair Jerome Powell uses to describe the outlook for the US economy and whether the Fed is considering any pull back in monetary support. So far Powell has not endorsed any kind of view that would see the Fed's asset purchases tapered in the near term.
- A general risk-on tone to markets last week, particularly in the US and Asia, helped to lift emerging market and high-yield bonds.
- S&P affirmed its rating on Turkey at 'B+' with a stable outlook, noting the central bank was returning to a "more conventional policy rulebook."

FX

- The inauguration of US President Joe Biden had little effect on currency markets all things considered. Attention has now turned to rising coronavirus cases and the escalating restrictions placed in several countries. USD weakness remains entrenched across the board. The DXY index fell by -0.6% and closed at 90.212 with a break below the 90 handle looking increasingly likely. The JPY failed to establish any real momentum in either direction, ending the week only slightly worse off at 103.76.
- Intraday movement among European currencies was wide. The EUR traded from lows of 1.2054 to highs of 1.2190 and closed at 1.2172, while sterling climbed to a fresh multi-year high of 1.3746 before settling at 1.3686, both currencies up by over 0.7%. Similarly the NZD also finished up by around 0.7% and sits just under the 0.72 figure, while the AUD closed the week just slightly better off at 0.7716.

Equities

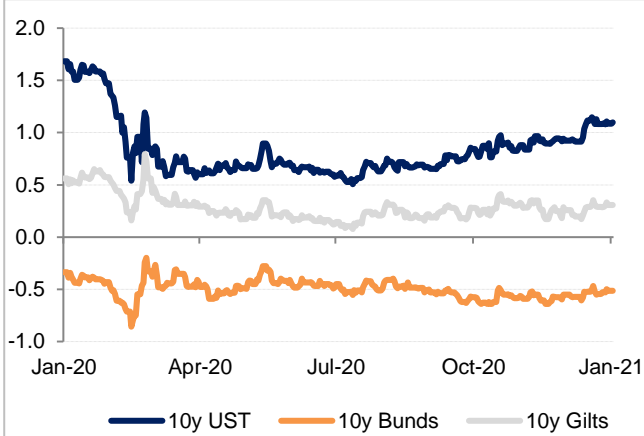
- Global equity indices slid on Friday, weighed down by resurgent worries over lockdowns and the pace of the first half recovery. Nevertheless, the Friday sell-off was for most part not large enough to eradicate gains made in the preceding days on the back of optimism around the newly inaugurated President Joe Biden and his policies.
- In the US, the NASDAQ was the biggest gainer last week, bolstered by strong reports from some of its largest constituent tech firms. It closed up 3.3% w/w, compared to a flat 0.02% for the Dow Jones and 1.2% for the S&P 500.
- In Europe things were a little more mixed, as the DAX gained 0.6%, but the FTSE 100 and the CAC lost -0.6% and -0.9% respectively as there was speculation in both the UK and France that current restrictions on movement and activity might be deepened and/or extended.
- Within the region, the DFM gained 0.5% w/w while the Tadawul closed -0.3% lower. In Egypt, the EGX30 gained 1.8% w/w..

Commodities

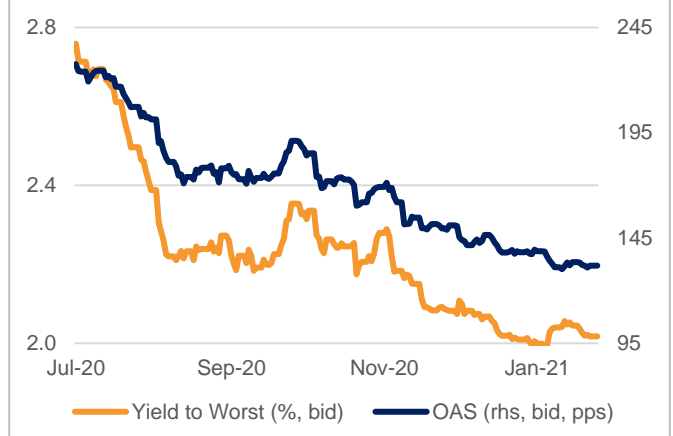
- Oil prices closed mixed last week with Brent futures adding 0.6% to settle at USD 55.41/b while WTI fell by 0.2% over the week and ended at USD 52.27/b. Markets seemed to discount the impact of US President Joe Biden's initial moves on energy issues, at least for the short term.
- Inventories in the US expanded last week, up 4.3m bbl, and the first weekly build since early December. Production was unchanged at 11 m b/d while product supplied held flat at around 19.6m b/d.
- Iran's deputy oil minister has claimed the country is increasing its oil production and will hit pre-sanctions levels within two months. Market estimates pin Iranian production at around 2m b/d compared with levels of around 3.8m b/d when the country was freer to export under the terms of the JCPOA.

Markets in Charts

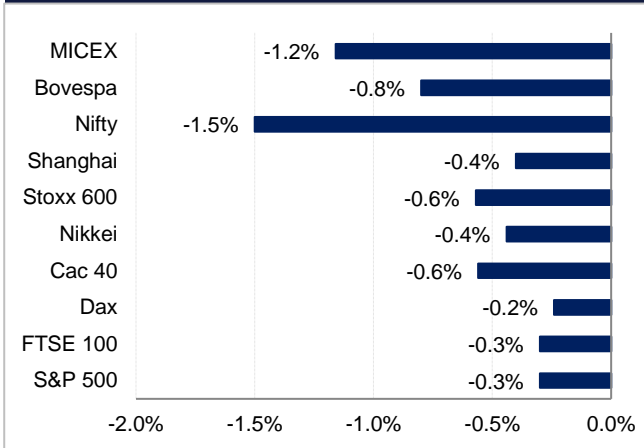
Global Bond Yields



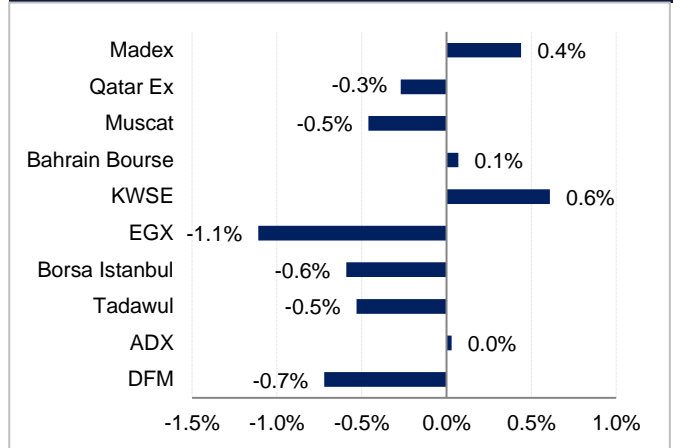
UAE liquid bond index



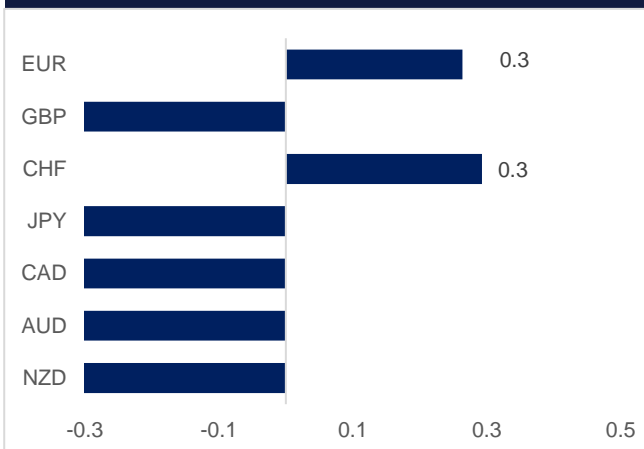
Global Equity Indices



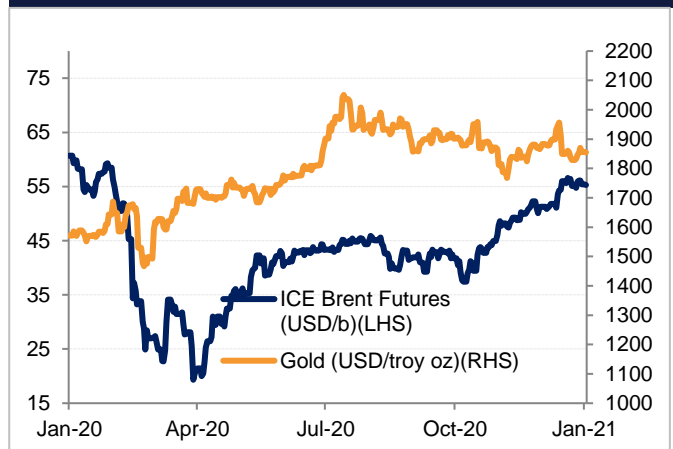
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.2171	+0.26	1.2274	USDTRY	7.4170	+0.22	EURAED	4.4705	+0.26
GBPUSD	1.3686	-0.33	1.3719	USDEGP	15.6339	+0.09	GBPAED	5.0258	-0.35
USDJPY	103.78	+0.36	103.26	USDSAR	3.7513	--	JPYAED	0.0354	-0.28
USDCAD	1.2733	+0.90	1.2726	USDQAR	3.6800	+0.70	CADAED	2.8916	-0.65
AUDUSD	0.7715	-0.76	0.7730	USDKWD	0.3029	+0.02	AUDAED	2.8339	-0.75
USDCHF	0.8856	-0.23	0.8759	USDBHD	0.3770	--	CHFAED	4.1495	+0.28
EURGBP	0.8898	+0.66	0.8951	USDOMR	0.3850	+0.06	TRYAED	0.5000	+0.75
USDAED	3.6730	--	3.6753	USDINR	72.9763	-0.03	INRAED	0.0552	+9.73

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	0.2164	0.3463	0.4650	0.5000	USD 2 yr	0.201	-1
USD LIBOR	0.1248	0.2153	0.2360	0.3123	USD 5 yr	0.527	-0
GBP LIBOR	0.0276	0.0354	0.0435	0.0824	USD 10 yr	1.113	+2
JPY LIBOR	-0.0572	-0.0713	-0.0678	0.0408	EUR 2 yr	-0.517	+1
CHF LIBOR	-0.8084	-0.7640	-0.7222	-0.6084	EUR 5 yr	-0.434	+0
					EUR 10 yr	-0.203	+1

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1855.61	-0.77	ADGB 2.50 25	0.88	-1	Abu Dhabi	45	+1
Silver	25.49	-1.58	DUGB 3.89 25	1.90	+0	Bahrain	240	--
Oil (WTI)	52.27	-1.62	QATAR 3.4 25	0.94	-1	Dubai	115	--
Aluminium	1996.75	+0.06	US Tsy 2 yr	0.12	+0	Oman	334	+3
Copper	7993.50	-0.26	US Tsy 10 yr	1.09	-2	Qatar	45	+1
						Saudi Arabia	66	--

Source: Bloomberg, Emirates NBD Research

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