



بنك الإمارات دبي الوطني
Emirates NBD

Daily
27 January 2020

www.emiratesnbdresearch.com

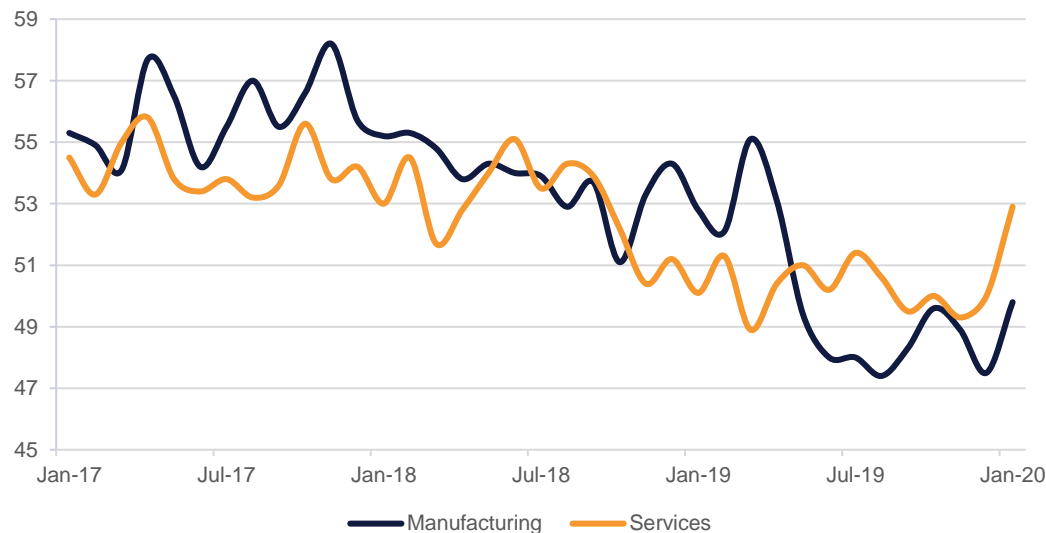
Daily Outlook

The Coronavirus has been dominating headlines, with concerns over its potential effect on global demand contributing to a fall in oil prices and other commodities, luxury brands, and equity markets more generally, especially in Asia. Chinese authorities have put travel restrictions in place, and have extended the New Year holidays; financial markets are likely to remain closed for the time being. Aside from the human cost, the outbreak will likely weigh on Chinese real GDP growth this year, which was already expected to come in under 6.0% for the first time in decades. This will also weigh on the global growth outlook.

The UK posted stronger-than-expected PMI numbers on Friday, significantly diminishing the likelihood of a rate cut by the Bank of England when its MPC convenes later this week. Although the manufacturing PMI was still in contractionary sub-50.0 territory, its 49.8 was the strongest reading since April 2019, and exceeded consensus expectations of 48.8. Services also exceeded expectations at 52.9 compared to 51.1, contributing to a composite reading of 52.4 – the strongest expansion since September 2018. The market-implied probability of a rate cut this week has fallen to just 46.4%, compared to over 70% a week ago.

By contrast to the UK, the Eurozone composite PMI (also released Friday) undershot expectations, at 50.9 compared to 51.2. However, while the manufacturing component remained negative, its 47.8 was markedly stronger than the consensus projection of 46.8, or indeed December's reading of 46.3. Services on the other hand missed expectations, though at 52.2 remained in expansionary territory. The unexpected uptick in the manufacturing index came in the wake of the ECB's meeting on Thursday, and give credence to the more upbeat statement by President Christine Lagarde that the 'risks surrounding the euro area growth outlook... have become less pronounced.' This is moderately stronger language than seen in December, when the risks were judged 'somewhat less pronounced.' The deposit facility rate was left unchanged at -0.5%.

UK PMI surprises to the upside



Source: Bloomberg, Emirates NBD Research

Today's Economic Data and Events

	Time	Cons		Time	Cons
IFO business climate	13:00	97.0	IFO expectations	13:00	94.8
US new home sales	19:00	730k	US Dallas Fed manufacturing activity	19:30	-1.6

Source: Bloomberg, Emirates NBD Research.

Fixed Income

Treasuries closed higher last week as risk-off trade gathered pace. The current bout of uncertainty stems from concerns over global growth following the outbreak of the Coronavirus. The longer maturity debt dominated the flows which in turn flattened the yield curve. Yields on the 2y UST and 10y UST ended the week at 1.49% (-6 bps w-o-w) and 1.68% (-14 bps w-o-w) respectively.

The move past week has allowed USTs to build onto their 6.9% gain in 2019. The Bloomberg Barclays US Treasury index has gained +1.2% so far in 2020.

The expectation of a rate cut from the Bank of England at this week's meeting pared back last week following strong economic data. Traders are currently pricing in a 46% probability of a rate cut, down from 73% at the beginning of last week. Yields on the 10y Gilts ended the week at 0.56% (-7 bps w-o-w).

Regional bonds continued to drift higher. However, the gain was marginal compared to sharp moves in benchmark yields. The YTW on Bloomberg Barclays GCC Credit and High Yield index dropped -1 bp w-o-w to 3.10% and credit spreads widened 11 bps w-o-w to 148 bps.

FX

With the Bank of England decision this week hanging in the balance, GBP is on a knife-edge, strengthening or weakening as the likelihood of a cut ebbs and flows. As we go to print, the market is currently pricing in a 54.8% chance of a 25bps rate cut from the MPC.

After strengthening to 1.3162 in intraday trading in the wake of the PMI data on Friday (see macro), it has fallen back to 1.3058 in early trading Monday. A cut by the BoE would take the price back below 1.3000. The present level sits at the 50-day moving average (1.3058), which has thus far provided support. Should this level falter, a retest of the 61.8% one-year Fibonacci retracement of 1.2920 cannot be ruled out. On the other hand, should the Bank of England decide to keep interest rates on hold, we could see a relief rally for GBPUSD back to the towards 1.32.

Equities

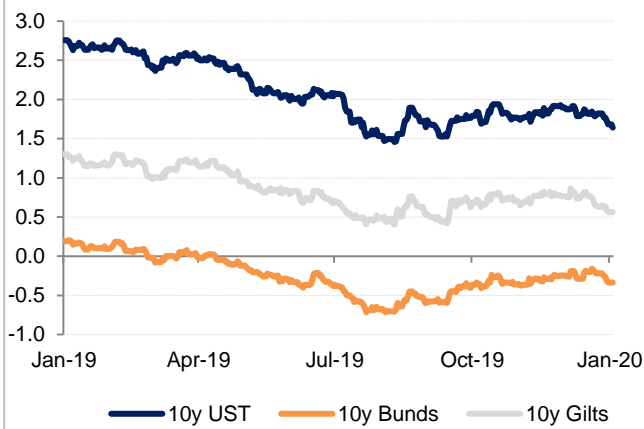
Regional equities closed lower following weak global cues over the weekend. The DFM index and the KWSE PM index dropped -0.6% and -0.5% respectively. Banking sector stocks, which led the rally last week, saw profit booking. Dubai Islamic Bank and First Abu Dhabi Bank lost -1.4% and -0.6% respectively.

Commodities

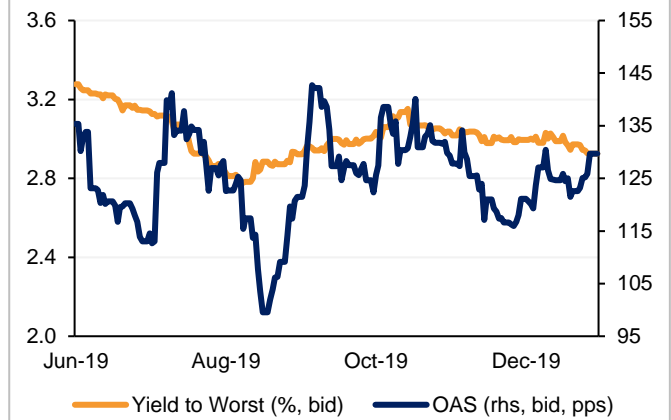
Oil prices continued their steady drift lower last week as demand concerns increase on fears the coronavirus outbreak will threaten China's economy, particularly affecting segments that would boost demand for jet and gasoline. Brent futures closed 6.4% lower on the week at USD 60.69/b while WTI gave up 7.4% to settle at USD 54.19/b. Brent has now lost more than 8% year-to-date while WTI is down nearly 11% before even the end of January. For reference our forecasts for average prices in Q1 is Brent at USD 58/b and WTI at USD 55/b. While average prices so far are still above our targets, they are converging consistently as weaker fundamentals drag prices lower.

Markets in Charts

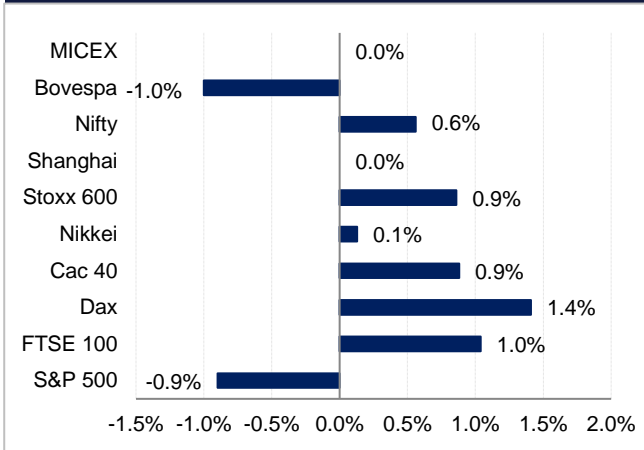
Global Bond Yields



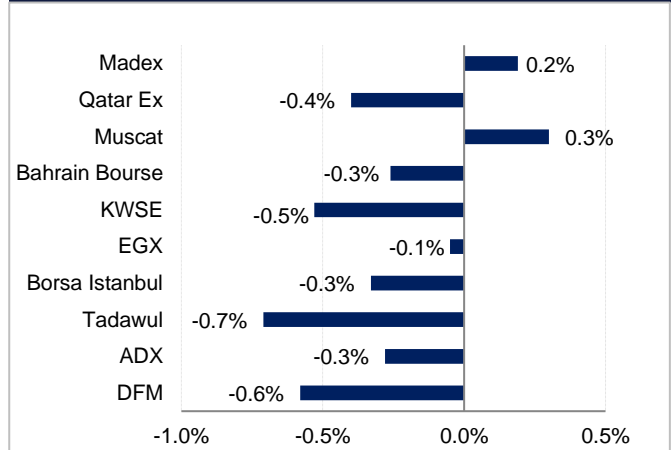
UAE liquid bond index



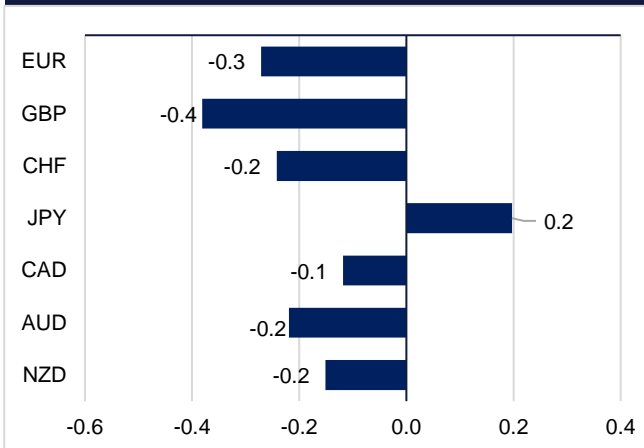
Global Equity Indices



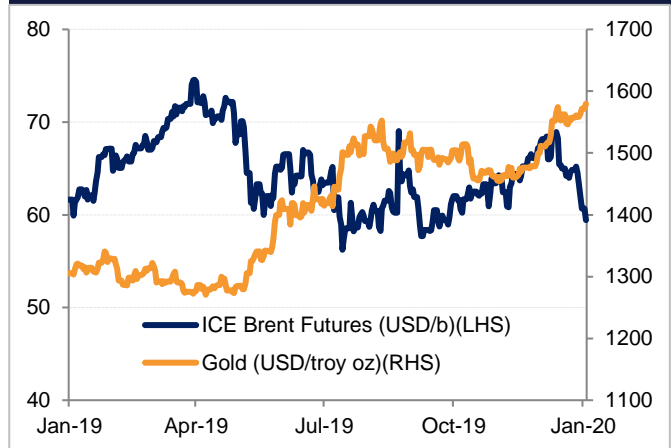
MENA Equity Indices



% change versus USD



Commodities



Source: Bloomberg, Emirates NBD Research

Currencies

	Close	%1D chg	1 yr fwd		Close	%1D chg		Close	%1D chg
EURUSD	1.1025	-0.27	1.1268	USDTRY	5.9390	+0.08	EURAED	4.0496	-0.27
GBPUSD	1.3073	-0.38	1.3217	USDEGP	#N/A N/A		GBPAED	4.8023	-0.39
USDJPY	109.28	-0.19	107.14	USDSAR	3.7516	--	JPYAED	0.0336	+0.20
USDCAD	1.3143	+0.12	1.3136	USDQAR	3.6800		CADAED	2.7937	-0.15
AUDUSD	0.6832	-0.22	0.6884	USDKWD	0.3037	--	AUDAED	2.5067	-0.33
USDCHF	0.9716	+0.28	0.9476	USDBHD	0.3770	+0.00	CHFAED	3.7818	-0.24
EURGBP	0.8428	+0.07	0.8520	USDOMR	0.3850	-0.00	TRYAED	0.6200	+0.17
USDAED	3.6730	--	3.6776	USDINR	70.7225	-0.64	INRAED	0.0552	+7.26

Rates

Interbank	1 mo	3mo	6 mo	1 yr	Swaps	Close	1D chg (bps)
EIBOR	1.8400	2.0093	2.0896	2.3030	USD 2 yr	1.555	-2
USD LIBOR	1.6595	1.7954	1.8053	1.8799	USD 5 yr	1.511	-4
GBP LIBOR	0.6306	0.6908	0.7475	0.8044	USD 10 yr	1.634	-5
JPY LIBOR	-0.0818	-0.0418	0.0198	0.1257	EUR 2 yr	-0.322	-1
CHF LIBOR	-0.7586	-0.6704	-0.6202	-0.4946	EUR 5 yr	-0.226	-2
					EUR 10 yr	0.035	-3

Commodities & Fixed Income

Commodities	Close	%1D chg	Bonds/Sukuk	YTM	1D chg (bps)	CDS	Close	1D chg (bps)
Gold	1571.53	+0.55	ADGB 6.75 19	2.42	--	Abu Dhabi	38	--
Silver	18.10	+1.69	DUGB 7.75 20	1.74	-2	Bahrain	169	+1
Oil (WTI)	54.19	-2.52	QATAR 5.25 20	2.70		Dubai	91	--
Aluminium	1770.00	-0.76	US Tsy 2 yr	1.49	-2	Oman	209	--
Copper	5899.75	-0.94	US Tsy 10 yr	1.68	-5	Qatar	42	--
						Saudi Arabia	63	-1

Source: Bloomberg, Emirates NBD Research

Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report. The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.

Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O.Box 777
Dubai

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

Tim Fox
Head of Research &
Chief Economist
+9714 230 7800
timothyf@emiratesnbd.com

Research

Khatija Haque
Head of MENA Research
+9714 230 7803
khatijah@emiratesnbd.com

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

Aditya Pugalia
Financial Markets Research
+9714 230 7802
adityap@emiratesnbd.com

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

Mohammed Altajir
FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

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

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

Sales & Structuring

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

Saudi Arabia Sales
Numair Attiyah
+966 11 282 5656
numaira@emiratesnbd.com

Singapore Sales
Supriyakumar Sakhalkar
+65 65785 627
supriyakumars@emiratesnbd.com

London Sales
+44 (0) 20 7838 2241

Egypt
+20 22 726 5040

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